

Making a Difference


Lenovo is passionate about its commitment to serve as a global corporate citizen and leader in sustainable business practices. These are both values and promises that we hold across our company – and as we transform and grow, so too does our focus on making a positive impact. The way we approach sustainability at Lenovo is similar to how we approach innovation – with the mantra that Different is Better. We always strive to find new ways of doing things differently so that we can consistently become better – for our customers, for our employees, for the communities where we do business and for the environment. This year, we developed a breakthrough LTS manufacturing process that will reduce Lenovo's annual CO2 emissions by almost 6,000 metric tons through 2018 – and we'll soon make the process available to all electronics manufacturers so they can do things differently for the sake of being better, too. In the year ahead, we'll continue to pave new roads with our global CSR and sustainability initiatives and maintain our unwavering pledge to build a more sustainable future.

BECAUSE
DIFFERENT
IS BETTER.



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1.0



EXECUTIVE LETTERS

6	1.1	A Message from Yang Yuanqing, Our Chairman and CEO
8	1.2	A Message from Guan Wei, Our Chief Sustainability Executive

A MESSAGE FROM YANG YUANQING OUR CHAIRMAN AND CEO

“As Lenovo becomes the leading device + cloud company, we measure success not only by the innovative products and services we create, but by the strides we make with our purpose-driven sustainability and corporate social initiatives.”



At Lenovo, we are guided by the credo, “We do what we say; we own what we do; we wow our customers.” Each one of the more than 52,000 individuals who work for Lenovo—across 60 countries and 40 languages—shares the same common set of values that served as the company’s founding cornerstone. We are guided by the same level of commitment, accountability and customer-centric action that has made Lenovo a company with both business goals and social and environmental purpose.

Sustainability and corporate social responsibility have always been priorities for Lenovo because they are priorities for our stakeholders, whom we view as partners: our customers, our employees, our investors and the communities in which we live and operate. As Lenovo becomes the leading device + cloud company, we measure success not only by the innovative products and services we create, but also by the strides we make with our purpose-driven sustainability and corporate social initiatives. We will never waiver on our commitment to responsible corporate citizenship.

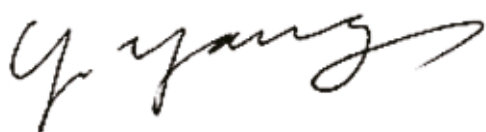
This past fiscal year, we worked to clear a path for our Mobile and Data Center businesses to grow, while continuing to nurture our leadership in the PC market. We also appointed new leaders across key areas of our business to join what is already a very diverse global leadership team. Of note, this included three new women leaders joining our ranks in senior roles: Kim Stevenson, senior vice president and general manager of Data Center Group (formerly with Intel); Radhika Krishnan, executive director and general manager, Software-Defined Data Center (formerly with Nimble Storage and Network Appliance); and Laura Quatela, senior vice president and chief legal officer (formerly with Alcatel-Lucent and Eastman Kodak). We believe passionately that by leveraging the breadth of skills and various backgrounds of our diverse workforce, we are uniquely able to meet the varied cultural needs of all our customers.

As we are in the eleventh year of Lenovo's annual Sustainability Report, you'll see this culture of ownership, accountability and customer centricity manifested in our sustainability and corporate social initiatives.

- Lenovo achieved a breakthrough innovation in manufacturing with the development of an industry-first low-temperature solder (LTS) process that supports our climate change mitigation goals while increasing product reliability. LTS reduces the heat required for connecting components to circuit boards by 70 degrees Celsius. Through 2018, LTS will reduce Lenovo's annual CO2 emissions by almost 6,000 metric tons, which is equivalent to the consumption of 670,000 gallons of gasoline per year. Despite the competitive advantage this innovation provides in reducing costs, in 2018 Lenovo intends to offer its new procedure on an industrywide basis free of charge for the benefit of all electronics manufacturers.
- Lenovo's photovoltaic solar panel installation at the Lenovo-Compal facility in Hefei, China, was completed and began producing electricity. The plant will generate 3,900,000 KWh of power annually, saving approximately 3,900 tons of carbon emissions. This achievement is another step toward Lenovo's goal of reducing our Scope 1 and 2 GHG emissions by 40 percent by 2020, relative to our FY2009/10 baseline.
- Lenovo scored A-, "Leadership level," on CDP's questionnaire assessing progress toward environmental stewardship of climate change mitigation and adaption.
- Lenovo received a perfect score of 100 percent by the Corporate Equality Index 2017 on corporate policies and practices related to LGBT workplace equality, earning distinction in "Best Places to Work for LGBT Equality."
- Lenovo appeared on the Hang Seng Corporate Sustainability Index for the seventh year in a row and scored an AA, the best overall score in our industry.
- Since 2009, Lenovo continues its role as a member and signatory of the United Nations Global Compact, aligning its operations and strategies in the areas of human rights, labor, environment and anti-corruption.

Environmental stewardship, ethical conduct and community involvement underpin Lenovo's business growth and fulfills our purpose as a company. Our credo will continue to guide us as a company as we strive to improve the daily lives of our customers, employees and local communities and positively impact society overall.

Thank you,



Yang Yuanqing

*Chairman and Chief Executive Officer,
Lenovo*

A MESSAGE FROM GUAN WEI OUR CHIEF SUSTAINABILITY EXECUTIVE

“Lenovo is a truly global technology leader capable of positively improving life, work, and even society. Our promise to our stakeholders is that we will continue to embrace our long-held values of environmental and social responsibility as key ingredients in shaping our future.”



As I look back on my first year as Lenovo’s Chief Sustainability Executive, I am proud of our marked progress in sustainable and ethical practices and motivated by the challenges and work we still face. One of Lenovo’s enduring strengths is its ability to maintain focus while navigating uncharted territories. We exerted that strength this year as we established three distinct business groups – PC, Mobile and Data Center – to better meet customer needs, business priorities and industry shifts. We remained diligent in offering products and services that our customers are proud to use, not only because they comprise innovative technologies but also embody sustainable and ethical practices.

My role as head of Lenovo’s Global Supply Chain allows me to constantly leverage my extensive manufacturing and supply chain operations experience in implementing sustainability best practices at Lenovo. Lenovo has created one of the most secure and best-performing global supply chains – a distinction recognized by Lenovo’s consistent inclusion in Gartner’s “Supply Chain Top 25” rankings.

In addition, Lenovo manufactures a higher volume of products in its own factories than almost any other technology hardware supplier. This gives us greater control and transparency from product conception through end-of-life. We lead the industry with the highest product quality standards and fully comply with all laws and regulations in the countries where we operate, and require that our suppliers do the same through contracts and our Supplier Code of Conduct.

Lenovo also places additional requirements on our suppliers that go beyond legal compliance, such as the Electronics Industry Citizenship Coalition (EICC) Code of Conduct. Lenovo recognizes the importance of concerns regarding the sourcing of materials containing tin, tantalum, tungsten and gold (3T/G), commonly referred to as “conflict minerals,” from regions experiencing political and social conflict. The company fully supports the efforts of the EICC, Conflict Free Smelter Initiative (CFSI), NGOs and governmental bodies to solve this complex issue.

Lenovo also formally joined the EICC Responsible Raw Materials Initiative (RRMI), launched in 2016. The company is a member of the RRMI Advocacy Workgroup, whose initial efforts aim to drive responsible sourcing of cobalt and tin with a principal focus on the Democratic Republic of the Congo (DRC) and Indonesia, respectively. Cobalt is a key ingredient in the lithium-ion batteries that power smartphones, laptops and electric cars, and about 60 percent originates from artisanal mines located in the DRC.

Lenovo also supports the United Nations Declaration on Human Rights and commits to extending these rights to our employees and others directly or indirectly employed in our supply chain. In FY 2016/17, we codified this commitment by implementing a Human Rights Policy, which is available on our website.

As Lenovo evolves and diversifies, we remain nimble in dedicating resources and attention across every business in the areas of quality and safety for products, employee welfare, ethical corporate behavior, social investments and environmental affairs. In FY 2016/2017 we continued to demonstrate leadership in these areas, and recognition of our successes included:

- In the Hong Kong Oxfam ESG 2016 Survey, Lenovo ranked 5th overall among Hang Seng 50 companies and rated highest in human rights, supply chain and environmental management.
- Lenovo scored 71/100 in the EcoVadis 2016 CSR “Gold” Ranking, a European assessment platform, placing in the top 2 percent of suppliers in all categories.
- Lenovo was selected for inclusion for the third consecutive year in the Corporate Knights 2017 Global 100 Most Sustainable Corporations in the World Index.
- For the fourth consecutive year, Lenovo was a recipient of the Platinum Award in the 2016 Best Corporate Governance Awards. Organized by the Hong Kong Institute of Certified Public Accountants (HKICPA), a respected authority on corporate governance in Hong Kong, the Platinum Award recognizes Lenovo’s commitment to upholding rigorous standards of corporate governance through corporate disclosures and practices, including an emphasis on corporate social responsibility. Lenovo was also granted a Special Mention, ranking first in our category, in the Sustainability and Social Responsibility Award.
- Lenovo was recognized in 2016 for its environmental leadership by the China Quality Management Association for the Electronics Industry, which awarded Lenovo the “Outstanding Company for Pushing Green Development in the ICT Industry.”

Lenovo is a truly global technology leader capable of positively improving life, work and even society. Our promise to our stakeholders is that we will continue to embrace our long-held values of environmental and social responsibility as key ingredients in shaping our future.

Thank you,



Guan Wei

Chief Sustainability Executive

Senior Vice President, Global Supply Chain



2.0

INTEGRATING SUSTAINABILITY

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14	2.2	Materiality and Stakeholder Engagement
17	2.3	Lenovo and the U.N. Sustainable Development Goals

2.1 REPORT PARAMETERS

ABOUT THIS REPORT

This is Lenovo's 11th annual sustainability report. It covers the Fiscal Year 2016/17 (April 1, 2016 through March 31, 2017). The most recent report prior to this was published in September 2016 for the Fiscal Year 2015/16. This and previous reports are available at: www.lenovo.com/sustainability

This report is considered a companion document to Lenovo's annual and interim reports. Those can be viewed at: www.lenovo.com/www/lenovo/annual_interim_report.html. The [FY 2016/17 Annual Report](#) contains a CSR/sustainability overview on pages 116-128.

SCOPE OF THE REPORT

- All references, unless otherwise noted, are to Lenovo's fiscal year, which ends March 31, unless otherwise stated.
- This report covers Lenovo's global operations, including previously reported joint ventures and acquisitions, except where noted. Motorola Mobility is not covered in this report except where noted.
- Our operations:

Corporate headquarters in Hong Kong

Primary operational hubs in Beijing, China; Singapore, Republic of Singapore; and Morrisville, N.C., USA

Major research centers, manufacturing and assembly facilities are described on page 87.

Call centers in North America, South America, Europe, Asia and Australia

REPORT CONTENT

The content of this report is informed by the Environmental, Social and Governance (ESG) Reporting Guide set out in the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), the Global Reporting Initiative (GRI) Standards and the needs of Lenovo's stakeholders. Lenovo has complied with all "comply or explain" provisions as set out in the Hong Kong Stock Exchange's ESG Guide. This report has been prepared in accordance with the GRI Standards: Core option. More information about Lenovo's material topics can be found on pages 14-15 and 122-123.

REPORT REVIEW PANEL

Lenovo strives for continual improvement in all its initiatives and activities, including its responsiveness to stakeholder information needs. With this in mind, Lenovo convened an external panel of stakeholders to review our FY 2015/16 Sustainability Report and provide suggestions to enhance our reporting in this FY 2016/17 report. All four panel members have extensive experience in different aspects of corporate sustainability and sustainability reporting. We are grateful for their time and willingness to share their expertise in selected areas. All comments received were carefully considered—some are reflected as improvements in this report and others may be reflected in future reports.

Our panel:

Maria Færgemann Eg – Sustainable Procurement Manager, Nordea

Steve Lippman – Director, Corporate Responsibility, Microsoft

Andreas Rydell – Chief Sustainability Officer, Atea

Kim Bach Vu – Sustainability and Supply Chain, DNV GL



Andreas Rydell
*Chief Sustainability
Officer, Atea*



Maria Færgemann Eg
*Sustainable
Procurement Manager,
Nordea*



Kim Bach Vu
*Sustainability and
Supply Chain, DNV GL*



Steve Lippman
*Director, Corporate
Responsibility, Microsoft*

NOTES

Notes in the Consolidated Metrics, FY 2016/17 Performance and FY 2017/18 Objectives and Targets sections apply to all places throughout the document where that data is used.

EXTERNAL ASSURANCE

Bureau Veritas provided verification services for the following:

- All Greenhouse Gas (GHG) emissions data in this report
- Waste and water data in this report
- Certification for our compliance to ISO 9001, ISO 14001 and OHSAS 18001 (the certificates can be viewed on our [website](#)).

BASIS OF CALCULATIONS

- All financial data is denoted in U.S. dollars.
- Lenovo may in some instances face various challenges when measuring its performance. If there are contingencies associated with the data provided, those contingencies will be noted in the documentation.
- Lenovo continues to strive for excellence in measuring and improving its performance by adding new indicators. When new indicators are added, it may take time to deliver trending information. Therefore, we may not always provide information publicly until we are certain that this data can be delivered in a high-quality and consistent manner.

CONTACT INFORMATION FOR THIS REPORT

For questions or other information about this report or its content, please contact:

Mark Thomsen, Sustainability Project Manager, 8001 Development Drive Morrisville, N.C. 27560
Email: environment@lenovo.com

FEEDBACK

We welcome your comments and suggestions about Lenovo's sustainability performance and reporting. Please email Mark Thomsen at environment@lenovo.com.

2.2 MATERIALITY AND STAKEHOLDER ENGAGEMENT

MATERIALITY

Lenovo's integration of sustainability impact concerns into its strategy, planning, implementation and reporting activities begins with an assessment of materiality. We believe proper identification of sustainability related material concerns is integral to achieving our business goals of minimizing risk and maximizing growth and returns on capital, along with fulfilling our commitment to outstanding corporate citizenship.

Internally, Lenovo regularly conducts assessments to identify and categorize all material concerns through its Enterprise Risk Management (ERM) framework, including sustainability related issues. Material concerns are further clarified and addressed through company management systems. Lenovo's environmental management system, for example, provides a framework for assessment of significant environmental aspects (SEA), regularly scheduled audits, measurement of key performance indicators and continuous improvement. This SEA evaluation process and the ERM process provide valuable input into Lenovo's overall sustainability materiality assessment process. Other benefits of the EMS include monitoring our progress on previously identified material concerns and more quickly spotting emerging issues.

The scope of this Sustainability Report was determined by our Sustainability Materiality Assessment, a process where we evaluate and determine Lenovo's significant, or material, environmental and social responsibility aspects. We carried out this assessment in the fall of 2016.

Lenovo acknowledges that a variety of external perspectives are relevant to identifying material issues. We regularly engage with a variety of stakeholders and consider their feedback as we affirm what is material to our business, develop our sustainability strategy, set our goals and report on our progress.

SUSTAINABILITY MATERIALITY ASSESSMENT: MATERIAL TOPICS

- Business Ethics
- Climate Change (emissions)
- Community Outreach
- Corporate Governance
- Digital Inclusion
- Diversity and Equal Opportunity
- Economic Performance
- Energy Use
- Environmental Management System
- Human Rights
- Labor Standards and Practices
- Packaging
- Philanthropy/Disaster Relief
- Privacy
- Procurement Practices
- Product End-of-Life Management
- Product Energy Use
- Product Materials
- Product Responsibility
- Supply Chain Environmental Performance
- Supply Chain Labor Practices
- Talent Management
- Transportation
- Waste
- Water Use

STAKEHOLDER ENGAGEMENT

Lenovo continued to actively manage its relationships in FY 2016/17 with employees, customers, suppliers, shareholders and investors, regulators, members of the communities in which we operate, industry groups, nongovernmental organizations (NGO) and other stakeholders whose actions can affect the company's performance and value. Examples of mechanisms for engaging with stakeholders on sustainability issues include:

- Direct customer interaction via in person briefings, calls, social media engagement and other means; responses to customer surveys, etc.
- A Report Review Panel where customers, partners and other stakeholders provided feedback on Lenovo's previous Sustainability Report to inform the creation of this FY 2016/17 Sustainability Report (see page 13)
- Opportunities for comment and feedback from employees, customers, investors and other stakeholders based on sustainability communications issued by Lenovo, such as this report
- Employee/management meetings and communications for employee performance management
- Employee surveys such as the "Lenovo Listens" survey, commuting surveys and others

- Supplier conferences and quarterly business reviews
- Ongoing interactions and initiatives with local communities
- Responding to investor analyst and NGO surveys and inquiries
- Meetings and communications with industry peers, regulators and standards organizations to address issues of industry importance

Each section of this report contains numerous other examples of Lenovo's engagement with stakeholders.

The results of the Sustainability Materiality Assessment also guide us in evaluating and prioritizing stakeholder inputs. Our environmental, quality and other management systems have defined processes for obtaining and analyzing stakeholder input to help improve our performance as well as manage risk. Lenovo's network of geographic, environmental and sustainability focal points engage with local sales teams and customers on a regular basis. This is done through detailed responses to customer questions and meetings at customer locations or at Lenovo's briefing centers. These meetings allow Lenovo to get direct feedback on our environmental programs. Examples of feedback include information on eco-label preferences, requests for packaging optimization and requests for further information for internal customer education.

We are also heavily engaged with our suppliers to drive enhanced transparency and compliance and reporting tools such as Lenovo's full materials disclosure declarations and EICC reporting requirements. This is done via regular interactions with our suppliers, including communications, regular reviews and report cards.

Local stakeholder engagement at the site level is primarily done through Lenovo's community relations (see the [Social Investments](#) section) and communications teams, who work closely with Lenovo's global organization on sustainability issues.

Key sustainability issues addressed through Lenovo's engagement with stakeholders in the past fiscal year include concerns about protecting human rights in the supply chain, climate change mitigation and impact, recycling, product certifications and others. Lenovo has responded to these concerns by:

- Implementing a [Human Rights Policy](#) and updating our Supplier Code of Conduct
- Adding additional renewable energy generation at our Hefei site (see the [Renewable Energy](#) section)
- Reporting carbon emissions data and strategies to CDP (formerly Carbon Disclosure Project) (see the [Environmental Impact of Lenovo Operations](#) section). In 2016, Lenovo scored an A- and Leadership Level on its CDP carbon emissions-related reporting
- Providing free consumer recycling options in many geographies (see the [Recovery and Recycling Trends](#) section)
- Continuing the use of post-consumer recycled content (see the [Product Materials](#) section)

2.3 LENOVO AND THE U.N. SUSTAINABLE DEVELOPMENT GOALS

Lenovo supports the United Nations Sustainable Development Goals (SDGs), which were officially adopted by the U.N. in September 2015 and came into force in January 2016. The SDGs include 169 targets and are to be carried out between 2016 and 2030.

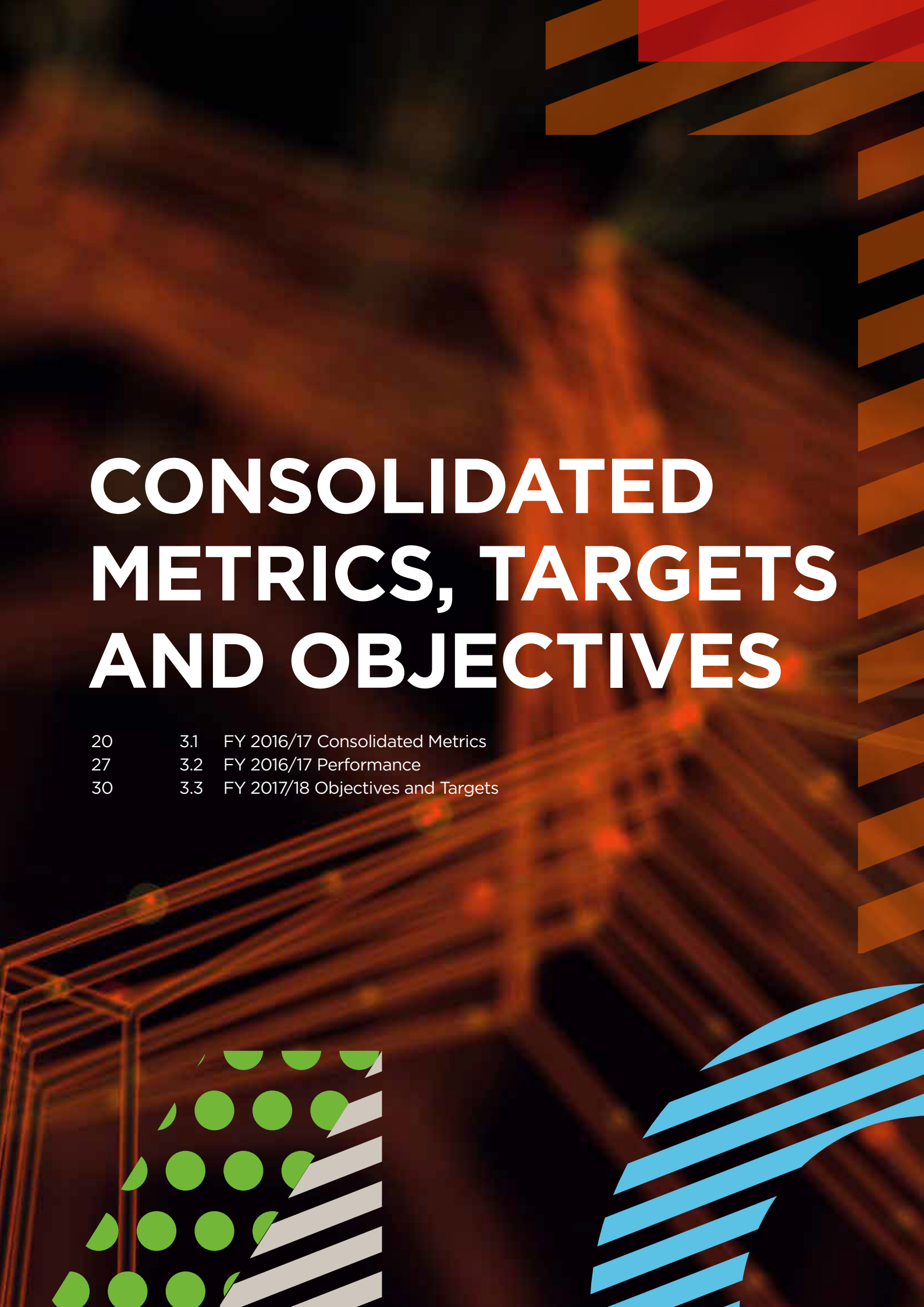
Lenovo has well-established programs to ensure we operate sustainably and responsibly, following our long-standing commitment to ethical corporate citizenship and promoting sustainability in all our activities. We became a Global Compact signatory in 2009. There are aspects of our business, projects, programs and activities that we can readily identify as contributing toward achieving SDGs. Examples include:



- **Goal 4** – Education and digital inclusion are key components to Lenovo’s social investment strategy. See the [Social Investments](#) section to read about our global activities in these areas in FY 2016/17.
- **Goal 5** – Lenovo is actively implementing programs to increase the hiring of women and develop female senior executive talent. See the [Diversity](#) section for more information.
- **Goal 8** – Lenovo has been recognized for its commitment to providing safe and healthy workspaces, and our supply chain program flows down our safe and healthy workspace requirements contractually. See the [Manufacturing and Supply Chain Operations](#) chapter for more information.
- **Goal 9** – Lenovo relentlessly pursues innovation that reaps sustainability benefits. Read about the benefits of some of our innovations on [pages 52-53](#).
- **Goal 12** – Lenovo’s Environmentally Conscious Products program has long been pushing forward the boundaries of reducing the resources required to manufacture and use our products. An example on [pages 109-110](#) explains the generational improvements in energy efficiency we have achieved in one of our desktop models.
- **Goal 13** – Lenovo has pledged to achieve a 40 percent reduction in greenhouse emissions by FY 2020/21, relative to FY 2009/10. See the [Environmental Impact of Lenovo Operations](#) section for more information about our FY 2016/17 achievements.





3.0



CONSOLIDATED METRICS, TARGETS AND OBJECTIVES

20	3.1	FY 2016/17 Consolidated Metrics
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3.1 FY 2016/17 CONSOLIDATED METRICS

General Data

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Revenue (Millions USD)	\$33,873	\$38,707	\$46,296	\$44,912	\$43,035
Revenue Analysis by Geography	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Americas	19%	21%	26%	30%	30%
EMEA (Europe, Middle East, Africa)	22%	25%	28%	26%	26%
Asia Pacific (excluding China)	16%	16%	14%	16%	16%
China	43%	38%	32%	28%	28%
Revenue Analysis by Business Group¹	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
PC and Smart Device	87%	88%	75%	69%	70%
Mobile	8%	10%	16%	19%	18%
Data Center	1%	1%	6%	10%	9%
Others	4%	1%	3%	2%	3%
Research and Development	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Expenditures/Revenue	1.84%	1.89%	2.64%	3.32%	3.16%

Employees, Health and Safety

Number of Employees - Total²	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Total	35,026	54,372	50,348	48,975	46,163
Percentage of Employees by Region³					
Americas		23%	25%	15%	15%
North America	7%				
Asia Pacific (excluding China)		7%	8%	8%	9%
Asia Pacific/Latin America (excluding China)	21%				
China	63%	63%	59%	69%	66%
EMEA (Europe, Middle East, Africa)	8%	7%	8%	8%	9%
Percentage of Employees by Gender					
Males	61%	60%	64%	66%	65%
Females	39%	40%	36%	34%	35%
	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
Hours of training per manufacturing employee (including part-time employees)	35	35	35	35	35
	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
Incident Rates					
Recordable Rate	0.21	0.19	0.13	0.1	0.07
Lost-Time Rate	2.96	2.27	2.20	2.69	0.5
Number of employee fatalities (work-related)	0	0	0	0	0
Number of contractor fatalities (work-related)	0	0	0	0	0
	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
Number of OHSAS 18001 registered facilities	9	9	10	10	10

Communities and Philanthropy

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Cash Donations					
Corporate, Rest of World (incl. LA)	\$100,000	\$417,500	\$590,000	\$404,000	\$75,000
China	\$533,991	\$358,000	\$176,000	\$311,000	\$200,000
North America	\$211,742	\$156,500	\$411,450	\$692,000	\$906,000
Lenovo Match of North America Employee Donations	\$215,000	\$214,988	\$259,431	\$281,778	\$352,654
EMEA (Europe, Middle East, Africa) ⁴	—	—	\$105,000	\$169,000	\$64,000
Asia Pacific (excl. China) ⁴	—	—	\$10,880	\$82,000	\$59,000
Product and Other In-Kind Donations					
Corporate, Rest of World (incl. LA)	\$50,000	\$262,086	—	\$319,000	\$15,000
China	\$216,823	\$542,000	\$113,000	\$100,000	\$100,000
North America	\$241,367	\$366,409	\$280,766	\$388,000	\$946,000
EMEA (Europe, Middle East, Africa) ⁵	—	—	\$60,000	\$36,000	\$50,000
Asia Pacific (excl. China) ⁵	—	—	\$155,928	\$140,000	\$67,000
Employee Giving (through efforts sponsored by Lenovo)					
All	\$506,587	\$510,994	\$575,941	\$698,160	\$788,887
Employee Volunteering Hours (through efforts sponsored by Lenovo)					
China	>5000	>5000	>5000	>5,000	1,266
North America	4,000	7,500	16,000	19,000	26,205

Environmental Data

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
GHG Emissions⁶					
(metric tons CO ₂ equivalent – MT CO ₂ e)					
Scope 1	11,591	13,507	8,996	7,068	8,294
Scope 2 (location-based)	297,238	244,372	221,406	228,493	213,637
Total Scope 1 & Scope 2 (location-based)	308,829	257,879	230,402	235,561	221,931
Scope 2 (market-based)	297,238	244,372	221,406	203,041	185,400
Scope 3	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Business Travel	24,793	26,844	34,600	39,000	58,000
Product Transportation	267,530	316,594	293,102	326,840	351,100
Emissions from Waste	870	1,058	2,138	2,149	2,390
Employee Commuting	23,196	24,720	30,700	26,300	23,800
Purchased Goods and Services	1,270,866	1,117,052	1,054,683	1,646,141	2,054,900
Fuel-and-Energy Related Activities (not included in Scope 1 or 2)	7,134	8,936	10,737	14,664	12,300
Use of Sold Products	N/A	14,300,000	12,800,000	12,000,000	11,600,000
End-of-life Treatment of Sold Products	N/A	400,000	300,000	290,000	280,000
Capital Goods	N/A	N/A	37,700	227,700	101,000
Emissions Intensity: GHG Emissions – Scope 1 & Scope 2 (location-based)⁶	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
(metric tons per \$ million revenue)	9.12	6.66	4.98	5.25	5.16
Operational Energy Intensity Use – Scope 1 & Scope 2 (location-based)⁶	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
(MWh per \$ million revenue)					
Fuel Combustion	0.51	0.54	0.72	0.74	0.94
Purchased Energy (electricity, steam, cooling)	3.67	4.14	4.66	6.97	6.74
Operational Energy Use – Scope 1 & Scope 2 (location-based)⁶	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
(MWh)					
Fuel Combustion	17,309.71	20,953.29	33,201.65	33,363.16	40,257.94
Purchased Energy (electricity, steam, cooling)	124,275.67	160,298.07	215,753.86	313,027.41	290,112.63

Environmental Data

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Voluntary Purchases of Renewable Energy⁶	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Solar Energy	210	332	201	221	1,607
Renewable Energy Credits	35,303	12,621	15,000	26,400	16,250
International Renewable Energy Credits	N/A	N/A	N/A	N/A	22,000
Guarantees of Origin	N/A	N/A	10	4,500	7,300
Carbon Offsets	9,457	45,765	80,000	54,000	55,000
Renewable Energy Generation Capacity (MW)	0.3	0.3	0.3	0.3	5.5
Water⁷ (in Cubic Meters)	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Water Use	602,155	874,742	1,202,689	1,366,829	1,429,610
Wastewater Discharge Values	549,678	811,807	1,127,164	1,298,427	1,351,405
Wastewater Exceedances	0	0	0	0	0
Waste⁸ (in Metric Tons)	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Nonhazardous Waste	20,088.68	27,316.95	35,944.75	40,041.55	44,032.69
Hazardous Waste	12.66	26.57	210.29	78.90	67.65
Recovery and Recycling Trends (in Metric Tons)	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
Product End-of-Life Management (PELM) ⁹	11,127	12,806	14,587	18,600	29,075
Product Take Back (PTB) ⁹	9,877	10,578	11,252	15,487	27,392
Product End-of-Life Management (PELM) Disposition (in Metric Tons)	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
Reused	1,094	1,239	788	778	710
Recycled	9,352	11,130	13,209	14,620	26,569
Waste to Energy (WTE)	351	264	251	507	907
Incinerate	29	46	78	804	233
Landfill	302	127	256	1,891	656
Total	11,128	12,806	14,587	18,600	29,075

Environmental Data

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Product Take Back (PTB) Disposition (in Metric Tons)	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
Reused	238	266	534	375	164
Recycled	9,007	9,895	10,205	14,128	25,445
Waste to Energy (WTE)	350	261	251	502	906
Incinerated	29	45	78	134	233
Landfill	254	111	184	348	644
Total	9,878	10,578	11,252	15,487	27,392
Product Take Back (PTB) by Geography (in Metric Tons)	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
EMEA (Europe, Middle East, Africa)	7,619	6,056	6,732	9,909	19,526
The Americas	1,110	1,556	1,999	4,657	5,751
Asia Pacific (excluding China)	1,148	2,966	2,521	910	2,075
Total	9,877	10,578	11,252	15,476	27,352
Use of Recycled Plastics in Products (in Pounds)	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
Plastics Containing Recycled Content (PCRC)	24,759,119	22,988,393	23,850,027	20,597,606	15,802,979
Net Post-Consumer Recycled Content (PCC)	12,165,750	11,338,718	13,883,806	11,622,364	10,204,469
Net Post-Industrial Recycled Content (PIC)	15,013	8,818	18,739	6,724	0
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Number of ISO 14001 Registered Sites	18	24	25	24	24
ENERGY STAR® Certified Products Availability (% of product)					
Notebook Platforms	98%	100%	98%	100%	98%
Desktop Platforms	71%	73%	82%	90%	94%
Workstation Platforms	92%	73%	71%	76%	78%
Server Platforms	50%	83%	94%	92%	91%
Monitors	96%	97%	97%	97%	98%

FOOTNOTES:

1. A change in organization structure in FY 2016/17 led to a restatement of revenue analysis data for previous years according to the new structure.
2. Number of Employees - Total includes Lenovo employees (regulars and supplementals) only. Contractors are not included as they are not Lenovo employees.
3. Lenovo changed its management of geographies in FY 2012/13.
4. FY 2010/11 to FY 2013/14 EMEA and Asia Pacific cash donations are included with "Corporate and Rest of World."
5. FY 2010/11 to FY 2013/14 EMEA and Asia Pacific in-kind donations are included with "Corporate and Rest of World."
6. Lenovo's GHG Emissions and Energy Inventory Specifics:
 Lenovo started to verify energy and GHG emissions data in FY 2009/2010.
 At the end of FY 2012/13 Lenovo adjusted its historical Scope 1 and 2 CO₂e emissions data to account for acquiring Medion in Germany and creating a joint venture with NEC in Japan. At the end of FY 2015/16, Lenovo adjusted historical Scope 1 and 2 CO₂e emissions data to account for acquiring System x and Motorola Mobility.
 Lenovo started to report location- and market-based Scope 2 from FY 2015/16. Base year and consecutive year Scope 2 totals are the same for both the location-based and market-based methods, as product- and supplier-specific market-based data were not available in the base year and consecutive years. The location-based results thus have been used as a proxy for the market-based method.
 Beginning in FY 2015/16, System x and Motorola Mobility data are included in energy and Scope 3 emissions data.
 Approximately 1% of purchased energy (electricity) is estimated based upon energy use at similar Lenovo facilities with metered usage.
 Product transportation emissions include key upstream suppliers representing the majority of global logistics spend. Note: Upon confirmation with the GHG Protocol standard, we decided to recategorize this to upstream from downstream transportation (from FY 2016/17, previous years were adjusted accordingly).
 Emissions from waste include nonhazardous waste, hazardous waste and wastewater from all manufacturing, R&D locations and some large offices. No product waste is included.
 Purchased goods and services include suppliers covering 95% of direct global suppliers spend. The EICC Carbon and Water Reporting Tool was used for collecting most supplier data. Data was allocated based on revenue.
 Fuel-and-energy related activities (not included in Scope 1 or 2) include transmission and distribution (T&D) losses from Lenovo's worldwide purchased electricity and natural gas. A World Bank database and Energy Star Performance Rating document were used for determining T&D loss rates.
 Lenovo used the current Product Attribute Impact Algorithm (PAIA) notebook, desktop, monitor, tablet, all-in-one and thin client tool for calculating emissions of Lenovo's typical notebook, desktop, monitor, tablet, all-in-one and thin client. The calculated results show emissions distribution by different parts and also for use, packaging, transportation and end-of-life treatment categories. The emissions associated with use and end-of-life treatment of sold products were estimated on a narrow baseline for the typical notebook, desktop, monitor, tablet, all-in-one and thin client multiplied by sold/shipped product volumes.
 Emissions from capital goods are based on purchased capital goods in a given year. The 2012 Guidelines to Defra GHG Conversion Factors for Company Reporting, Annex 13, was used for emission factors for different type of capital goods adjusted for inflation and exchange rates.
 Solar energy is measured in MWh.
 Renewable Energy Credit, International Renewable Energy Credit and Renewable Energy Guarantees of Origin represent 1 MWh and carbon offset represents 1 MT CO₂e. These are reported and calculated separately and taken into consideration internally when evaluating progress toward emissions targets.
 Renewable energy generation capacity includes electric solar panels in Shanghai and Hefei, China, and hot water solar panels in Beijing, China.
7. Water data includes manufacturing, research and development sites and some large offices.
 Lenovo started to verify waste and water data in FY 2011/12.
 Beginning of FY 2015/16, System x and Motorola Mobility data are included in water data.
8. Waste data includes site waste from manufacturing, research & development sites and some large offices.
 Waste data includes processes and operations waste; product waste is reported separately.
 Lenovo started to verify waste and water data in FY 2011/12.
 Beginning of FY 2015/16, System x and Motorola Mobility data are included in waste data.
9. Lenovo's Product End-of-Life Management (PELM) includes product take back (PTB) from customers and Lenovo-owned country returns, manufacturing and R&D scrap, and employee equipment from real estate sites.

3.2 FY 2016/17 PERFORMANCE

Target Type	Objective	Key Performance Indicator(s)	Target(s)	Status
Packaging and paper ¹	Minimize packaging material consumption while driving the use of environmentally sustainable materials.	% packaging FSC (Forest Stewardship Council) certified	Use 100% FSC or equivalent virgin fiber packaging.	Target met.
		% of packaging that is 100% PCC	Increase use of 100% PCC by 10% based upon shipping volume relative to previous year.	Target met.
		Packaging volume/weight	Achieve 5% reduction in weight or volume for at least one product.	Target met.
Product energy ¹	Drive reduction in product energy use.	Energy efficiency	New products must show improved energy efficiency relative to the previous generation of the product.	Target met.
			Ensure select products are compliant with preferred voluntary energy standards.	Target met.
	Quantify and reduce lifecycle CO ₂ e emissions associated with the use of Lenovo products.	Task completion	Continue to support external development of PCF methodologies and standards.	Target met.
			Ensure product carbon footprint is published for all new Lenovo products. ²	Target met.

Target Type	Objective	Key Performance Indicator(s)	Target(s)	Status
Product materials ¹	Sustain technological advances and maintain portfolio relative to low halogen products. Monitor and respond to market requirements in this area.	Product low halogen (LH) score	Maintain or improve generation to generation LH score for all products.	Target met.
		% products containing PCC	Monitor and prepare to meet customer PCC requirements (e.g., IEEE 1680.1)	Target met.
			All product BUs shall use PCC in every product.	Target met.
	All products across all business units shall contain some Post Consumer Recycled Content (PCC) ^{3, 4} .	% PCC ⁵ in each product	Maintain or increase current percent PCC usage levels in the next generation of existing products.	Target met in all product lines except notebooks, accessories, some servers and mobiles. Notebook performance specifications caused unique technical challenges Lenovo is endeavoring to overcome. Accessories, some servers and mobiles were due to cost issues.
Site energy consumption	Maximize energy efficiency and minimize CO ₂ e emissions associated with the development, manufacture and delivery of Lenovo products.	kWh/unit produced	Maintain global energy intensity at +/- 5% of FY 2015/16 rate. ⁶	Target met.
		Renewable energy generation capacity (MW)	Achieve 30MW of Lenovo-owned or -leased renewable energy generation capacity globally by 2020.	Progress being made but significant challenges exist to achieve 2020 target.
		% total energy from renewable sources	Lenovo will achieve a YTY increase in the % of energy purchased from renewable generation sources globally, relative to the previous FY.	Target met.
Site air emissions	Absolute reduction in CO ₂ e emissions from Lenovo operations worldwide. ⁷	Metric Tons CO ₂ e	Establish global action plan to reduce combined Scope 1 and Scope 2 GHG emissions by 40% by March 31, 2020, relative to FY 2009/10. The plan will be reviewed and updated annually, at a minimum.	Target met.
			Reduce Lenovo's global Scope 1 + Scope 2 GHG emissions by 40% by March 31, 2020, relative to FY 2009/10.	Target on track.

Target Type	Objective	Key Performance Indicator(s)	Target(s)	Status
Waste management	Minimize environmental impacts associated with solid waste generated from Lenovo operations and products.	% nonhazardous solid waste recycled ⁸	Maintain a global nonhazardous waste recycling rate > 90% (+/- 5%).	Target met.
		Waste intensity ⁹	Maintain a global waste intensity +/- 5% of the FY 2015/16 rate.	Target met.
Supplier environmental performance	Minimize potential environmental impact of Lenovo's Category 1, 2 and 3 suppliers.	% Cat 3 Suppliers audited	100% of Category 3 suppliers shall be audited and approved per Lenovo requirements.	Target met.
	Monitor and drive good environmental management practices in the Lenovo supply chain.	Supplier conflict-free status	Improve conflict-free status by 5% relative to CY 2015.	Target met.
Transportation	Establish the foundation for driving future reductions in Lenovo international product transport carbon emissions.	Metric tons CO ₂ e	Streamline transportation supplier emissions reporting process.	Target met.
Product end-of-life management	Ensure customer access to convenient, reliable and compliant product take-back programs.	Global coverage for take-back programs	Ensure take-back programs are available in all markets in which Lenovo sells product.	Target partially met. In most major markets, Lenovo offers programs. However, some markets present unique political or financial challenges which have not allowed Lenovo to identify qualified partners and/or offer local programs.

FOOTNOTES:

1. An exemption from targets in this area may be requested where the BU can clearly demonstrate achieving the target places the Lenovo product at a large price disadvantage against its competition.
2. For products for which a PAIA tool exists.
3. Availability of PCC plastics can be determined through consultation with environmental affairs and/or suppliers on the Lenovo Approved PCC Supplier list.
4. To drive increased usage of PCC all BUs shall include a requirement for the identification of applications for the use of PCC applications in new product development. PCC shall be used when technical specifications and cost parity are met.
5. PCC percentage is calculated using EPEAT methodology (i.e., net amount of post-consumer recycled content as a percentage of the total weight of plastic in the product).
6. Energy intensity will be calculated at the global level as total electricity consumed per unit of product produced during the fiscal year.
7. This goal may be accomplished through energy efficiency, installation of on-site renewable generation, entry into power purchase agreements (PPA) with power providers and/or the purchase of renewable energy credits and carbon offsets.
8. Percent of nonhazardous solid waste disposed of through reuse, recycle or incineration with energy recovery.
9. Waste intensity will be calculated at the global level as total nonhazardous waste generated per unit of product produced during the fiscal year.

3.3 FY 2017/18 OBJECTIVES AND TARGETS

Target Type	Objective	Key Performance Indicator(s)	Target(s)
Packaging	Minimize packaging material consumption while driving the use of environmentally sustainable materials.	Availability of bulk packaging	Support bulk packaging for DCG products and/or options.
		Availability of reusable packaging design	Support development of reusable rack crate design for servers.
		Amount of PCC used	Increase use of 100% PCC by 10% based on shipping volumes relative to previous year.
		Weight or volume reduction	Achieve 5% reduction in weight or volume for at least 1 product.
Product energy	Drive reduction in product energy use.	Energy efficiency	New products must show improved energy efficiency relative to the previous generation of the product. ¹
		Regulatory and voluntary energy standard compliance	Ensure all products are compliant with regulatory requirements and select products are compliant with preferred energy standards.
	Quantify lifecycle CO ₂ e emissions associated with the use of Lenovo products.	PCF (kg CO ₂ e)	Continue to support external development of PCF methodologies and standards.
			Ensure product carbon footprint is published for all new Lenovo products. ² Begin calculating PCF for representative sample of newly released servers by January 31, 2018.

Target Type	Objective	Key Performance Indicator(s)	Target(s)
Product materials ^{1,3,4,5}	All products across all business units shall contain some post-consumer recycled content (PCC).	% PCC in product/external enclosure	All newly released DT, AIO, workstation, notebook, tablet and visual products shall contain a minimum of 2% PCC in product.
			All newly released server products shall contain a minimum of 10% PCC in external enclosure.
		% products containing closed-loop ABS PCC/packaging PCC	Develop and approve closed-loop ABS PCC and packaging PCC supplier and material.
			Investigate opportunities for use of closed-loop ABS PCC and packaging PCC in select products.
	Sustain technological advances and maintain portfolio relative to low-halogen products. Monitor and respond to market requirements in this area.	Low-halogen parts	Make available specific low-halogen parts as needed to support local geo customer requirements.
Site air emissions	Absolute reduction in CO ₂ e emissions from Lenovo operations worldwide.	Metric tons CO ₂ e	Reduce Lenovo's global Scope 1 + Scope 2 GHG emissions by 40% by March 31, 2020, relative to FY 2009/10. ⁶
			LME, GRE, LCRE and GEA will establish global action plans to reduce combined Scope 1 and Scope 2 GHG emissions by 40% by March 31, 2020, relative to FY 2009/10. The plan will be reviewed and updated annually, at a minimum. ⁶
			Achieve a 4% reduction in global CO ₂ e emissions by the end of FY 2017/18 relative to previous fiscal year. ⁶
Site energy consumption	Maximize energy efficiency and minimize CO ₂ e emissions associated with the development, manufacture and delivery of Lenovo products.	Renewable energy generation capacity (MWh)	Achieve 30MW of Lenovo-owned or -leased renewable energy generation capacity globally by 2020.
		% total energy from RE sources	Achieve a YTY increase in energy purchased from renewable generation sources globally, relative to the previous FY. ⁷

Target Type	Objective	Key Performance Indicator(s)	Target(s)
Waste management	Minimize environmental impacts associated with solid waste generated from Lenovo operations and products.	% nonhazardous solid waste recycled	Maintain a global nonhazardous waste recycling rate > 90% (+/-5%). ⁸
Water management	Minimize environmental impacts associated with water use and water discharge from Lenovo operations and products.	m ³ water	Total global water use will be +/- 5% of FY 2016/17.
		m ³ wastewater	Total global wastewater generation will be +/- 5% of FY 2016/17.
		Water risk map	Develop Lenovo's operations water risk map. ⁹
Product end-of-life management	Increase number of R2 and eSteward certified recyclers and Asset Recovery Service suppliers on Lenovo's approved supplier list.	R2 or eSteward certification	In identified countries, ensure 100% of Lenovo approved recyclers and asset recovery services suppliers are R2 and/or eSteward certified by 3/31/2018. ¹⁰
Supplier environmental performance	Monitor and drive environmental impact reductions in the Lenovo supply chain.	Climate change reduction targets	Require climate change reduction targets for at least 75% of Lenovo direct suppliers.
		Environmental criteria in supplier sustainability scorecard	Strengthen environmental criteria in Lenovo's sustainability scorecard for our suppliers year to year.
	Minimize potential environmental impact of Lenovo's suppliers.	% audits	Complete EICC audits of 90% of identified suppliers per Lenovo requirements.
		Completion on time	Complete Cat 1, 2 and 3 environmental audits per Lenovo requirements.
Transportation	Drive reductions in Lenovo international product transport carbon emissions.	Climate change reduction targets	Engage with global transportation carriers to ensure they have climate change reduction targets and/or programs.
		GHG emissions assessment	Conduct transportation GHG emissions assessment against the Global Logistics Emissions Council (GLEC) framework.

FOOTNOTES:

1. An exemption from targets in this area may be requested where the BU can clearly demonstrate achieving the target places the Lenovo product at a large price disadvantage against its competition.
2. For products for which a PAIA tool exists.
3. Availability of PCC plastics can be determined through consultation with Lenovo's Global Environmental Affairs and/or suppliers on the Lenovo Approved PCC Supplier list.
4. To drive increased usage of PCC, all BUs shall include a requirement for the identification of applications for the use of PCC in MRD and RFI/RFQ. PCC shall be used when technical specifications and cost parity are met.
5. PCC percentage is calculated using EPEAT methodology (i.e., net amount of post-consumer recycled content as a percentage of the total weight of plastic in the product).
6. This goal may be accomplished through energy efficiency, installation of on-site renewable generation, entry into power purchase agreements (PPA) with power providers and/or the purchase of renewable energy credits and carbon offsets.
7. This goal may be accomplished through energy efficiency, installation of on-site renewable energy generation, entry into power purchase agreements (PPA) with power providers and/or the purchase of renewable energy credits.
8. Percent of nonhazardous solid waste disposed of through reuse, recycle or incineration with energy recovery.
9. Lenovo's owned and managed EMS sites (manufacturing, R&D) are in scope.
10. The identified countries are based on EPEAT requirements. In countries where the government or other authorities select and approve the end-of-life program processors and in which the manufacturer does not control the selection of initial service providers, this target is N/A.



4.0

Practicing Ethical Business

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4.1 CORPORATE GOVERNANCE

Responsible and ethical governance is the foundation of a sustainable company. The core governance structure of Lenovo is an effective board of directors (the “Board”), led by the Chairman with the support of senior management with the goal to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices in the interest of shareholders and other stakeholders. The Company also regularly reviews its corporate governance structure to ensure it is in line with international and local best practices.

Throughout the year ending March 31, 2017, the Company has complied with the code provisions of the Corporate Governance Code and the Corporate Governance Report (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and, where appropriate, met the recommended best practices in the CG Code except for the deviation as explained on page 45 of the [Annual Report](#).

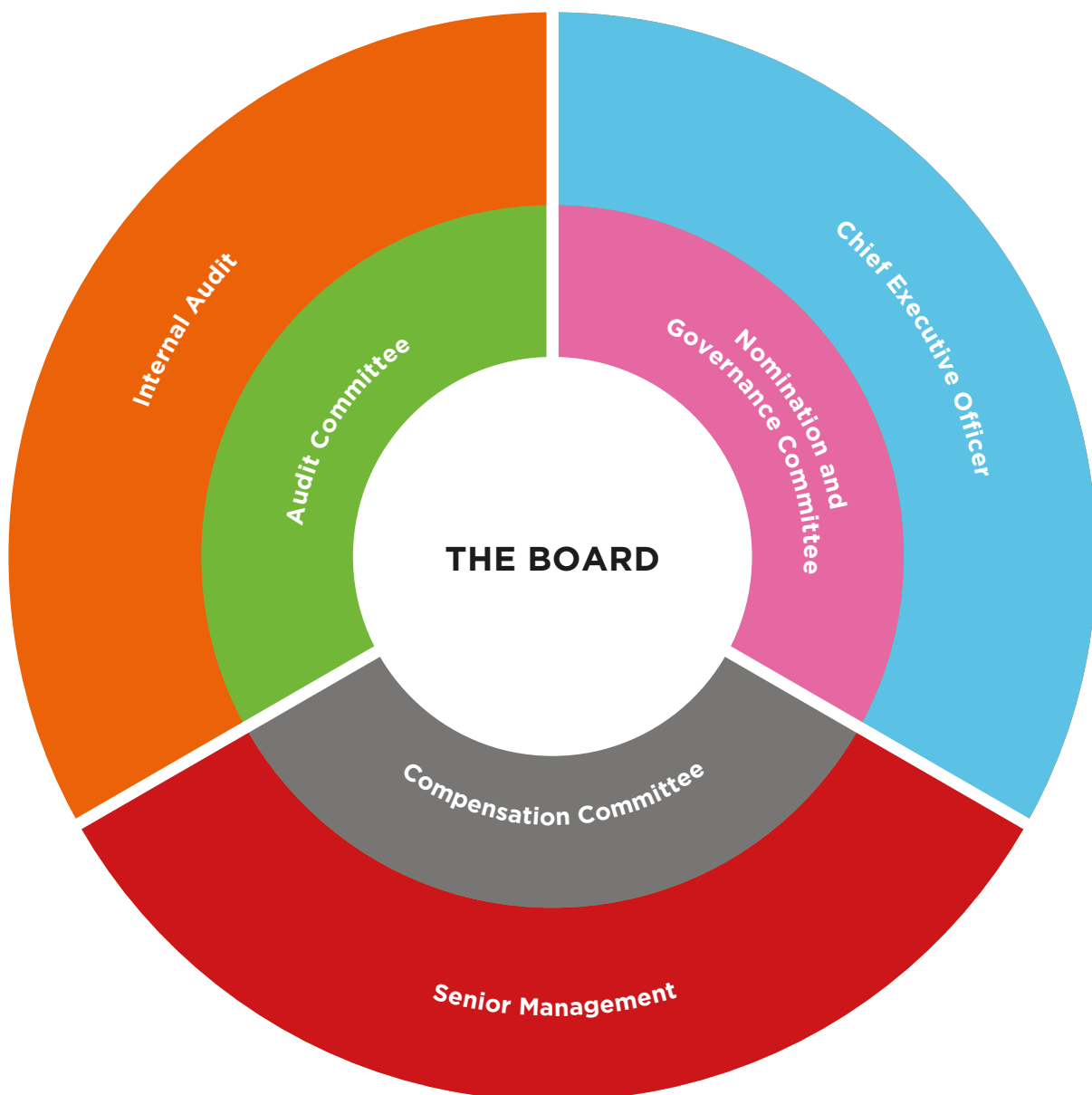
More details on Lenovo’s corporate governance structure and practices, as well as risk management and internal control, can be found on pages 44-94 of the [Annual Report](#). For quick reference, in particular on our sustainability governance structure and management approach, the following overview is provided.

BOARD STRUCTURE

The Board is the highest governing body in the organization and is responsible for overseeing the overall strategy of the Company and directing and supervising its affairs in a responsible and effective manner. As of March 31, 2017, there were eleven Board members consisting of one executive director, namely Mr. Yang Yuanqing; two nonexecutive directors, namely Mr. Zhu Linan and Mr. Zhao John Huan; and eight independent nonexecutive directors, namely Dr. Tian Suning, Mr. Nicholas C. Allen, Mr. Nobuyuki Idei, Mr. William O. Grabe, Mr. William Tudor Brown, Ms. Ma Xuezheng, Mr. Yang Chih-Yuan Jerry and Mr. Gordon Robert Halyburton Orr. The Board diversity mix is set out on page 48 of the [Annual Report](#), while the detailed biographies and a snapshot of the Board’s experience are set out on pages 133-136 of the [Annual Report](#).

The Company has adopted a Board Diversity Policy that ensures that Board members have an appropriate balance of skill, experience, knowledge and independence. Currently, the Board, comprising a vast majority of independent nonexecutive directors, brings diverse experience and expertise to the Company and also enhances the independence, diversity and perspective of the Board. In line with international corporate governance practices, a Lead Independent Director has been appointed. Details of the nomination and appointment process of directors and the Board Diversity Policy can be found in the Corporate Governance Report section of the [Annual Report](#).

The Company has preserved three Board Committees—the Audit Committee, the Compensation Committee and the Nomination and Governance Committee—to enhance the effectiveness of Board functioning and operation. Each Board Committee has defined terms of reference, which are available on both the websites of the Company (www.lenovo.com/hk/publication) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). Further details on the composition, responsibilities and main activities in FY 2016/17 of these Board Committees are included in the [Annual Report](#) on pages 67-71.



BOARD RESPONSIBILITIES

The Board has a coherent framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder value and provide a robust platform to realize the Company's strategy. A summary of leadership responsibilities of the Company and those of the Lead Independent Director is set out in the [Annual Report](#) on page 47.

The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. The Board has given clear directions to management regarding matters that must be approved by the Board before management makes decisions or enters into any commitments on behalf of the Company. Further details on the responsibilities and delegation of the Board are set out in the [Annual Report](#) on page 61.

Finally, to address potential conflicts of interest at the Board level, it is expressly provided in the Company's articles of association that, unless otherwise permissible in the articles of association, a director shall not vote on any resolution of the Board approving any transaction, arrangement or contract or other proposal in which he or any of his associates is to his knowledge materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution).



SUSTAINABILITY MANAGEMENT

The Board has overall responsibility for the Company's sustainability strategy, and evaluates and determines Lenovo's sustainability related risks to ensure that appropriate and effective risk management and internal control systems are in place. To achieve our goals and commitments in sustainability, Lenovo has developed a sustainability governance structure both at the Board and executive level to ensure that Lenovo's values and commitment to sustainability are embedded in the organization and throughout the business.

At the executive level, sustainability is led by the Chief Sustainability Executive, who reports directly to the Chief Executive Officer. The Board meets with the Chief Sustainability Executive at least twice a year to review and discuss global ESG risk and compliance, sustainability highlights, plans for achieving key performance objectives and targets, and sustainability policies and initiatives requiring Board review and approval. The Chief Sustainability Executive also submits Lenovo's annual Sustainability Report to the Board for review and approval.

COMMUNICATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Company is committed to safeguarding our shareholders' interests and believes that effective communication with shareholders and stakeholders is essential for enhancing investor relations and investor understanding of our business performance and strategies. To achieve this, the Company has established the Shareholders' Communication Policy, which sets out various formal channels of communication with shareholders and other stakeholders to ensure fair disclosure and comprehensive and transparent reporting of the Company's performance and activities. Shareholders are provided sufficient notices of the Company's general meetings and are encouraged to attend and to actively participate in such meetings. All resolutions at the general meetings are conducted by way of poll voting. Results of the poll are published on the Company's website (www.lenovo.com/hk/publication) and Hong Kong Exchanges and Clearing Limited's website (www.hkex.com.hk).



Lenovo has also established an investor relations team to promote open, transparent, efficient and consistent communications with shareholders, investors and equity analysts. The team commits to proactively providing the investment community all necessary information, data and services in a timely manner in order to promote a solid understanding of the Company's strategy, operations and new developments. During the FY 2016/17, the Company's senior management team presented its annual and quarterly earnings results through webcasts and physical meetings to communicate with shareholders, investors and analysts. Through various investor relations activities such as analyst briefings, conference calls and global investor roadshows, the senior management team presented and communicated with investors and analysts on the Company's strategy and developments.

Further information about Lenovo's 2016 annual general meeting and investor relations activities is available in the [Annual Report](#) on pages 84-89.

4.2 LENOVO'S BUSINESS CONDUCT

Lenovo has a global ethics and compliance program, which is guided by our [Code of Conduct](#). The company's Ethics and Compliance Office oversees ethics and compliance across the organization, working in partnership with our business units to see that we achieve our business goals while meeting the letter and spirit of the legal and regulatory framework in which we operate. Our ethics and compliance program promotes an organizational culture that encourages the highest ethical standards of business conduct and a commitment to compliance with the law.

The Ethics and Compliance Office is committed to raising awareness about the importance of ethics and compliance in the workplace and plays a critical role in providing employees with the guidance, resources and information they need to make informed and appropriate choices and decisions. With these systems in place, we describe clear expectations for employees and hold them accountable for their behavior.

Our Code of Conduct helps to ensure that employees understand the company's expectations. The Code applies to all employees worldwide and is an integral part of our ethics and compliance program. The Code also demonstrates Lenovo's commitment to a culture of uncompromising integrity and assists employees so that they can make well-informed decisions. In addition, the Code helps employees determine when to seek advice and where to obtain it. Each newly hired Lenovo employee receives training and information about our ethics and compliance program, and all employees are required to participate in subsequent mandatory training sessions held on a regular basis to reinforce the company's commitment to compliance and to conducting business with integrity. Additional information about ethics and compliance is provided through the company's intranet and other periodic communications.

BUSINESS PRACTICES

Lenovo's Code of Conduct and policies strongly support ethical and responsible business practices:

Anti-Bribery and Anti-Corruption

In keeping with best practices, Lenovo has developed and implemented an Anti-Bribery and Anti-Corruption Policy, which reinforces provisions in the Code of Conduct and provides additional specific guidance regarding compliance with rules and laws related to bribery and corruption.

Anti-Competitive Practices and Fair Competition

Lenovo competes fiercely for business, but always fairly. Its Code of Conduct forbids employees from entering into an agreement or discussion that would result in setting prices, limiting the availability of goods or services on the market or agreeing to boycott a customer or supplier.

Intellectual Property

Lenovo respects the intellectual property rights of others. It is the Company's policy to avoid any infringement of copyright or other intellectual property rights of other companies and individuals in the conduct of its business. The Code of Conduct states that employees are expected to obtain and abide by licenses or other permissions as appropriate and as required.

RAISING QUESTIONS OR CONCERNS

Lenovo provides guidance to its employees regarding how to raise questions or concerns about any aspect of their work at Lenovo and has established clear processes and reporting channels. Employees are directed to report to their managers or other resources, including but not limited to human resources, the Ethics and Compliance Office, internal audit, corporate security or the Lenovo legal department, any information pertaining to:

- Fraud by or against Lenovo
- Unethical business conduct
- Violation of legal or regulatory requirements
- Substantial and specific danger to health and safety
- Violation of Lenovo's corporate policies and guidelines, particularly our Code of Conduct

In addition, Lenovo provides formal, confidential ways to report when potential violations of law, company policy or the Code of Conduct occur. These include postal mail, email and our LenovoLine, which is a confidential reporting system accessible 24 hours a day, seven days a week by secure website or toll-free telephone with translators available. Where allowed by law, employees may report concerns about business practices anonymously if they choose. The LenovoLine and other resources are also available to help counsel employees who may have questions or concerns.

Reports of inappropriate behavior, policy violations or alleged retaliation will, to the extent permitted by law and consistent with an effective investigation, be kept anonymous and confidential. Lenovo regards any suspected violation of law, policy or the Code as a serious matter and is committed to following up on all reported concerns, which are addressed and tracked to resolution.

Lenovo has a clear nonretaliation policy, and will not tolerate harassment, retaliation, discrimination or other adverse action against an employee who:

- Makes an internal report in good faith
- Provides information or assists in an investigation regarding such a report
- Files, testifies or participates in a legal or administrative proceeding related to such matters

Managers are required to report and help resolve any suspected violation of the nonretaliation policy. Complaints of alleged retaliation will be promptly addressed and investigated.

Questions about anything relating to ethics and compliance may be sent by email to Lenovo's Ethics and Compliance Office at ethics@lenovo.com. Lenovo also provides detailed information about its internal controls framework and enterprise risk management, including ethics and compliance, on pages 76-82 of its Corporate Governance Report in the [Annual Report](#).

PUBLIC POLICY

Lenovo maintains good relationships with local governments around the world and seeks to be a responsible corporate citizen in the countries in which it operates. Lenovo requires its employees to be truthful and accurate in all communication with all government authorities. The Company strives to adhere to the highest standards of integrity and accountability when dealing with government rules and regulations. From time to time, Lenovo engages in lobbying, as appropriate and usually through industry trade association groups, to ensure that its voice is heard on matters of importance to the Company and its stakeholders.

TAX APPROACH

Lenovo is committed to conducting business legally, ethically and with integrity, and this commitment extends to our approach on tax strategy, operations and compliance.

Information about Lenovo's FY 2016/17 tax position can be found in our [Annual Report](#) in the "Notes to the Financial Statements" on pages 199-201.

PRIVACY

Lenovo recognizes that privacy is of great importance to individuals everywhere: our customers, website visitors, product users, employees—*everyone*. This is why we have established the responsible use and protection of personal and other information under our care as core Lenovo values.

To give effect to our privacy policies, principles and processes, Lenovo maintains a global Privacy Program, led by the Legal Department, and a cross-functional Privacy Working Group comprised of key partners of the Privacy Program, including Information Security, Product Security, Product Development, Marketing, E-Commerce, Service and Repair, Human Resources and other groups.

Key projects of the Privacy Program include:

- Frontline engagement with Lenovo's business teams on privacy due diligence and application of key privacy principles
- Internal and external privacy policies development and governance
- Prelaunch privacy review processes for products, software, websites, marketing programs, internal applications and vendor relationships
- Privacy awareness and training initiatives
- Contractual support
- Tracking and application of legal requirements and industry best practices
- Privacy audit and assessment
- Incident response planning and processes

If you have any further questions or concerns, please feel free to reach us at privacy@lenovo.com.



5.0

PRODUCT RESPONSIBILITY

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PRODUCT RESPONSIBILITY

In the smart Internet era, Lenovo's vision is to provide smart devices that integrate applications, services and the best user experience, as well as cloud infrastructure that makes life easier and better and work more productive and efficient. As we head toward an age of "Intelligent Transformation" where IoT, artificial intelligence, big data and cloud enable everything around us, our focus is on smart connectivity. With this connectivity, our existing devices – PCs, smartphones and infrastructure – will provide more content delivered-by-cloud, and services enabled-by-cloud. This expands our offerings from not just products but also services – turning a transactional customer into a relationship customer, or even a subscription customer.

Based on this vision, Lenovo has implemented a new three-wave strategy that enables us to integrate our traditional strength in end-user devices with new capabilities in cloud and infrastructure to attack the balanced Device + Cloud opportunities. In the first wave, we will maintain PC leadership in scale, profitability and innovation, while building our mobile and data center businesses into growth engines as the second wave. At the same time, we will execute our third wave of "Device + Cloud" and "Infrastructure + Cloud" to capture the opportunities brought by new technologies. With Device + Cloud, today's PC, smartphone, tablet, smartwatch, smart TV and AR/VR devices—along with the devices we have yet to imagine—represent the access points for cloud-enabled services and cloud-delivered content. Infrastructure + Cloud represents the combined power of infrastructure, big data and cloud services that serves as the foundation underpinning this smart connectivity.

As part of our formula for success, we've also adopted a new multibusiness operating system to unleash the productivity and creativity of each of our growth engines. At the center of this strategy remains our focus on customer centricity and our commitment to quality delivery, user experience, services and innovation.

5.1 SUSTAINABLE QUALITY

QUALITY MANAGEMENT

Lenovo has a well-earned reputation for delivering superior quality products and is committed to ensuring that its products are safe throughout their life cycle. Lenovo relies on the principles of Product Life Cycle Assessment to ensure that every stage of the product's life is taken into consideration, including manufacturing, transportation, installation, use, service and recycling. This enables Lenovo to gain deep insight into opportunities for risk and cost minimization as well as insight into new opportunities for enhancing and increasing product marketability to meet the preferences of an increasingly informed public.

Corporate strategies, policies and guidelines have been designed to support Lenovo's commitment to product safety. Lenovo strives to ensure that our products meet all applicable legal requirements as well as voluntary safety and ergonomics practices to which Lenovo subscribes, wherever our products are sold.

Lenovo's global Quality Management System, which has earned ISO 9001 (International Organization for Standardization) certification, ensures the continual delivery of design improvements into current and future products. Lenovo strongly embraces the ISO 9001 commitment to an effective quality management system and is dedicated to exceeding industry standards for product quality and reliability.

Cross-Organizational Quality Assurance



To maintain this quality level, Lenovo employs an active closed-loop process with various feedback mechanisms. These feedback mechanisms provide quick resolution of customer issues. When product issues are discovered, we perform root cause analysis and feed the results back into manufacturing, development and test organizations ensuring that similar issues do not arise with current or future products.

Because Lenovo products fail less often and have a longer lifespan, fewer resources are required for their upkeep and end-of-life management. Lenovo's comprehensive product development process includes prototype development, product testing and focus groups to ensure the Company meets the diverse needs of our global customers. For instance, Lenovo proactively seeks input on design and product features from customers and partners. Prototypes are extensively evaluated, and final products undergo rigorous testing to ensure that they meet stringent standards specific to their application and use before they are cleared for shipment.

Lenovo's Technical Evaluation Center provides information and recommendations to Lenovo engineering. Lenovo's Lessons Learned feedback loop aids in the refinement and maturation of our processes and elimination of recurring problems. As a result, Lenovo's product repair action rates are among the lowest in the industry.

Lenovo leaders are responsible for establishing objectives and using measurements to drive continual improvement in quality and customer satisfaction. All Lenovo employees are expected to contribute to this continual improvement as an integral part of our quality management system.

Lenovo's corporate Quality Policy is available at: www.lenovo.com/quality.

CUSTOMER-FOCUSED TESTING

Once the product development phase is completed, Lenovo products undergo a series of customer-driven tests prior to production. Testing includes ongoing customer simulation evaluations and customer simulation audits to evaluate product quality by removing systems from the box and setting them up in typical customer configurations. Additionally, extended customer simulation tests are conducted on a sample basis with various configurations of product options and software. The last evaluation simulates the performance of the product through various standard customer applications.

Lenovo has continued to enhance our customer-focused program by sending technical teams to support on-site installations for customers.

During and after the installation, there is ongoing dialogue between the customer and Lenovo to ensure timely feedback on installation progress. This allows corrections to be quickly put in place, and for the team to pre-empt potential issues. Our methods have proven to be highly advantageous during new product releases, as potential issues can be promptly addressed to minimize the impact on all customers.

5.2 SAFETY AND ERGONOMICS

Lenovo is committed to ensuring that our products are safe throughout their life cycle, including manufacturing, transportation, installation, use, service and disposal. Corporate strategies, policies and guidelines have been designed to support this commitment to product safety. Each employee bears a personal responsibility to advance the following objectives:

- Meet all applicable legal requirements, as well as voluntary safety and ergonomics practices to which Lenovo subscribes, wherever we sell products.
- Select suppliers that demonstrate a similar commitment to safety.
- Provide customers with adequate information to enable them to safely use Lenovo's products.
- Foster employee involvement and provide appropriate resources to develop and implement successful product safety initiatives.
- Continually improve product safety initiatives.
- Investigate product safety incidents and take prompt remedial actions to protect Lenovo's customers and employees.
- Report safety initiatives and incidents to senior executive management.

The following table shows the product life cycle stages in which health and safety impacts of products are assessed for improvement. All significant Lenovo products are subject to these assessments.

Hardware Safety Assessment Requirements at Life Cycle Points

Point in Product Life Cycle	Hardware Safety Assessed?
-----------------------------	---------------------------

Development of product concept	No ¹
R&D	Yes
Certification	Yes
Manufacturing and production	Yes
Marketing and promotion	No ²
Storage distribution and supply	Yes
Use and service	Yes
Disposal, reuse or recycling	Yes

¹ Too early at this stage

² Not relevant at this stage

With a focused emphasis on product safety and quality, Lenovo is achieving high customer satisfaction and delivering quality products, solutions and services.

Lenovo promptly investigates and responds to any potential safety or quality issue associated with our products. There were no new recalls due to safety or quality issues in FY 2016/17, and there have been no new or updated recalls since 2015.

More information about past Lenovo product recalls can be found [here](#).

[Click here](#) to view Lenovo's Product Safety and Ergonomics Policy.

5.3 ACCESSIBILITY

Lenovo is committed to providing people with disabilities greater access to information and technology. We are widely recognized for our focus on human factors and ergonomics and have a long-standing commitment to deliver world-class products and services that can be used by everyone. Smart design and intuitive functionality benefit everyone who uses technology, including those with disabilities. Lenovo products are developed to ensure compliance with established best practices and are tested with a variety of Assistive Technologies (AT), including screen readers, screen magnifiers and speech recognition software spanning different price ranges.

For more detailed information about how Lenovo provides assistance to users who have hearing, vision and mobility limitations and helps them get the most out of their computer experience, please visit www.lenovo.com/accessibility.

5.4 COMPLIANCE

Lenovo products comply with the laws and regulations in each country to which we ship. Lenovo products are designed, tested and approved to meet worldwide standards for product safety, electromagnetic compatibility, ergonomics and other regulatory requirements when used for their intended purpose. More information on compliance as well as product compliance documents can be found at www.lenovo.com/compliance.

LENOVO INNOVATION MAKING A DIFFERENCE



Using surface mount technology (SMT), the solder and flux mixture is printed on the face of the circuit board. Then components are added and heat applied to melt the solder mixture, securing and connecting the components to the board used in the ThinkPad X1 Carbon 5th generation.

Lenovo Low Temperature Solder Process Reduces Carbon Emissions by 35%

When lead-based solder was phased out from the industry and new environmental regulations such as the EU's Restriction of Hazardous Substances Directive (RoHS) came into place in the early 2000s, Lenovo and other electronics manufacturers switched to a tin-based solder process. While friendlier to the environment, the tin-based solder had some drawbacks: It required more heat during manufacturing, so it consumed more energy and consequently created more carbon emissions. The high temperature also increased the risk of heat damage to the components, which could potentially affect reliability.

The problem gnawed at Lenovo's Tadashi Kosuga, senior engineering staff member and director of ECAT (Electronic Card Assembly and Test). Convinced he could find a solution, Kosuga-san assembled a cross-functional team of more than 20 engineers and tirelessly searched for two years to find the recipe, or "secret sauce," for a low temperature solder process that could apply to all devices using printed circuit boards.

The recipe consists of only four ingredients – solder type, "flux" (an additive to help flow of the solder), time in the oven and temperature. While this sounds simple, getting the proportion and combination of each of these factors right stumped some of the industry's brightest minds for years. In the world of solder and metallurgy, classical experimentation and empirical observation is required to catalog and accept or reject each result. As a result, the team tried thousands of recipes, running experiments on more than 3,000 boards; each run of 30 boards took two to three weeks. The weeks added up to months.

Around the six-month mark, Kosuga-san thought they might be on to something. He determined that the solder joint using the LTS process met the same strength as the current process. The new process applies soldering heat at a max temp of 180 degrees Celsius, compared to the

previous 250 degrees. And by using existing materials for the solder paste and the same manufacturing equipment, the new process does not add cost.

Despite this discovery, the team would have many months of quality and durability testing and fine tuning to do. Just because they found a recipe that worked did not mean that it would meet Lenovo's rigorous testing standards. The low temperature solder process had to create products that were flexible but that resisted changes in heat exposure.

After validation of the procedure, Lenovo discovered a significant reduction in carbon emissions as a result of using the new process. And with its lower temperature generating less heat, this process is already lowering carbon emissions; we are using it on the ThinkPad E Series, our largest volume commercial laptop, and on ThinkPad X1 Carbon, our premium commercial laptop.

Throughout 2017, Lenovo intends to implement the new LTS process on eight SMT lines and estimates savings of up to 35 percent on carbon emissions¹. By the end of 2018, Lenovo aims to have 33 SMT lines with two ovens per line using this new process, giving an estimated annual saving of 5,956 metric tons of CO₂². To put this into perspective, the equivalent reduction in CO₂ emissions is equal to the consumption of 670,170 gallons of gasoline³ per year.

Kosuga-san and his team did not want to keep the new manufacturing process a secret. They wanted to do something uncommon in the industry – something different. They wanted to make the industry and world better by sharing their knowledge and solution. So after the patents are granted this year, they will proudly share this process technology via technical papers and consortiums with other electronics manufacturers – partners and competitors alike. So even if you're not using a Lenovo device, Lenovo engineering and innovation may likely be inside.

- ¹ Lenovo estimate of potential savings using calculations based on emissions per week per oven on Anhui province emission factors
- ² Lenovo calculation based on a total of 33 Surface Mount Technology manufacturing lines with 2 ovens per line including those within original design manufacturers (ODM) using Anhui province emission factors
- ³ Calculation using Environmental Protection Agency (EPA) Greenhouse Gas Equivalencies Calculator – <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>



The "core" LTS team: Tadashi Kosuga, and Mo Zhijian, Tony Zhu, Alvin Wang

A woman with short dark hair, wearing a black top and a long, flowing white skirt, stands in a dark space. She is playing a large, ornate harp. The harp's frame is covered in blue and green sequins. To her right, vibrant digital light projections in shades of blue, pink, and orange create abstract, flowing patterns that resemble smoke or liquid. The background consists of dark, horizontal wooden slats. In the bottom left corner, there are decorative patterns: a section of orange diagonal stripes and a larger area of green circles, some of which are partially cut off by the edge of the frame.

6.0



MANUFACTURING AND SUPPLY CHAIN OPERATIONS

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MANUFACTURING AND SUPPLY CHAIN OPERATIONS

Lenovo's end-to-end business model for vertical integration equally balances owned manufacturing capabilities and outsourced manufacturing suppliers. This model is unique among major personal technology companies and provides a significant competitive advantage, helping us bring more innovation to market more efficiently while directly controlling our sustainability footprint.

Lenovo focuses on sustainability across our global supply chain organizations and has key program owners in our manufacturing, logistics and procurement organizations. The team also fully supports all corporate environmental and sustainability program efforts, including green and efficient products, corporate greenhouse gas emissions reductions, avoidance of hazardous substances, reporting transparency, post-consumer content use and policy development. Lenovo has been an active and ongoing member of the Electronic Industry Citizenship Coalition (EICC) since 2006.

- Lenovo's manufacturing organization ensures compliance with the EICC Code of Conduct and all applicable regulations, with a specific focus on occupational health and safety (OH&S) as well as environmental management systems at our production facilities.
- Lenovo's procurement organization has standard programs in place covering our supply chain in several areas. Presented below is information on supplier contractual requirements, direct validation of EICC Code of Conduct compliance and supplier performance reporting. We also have a comprehensive Supplier Code of Conduct.

Procurement programs discussed elsewhere in this report related to supply chain include conflict minerals avoidance, environmental impact and supplier diversity.

- Lenovo's logistics organization is focused on increasing environmentally preferable shipping methods, reducing carrier greenhouse gas emissions and engaging external and regulatory agencies to pursue continual improvement actions. Details on our successful carbon reduction initiatives are included in the GHG Emissions Performance section of this report.

6.1 IN-HOUSE MANUFACTURING OPERATIONS

All Lenovo global manufacturing locations are ISO 9001 (Quality), ISO 14001 (Environmental) and OHSAS 18001 (Health and Safety) certified. As required by these globally accepted standards, aggressive objectives and targets are being implemented at each Lenovo manufacturing facility to ensure ongoing continual improvement and a safe and healthy work environment for our employees.

We have also implemented the EICC Code of Conduct in our internal operations. We conduct semi-annual occupational health, safety and environmental assessments and follow-ups at all internal global manufacturing locations and outsourced manufacturing suppliers to provide high levels of regulatory and external management systems compliance, and to ensure that our commitment to social responsibility is continually improving.

In addition, global supply chain (GSC) manufacturing assessments are regularly conducted at our top contract manufacturers and original design manufacturers (ODMs) to validate the effectiveness of their management systems and ensure a high level of regulatory compliance and safety performance.

OCCUPATIONAL HEALTH AND SAFETY

Lenovo is committed to the long-term health and safety of our people. As a global company, our safety standards are set high, and we understand the challenges associated with different cultures working together as one team. Keeping our employees safe is everyone's job, from the highest levels of the organization down to the new employee on the job site. Lenovo's commitment to health and safety has never wavered. Delivering world-class health and safety programs and processes throughout our global manufacturing locations is the company's expectation.

Our corporate policy – [Responsibility for Employee Health and Safety](#) – highlights Lenovo's health and safety core values. This policy is the framework for ensuring a safe and healthy work environment for all of our employees worldwide. Each employee and contractor follows this policy and must report any safety or health concerns to management.

Our Occupational Safety and Health Management System ensures we meet our health and safety goals. The system encompasses detailed planning, hazard prevention, established controls, checking and a commitment to continual improvement. As we expand our global footprint, new facilities are fully integrated and measured to meet this high standard of expectation.

Health and Safety Performance

Lenovo's incident rates have been and continue to be significantly below the industry average. Our health and safety programs are designed to meet or exceed regulatory requirements and are the foundation for ensuring a safe and healthy work environment for our employees. It should also be noted that there were no significant accidents involving fires, property damage or regulatory violation during this reporting period at any of our locations in the more than 60 countries in which we do business.

Lenovo's dedicated team of occupational health and safety professionals drives continuous improvement and heightened awareness across the company through a robust training and auditing process. All of our global manufacturing locations are OHSAS 18001 certified by Bureau Veritas, a leading independent certification body. In China, all manufacturing locations have been certified or are in the process of being certified to the nation's Work Safety Standardization regulation.

We have implemented the EICC Code of Conduct internally in our own operations and externally with our suppliers. We conduct regular occupational health, safety and environmental assessments at all internal global manufacturing locations and key outsourced manufacturing suppliers to provide high levels of regulatory and external management systems compliance and to ensure that our commitment to social responsibility is continually improving.

This past year, Lenovo manufacturing locations received approximately 20 external environmental, health and safety, and social responsibility related audits. All environmental health and safety audit findings were considered minor, and corrective actions were promptly closed.

Training

We ensure our employees receive health and safety training and detailed, site-specific safety information. All manufacturing personnel participate in an annual safety training that is compliant with local governmental regulations. Field location employees receive health and safety tips and information, which include workstation ergonomics. Contractors and partners are also invited to participate in the field location's training.

Manufacturing and select field locations maintain Safety Committees. Committee members meet regularly and cover a range of health and safety topics with the opportunity to engage and be part of the corrective action process.

Employee Wellness

We recognize that our employees' well-being is essential to maintain a productive and healthy lifestyle. Health information and resources are available to assist employees on a variety of disease prevention and wellness matters. We offer and implement a number of comprehensive initiatives to support the wellness of our manufacturing colleagues. A few examples include medical screening, immunization clinics, eye, ear and dental examinations, health promotion, diet and nutrition, exercise, and smoking cessation. Health and safety information is also offered and shared with non-Lenovo employees on an as-needed basis.

In addition, our Business Continuity Plans support comprehensive procedures to limit the potential impact of emerging health- or safety-related concerns.

Recognition and Awards

In FY 2016/17, key recognition of Lenovo's occupational health, safety and environmental performance included:

- Lenovo Beijing, China, received the "*Recognition of Demonstration Enterprise*" from the local government
- Lenovo Xiamen, China received recognition for "*Emergency Response In Firefighting Skills*" by the local government
- Lenovo Chengdu, China, received the "*Recognition of Safety Culture Demonstration Enterprise*" and the Chengdu plant site received the "*Safety and Health Cup*" award from the local government
- Lenovo Taiwan was recognized with the "*Zero Injury*" award by the Industrial Safety and Health Association and the "*Badge of Accredited Healthy Workplace*" from the local government
- Lenovo Morrisville, N.C., headquarters received its twelfth consecutive "*Gold Award*," Lenovo United States Fulfillment Center (USFC) in Whitsett, N.C., received its ninth consecutive "*Gold Award*" and Lenovo Morrisville Development Drive collected its second consecutive "*Gold Award*" from the North Carolina Department of Labor for low incident rates reported in 2016
- Lenovo Morrisville, N.C., headquarters received a "*Twelve Million Employee Work Hours*" award, Lenovo Morrisville Development Drive was presented with a "*Five Million Employee Work Hours*" (without a lost time incident) award and Lenovo United States Fulfillment Center (USFC) in Whitsett, N.C., received a "*One Million Employee Work Hours*" (without a lost time incident) award from the North Carolina Department of Labor at a ceremonial banquet event for peer companies.



6.2 SUPPLY CHAIN OPERATIONS

Lenovo is committed to corporate social responsibility and sustainability across the end-to-end supply chain process. This includes processes and employees at outsourced manufacturers and in procurement and logistics processes. We ensure compliance with all applicable labor, environmental, health and safety and ethics standards.

Lenovo has implemented the EICC Code of Conduct requirements contractually with our suppliers, conducts direct validation of compliance and scores their performance in supplier report cards. This includes the full use of the EICC code, programs, reporting tools and independent auditors.

It is important to note that in FY 2016/17, over 75 percent of our suppliers by spending were EICC members and 80 percent published formal corporate sustainability reports. Also, we fully integrated the Motorola Mobility supply base and our Mobile Business Group into all our programs, which represents about US\$5B in additional annual spending on procurement.

CONTRACTUAL STIPULATIONS

Lenovo's standard purchase order (PO) terms and conditions stipulate supplier compliance with environmental specifications, hazardous material avoidance, ozone-depleting substance elimination, product safety, liability insurance and full compliance with all applicable laws, including export and import and product safety. Suppliers must also implement and maintain documented quality and environmental management systems that meet ISO 9001 and ISO 14001 certification standards. Finally, the PO requires compliance to our comprehensive Supplier Code of Conduct.

Our base legal contract executed for suppliers reiterates and further expands the standard PO terms and includes standard legal protections and responsibility assignments for Lenovo and the supplier. In particular, it stipulates that the supplier cannot discriminate against employees based on race, color, gender, religion, age, nationality, social or ethnic origin or any other legally protected class.

In FY 2016/17 we updated our supplier EICC contracts with new anti-bribery and anti-corruption provisions and required adherence to our Supplier Code of Conduct. The code is available at www.lenovo.com/supplier_code_of_conduct.

EICC COMPLIANCE

As noted previously, we contractually implement a full EICC compliance program with our suppliers and directly validate compliance with independent third-party EICC approved auditors.

Contract Requirements to Comply with the EICC Code of Conduct

- Self-assess annually and report formally using EICC questionnaire and reporting tools
- Receive in-depth audits biennially with independent, third-party EICC-approved auditors
- Provide audit reports and corrective action plans
- Require their own suppliers to comply with the EICC Code of Conduct (which reinforces EICC Code requirements for flow-down of EICC Code adherence through the whole supply chain)

Program Statistics

- 95 percent of Tier 1 suppliers by spending were in the program and all EICC contracts executed and in force
- About 60 percent of Tier 2 and 30 percent of Tier 3 suppliers by spending also were included in the program efforts
- 95 percent of self-assessments and audits were conducted in a timely manner
- Corrective action plans were received on all audits and tracked to closure

Like many companies doing significant business in China, we recognize that excessive working hours and insufficient time off are difficult but important supplier workplace issues. We recognize that overall we have some challenges addressing supplier health and safety issues, but have minimal problems regarding environmental impacts, management systems and ethics. This year we took corrective steps on working hours and time off that not only ensure closure of supplier action plans, but also track the suppliers for two subsequent quarters to verify sustained improvement and compliance. Our performance is noted below (audit scores are based on a specially weighted 200-point system where priority and major findings have significant weighting).

Sections	CY2014	CY2015	CY2016
Labor	141	144	154
Ethics	178	182	191
Health & Safety	143	153	166
Environment	168	176	182
Mgmt. System	168	175	184
Overall performance	112	130	150
Avg. Priority Items/Audit	1.4	1.0	0.7
Avg. Major Items/Audit	9.8	8.6	5.3

It is important to note that Lenovo's implementation of the EICC Code of Conduct greatly exceeds EICC membership requirements. The EICC code requires annual self-assessments of 80 percent of suppliers by spending and annual audits covering only 25 percent of any identified high-risk facilities. Thus, only suppliers identified as high-risk receive audits to meet EICC requirements. We drive for 95 percent coverage of suppliers for both annual self-assessments and biennial audits regardless of risk. Lenovo's supply chain performance is directly and independently validated.

SUPPLIER PERFORMANCE EVALUATION AND BUSINESS REVIEWS

Lenovo's goals with regard to supplier evaluation are to measure performance to specific criteria, provide regular scorecard feedback and engage suppliers in business reviews and conferences. These activities serve as the foundation for mutual discussions on improving business relationships, standards compliance and future business volume increases or decreases.

- Supplier performance is measured and reported in key areas, including quality, delivery/flexibility, technology, cost reduction and service. Supplier transparency and performance in sustainability programs are included as an overall penalty/credit multiplier in the calculations. We report our program status to senior management monthly and generally conduct about 200 report cards quarterly that cover 95 percent of our suppliers by spending. The key goals are to increase our business with suppliers who perform the best and to improve areas of weakness with under-performing suppliers. In the event a supplier does not adequately meet our expectations, business activity is discontinued.
- We also engage suppliers at several events and meetings. First is a significant annual supplier conference where top executives from suppliers and Lenovo meet to build relationships and to discuss overall performance and key initiatives for the new year. Second is a semiannual Lenovo Supplier Advisory Council meeting where Lenovo brings together executives from the top 20 suppliers. Lenovo executive participation in both of these events includes our CEO, Business Unit Executives and Senior Vice Presidents from Supply Chain, Research & Technology, and Development organizations. Third, top strategic and key suppliers have quarterly in-person meetings.

Lenovo recognizes that stable supplier relationships support stable communities in which our supply chain operates and provides the foundation for compliance to social, ethical and environmental requirements. Significant portions of our procurement spending and our supplier relationships can be measured in decades.

HUMAN RIGHTS IN LENOVO'S SUPPLY CHAIN

Lenovo respects human rights in all its activities, including those involving its supply chain. We manage all operations consistent with the spirit and intent of the United Nations Universal Declaration of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. We also have been a signatory to the United Nations Global Compact since 2009. As a signatory, we support and respect the protection of internationally proclaimed human rights and ensure that our business practices are not complicit in human rights abuses.

We strive to uphold these standards and to demonstrate our commitment to them with our supply chain social responsibility programs. As noted earlier, we conduct a full EICC Code of Conduct implementation within our supply chain to ensure proper supplier employee working conditions. Furthermore, we have our comprehensive Lenovo Supplier Code of Conduct that upholds our values and includes provisions prohibiting corruption, bribery, human trafficking, discrimination and retaliation to worker complaints. Lenovo requires its suppliers to have formal grievance mechanisms. We actively support procurement diversity (see the [Supplier Diversity](#) section). We are also focused on minerals in our supply chain from conflict-afflicted areas where human rights abuses have been known to occur.

CONFLICT MINERALS

Lenovo recognizes the importance of concerns regarding the sourcing of tin, tantalum, tungsten and gold (3T/G) and other minerals. When sourced from regions experiencing political and social conflict, which may include the Democratic Republic of the Congo (DRC) or surrounding countries, these materials are generally referred to as “conflict minerals.” We fully support the efforts of the EICC Conflict-Free Smelter Initiative (CFSI), NGOs and governmental bodies to solve this complex issue, and have supported these efforts with our EICC membership since 2006 and direct participation in EICC CFSI programs.

Lenovo has also formally joined the EICC Responsible Raw Materials Initiative (RRMI) to focus on the next stage of addressing conflict materials. Lenovo is on the advocacy team supporting the efforts of the Cobalt, Tin and Sensing workgroups. In FY 2017/18 we will commence new efforts in policy, actions and transparency. Lenovo fully believes in responsible sourcing and not participating in boycotts in the DRC or other new areas as the RRMI drives new efforts. Some companies have engaged in boycotts, but boycotts do not improve the situation on the ground and are counter to the OECD Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Those guidelines are the de facto industry standard in this regard.

In FY 2016/17, we continued our comprehensive due diligence program to understand the chain of custody of conflict minerals in our supply chain. This program included compliance with the requirements of the U.S. Securities and Exchange Commission’s Dodd-Frank ruling and with the OECD. Lenovo’s specific activities included:

- Implementing an industry-leading conflict minerals policy validated by independent third-party review
- Engaging suppliers through formal contracts and directly validating their due diligence efforts via independent third-party EICC audits
- Holding regular education sessions for internal employees, publishing monthly newsletters and providing supplier training as needed
- Utilizing the EICC Conflict Minerals Reporting Template (CMRT) for Reasonable Country of Origin Inquiry (RCOI) efforts across 95 percent of our procurement spend and our supply chain
- Utilizing the EICC Conflict-Free Smelter Program (CFSP) and the Smelter Information Exchange (SET) to identify the status of smelters reported as being in our supply chain
- Reporting the program status to Lenovo’s Chief Sustainability Officer
- Publicly reporting the smelters and refiners in our supply chain

In FY 2016/17 we significantly improved our overall conflict-free status as noted below:

- Overall conflict-free status improved from 75 percent to 82 percent of suppliers by spending
- Tantalum achieved 100 percent conflict-free status
- Tin and tungsten each achieved about 90 percent conflict-free status
- Gold achieved about 75 percent conflict-free status
- Overall about 90 percent of Lenovo's supply chain is conflict-free compliant or formally active to become conflict-free
- While Lenovo is a non-U.S. company with many non-U.S. suppliers (53 percent) and is not legally required to file reports to the U.S. Security and Exchange or covered by the Dodd-Frank law, we achieved the following:
 - Supplier CMRT response rates were 100 percent
 - The vast majority of our suppliers have public policies, require their suppliers to be conflict-free, use the CMRT reporting and use the EICC Conflict-Free Smelter Program (CFSP) for audit
- We also integrated the Motorola supply chain into our conflict minerals program

Full details and statistics on our reasonable country of origin inquiry, due diligences and smelters can be found in our most recent public report: http://www3.lenovo.com/us/en/social_responsibility/Lenovo-Conflict-Minerals-Update.

GREENHOUSE GAS EMISSIONS, WATER USAGE AND WASTE GENERATION

Lenovo continues to drive for accurate reporting of greenhouse gas emissions, water usage and waste generation across our supply chain. We ask our suppliers every year to formally provide their environmental impact data via either the EICC or the [CDP](#) (formerly Carbon Disclosure Project) reporting methodologies and platforms. CDP is a global organization with a much more comprehensive framework and reporting regimen for GHG emissions. It is important to note that suppliers representing greater than 70 percent of our procurement spend also report via CDP and have formal CDP performance ratings.

In FY 2016/17, suppliers representing 95 percent of our procurement spend reported total Scope 1 and 2 emissions, water and waste. While our total emissions have increased about 50 percent over the past four years, our business volume has grown about 110 percent. This is due to increased sales and two major corporate acquisitions and their respective supply chains.

Other key statistics:

- 92 percent of our suppliers by spending have public GHG reduction goals
- 82 percent of our suppliers by spending have formal third-party verification of their emissions reductions
- Suppliers must have greater than three percent annual GHG reduction goals in order to be rated “green” in our supplier report cards
- 90 percent of our suppliers by spending have public water and waste reduction goals
- We received “Limited Assurance” certification of supplier GHG emissions, which is the highest level of available third-party verification from Bureau Veritas, for 95 percent of our suppliers by spending

With respect to water usage and waste generation, while this marks our third year of reporting, suppliers are still improving their ability to precisely measure usage and amounts. We know from past experience dealing with the early reporting years of GHG emissions that capturing 100 percent of supplier operational activity across multiple facilities and measuring it properly is a challenge. However, we are confident that we now have a much better baseline upon which to track overall environmental impact of water usage and waste generation and to drive reductions of the footprint.

ENVIRONMENTAL RISK MANAGEMENT

As required by the Lenovo Corporate Environmental Standards policy governing supplier relationships, the procurement team identifies areas of overall environmental risk based on specific criteria and then conducts prescribed actions to ensure risk is mitigated. Specifically, suppliers are classified by a risk category that drives the needed actions below.

- Category 1 suppliers are those from whom Lenovo purchases off-the-shelf goods, or uses processes or services produced or offered commercially and that are consistent with the supplier’s normal business activities. In other words, Lenovo does not increase environmental impact due to special requirements.
- Category 2 suppliers are those that may or may not present additional environmental risks. In these situations, Lenovo specifies raw materials, process materials and/or process methods outside the typical business activities of the supplier. In these cases, a pre-assessment is conducted to determine if formal environmental audits must occur similar to those as required for Category 3 suppliers, noted below.
- Category 3 is designated for suppliers who handle hazardous waste, special waste and product end-of-life management services. In these cases, approval of the Global Environment Affairs organization and environmental on-site audits are required. These suppliers are also subject to additional contractual terms and conditions and semiannual activity reporting.

In FY 2016/17 all required environmental audits were conducted on time and as required and no events of noncompliance were noted.

SUPPLIER DIVERSITY

Lenovo sees mutual value in promoting diversity in our business relationships. It is a natural part of our business strategy to create a diverse and competitive supplier base and to strengthen economic development in historically underutilized communities. Through its Supplier Diversity Program, Lenovo is committed to maximizing the inclusion of diverse suppliers by identifying opportunities, developing and incubating relationships, creating processes that encourage diverse supplier integration, and building on our already strong culture of inclusion – The Lenovo Way.

Lenovo identifies diverse suppliers as those that are at least 51-percent owned and controlled by women, minorities, veterans, service-disabled veterans and persons with a disability. Lenovo also includes suppliers that are defined by the U.S. Federal Government as a Small Disadvantaged Business, HUB Zone business or small business.

Lenovo partners with a variety of national and regional organizations such as the National Minority Supplier Development Council (NMSDC) and the Women's Business Enterprise National Council (WBENC) to facilitate supplier identification and program development. Lenovo is also active in local and regional events aimed at promoting, creating opportunities for and celebrating diverse suppliers. Lenovo currently conducts more than US\$150 million in business annually with small and/or certified diverse suppliers. This represents all Lenovo operations in the United States (including System x and Motorola).

For more information, please visit our [Supplier Diversity webpage](#).

7.0



PEOPLE

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7.1 LENOVO EMPLOYEES

Lenovo is a truly global company. Our leadership team is diverse and balanced: the top 12 company leaders include three women and come from six different countries; 17 nationalities are represented in the top 100. Lenovo's 52,000-plus employees and contractors speak more than 40 languages and live in more than 60 countries around the world. At Lenovo, we view our diversity as a key competitive advantage. This diversity in leadership and talent allows the company to take advantage of far-reaching industry trends, while at the same time leveraging the unique strengths of local leadership to drive success in key markets. While incredibly diverse, our team is united by our commitment, ownership and pioneer initiative. Our cohesive global culture and shared values are critical to driving the speed, efficiency, innovation and execution that separate us from the competition.

OUR CULTURE AND PEOPLE

Our Culture

Over the past year, we've considered the critical role our culture plays as we move our bold vision of 'Device + Cloud' from wishful dream to reality. The statement "We do what we say, we own what we do. We wow our customers" best represents Lenovo's culture of not only delivering on commitments and taking ownership of everything we do, but also encouraging innovation and entrepreneurship and being team players. We are in the midst of an intensive effort to make all employees laser-focused on serving customers, whether they be external or internal customers.

Lenovo's culture is backed by labor practices, pay for performance, wellness programs and other benefits that support every Lenovo employee, from factory workers to our most senior executives. The uniting of our culture and our systems engenders a "We are Lenovo" team spirit that enables us to continue delivering breakthrough innovations and award-winning designs to our growing customer base.

Our People

At Lenovo, our people share a common aspiration to be the very best. Whether serving our customers, working together as a team or contributing to the community, we are working to build a unique company delivering unparalleled products created and supported by people who represent a wealth of cultures and experiences. Our strength lies in this diversity. And every day, on every project, we are creating a better place for inclusion and respect for others. We are dedicated to fostering an environment that encourages entrepreneurship and ownership – a workplace where people's talents can be challenged and their results recognized and rewarded.



Classroom training is an important component of employee learning and development.

LABOR PRACTICES AND HUMAN RIGHTS

Lenovo's Human Rights policy states our commitment to respecting human rights in everything we do, and we extend those rights to our employees and others directly or indirectly employed in our supply chain. Lenovo operates in accordance with the universal human rights identified in the U.N. Declaration on Human Rights and the U.N. Global Compact. Lenovo does not permit the use of child labor, forced labor or coercion, including physical punishment, in any Lenovo operation.

Since 2009, Lenovo has been a signatory and active participant in the United Nations Global Compact, a public-private strategic policy initiative for businesses committed to aligning operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. As a signatory, we support and respect the protection of internationally proclaimed human rights, including the right to freedom of association and collective bargaining, and ensure that our business practices are not complicit in human rights abuses.

Lenovo manages all operations consistent with the spirit and intent of the United Nations Universal Declaration of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Lenovo performs due diligence across its value chain to identify risks and avoid complicity in human rights violations. We provide access to grievance mechanisms, investigate allegations and escalate known cases of human rights abuse to senior leadership. Training and accountability for respecting human rights are integrated across the business and the supply chain. Lenovo has also set up a process where we engage internal and external stakeholders to address common challenges and advance human rights practices through continuous improvement. For more information on how Lenovo protects human rights in its supply chain, please see the section [Human Rights in Lenovo's Supply Chain](#).

COMPENSATION, PERFORMANCE AND RECOGNITION

We believe that our employees are the most valuable strategic resource at Lenovo. We recognize the importance of each unique individual and their need to be recognized frequently and rewarded fairly. A fully engaged workforce is the key to our differentiation and exceptional business performance. Lenovo believes and invests heavily in the concept of Total Rewards, which consists of five key elements: compensation, benefits, work-life balance, performance and recognition, and development and career opportunities. We believe that, collectively, these five elements are critical to attract, motivate and retain our most valuable strategic resource—our people.

Lenovo's culture guides us in tying pay to performance. We believe that exceptional individual performance will support and drive exceptional business performance, which will result in exceptional pay for individuals. All "Key Performance Indicators" throughout the organization are linked to a business strategy.

In terms of our pay practices, we carefully monitor and evaluate market trends and industry practices in each of our geographic locations to ensure that we remain competitive. Our culture allows us to react quickly when we see trends changing.

In addition to maintaining competitive wages, in 2016 we implemented a comprehensive approach to performance management and bonus awards that we call “the 3x3 program.” This program is operated on a globally consistent platform that is aligned with Lenovo’s matrixed, multibusiness operating model. The model comprises three defined business stages and three core business synergy levels, resulting in a more flexible incentive framework that supports our business at different stages of the life cycle. It accounts for competitive pressures, empowers business units to adapt their plans to meet business objectives and is closely aligned with The Lenovo Way, the touchstone of our company culture that focuses us on delivering our commitments and taking ownership in everything we do.

Lenovo’s performance management system is critical, as our success depends on how well each of us achieves our individual goals and contributes to the company’s strategic objectives. The 3x3 performance management program is the means by which all Lenovo employees worldwide set their goals for the year, receive feedback on their performance and development needs, are evaluated on their performance and, if eligible, receive a performance bonus. Sales employees and executives are assessed annually and nonsales employees are assessed semiannually. In addition to the annual assessment, sales employees also receive quarterly reviews. While formal assessments occur once or twice a year for all employees, managers are expected to provide ongoing feedback to their employees throughout the year.

Completion of employee performance reviews is tracked at the end of the performance review cycle to ensure each employee has received performance feedback as required.

Reward and recognition are very important at Lenovo, so much so that we also encourage every business unit leader to develop supplemental programs, based on broad global guidelines, to reinforce frequent and continuous recognition of successful collaborative efforts and exceptional performance within their organizations. Lenovo’s compensation programs are designed to provide market-competitive compensation that will attract, motivate and retain talent:

- Base pay makes up an important part of an employee’s total cash opportunity at Lenovo; it reflects the value of the job in the marketplace, performance and the value of individual contribution to the Company.
- Short-term incentive plans (including sales compensation) reward employees on overall corporate, business group or team performance, while recognizing individual performance as well.
- Long-term incentive plans are targeted to executives, critical nonexecutives, top performers and high-potential employees.

GLOBAL BENEFITS

Lenovo recognizes the importance that employees and their families place on a comprehensive benefits package. To ensure that Lenovo can attract and retain high-quality talent in the competitive technology marketplace, a variety of benefits are offered that are intended to aid in managing and protecting the physical and financial well-being of employees and their families. Benefits packages are designed to follow these strategic guidelines:

- Position Lenovo competitively within the local marketplace
- Align with and support Lenovo business and cultural strategy
- Emphasize Lenovo's commitment to wellness

To achieve these goals, Lenovo must be flexible and consider varying customs, practices, legal requirements and employee expectations around the world to design impactful benefits programs.

Health and Wellness Benefits

Private health benefits such as medical, dental and vision care are offered in many countries to supplement government-provided healthcare. These arrangements often permit employees to provide coverage for dependents, including spouses, domestic partners, children or other family members. Employees may share in the cost of these benefits, especially when coverage for dependents is available. However, Lenovo shoulders the majority of these costs as an investment in the well-being of employees. Wellness is a critical component of a comprehensive benefits package. Lenovo believes that a successful wellness program can result in benefits that go way beyond the financial measure of reduced medical costs, with more productive employees and less absenteeism most notable among them.

"Live Well with Lenovo," the Lenovo wellness brand, was relaunched in 2012. The wellness program in the U.S. includes a health risk assessment and biometric screenings, health coaching, expanded nutrition and fitness tools, wellness seminars and other educational content, and membership in Lenovo's PowerUp fitness facilities located at our main North Carolina campuses.

Lenovo currently offers a variety of wellness programs around the world, including fitness facility discounts, employee assistance programs, health coaching, stress and lifestyle management programs, medical consulting and screening services, and access to health educational material. Informational resources are made available globally to assist employees with wellness matters and disease prevention. To ensure successful business continuity planning, Lenovo has developed and activated comprehensive pandemic plans and procedures to limit the potential impact of health-related concerns, such as the H1N1 virus. As dictated by these procedures, health and safety information/requirements are available and shared with employees and nonemployees as needed. Lenovo's long-term wellness goals include the evolution of its wellness brand and related programs globally under one comprehensive umbrella.

Income Protection

In the event that an employee is unable to work due to illness or injury, Lenovo provides for protection of income in many countries. These benefits may take the form of salary continuation for a period of time and generally supplement government-provided benefits. For longer periods of illness or injury, Lenovo commonly provides additional disability benefits.

Retirement or Post-Employment Savings

To supplement the income of employees and survivors after retirement or separation from Lenovo, a variety of savings programs are offered. These programs may be mandatory or voluntary, depending on legal and marketplace considerations. It is quite common for programs to have both an employee and employer contribution component, with the latter signifying Lenovo's willingness to make a current investment to provide future security for employees and their families.

Lenovo continually reviews and improves its benefits to ensure that they are competitive and meet the needs of our diverse employee population.

EMPLOYEE DEVELOPMENT AND TRAINING

Lenovo is committed to its investment in talent development and has a robust and systematic approach to employee, manager and executive development. Lenovo's development agenda is targeted at building the capabilities of our people and our organization through three primary ways:

- 1) Experiences on the job – learning while doing. This is how 70 percent of all learning occurs.
- 2) Colleague relationships at Lenovo – mentors, guides, coaches, managers. Employees learn through their successes, failures, guidance and advice. This is how 20 percent of learning occurs.
- 3) Education – formal training in the classroom or online that teaches key principles and skills. This is how 10 percent of learning occurs.

Our systematic approach combines all three methods to maximize learning. It includes formal employee and leadership education programs, targeted people planning and international rotations, Women in Lenovo Leadership Forums, mentoring circles, executive coaching, structured feedback, and a variety of additional assessment and development tools.

Lenovo's training includes regular mandatory online training courses for all global employees on "Code of Conduct" and compliance subjects. All Lenovo employees receive ongoing training in areas such as culture, compliance, information security and performance management. All employees have career discussions at least annually. Employees received on average 4.5 hours of training in FY 2016/17.

Lenovo refreshed its learning platform this past year, marking the start of an exciting new journey to enable learning and professional development anytime, anywhere. The platform, entitled Grow@Lenovo, is designed to integrate learning resources, collaborative learning environments and tools, access to experts and user-generated content sharing. Lenovo is building an environment to support learning, development and best practice sharing across functions, geographies and cultures. While Lenovo continues to provide access to the very latest in product training and skills development, Grow@Lenovo will take learning and development to a new level. There are Communities of Practice, created to grow and drive innovative thinking and best practice sharing. Curriculums, both virtual and in-person, have been created to address the knowledge and skills required to win in the always-connected Internet plus marketplace. All of this is just a single click away, with no need for employees to log in. This new tool had over 33,000 users in FY 2016/17.

Grow@Lenovo capabilities include:

- Instant access to learning resources from anywhere within Lenovo's network
- Sharing of content and resources from experts and peers alike
- Integration to employee performance records to capture and celebrate development efforts

Grow@Lenovo represents a significant investment in the professional development of our employees. By consolidating Lenovo's learning materials and courseware in one place, we will be able to leverage our knowledge assets across the organization and improve the learning experience for all employees.

Mentoring

Lenovo encourages mentoring relationships. They are an excellent vehicle for growing an employee's skills and knowledge in order to develop his or her full potential. Mentees and mentors both gain from participation in a mentoring relationship. Mentees can increase their understanding in the targeted subject area, and mentors can sharpen their leadership and coaching skills. To aid employees in the mentoring process, Lenovo provides two online courses: "Mentoring: Identifying Your Goals" and "Mentoring: Developing Relationships." Both courses include a simulation.



Panel Hosted by Women in Lenovo Leadership

Orientation & Training

For over three decades, one of our key differentiators in the marketplace has been our people. We believe that our employees are our greatest asset. Our organization's practice has been to attract, develop and retain the best people around the world. With this philosophy in mind, we place a high emphasis on staff development and ensuring that our talented employees can take on new and different challenges. This begins on each employee's first days of employment, in New Employee Orientation. This program introduces new employees to a wide variety of topics, including Lenovo's history and culture, diversity, business policies and practices as well as the tools and resources available to employees.

Lenovo encourages cross-cultural development by means of diverse experiences. Development is strengthened by the frequency and quality of the career-focused discussions that employees have with their managers. The management development program "For Those Who Manage" has a particular focus on improving career development discussions. The primary source of career development support comes from an employee's immediate manager.

Employees are encouraged to take ownership of their careers and utilize a mix of work experiences, education and relationship building to aid in their growth, development and upward movement.

Succession Planning

Lenovo has an established organization and human resources planning process that ensures we:

- Have the right structure in place to deliver on our strategy
- Identify the talent needed now and in the future
- Invest in attracting, retaining and developing top talent
- Continue raising the bar on internal and external talent

EMPLOYEE COMMUNICATIONS

Lenovo actively fosters open communication among employees – as well as communication between employees and the company – in several ways:

Meetings

To help make our employees effective and informed “brand ambassadors,” Lenovo holds regular employee (All Hands) meetings in each of its business units and functions, typically on a quarterly basis. Employees attend in person when possible, with remote participation enabled through a combination of web stream and conference calls. These meetings feature ample opportunities for employees to ask questions, interact with each other and their senior leaders, and hear the latest on Lenovo’s strategy and mission. Guest speakers help employees deepen their knowledge about other areas of the company. Meetings are recorded for later playback to ensure employees can review anything they may have missed. Lenovo’s goal is to ensure that our employees are fully informed on the strategic direction of the company and that they have firsthand access to our senior leaders.

“Lenovo Listens” Employee Engagement Survey

Lenovo seeks the insights of its employees worldwide through its Lenovo Listens employee engagement survey. This survey is designed to gain insight on how Lenovo employees view their jobs, their management, their teams, their rewards and the company as a whole. Lenovo Listens is an important measure of employees’ pride, motivation and commitment to staying at Lenovo. Research shows that measures of employee engagement can be used to predict the amount of effort that employees are willing to invest in their jobs as well as employee retention. In addition, employee engagement can be tied to important measures of organizational performance, including financial results, customer satisfaction and operational efficiency.

Lenovo analyzes the data from the survey and encourages meaningful action planning to address any areas of concern. Post-survey focus groups are also conducted to better understand employee input and drive action planning at the management and corporate level for continuous improvement.

As in past years, results from the 2015 Lenovo Listens survey will help managers and employees identify specific actions to further increase team engagement and productivity. The next Lenovo Listens survey will be conducted during the summer of 2017.

Operational Changes

Lenovo provides advance notice of significant operational changes in accordance with local requirements and collective bargaining agreements in the locations in which we operate. We meet regularly with employees and provide information on business changes. In cases where operational changes are required, we take steps to mitigate negative impacts.



DIVERSITY AND INCLUSION

Women Breaking Rules Referral Drive and Mixer

At Lenovo, people are our most valuable asset and key to success. We know from our own experience that it is not just a diverse workforce but an inclusive culture that creates a space where our employees create, innovate and drive change.

Lenovo believes that “Connected People Change the World” and it is this belief that drives what we deliver in the market and how we deliver it. When our employees bring their whole selves to the workplace, it allows their emotional and intellectual abilities to thrive and to meet the needs of our customers.

Lenovo focuses beyond our diverse employees and customers. We take a holistic approach to being an employer. We want to positively impact our diverse suppliers and community as well. Our goal is to create a diverse and inclusive community where all employees are engaged and feel fulfilled in terms of the impact of their work.

Lenovo’s diversity and inclusion strategy is incorporated in a five-year roadmap that focuses on five areas: 1) fostering diverse and inclusive employee systems (policies, practices, and programs); 2) building inclusive leadership behaviors; 3) designing geocentric diversity strategies (diversity is different everywhere, leading inclusively is what is constant); 4) creating accountability; and 5) telling our story both internally and externally. We have made significant progress in all five areas during year one, FY 2016/17.

The diversity team, in partnership with various Human Resource centers of excellence, worked to embed diversity and inclusion concepts in the employee experience. The North America Talent Acquisition team saw a 61 percent increase in diverse applicants through efforts to increase the influx of diverse candidates. Globally, the Women’s Leadership Development program continued to build our pipeline of women executives with 19.1 percent of executive promotions being women, just short of our goal of 20 percent. Our CEO demonstrated his commitment to gender diversity with three new female executives added to his team, for a senior executive team total of 33 percent women. Our China Talent Acquisition team hired over 25 individuals with disabilities, and our “Nothing Without a Woman” campaign in EMEA, which had the stated goal of encouraging gender diversity in the workplace, helped attract over 2,500 women applicants.

Other key successes include a perfect score of 100/100 on the Human Rights Campaign’s Corporate Equality Index – an independent survey that measures an organization’s inclusive practices for LGBT employees. Lenovo unsuccessfully applied for the 2016 Working Mother 100 Best Companies. This survey reflected policies and benefits from 2015 prior to harmonizing benefits with employees joining from our acquisition of Motorola and IBM x86. Lenovo also addressed several additional gaps identified. We expect significant progress in our ranking in 2017.

Lenovo will never lose sight of its commitment as an equal opportunity employer. Lenovo offers equal employment opportunities without regard to race, color, gender, religion, age, nationality, social or ethnic origin, sexual orientation, gender identity or expression, marital status, pregnancy, disability, veteran status or any other characteristic protected by law. These opportunities include all terms, conditions and privileges of employment, including but not limited to recruiting, hiring, job placement, training, compensation, benefits, discipline, advancement and termination. All employees are expected to adhere to both the spirit and the letter of our long-standing policies: Lenovo's *Commitment to Diversity* and *Nondiscrimination* and *Equal Opportunity and Affirmative Action Policy Statement*.

Supplier Diversity

Lenovo also actively promotes diversity in our business relationships. To read more about our Supplier Diversity program, please see the [Supplier Diversity](#) section.

EMPLOYEE RETENTION

To ensure retention of key talent, Lenovo uses the following strategies and programs:

- Conducts global employee engagement survey (Lenovo Listens) to help identify opportunities to reduce the loss of key talent.
- Leverages compensation programs such as long-term incentive stock-based awards and recognition to help retain key talent.
- Ensures pay (base and incentive) is differentiated so top performers are paid on par with peers in the marketplace.
- In cases where key, critical talent has opportunities outside Lenovo, the company takes specific "critical save" actions to retain these employees.

The Lenovo population is composed of regular (permanent) employees, supplemental (temporary) employees and contract workers. From time to time, the senior leadership makes a business decision to move work from one country or region to another in support of the business strategy and objectives. When these decisions are made, great care is taken to ensure affected employees and nonemployees alike are provided with notice as required by local and/or country laws. Employees are provided with severance packages and career and training assistance where possible and as required by local/country laws.

7.2 SOCIAL INVESTMENTS

COMMITMENT

Lenovo's social investments are focused on education and digital inclusion, themes that are integral to the success of our business. Lenovo annually commits up to one percent of its pretax income to global social investment programs and initiatives. Our investments are delivered through three different teams: Lenovo Community Relations, Lenovo Worldwide Philanthropy and the Motorola Mobility Foundation, a charitable and philanthropic arm of Lenovo.

The Lenovo Community Relations, Worldwide Philanthropy and Motorola Mobility Foundation teams are focused on collaboration to maximize the impact of Lenovo's giving. Teams have amplified each other's partnerships in different geographies, combined employee volunteer talent across business units and scaled impact to offices around the world. Teams focus on the social investment objectives below to meet the diverse needs of the communities where Lenovo employees and consumers live and work.

LENOVO'S SOCIAL INVESTMENT OBJECTIVES

- Partner with charitable organizations, educational institutions and civic organizations to amplify the impact of Lenovo's social investments around education.
- Connect employee expertise and talent with students and community members who will benefit from exposure to tech talent.
- Provide resources to enhance education and the advancement of technology to enlighten the next generation of tech talent and community leaders.

GLOBAL DISASTER ASSISTANCE

Lenovo has a long-standing practice of assisting when disaster strikes. We are committed to helping communities lacking the infrastructure and resources needed to recover from catastrophic loss. When severe flooding caused widespread damage and misery in Wuhan, China, in July 2016, Lenovo donated USD\$300,000 to Red Cross of Wuhan to aid victims. Lenovo also donated to disaster relief efforts after a major earthquake in central Italy in early 2017 and Hurricane Matthew in North Carolina in the fall of 2016.

North America



Through Lenovo Employees Care, we are able to make a difference in our communities and foster a corporate culture of commitment and ownership that contributes to Lenovo's success. In the past year, the program has made a significant impact in North America, particularly in the areas of STEM (Science, Technology, Engineering and Math) education and support for U.S. military and veterans. For the first time ever, Lenovo employees in North America and the company donated more than \$1M to charitable causes and activities through the annual employee giving and corporate matching gifts program. Our total community investment in U.S. and Canada has now reached nearly \$15M since Lenovo began in 2005.



Lenovo Scholar Network

MOBILE APP DEVELOPMENT PROGRAM

In 2016, Lenovo was recognized by the White House for its efforts with education partner NAF to promote STEM studies and careers to underserved youth in the U.S through the Lenovo Scholar Network (LSN). The program expanded to serve 50 academies for the 2016-17 academic year in public high schools across the U.S. One LSN initiative is a mobile app development program that provides a robust curriculum

as well as tools and resources to help NAF students become the next generation of developers. More than 2,000 students have learned to code and develop apps through the LSN program. This year, students created innovative apps that help users prepare for natural disasters, connect to college resources and even learn CPR on demand, to name a few. Visit www.lenovoscholars.com to learn more about these and other creative student projects.

Additionally, Lenovo held its largest ever STEM-based, volunteer project with more than 500 employees across North America, mentoring 200 NAF academy students. This #LenovoInTheClassroom experience engaged Lenovo employees and students in meaningful career conversations, individual coaching sessions and mock interviews.



Our nonprofit partnerships that engage employees and enhance STEM learning for under-represented students continue to grow. Through a Boys & Girls Clubs of America back-to school competition, Lenovo awarded two outstanding Clubs with Lenovo laptops and tablets to enhance their after-school STEM curriculum and student engagement. Lenovo sponsored the development of the Boys & Girls Club of America Digital Infrastructure Guide, designed to improve the digital engagement of the four million youth served by Clubs. Lenovo also announced a new partnership with the Smithsonian Center for Digital Learning and Access, providing Lenovo technology and resources to help virtually connect students in public schools and after-school programs with the Smithsonian's 19 museums and 154 million artifacts and specimens.



Finally, Lenovo employees in North America volunteered more than 23,000 hours of community service, hosting science fairs and workshops with Boys & Girls Clubs, building family homes with Habitat for Humanity and mentoring women reentering the workforce through Dress for Success. As part of its employee volunteer involvement, Lenovo continued its commitment to support U.S. military and veterans and victims of natural disaster. During the winter holiday season, Lenovo set a Guinness World Record for the most toys collected for military families in 24 hours in partnership with U.S. Veterans Corp. The company also donated cash and technology to support efforts of USO of North Carolina, Boys & Girls Clubs and the American Red Cross, helping individuals and families devastated by Hurricane Matthew.



Asia Pacific

Lenovo AP continues its support of bringing technology to all levels of society through its ongoing partnership with global nonprofit [Room to Read](#) (RtR), an organization that has enabled 10 million children in the developing world to receive education.

Over the past fiscal year, Lenovo AP concluded its four-year, USD\$400K+ partnership with RtR by contributing funds to build a library in Thai Nguyen, a village in rural Vietnam. The new library, which houses over 1,000 books, cushions, mats, tables and educational materials, has transformed the learning experience for village children.



In Australia and New Zealand, team members participated in Lenovo's first-ever Global Week of Service, working with [Mission Australia](#) to provide homeless Australians with 196 personal care packs containing essential toiletries, shavers, skin care products and toothbrushes.

Additionally, ANZ executive director Matt Codrington participated in the Vinnies CEO Sleepout for the fourth year in a row, raising over \$30,000 to support Vinnies homeless services, which not only provide immediate and emergency assistance but pathways to a brighter future for those in need.

Lenovo ANZ also continued its proud support of the Make-A-Wish Foundation, donating ten ThinkCentre M700 desktops to the Australia chapter's head office in Melbourne.

For the fifth straight year, Lenovo Philippines continued its support of the [Ten Accomplished Youth Organizations](#) (TAYO) Foundation's TAYO Awards, the country's leading annual search that aims to discover and recognize exceptional young Filipino groups that have contributed to the progress of their communities through innovative projects.

Lenovo Philippines provided the computers and tablets that were used in the screening, evaluation, validation, tabulation and presentation of the awards. Lenovo also awarded each of the ten winning organizations with a Miix 3-1030 tablet to aid them with their daily operations.



Lenovo Philippines also conferred the “Outstanding Tech Visionary Award” to GO2Virtualahan, a social enterprise that aims to end workplace discrimination through the use of technology with its online virtual school. The virtual school was awarded a Lenovo IdeaPad 510 PC.

In FY 2016/17, Lenovo India partnered with YUWA, an organization that uses sport as a platform for social development, and launched ‘Girls with Goals.’ This digitally led campaign used football (soccer) to engage disadvantaged girls from the rural town of Hutup, who are often forced into child marriages and have poor educational prospects. Lenovo and YUWA worked together, chronicling the girls’ journey to play at Spain’s international youth football tournament, the Donosti Cup, and, while doing so, helping the girls raise funds via a series of videos and real-time social engagements. The funds raised were put toward the girls’ dreams of building a school in their hometown, which could provide other youth with opportunities. One of the girls said, “I dream of a school that has a lot of classrooms and is known all over the country.”



Over the past fiscal year, Lenovo India has been actively supporting CED IT Lab, a skills development program aimed at the inhabitants of Delhi’s slums. Most recently, Lenovo India donated 17 All-In-One desktop PCs to help program participants study subjects such as typing, embroidery and beautician training. Lenovo India also donated funds for networking and electrical infrastructure improvement, PC tables and chairs and two trainers, which will provide underprivileged youth Internet access and the opportunity to learn basic computer skills. The total donation of almost USD\$18K will benefit over 500 CED IT Lab students.

Other social investments supported by Lenovo India include donating 110 tablets for the Government of Maharashtra’s The Village Social Transformation Mission initiative, 20 laptops to the the rural village of Doddaballapur and funding an IT Lab technology program in Puducherry.



Lenovo Japan ardently supports using technology to enable education. As part of a recent campaign, Lenovo partnered with a local Tokyo school, Matsuzawa Elementary School, using NEC and Lenovo computers to host a workshop with students on computer programming.



Europe, Middle East and Africa (EMEA)

Lenovo EMEA continued and expanded its partnership with United Way to provide children and young people with greater access to education. The number of projects has expanded to six, now covering France, Israel, Romania, United Kingdom, Spain and Poland. Through the United Way partnership, Lenovo provides cash and product donations to help evolve the way children and young people use technology.

Our focus on these projects is to use Lenovo technology to reduce gaps in education and social activities with the goal of achieving greater equality amongst children and young people. Through our work on these six projects over the last year, we have provided 75 Lenovo products (desktops, laptops, tablets) that were installed in eight schools across Spain and Poland. This is in addition to the 150 Lenovo devices purchased during the first two years of the program. These Lenovo products have now been used by over 2,000 people to improve their IT skills and capabilities in France, Israel and Romania, of which 80 percent are children and young people. A total of over 65 volunteers from Lenovo have helped the projects run smoothly.



The projects in Spain and Poland were new investments in FY 2016/17. In Spain, 50 laptops and 10 tablets were donated to seven Save the Children after-school centers. More than 800 children are benefiting from the computers in addition to 80 who had already been trained. In Poland, Lenovo employees installed 15 PCs and a projector, which will benefit 370 children.



In October, Lenovo was delighted to serve as the official technology sponsor for the 12th Women's Forum, held in Deauville, France. The theme - 'Is the sharing economy a sharing world?' - enabled us to explore the challenges faced by our industry as well as share solutions to close the gender gap in the technology sector.

The Lenovo delegation included female executives and young talent from sales, strategy, HR, marketing, communication, technical and logistics departments from EMEA, as well as a special guest – a start-up entrepreneur in the technology industry. As part of the Lenovo case study session, 'Bringing more women into tech,' various speakers from the Lenovo diversity campaign discussed why the number of women working in technology industries remains relatively low and shared their own experiences.

In November, our employees in Bratislava, Slovakia, held Diversity month. Our largest office in EMEA celebrated four weeks of activity focusing on Women in Lenovo Leadership, People with Disabilities, the LGBT+ community and the International Community at Lenovo. The month concluded with a Diversity Fair where employees from various countries and nationalities shared their cultures.

China

On June 17, 2016, 230 Lenovo employees at China's Beijing headquarters gave 1,170 hours to the community through the first Beijing Day of Service, in partnership with Horizon Corporate Volunteer Consultancy. The volunteerism focused on improving facilities and resources for the Beijing New Hope School, which serves children of migrant workers. In just one day, employees built a library, beautified the school with murals and provided interactive science projects for students at the school. Lenovo was proud to outfit the library with books, tablets and computers to further its digital inclusion efforts for an under-resourced school.

The effort was organized by local employee volunteers in the Lenovo China Volunteer Association, in partnership with the Motorola Mobility Foundation, a charitable and philanthropic arm of Lenovo. The project was made possible through funding from the Motorola Mobility Foundation and Lenovo United, a committee of high-achieving early career professionals with representation from all of Lenovo's business units and geographies.

On September 28, 2016, 61 Lenovo employees returned to Beijing New Hope School and provided recreation supplies and sport instruction in hopes of improving children's health, fitness and attention capacity during the school day. The event was organized by the Lenovo China Volunteer Association, and employees enjoyed continuing the relationship between Lenovo's corporate office and the Beijing New Hope School.

In addition to their work at the Beijing New Hope School for migrant children, Lenovo China Volunteer Association organized events that serve children with autism and children in need. These events are self-driven by LCVA and consisted of monetary and winter clothing donations to the local community.



Motorola Mobility Foundation

The Motorola Mobility Foundation enables and drives innovation to improve the communities where we live and work. We do this by leveraging our employee expertise and talent, providing funding and partnering with nonprofits, learning institutions, startups, government, corporate and civic organizations. Motorola Mobility Foundation's community engagement has three focus areas: science, technology, engineering, math (STEM) education; entrepreneurship; and accessibility.

The multifaceted activities we carried out in FY 2016/17 are described below. Motorola Mobility Foundation resources provided for these activities derived from funds donated to the Foundation before FY 2016/17.

- Partnered with Citizen Schools Illinois to help close the opportunity gap for underserved middle school students throughout Chicago by offering 10-week apprenticeships. Since 2013, over 100 Motorola employees have dedicated over 3,000 hours of service through Citizen Schools, teaching topics such as solar car design, mobile app creation, product design and creation, and journalism. In 2016, Motorola Mobility was honored with the Extraordinary Corporate Partner Award by Citizen Schools in recognition of volunteers' outstanding commitment to Citizen Schools.
- Mentored two high school teams and hosted the Showcase event for the Illinois Science and Technology Coalition R&D STEM Learning Exchange. Motorola Mobility is one of 50 partner organizations in Illinois that supports high school students by mentoring them through creating solutions for real-world problems over the course of a semester, encouraging problem-based learning and exposing students to STEM careers.
- Hosted the third annual Chicago Maker Challenge in partnership with Citizen Schools and the Chicago Public Library. Created in 2014, the Chicago Maker Challenge engages middle and high school students from around Chicago in creating a hardware or software solution that either solves a community problem or makes the world more accessible to people with disabilities. Over 120 students competed by submitting a one-to-five-minute video showcasing their solution, with winners competing in the live Chicago Maker Challenge Showcase at Motorola's headquarters.
- Sponsored 1871, Chicago's premier startup hub and located in the Merchandise Mart. Motorola Mobility Foundation is a founding sponsor of 1871's WiSTEM Incubator, which is designed to support female entrepreneurs and bring their businesses to the next level.
- Created three large-scale volunteer events for Lenovo and Motorola Mobility employees where volunteers logged a total of approximately 2,700 hours supporting Habitat for Humanity in Sunnyvale and Santa Clara, California, migrant children in Beijing, China, and elementary schools and a senior citizen center in Chicago.
- Collaborated with Lenovo Mobile Business Group's women@moto employee resource group to support women in need with a clothing drive and an interview skills workshop, a product design camp for middle school girls, and a "Girl's Coding Day" for girls ages 5-17.
- Provided a variety of volunteer opportunities throughout the year, which ranged from one-day commitments to monthlong programs. As a result, Motorola Mobility and Lenovo employees contributed 5,260 hours of volunteer service in FY 2016/17 through events organized by the Motorola Mobility Foundation. The Foundation intends to continue scaling its volunteer programs to Lenovo employees throughout Lenovo's global footprint.

A vibrant blue underwater scene featuring a large school of fish and several sharks swimming. In the foreground, the silhouettes of people are visible, looking at the marine life. A light blue vertical bar is on the left side of the image.

8.0

PLANET

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8.1 LENOVO'S ENVIRONMENTAL COMMITMENT

Lenovo's long-term, comprehensive approach to environmental management encompasses everything from site operations and product design to recycling and product end-of-life management. Lenovo has developed a set of corporate strategies, policies and guidelines designed to support environmental responsibility. Each manager and employee, as well as any contractor working on a Lenovo site, bears a personal obligation to uphold Lenovo's environmental commitments.

Our Environmental Affairs Policy is signed by Lenovo's Chairman and CEO and is available on our [website](#).

LENOVO'S ENVIRONMENTAL MANAGEMENT SYSTEM

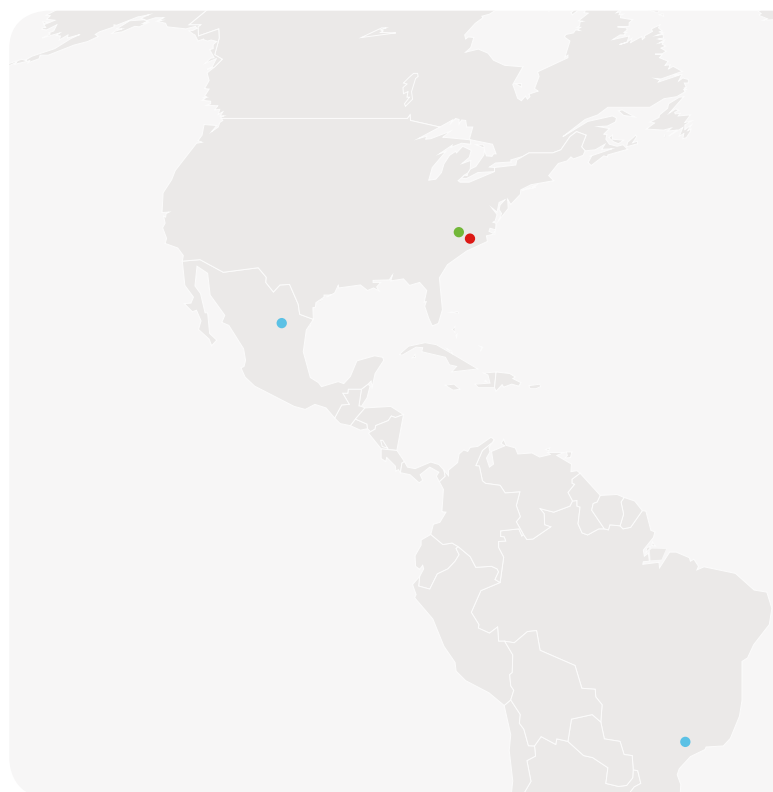
Lenovo manages the environmental elements of its operations through a global environmental management system (EMS) that covers Lenovo's worldwide product development and manufacturing operations for personal computer, workstation, server, storage, monitor, accessory and mobile device hardware.

In FY 2016/17, Lenovo sites globally began the transition to the new ISO 14001:2015 standard. As part of this transition, Lenovo conducted a gap analysis on our current system to the new standard and made enhancements as needed. Most Lenovo China sites except Hefei were audited by our external registrar to the new ISO 14001:2015 standard in FY 2016/17 and certification was granted to the new standard for all sites audited. At the same time, preparations were also made for certification to the new standard for all other sites including Hefei, China; Morrisville, N.C., U.S.; Pondicherry, India; Indaiatuba, Brazil; and others. Updated

certification to the new ISO 14001:2015 standard is expected for all in-scope Lenovo sites in FY 2017/18. During the transition, all in-scope sites will retain their current ISO 14001:2004 certification pending certification to the new ISO 14001:2015 standard.

Lenovo China manufacturing and R&D sites are certified to the requirements of ISO 14001 by the China Electronics Standardization Institute (CESI). Lenovo's manufacturing and product development facilities outside of China are certified to ISO 14001 by Bureau Veritas (BV). Lenovo's LCFC location in Hefei is certified to ISO 14001 by China Quality Certification Center (CQC).

[Click here](#) to view Lenovo's Global ISO 14001 registration certificates.



ISO 14001 Registered Manufacturing & Development Facilities

Development – Administration

- 7001 Development Drive, Morrisville, N.C., U.S.

Manufacturing and Fulfillment Center

- 6540 Franz Warner Parkway, Whitsett, N.C., U.S.

Manufacturing, Development

- 3188-1 Yungu Road, Hefei, Anhui Province, China
- No. 19 Gaoxin 4th Road, Wuhan, Hubei, China

Manufacturing – Administration

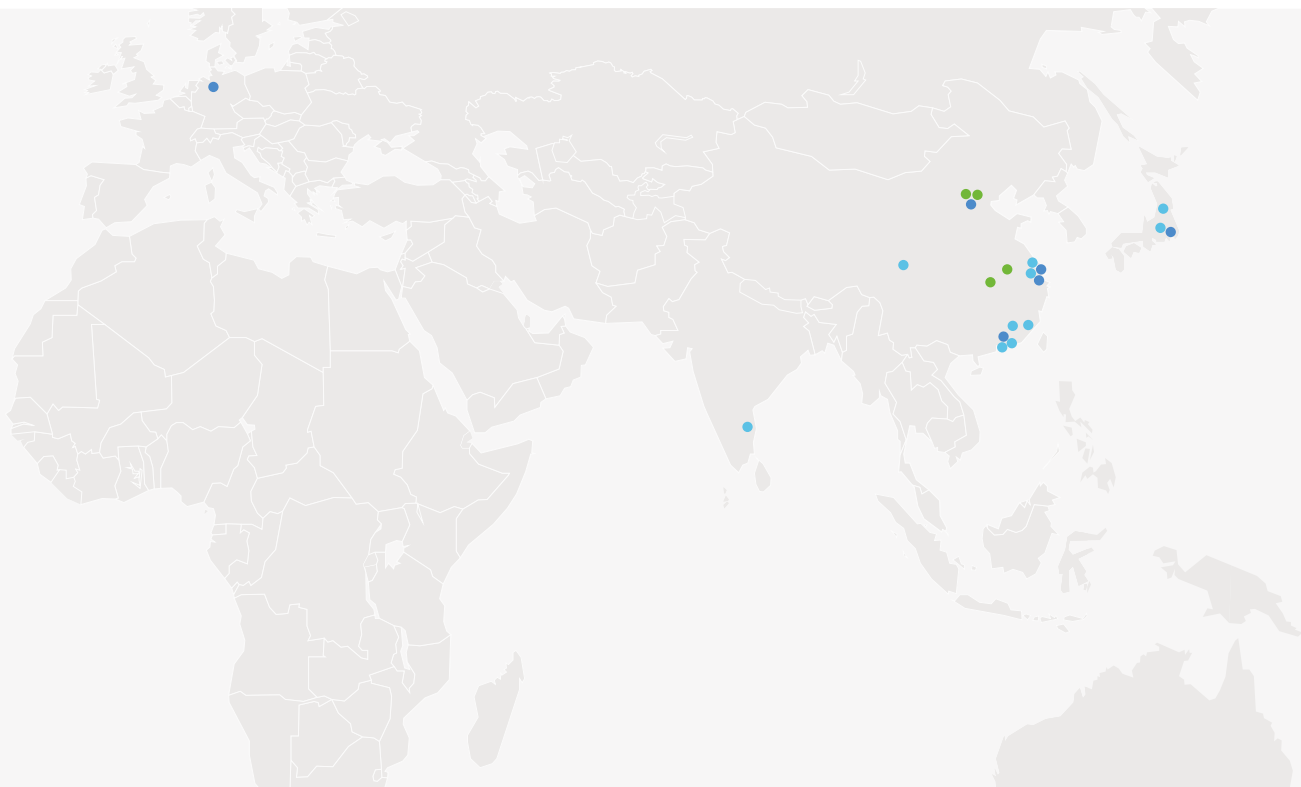
- No. 6 Chuangye Road, Beijing, China
- No. 2 Building, No. 8 Chuangye Road, Beijing, China

Development

- No. 6 Shangdi West Road, Beijing, China
- 696 Songtao Road, Shanghai, China
- 7A, 9A, 10A, 11A, Zhangjiang Building, No. 289 Chunxiao Road, Zhangjiang Technology Zone, Shanghai, China
- Nanyi Road, Shenzhen, China
- 3-6-1 Minatomirai, Nishi-ku, Yokohama, Japan
- Am Zehnthof 77, Essen, Germany, 45307

Manufacturing

- Restrada Municipal IDT 334 Estrada Dos Leites, Sapezal, N° 200, Modulos 5 A 10, Indaiatuba, Brazil
- Lenovo Science & Technology Park, Huiyang, China
- No. 68 Building, 199 Fenju Road, Shanghai, China
- No. 2 Building, 955 Shangfeng Road, Shanghai, China
- No. 88 Tianjian Road, Chengdu, China
- No. 30 Tao Hua Road, Shenzhen, China
- ISH2 Building, No.3, Guanglan Road, Futian Free Trade Zone, Shenzhen, China
- No. 999 Qisan North 2nd Road, Xiamen, China
- No. 316 Boulevard Escobedo, Apodaca, NL, Mexico
- RS No. 19, Thavalakuppam Village, Pondicherry, India
- 32 Nishiyajima-cho, Ohta-shi, Gunma, Japan
- 6-80, Shimohanazawa 2-Chome, Yonezawa, Japan



Lenovo remains a leading PC company and continues its push into the server, mobile device and cloud service markets. With our customers' interest as a significant driver, Lenovo is maintaining its focus on our key commitments to ensure compliance, prevent pollution and reduce our environmental impact, develop products with industry-leading environmental attributes and continually improve our global environmental performance.

Within the framework of our EMS, Lenovo annually identifies and evaluates the aspects of our operations that have actual or potential significant impacts on the environment. Metrics and controls are established for these significant environmental aspects. Performance relative to these metrics is tracked and reported on an ongoing basis. Performance improvement targets are established for select environmental aspects annually, taking into consideration performance relative to the environmental metrics, the Environmental Policy, regulatory requirements, customer requirements, stakeholder input, environmental and financial impact, and management directives.

During FY 2016/17 our significant global environmental aspects included:

- Product materials — including use of recycled plastics and environmentally preferable materials
- Product packaging
- Product energy use
- Product end-of-life management
- Site energy consumption
- Supplier environmental performance
- Product transportation
- Waste management
- Water management

See the [FY 2016/17 Performance](#) section to see Lenovo's FY 2016/17 global environmental performance against its objectives and targets.

Lenovo's energy, GHG emission, waste and water data is externally verified to a reasonable level of assurance.

Visit www.lenovo.com/climate and follow the link to see the [FY 2016/17 GHG Verification Statement](#).

Visit www.lenovo.com/waterandwaste to find links to the [FY 2016/17 Waste Verification Statement](#) and the [FY 2016/17 Water Verification Statement](#).

ENGAGING WITH STAKEHOLDERS ON COMPLIANCE

Lenovo's commitment to environmental stewardship begins with a commitment to compliance. This includes compliance with both regulatory requirements and voluntary standards set forth by associations and standards organizations to which Lenovo subscribes in support of managing and minimizing the environmental impact of our operations and our products. We verify our compliance through regular periodic internal and third-party audits of our facilities and operations.

Lenovo actively engages with a wide variety of stakeholders as part of its processes for managing environmental risk, ensuring compliance and meeting customer expectations. Examples include:

Associations

- [DIGITALEUROPE](#)
- [Electronic Industry Citizenship Coalition \(EICC\)](#)
- [Information Technology Industry Council \(ITI\)](#)
- [Consumer Technology Association \(CTA\)](#)

Green Programs (Eco-Labels)

- [IEEE 1680.1](#) Standard for Environmental Assessment of Personal Computer Products
- [ENERGY STAR®](#)
- [GreenGuard](#)
- [TCO Certified](#)
- [TCO Certified Edge](#)
- [TÜV Rheinland Green Product Mark](#)
- [UL Environment's Sustainable Products Certification](#)

Programs, Workgroups and Initiatives

- [Call2Recycle](#)
- [CDP](#) (formerly Carbon Disclosure Project)
- [ECMA-370 — The Eco Declaration Standard](#)
- [EcoVadis](#)
- [Electronic Product Stewardship Canada](#)
- [Global Reporting Initiative \(GRI\)](#)
- [Green Freight Asia \(GFA\)](#)

- [International Standard ISO 14001, Environmental Management Systems](#)
- [Leadership in Energy and Environmental Design \(LEED\)](#)
- [Product Attribute to Impact Algorithm \(PAIA\) Project](#)
- [R2 Leaders](#)
- [United Nations Global Compact](#)
- [World Resources Institute \(WRI\)](#)
- [World Business Council for Sustainable Development \(WBCSD\)](#)

Lenovo recognizes the importance of environmental leadership in China and has participated in numerous environmental initiatives in the country, including:

- China Energy Conservation Program (CECP)
- China Environmental Labeling Product (CELP)
- PC+ China Energy Law (CEL)
- Energy Saving Work Association of the Chinese Institute of Electronics
- China RoHS Standard Working Group
- China WEEE Working Group
- China MIIT EPR (extended producer responsibility) Recycling Pilot Project
- China ePCF Project
- China MIIT Eco-Design Pilot Enterprises Program

8.2 ENVIRONMENTAL IMPACT OF LENOVO OPERATIONS

ENERGY AND CLIMATE CHANGE

Lenovo recognizes that human activities are contributing to climate change and concurs with the findings of the Fifth Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC) – “Climate Change 2014.” Lenovo also recognizes that if left unchecked, current trends in climate change present serious economic and societal risks and agrees that specific actions are needed to stabilize atmospheric greenhouse gas levels and hold global average temperatures to acceptable increases. Proposed actions supported by Lenovo include:

- Reducing global emissions from 40 to 70 percent between 2010 and 2050
- Aligning with the global scientific community’s generally accepted recommendations for maintaining global warming below two degrees Celsius over the 21st century relative to pre-industrial levels.

We are working both internally and externally to minimize and mitigate climate risks. Lenovo is committed to continually reducing the global carbon footprint of all of its business activities. Lenovo has demonstrated its commitment by:

- Developing a corporate Climate and Energy Policy
- Implementing a long-term comprehensive Climate Change Strategy
- Setting aggressive corporatewide objectives and targets which support the Policy and Strategy
- Showing continual year-to-year progress in achieving those objectives and targets.

In an effort to drive climate actions external to Lenovo’s operations, we monitor, support and in some cases participate in the development of voluntary carbon reduction programs, climate change regulations, renewable energy portfolio standards and product carbon footprint and labeling requirements both globally and regionally.

Reducing energy consumption and associated carbon emissions is the primary focus of our climate change programs and strategy. Management of energy and carbon emissions reduction activities and programs is carried out within the scope of Lenovo’s global EMS. Lenovo is achieving its energy and carbon management goals through improvements in operational and logistical energy efficiency, reductions in energy consumption, switching to renewable energy sources where practicable, supporting an increase in renewable energy available via the grid, and purchasing renewable energy credits and carbon offsets.

Over the past several years, Lenovo has experienced organic growth in conjunction with operational consolidation. In addition, significant structural changes and external market factors have presented unique challenges to staying on the course of achieving our climate change goals. We overcame these challenges by engaging internal teams and external partners to identify opportunities to reduce energy consumption and carbon emissions. The identified opportunities were then subjected to a project approval hierarchy that favors energy efficiency first, use of renewable energy second and finally, the purchase of renewable energy credits or carbon offsets. This process continues to lead to the identification and implementation of projects that support Lenovo's goal of maintaining a sustainable balance among social, economic and environmental impacts.

Visit www.lenovo.com/climate for more information on Lenovo's Climate and Energy Policy, strategy, objectives and targets.

OPERATIONAL ENERGY EFFICIENCY

Given that one of Lenovo's most significant environmental aspects is emissions associated with energy consumption, Lenovo's goal is to continually improve the energy efficiency of its operations. Lenovo initiatives for energy reduction include activities such as installation of low-energy lighting and related electrical equipment, energy-efficiency improvements to HVAC systems, eliminating or improving usage of transformers and air compressors, manufacturing area optimization, manufacturing-line optimization, improving computer server room energy efficiency, consolidation of operations, and employee education.

For more information on our performance relative to energy efficiency, please see the [Energy Reductions in Operations](#) section.

RENEWABLE ENERGY

Lenovo is committed to installing local renewable energy generation sources where feasible. In support of this commitment we continue to expand our use of on-site solar energy.

In FY 2016/17 Lenovo's photovoltaic solar panel installation at the Lenovo-Compal facility in Hefei, China, was completed and began producing electricity. The 3.9 MW plant will save approximately 3,900 metric tons of carbon emissions annually. Lenovo's other renewable energy installations include solar hot water generation facilities in Beijing and Huiyang and solar electric generation plants in Beijing and Shanghai. The current solar capacity of all these projects is over 5 MW with emission reduction potential of over 5,000 metric tons of carbon emissions annually.

Our next project will be a solar electricity installation at the Development Drive R&D center in Morrisville, N.C., U.S. A similar project is proposed for Lenovo's site in Wuhan, China. These two proposed projects represent almost 6 MW of solar electric generation capacity.

Lenovo has a target of achieving 30 MW of owned or leased renewable energy generation capacity globally by 2020.



Solar carports in Hefei, China

In 2016, Lenovo was again recognized by the U.S. Environmental Protection Agency (EPA) as a Top 30 Tech & Telecom Green Power Partner for its purchase of renewable energy. Please click here for more information: <https://www.epa.gov/greenpower/green-power-partnership-top-30-tech-telecom>.

RENEWABLE ENERGY CREDITS AND CARBON OFFSETS

Where actual direct energy reductions or use of renewable energy sources are not technically or economically feasible, Lenovo chooses to purchase Renewable Energy Credits (REC), International Renewable Energy Credits (I-REC), Guarantees of Origin (GO) and carbon offsets.

Lenovo partnered with ClimeCo and purchased carbon offsets to carbon balance 55,000 MT CO₂e, Green-e Energy certified RECs with an offset value equivalent to 6,360 MT CO₂e, I-RECs with an offset value equivalent to 18,279 MT CO₂e and GOs with an offset value equivalent to 2,898 MT CO₂e.

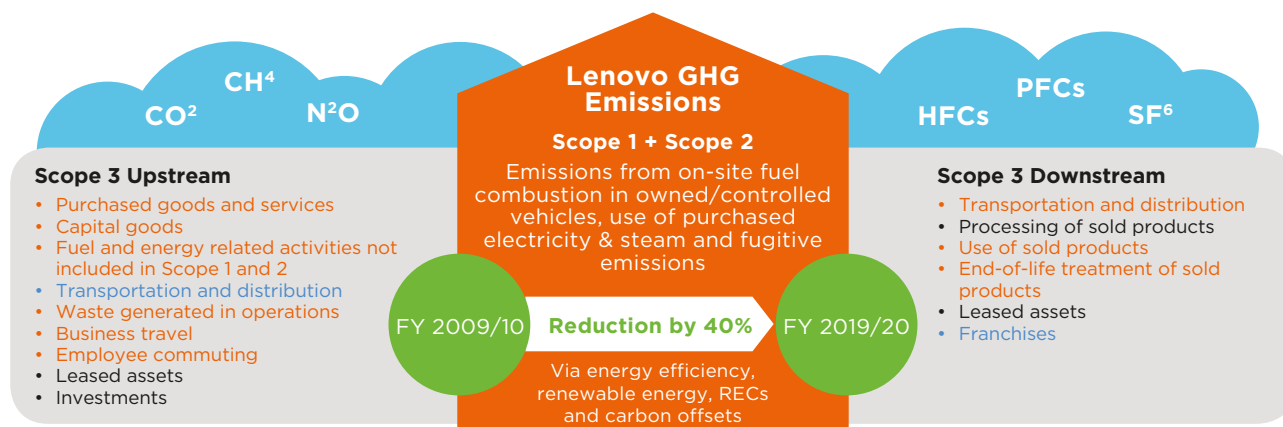
Carbon offsets, GOs, I-RECs and RECs supported 100 percent renewable energy projects in China (small hydro), Europe (small hydro) and the United States (wind).

To view the certificate for RECs, I-RECs, GOs and carbon offsets retired by Lenovo in 2017, visit www.lenovo.com/climate and follow the links from there.

CLIMATE CHANGE RISK/OPPORTUNITIES MANAGEMENT

Climate change risks and opportunities are identified and evaluated as part of two processes within Lenovo's business management systems. These include our global annual risk registration process and our annual environmental significant aspect evaluation. These two processes are connected, meaning that if climate change risks are identified in the global risk registration, they are considered in the environmental aspects analysis — and vice versa.

1. Lenovo's formal risk management process includes, among other sustainability factors: environmental risk categories such as environmental incidents, catastrophic weather conditions, supply chain disruptions and other elements. Each business unit is required to annually identify risks and assess their impacts on Lenovo's strategy execution, then develop mitigation plans for select identified risks. This process is managed by Lenovo's Enterprise Risk Management team.
2. Climate change risks are also evaluated, and the results of this evaluation are considered in the annual risk registration process described above. Energy consumption, the associated greenhouse gas emissions and climate change are identified as significant environmental aspects and impacts for



Notes: Scope 3 categories in orange are tracked and evaluated and in some cases actions are being taken to drive emissions reductions
 Scope 3 categories in blue have not been tracked and evaluated yet
 Scope 3 categories in grey are not relevant to Lenovo

Lenovo. As such, associated risks and opportunities are evaluated and prioritized annually based on Lenovo's significant aspect methodology in accordance with the requirements of our environmental management system. Per these requirements, climate change is evaluated relative to its actual and potential influence on the environment and the business. This process is managed by Lenovo's Global Environmental Affairs team.

As a demonstration of Lenovo's long-term approach to risk management in this area, in May 2014, Lenovo's Board of Directors (BOD) and Executive Committee (LEC) acted to increase Lenovo's GHG emissions reduction commitment from 20 percent to 40 percent by FY 2019/20, relative to FY 2009/10 (see graphic above). We will meet this commitment through investment in on-site renewable generation, energy efficiency and renewable energy credits or offsets.

Lenovo's commitment to addressing climate change extends to supporting global initiatives such as the [We Mean Business](#) initiative, a coalition of businesses and investors supporting a transition to a low carbon economy.

MINIMIZING THE ENVIRONMENTAL IMPACT OF LENOVO'S LOGISTICS

Lenovo continues to optimize our logistics programs and work closely with our partners to ship products in the most environmentally responsible manner. We established a product transportation carbon emissions baseline for FY 2011/12 which aids in gauging our progress. Our accomplishments in FY 2016/17 include:

- Streamlining the collection of logistics data by leveraging our online platform rather than collecting information manually from carriers via spreadsheets
- Extending our carbon dashboard to China domestic transportation, monitoring performance and identifying opportunities for improvement
- Engaging with key carriers to ensure they have effective sustainability programs in place

Lenovo's Global Logistics team has worked closely with the R&D team to develop a new, lighter weight pallet for air shipments. The lighter pallet, which weighs approximately 9.8 kilograms, was implemented at our Shenzhen plant in March 2016 and was extended to Lenovo original design manufacturers (ODMs) by September 2016. This initiative achieves a carbon emissions reduction of approximately 6,595 MT CO₂e per year.

In May 2016, Lenovo completed a switch from wooden pallets to light plywood pallets for its China mobile manufacturers. This switch yields a carbon emissions reduction of 4,160 MT CO₂e yearly.

The Global Logistics team proactively promotes rail transportation for shipments from China to Europe, and has shipped over 600 containers to Europe by rail. Global Logistics also drives ocean-transport consolidation opportunities to reduce the number of containers shipped out of China manufacturing sites with the goal of reducing carbon emissions.

Lenovo participates in regional initiatives that seek to disseminate best practices in transportation. In Asia Pacific, Lenovo is a founding member of Green Freight Asia (GFA). GFA's goal is to promote and improve fuel-efficient freight transport and decrease air pollution in Asia. Lenovo also is an approved U.S. EPA SmartWay partner.

GLOBAL REAL ESTATE OPERATIONS

Lenovo's China Real Estate

Lenovo's China Property (CP) function is responsible for managing all office real estate activities and meeting Lenovo's real estate needs in China. As of March 2017, CP managed nine Lenovo-owned sites in China with a total of 840,000 square meters. Additionally, the total leasing real estate portfolio represented 390,000 square meters across 54 locations in China.

Energy efficiency was a key target of Lenovo's CP team throughout FY 2016/17. We continually improve energy efficiency by optimizing facility management processes. We saved 278,440 kWh of electricity in our Beijing Headquarters West Campus lighting system by optimizing induction lamp sensor control in the office area and light control in the underground parking area. We also saved 94,350 kWh by optimizing air cooling system operation control in the Lenovo Beijing Building.

Lenovo's Real Estate Outside of China

In FY 2016/17, the Real Estate and Workplace Solutions (REWS) team continued to drive innovation in creating workplaces that are productive for our employees and have fewer impacts on our planet.

Our sustainability approach is focused on choosing the right sites, enhancing the environmental performance of our operations and improving workplace design. This approach helps us limit our exposure to environmental risks, lower our environmental footprint and create value for our clients, employees, communities and shareholders.

Our real estate teams continuously look for opportunities to increase the efficient use of resources. Our EMEA Real Estate team identified an inefficient lab in Greenock, Scotland, and consolidated it with a facility in Glasgow. Combining the facilities reduced our footprint by 15,000 square feet and reduced the number of rack servers in the lab alone by 30 percent. This achieved an energy consumption reduction of almost 46 percent when comparing FY 2015/16 and FY 2016/17 energy use.

Lenovo incorporates local community stakeholder perspectives on real estate sustainability initiatives when there are opportunities. For example, Lenovo's Yamoto Lab is located in Yokohama, Japan, in the Minatomirai Center Building. The city of Yokohama has made a strong commitment to becoming a model city in Japan for low environmental impact, and the Minatomirai district has been chosen as one of the city's showcases. Lenovo's Yokohama site operations team considers the city's sustainability goals in the planning of its own initiatives.

Motorola Mobility Headquarters – The Chicago Merchandise Mart

The Chicago Merchandise Mart is the largest LEED-EB certified building in the world and has received a LEED Platinum rating. Motorola is one of the Mart's largest tenants with over 404,000 square feet of space.

Motorola Mobility moved to its new downtown headquarters in 2014 with a long-term view on reducing its environmental impacts. The sustainability benefits reaped in FY 2016/17 include:



Transportation

- Sixty-five percent of Motorola employees took public transportation to get to and from work
- Bio-diesel powered shuttle buses provided transport to employees from two commuter rail stations, reducing fossil fuel use

Human Environment

- A combination of LEDs and efficient fluorescents helped reduce the lighting load while providing adequate light levels for employees
- Low-flow toilets, urinals and faucets conserved water

Pollution Prevention

- An enhanced recycling program was put in place for electronic waste, batteries, packaging materials, and lights in addition to the typical cardboard, paper, metals, glass and plastic recycling reduced waste going to landfills. Composting was added in 2016.
- Green cleaning and pest control policies implemented by building management helped maintain better air quality

FY 2016/17 ENVIRONMENTAL PERFORMANCE

ENERGY REDUCTIONS IN OPERATIONS

Improving operational energy efficiency is a fundamental element of Lenovo's strategy to meet its GHG reduction targets. Since establishing climate change objectives and targets, Lenovo has implemented more than 150 operational energy-efficiency projects worldwide. All sites continue to strive to identify and implement energy-efficiency projects and evaluate the opportunity to employ the use of renewable energy. Throughout the organization, these activities are driven by site energy champions who lead energy teams that help implement energy reduction projects.

During FY 2016/17 Lenovo approved approximately 20 new energy-efficiency projects. Some of the projects implemented during the year included:

- Solar photovoltaic power generation installation in Hefei, China
- Improvement of the server system in Beijing, China
- Intelligent light controllers in Shenzhen and Chengdu, China
- Improvements in HVAC efficiency at Chengdu, Shanghai and Shenzhen, China
- Implementation of a low temperature solder process in our PC manufacturing

All totaled, the approved projects will generate approximately US\$570,000 in savings per year and reduce energy consumption by 5,200 MWh annually. It is estimated that the total annual CO₂e savings will be over 3,400 MT CO₂e.

ENERGY CONSUMPTION

Lenovo's direct and indirect energy consumption by primary energy source for FY 2016/17 is detailed below.

Energy Consumption by Primary Energy Source

Energy Type	GJ
Fuel	144,929
Electricity	969,914
Steam	64,290
Cooling	10,202
TOTAL	1,189,335

Direct Energy Consumption by Source (Fuel Detail)

Fuel	GJ
Gas/diesel oil (stationary combustion)	33,350
Natural gas (stationary combustion)	102,950
Liquefied petroleum gas (LPG) (stationary combustion)	4,696
On road diesel fuel (mobile combustion)	1,088
Gasoline/petrol (mobile combustion)	1,838
Liquefied petroleum gas (LPG) (mobile combustion)	273
Jet kerosene fuel	734
TOTAL	144,929

GHG EMISSIONS PERFORMANCE

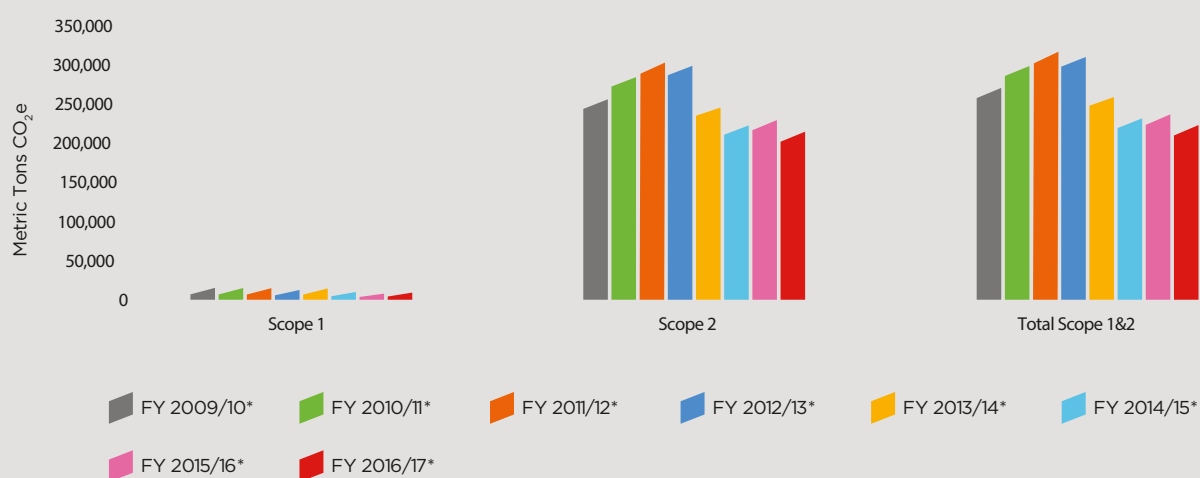
Lenovo reports GHG emissions and tracks performance relative to our fiscal year, which runs from April 1 through March 31. Lenovo's GHG objectives and targets are set and tracked relative to a base year of FY 2009/10.

A. Lenovo's Global Scope 1, 2, 3 GHG Emissions

Lenovo's Scope 1 and 2 (location-based) CO₂e Emissions Inventory from our base year is detailed below. Lenovo's Scope 3 CO₂e Emissions Inventory from our last eight fiscal years is also below. The table in the Consolidated Metrics section of this report includes Scope 1, 2 (location- and market-based) and 3 emissions for Lenovo's global operations.

Note: Lenovo started to report location- and market-based Scope 2 from FY 2015/16 to comply with the GHG Protocol Scope 2 Guidance.

Lenovo's GHG Emissions - Scope 1 & 2 (location-based)¹

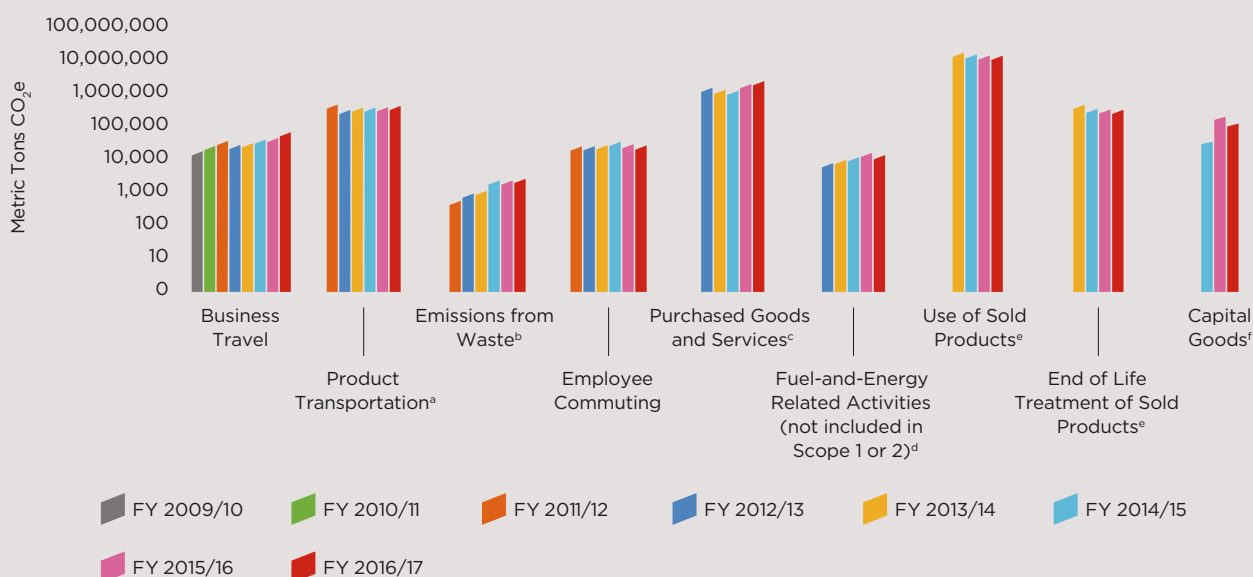


¹ Scope 1 GHG emissions are calculated based on the purchased quantity of commercial fuel and added refrigerants and using published emission factors from DEFRA, U.S. EIA, EPA and 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The guidance from worksheets of World Resources Institute's GHG Protocol Tool for Mobile Combustion and the GHG Protocol Tool for Stationary Combustion were used for making the calculations. The tools and guidance were developed by World Resources Institute (WRI) and copyrighted. They are available at www.ghgprotocol.org.

Scope 2 GHG emissions are associated with the purchase of electricity from the grid, steam and cooling. Information on emissions from all Lenovo facilities worldwide is included in this report. For facilities solely owned or operated by Lenovo, emissions were calculated using actual quantities of purchased electricity, steam and cooling and the international emission factors for the relevant country or region (provinces in China, states in the U.S.). Lenovo emissions from shared facilities were calculated using the floor area occupied by Lenovo and international electricity emission factors for the relevant country. World Resources Institute's GHG Protocol Tool for Stationary Combustion was used as guidance for calculating emissions associated with purchased electricity. The Similar Building/Facility Estimation Method was used for facilities that are partially occupied by Lenovo operations.

* At the end of FY 2012/13, Lenovo adjusted its historical CO₂e emissions data to account for the acquisition of Medion in Germany and our joint venture with NEC in Japan. At the end of FY 2015/16, Lenovo adjusted historical CO₂e emissions data to account for acquiring System x and Motorola Mobility.

Lenovo's GHG Emissions – Scope 3²



² Scope 3 GHG emissions are estimated based on the guidance of the Greenhouse Gas Protocol's Value Chain (Scope 3) Accounting and Reporting Standard and its supplement named the Greenhouse Gas Protocol: Technical Guidance for Calculating Scope 3 Emissions (version 1.0).

^a Product transportation emissions include key upstream suppliers representing majority of global logistics spend. Note: Upon looking into GHG Protocol standard we decided to recategorize this to upstream from downstream transportation (from FY 2016/17, previous years were adjusted accordingly).

^b Emissions from waste include nonhazardous waste, hazardous waste and wastewater from all manufacturing, R&D locations and some large/small offices. No product waste is included.

^c Emissions from purchased goods and services include suppliers covering 95 percent of direct global suppliers spend.

^d Emissions from fuel-and-energy related activities include transmission and distribution losses from worldwide used electricity and natural gas.

^e Lenovo used the current Product Attribute to Impact Algorithm (PAIA) notebook, desktop, monitor, tablet, all-in-one and thin client tool for calculating emissions of Lenovo's typical notebook, desktop, monitor, tablet, all-in-one and thin client. The calculated results show emissions distribution by different parts and also for use, packaging, transportation and end-of-life treatment categories. The emissions associated with use and end-of-life treatment of sold products were estimated on a "narrow" baseline for the typical notebook, desktop, monitor, tablet, all-in-one and thin client multiplied by sold/shipped product volumes.

^f Emissions from capital goods were estimated based on capital goods purchased in a given year. All capital goods were converted to the common currency unit and categorized to align with industry codes. Emission factors for different types of capital goods were taken from *2012 Guidelines to Defra GHG Conversion Factors for Company Reporting*, Annex 13, adjusted for inflation rate and exchange rate.

Lenovo's GHG Emissions Inventory Specifics

Base Year	FY 2009/10	April 1, 2009 – March 31, 2010
Boundary	Organizational	Operational control approach
	Operational	Scope 1, 2 and 3 in worldwide manufacturing, research and development sites and office locations
Scope	Scope 1 (direct GHG emissions)	On-site fuel combusted, operation of controlled vehicles and fugitive emissions
	Scope 2 (indirect GHG emissions)	Purchased electricity, steam and cooling
	Scope 3 (other indirect GHG emissions)	Business travel, product transportation, employee commuting, emissions from waste, purchased goods and services, fuel-and-energy related activities, use of sold products, end-of-life treatment of sold products and emissions from capital goods
Greenhouse Gases	All GHG covered by the Kyoto Protocol	CO ₂ , SF ₆ , CH ₄ , N ₂ O, HFCs, PFCs and NF ₃

[Click here](#) to see more of Lenovo's global environmental data.

Lenovo's Scope 1 and 2 absolute emissions during FY 2016/17 decreased due to organic changes, structural changes and operational consolidation. Lenovo emissions inventory, normalized by total revenue, employee population, floor area and unit of production, decreased in comparison with the previous year.

Overall Scope 3 emissions remained flat (decreased by less than 0.6 percent). Lenovo's reporting categories included: business travel, emissions associated with product transportation, site waste, employee commuting, purchased goods and services, fuel-and-energy related activities not included in Scope 1 or 2, emissions from use of products, emissions from end-of-life of products and emissions from capital goods. Please see section [E. Additional GHG Emissions Performance and Related Initiatives](#) for information on Lenovo's actions to drive down supplier and transportation emissions.

B. Lenovo's Global Scope 1 and 2 (location-based) GHG Emissions by Country

Lenovo's Scope 1 and 2 (location-based) breakdown by country for FY 2016/17 is detailed below.

Lenovo's GHG Emissions (MT CO₂e) – Scope 1&2 (location-based) – by country³

Country	Country Total Scope 1	Country Total Scope 2 (location-based)
Brazil	2,442.77	1,767.91
China	3,275.32	169,055.32
Germany	459.70	1,784.78
India	62.26	3,929.03
Japan	325.32	5,660.41
Mexico	73.32	3,990.51
Taiwan	0.00	1,714.77
United States	1,210.76	20,973.74
Rest of World	444.54	4,760.80

³ Brazil, China, Germany, India, Japan, Mexico, Taiwan and United States represent manufacturing and R&D sites in these countries. "Rest of World" represents all real estate sites across the world (small and large – except the ones in regions listed above).

C. Lenovo's GHG Emissions Objectives and Targets

During FY 2016/17, Lenovo achieved a 28 percent emissions reduction relative to FY 2009/10. The Scope 1 and Scope 2 reductions were accomplished by implementing energy efficiency projects (approximately 20 new projects such as installing low energy lighting, improving the efficiency of air conditioning systems and optimizing production processes); consolidating operations between existing and newly acquired sites; using solar sources at sites (solar panels in Shanghai and Hefei, China); and purchasing renewable energy certificates from renewable projects in the United States, international renewable energy certificates from renewable projects in China and Guarantees of Origin in Europe.

Energy and GHG emissions data for all eight years included in our reporting (beginning with the baseline year FY 2009/10) was third-party verified. [Click here](#) to view the FY 2016/17 GHG Verification Statement, or visit www.lenovo.com/climate and follow the link from there.

Lenovo began disclosing GHG emissions, climate change strategies and climate change risks and opportunities assessments through the voluntary public reporting system CDP (formerly Carbon Disclosure Project) in 2009. On the 2016 CDP Climate Change questionnaire, Lenovo was rated as Leadership Level with a score of A-, and we were honored with the Sustainable Enterprise Influence Award at CDP China's report launch event in October 2016. Additionally we were included in the CDP pilot supplier engagement ranking and received a score of A- on the 2016 CDP Supply Chain survey along with the Combating Climate Change Award. Lenovo's annual GHG disclosures are publicly available at www.cdp.net/reports.

D. Emission Trading System

Lenovo was selected for a pilot emission trading system in China. It was determined by the Beijing Municipal authority in 2013 that Lenovo Beijing, as a significant energy consumption enterprise (consuming more than 5,000 MT coal-equivalent electricity – CO₂ emissions of over 10,000 MT/year), must meet an emissions trading requirement and emissions reduction of two percent year-to-year for Lenovo Beijing sites. Our Shenzhen server plant is also listed as a significant carbon emission enterprise, but its released emissions do not exceed allocated allowances so reductions are not required. The trial period for the pilot emissions trading scheme has ended, and China is now in the process of implementing a nationwide mandatory carbon trading regimen. Lenovo is closely monitoring other provinces where the pilot program was imposed since our sites in Shanghai, Huiyang, Xiamen, Chengdu and Wuhan could be impacted in the future.

Lenovo has a climate and energy policy and strategy in place and works on meeting the regulatory requirements of reducing emissions two percent year-by-year for our Beijing sites. The main activities include: establishing a comprehensive energy/carbon system for Beijing sites, including energy efficiency and renewable project identification and implementation (e.g., optimizing equipment controls on our production lines, installing energy-efficient lighting systems, installing solar hot water systems); implementing energy verification and energy management audits; and purchasing carbon offsets. This is the third year for Lenovo to be a part of this scheme and, since our business is developing constantly, we are anticipating the need to purchase offset allowances. The above-mentioned energy efficiency projects will help us meet the emissions reduction requirements. Additionally, Lenovo partnered with China Reach Academy of Environmental Sciences on the "Cleaning Production Program" that took place in all locations in Beijing during 2016 and focused on identifying energy savings opportunities and eliminating waste generated in our manufacturing/assembling operations.

E. Additional GHG Emissions Performance and Related Initiatives

End-of-Life:

We estimated⁴ that Lenovo avoided more than 72,000 MT CO₂e thanks to recycling end-of-life electronic products in FY 2016/17.

Suppliers:

Lenovo continues to fully implement the EICC Environmental Reporting Initiative or the CDP reporting tool for top Tier 1 suppliers. Based on our suppliers' Scope 1 and 2 GHG emissions reported for 2015, it was estimated that the emissions allocated to Lenovo from 95 percent of our direct spend (85 key suppliers) was approximately 2,055,000 MT CO₂e. During the current reporting period, 92 percent of our procurement spend had specific GHG reduction targets/goals, which were achieved via implementing energy efficiency projects and/or renewable projects. However, due to adding new suppliers from our acquired businesses, moving volume to higher emission suppliers and getting more allocation of suppliers' emissions, Lenovo's overall supplier emissions increased.

Transportation:

During FY 2016/17, Lenovo continued collecting and calculating product transportation emissions data via DHL's carbon data dashboard. Emissions from air, ocean, road and rail from international transport and multiple local carriers in China were estimated based on the shipment data received from key Lenovo carriers, which represent the majority of worldwide global logistics spend. Plans for future work in this area include: expanding emissions data collection to additional key suppliers, assessing the correlation of costs and emissions, and closely examining upstream transportation and distribution emissions.

Fuel-and-Energy Related Activities:

Lenovo included transmission and distribution (T&D) losses from electricity and natural gas used worldwide in the category "Fuel-and-energy related activities (not included in Scope 1 or 2)." T&D loss rates for electricity by country listed in the World Bank database and natural gas loss mentioned in the ENERGY STAR® Performance Rating document were used for final emissions calculations.

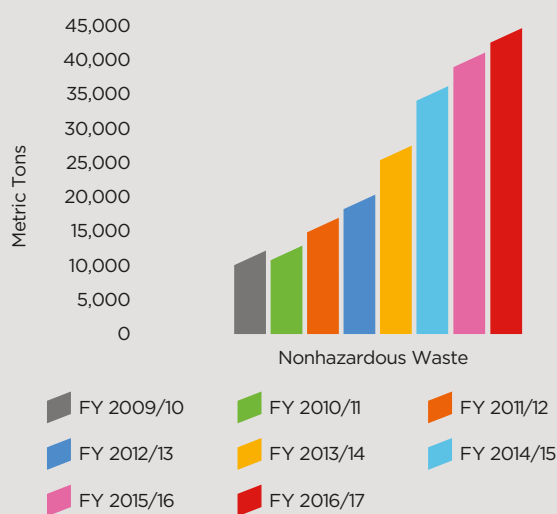
⁴ The U.S. Environmental Protection Agency Waste Reduction Model (WARM, March 2016) emission factor of 2.50 MT CO₂e per short ton was used for the estimate — <https://www.epa.gov/warm/versions-waste-reduction-model-warm#WARM Tool V14>

OPERATIONAL WASTE MANAGEMENT

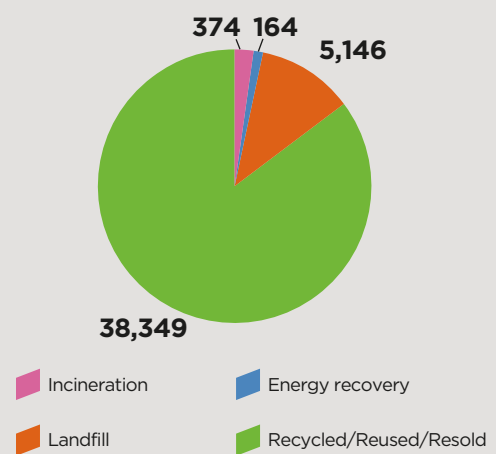
MANAGING NONHAZARDOUS SOLID WASTE

One of Lenovo's primary environmental objectives for operational facilities involves minimizing solid waste and maximizing recycling and reuse. Lenovo manufacturing and R&D facilities, and some large office locations worldwide, achieved a reuse/recycling rate of 87.5 percent during FY 2016/17. Detailed below is the generation of solid waste during the last eight fiscal years and disposition of solid waste in FY 2016/17 from these facilities.

Nonhazardous Waste



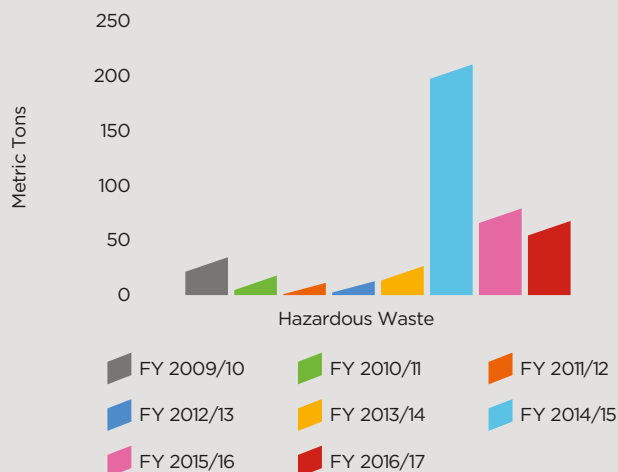
Nonhazardous Waste Disposition (Metric Tons)



MANAGING HAZARDOUS WASTE

Lenovo operations generate minimal quantities of hazardous waste. Hazardous waste generated at operational facilities includes oils, coolants, organic solvents, batteries, fluorescent light bulbs and ballasts. All are disposed of in accordance with local environmental regulations with reputable vendors that are approved through a stringent Lenovo audit process. During FY 2016/17, Lenovo neither imported nor exported any hazardous waste. During this reporting year, there were no significant spills. The spike in hazardous waste volume in FY 2014/15 was due to a one-time disposal event associated with the closure of facilities in Brazil.

Hazardous Waste



[Click here](#) to see the FY 2016/17 Waste

Verification Statement, or visit www.lenovo.com/waterandwaste and follow the link from there.

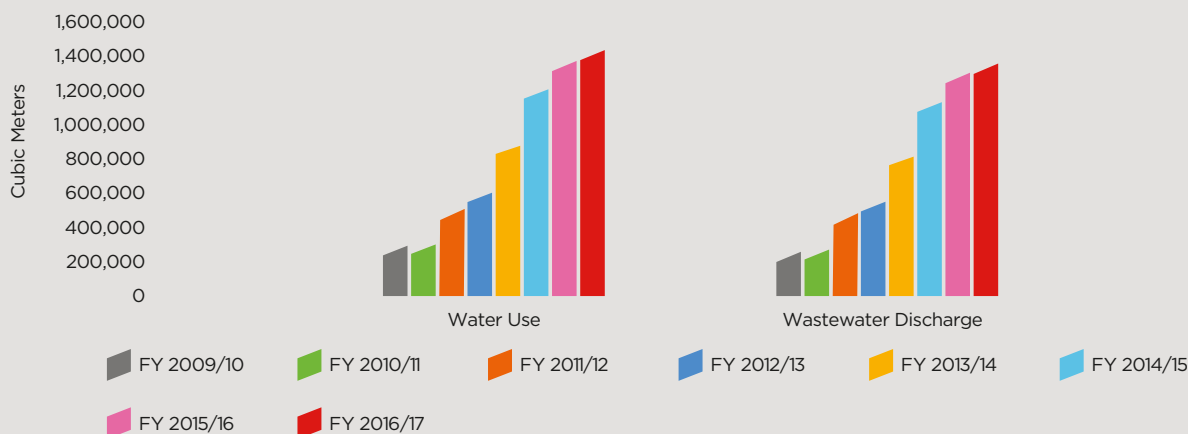
OTHER ENVIRONMENTAL ASPECTS

WATER RESOURCES

Lenovo's manufacturing and product development operations do not have any wet processes. Since Lenovo withdraws water only from municipal sources and only for human support, we have minimal impact on local water resources. As such, there are minimal opportunities to reuse and recycle water, but this metric is tracked. We do, however, identify and implement opportunities to reduce and recycle the amount of water we consume. Detailed in the chart below is water use at Lenovo's manufacturing and R&D facilities and some large office locations over the past eight years.

Lenovo does not engage in any intentional discharge of wastewater other than into municipal wastewater disposal systems. There were no significant accidental releases of wastewater, fuel, chemicals or other potentially harmful substances at Lenovo facilities during the fiscal year.

Water Use and Discharge



[Click here](#) to see the FY 2016/17 Water Verification Statement, or visit: www.lenovo.com/waterandwaste and follow the link from there.

OTHER AIR EMISSIONS

Lenovo prohibits the use of ozone-depleting substances in our products and manufacturing processes except in HVAC and fire-suppression equipment as permitted by law. Ozone-depleting substances used in HVAC and fire-suppression equipment are managed in accordance with local regulations, and intentional releases are prohibited. Lenovo requires the reporting of unintentional releases of chemical substances as an environmental incident. During FY 2016/17, there were no incidents of refrigerant release. We only added refrigerants to our equipment during maintenance services.

Lenovo does not have significant direct air emissions such as NO_x and SO_x. In addition, Lenovo has no wet chemical or industrial processes that use volatile organic compounds (VOC) and thus has no point sources of VOC. Household and cleaning products that contain small quantities of VOC are used at some of our facilities but associated fugitive emissions are minimal and are not quantified.

SPILLS

In FY 2016/17 there was one accidental release at the Lenovo facility in Whitsett, N.C., U.S. The incident involved the spill of approximately 0.5 pounds of fork truck battery electrolytes onto the floor. The spill was contained and captured without offsite impact. Corrective actions were implemented to mitigate the chance of recurrence. Due to the nature and size of the spill, there was no requirement to notify a regulatory authority.

BIODIVERSITY

Lenovo is not aware of any significant impacts of its activities, products and services on biodiversity, including impacts from water discharge and runoff from our operations. Lenovo requires an environmental site assessment for acquisition or divestiture of facilities or real estate. Our internal new project environmental assessment requires an evaluation relative to the potential for impacts on protected habitats or protected or endangered species.

8.3 ENVIRONMENTALLY CONSCIOUS PRODUCTS

Lenovo's commitment to protecting the environment dates back to our early days as a company. By the time the acquisition of the IBM PC division was completed in 2005, Lenovo had already developed technical specifications for PCs that included environmental attributes such as energy efficiency, while at the same time its commercial products were designed to meet China's rapidly evolving energy-saving targets.

With the expansion of Lenovo's global reach in 2005, the company took environmental sustainability a step further by adopting a comprehensive Environmentally Conscious Products Program. Supported by Lenovo's Global Environmental Affairs team, this companywide initiative was implemented by a network of Environmentally Conscious Product engineers and green product teams within each business unit.

PRODUCT MATERIALS

Lenovo's product development process is focused on integrating environmentally preferred materials into our products. Incorporating post-consumer recycled content (PCC) and post-industrial recycled content (PIC) plastics continues to be instrumental to our development strategy.

Use of Recycled Plastics

Starting in 2007, as new grades of recycled plastics with PCC became available, Lenovo's product development teams began to use these environmentally preferred materials to satisfy corporate environmental objectives and targets and meet new customer requirements.

Using these engineered plastics not only saves the natural resources and energy that would have gone into manufacturing new plastics, but also diverts both PCC and PIC from landfills. These environmental benefits are achieved while still creating a product that meets Lenovo's high-performance standards.

Usage of PCC in Products Released in FY 2016/17

1-10% PCC	>10% PCC	> 25% PCC	50%
Select notebooks, desktops, accessories	ThinkPad L460 ThinkPad S5	ThinkCentre M910z	ThinkVision T23i-10 ThinkVision TIO22 ThinkVision TIO24

Lenovo continues to expand its emphasis on green design with the ThinkPad L Series. The LCD cover, palm rests and top and bottom cases of these notebooks use up to 30 percent PCC from sources such as used office water jugs and IT equipment. ThinkPad has also succeeded in using PCC in the very thin walls of battery packs. The ThinkPad Ultra Dock, ThinkPad Pro Dock and ThinkPad Basic Dock use PCC as well.

To overcome the continuing challenges of using recycled content in the design and manufacture of smart connected devices, especially notebooks, tablets and smartphones, Lenovo's team of engineers works closely with our PCC suppliers to develop and qualify new grades of plastic resins previously unavailable to the IT industry. Using PCC in IT products presents significant challenges due to the unique structural, performance and cosmetic requirements associated with these applications. Depending on the final application requirements, the plastic resins contain between 10 and 85 percent PCC. Some plastic resins also contain up to 20 percent PIC. All of these materials receive environmental and performance qualifications prior to their approval and use in Lenovo product applications.

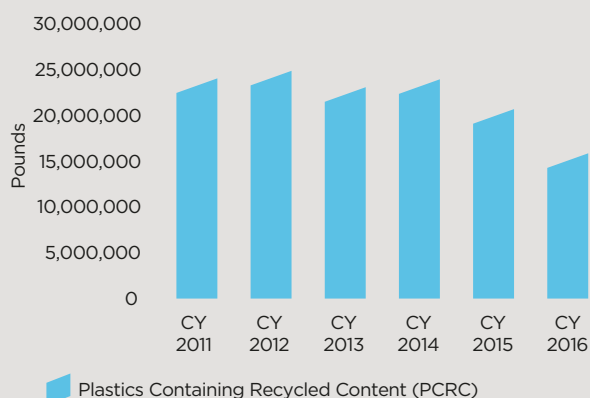
Recycled Content Usage to Date

Since early 2005, Lenovo has used over 193 million pounds (gross) of plastic materials containing PCC and/or PIC in its products, with net PCC of over 90 million pounds and net PIC of more than 1.9 million pounds. In 2016, Lenovo used nearly 15.8 million pounds (gross) of recycled plastics with net PCC of over 10.2 million pounds.

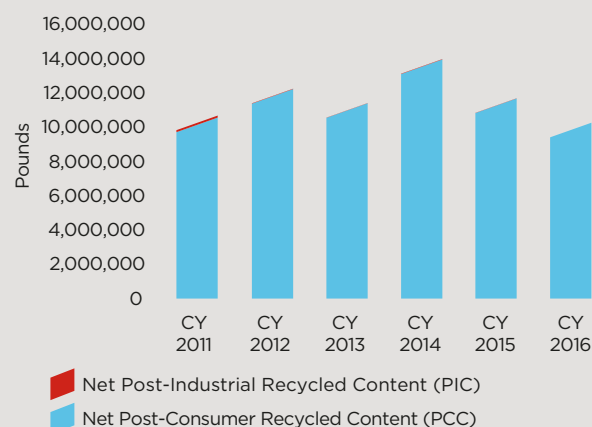
Please see [Objectives and Targets](#) on page 31 for Lenovo's recycled content usage targets for FY 2017/18.

The following graph shows Lenovo's annualized use of PCC and PIC plastics over the past five years. The decline reflects a decreasing use of plastics overall, which is resulting from successful efforts to make products thinner and lighter.

Use of Plastics Containing Recycled Content



Use of Recycled Plastics in Products



Other Materials of Interest

Lenovo's corporatewide environmental standards and specifications require the designers of all Lenovo IT products to consider certain environmentally conscious design practices to facilitate and encourage recycling and minimize resource consumption. Some examples include:

- All product lines adhere to the marking of plastic parts greater than 25 grams for identification of resins for recycling.
- Products are designed to minimize the types of plastics they contain and avoid contamination of plastics by paints, glues or welded connections. Tools needed for disassembly to subsystem levels are also universally available.
- Product-specific upgradeability features are described in product literature and declarations for all Lenovo product lines.
- Recycled resins, ranging in recycled content from 10 percent to more than 85 percent, are used in a number of Lenovo hardware applications and are specified as preferred materials where practical. Lenovo is working toward the goal of including some amount of recycled plastic in all new products.
- New products are evaluated for chemical emissions. To minimize potential volatile organic compound (VOC) emissions, nonsolvent-based powder coatings are used for decorative painted parts wherever practical.

Lenovo supports a precautionary approach, ensuring that appropriate actions are taken even if cause-and-effect relationships are not fully established scientifically.

Lenovo's priority is to use environmentally preferable materials whenever applicable. In adhering to this precautionary approach, Lenovo supports restricting the intentional addition of materials that are potentially concerning when economically and technically viable alternatives exist. These restrictions may also include implementing concentration limits for incidental occurrences. For materials where economically and technically viable alternatives do not exist, Lenovo collects data on the usage of these materials above the defined concentration limit. This data can then be reported to customers or other stakeholders. Lenovo continues to actively search for environmentally preferable materials that can be used as substitutes. One example of this transition is eliminating the use of mercury from backlighting in Lenovo displays. Lenovo completed the phase out of mercury in all our display parts and products in 2014.

We also expect our partners and suppliers to demonstrate the same commitment to environmentally sound practices. Our supplier specifications are available at: http://www3.lenovo.com/us/en/global_procurement/Guidelines/Restrictions_and_Packaging.html.

Lenovo restricts the use of environmentally sensitive materials in our products. The specification encompasses both regulatory and Lenovo-imposed material bans and restrictions. This includes the prohibition of ozone-depleting substances in all applications; the restriction on the use of persistent organic pollutants (PoPs) under the Stockholm Convention; and the elimination of materials covered under European Union (EU) Restriction on Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), even beyond those jurisdictions where regulatory requirements exist. Lenovo's implementation strategy and requirements are consistent with the requirements specified in the EU's RoHS Directive and REACH Regulation.

Lenovo supports phasing out¹ brominated flame retardants (BFRs) and PVC and is committed to driving its supply chain toward this goal. Lenovo has made significant progress toward the elimination of BFR and PVC from our systems. We continue to focus on eliminating halogen from our top-selling products and across as many commodities as possible. Each product group completes a low halogen scorecard for each new product developed. The product groups have committed to improve the generation-to-generation low halogen score for at least one mainstream high volume product released during FY 2017/18.²

Highlights from 2016 include the following:

- Elimination of most BFR and PVC from ThinkPad notebooks. BFRs are used in power cords, cables, AC adapters, planar ASMs, subcards, connectors and some modular parts. PVC is only used in power cords and cables. In addition, all ThinkPad notebooks have low halogen printed circuit boards.
- Many Lenovo commercial monitors meet the iNEMI definition of low halogen with the exception of their PCBA and external cables.
- Lenovo ThinkCentre desktops have low halogen chassis and CPUs.

Lenovo has completely phased out the use of BFR/PVC in all mechanical plastic parts (such as external covers, housings, etc.) across all Lenovo product lines. Lenovo currently prohibits the following from intentional addition to any Lenovo parts:

- Polybrominated Biphenyls (PBBs)
- Polybrominated Diphenyl Ethers (PBDEs)
- Deca-Brominated Diphenyl Ethers

¹ Lenovo supports the definition of "BFR/PVC free" as defined in the "iNEMI Position Statement on the 'Definition of Low-Halogen' Electronics (BFR/CFR/PVC-Free)."

² To support this activity, all BUs shall include a requirement for the evaluation of low halogen components (including raw card PCBs) in the development marketing requirements document and RFI/RFQs. Qualified low halogen parts available at cost parity shall be used.

Lenovo has also made significant progress in phasing out halogen in many commodities across several product lines. For example, all plastic enclosures; most components and connectors (with the exception of printed board laminates); all mechanical plastic parts such as product covers, housings, bezels, etc.; and many hard disk drives, optical disk drives, solid state drives, LCD screens, memory, CPUs, chipsets, communication cards and other commodities have offerings that meet the iNEMI definition of low halogen.

Lenovo plans to release additional BFR- and PVC-free models across the Think and Idea family of products as acceptable alternative materials become available, working toward the goal to phase out the use of these materials across all newly introduced products. We continue to work with our suppliers to pilot new BFR- and PVC-free applications. Lenovo recognizes that the phase-out of these materials is dependent upon the availability of suitable alternatives that meet Lenovo's technological, quality, environmental, health and safety requirements.

Lenovo has identified a list of materials and substances of environmental interest. These substances may be candidates for further restrictions in the future. Lenovo holds suppliers accountable for reporting the use of these materials through Supplier Material Declarations. An industry standard IPC 1752A XML Full Material Disclosure (FMD) form, submitted via the Green Data Exchange (GDX), is the preferred format for confirmation of compliance to the restrictions and for reporting when substances in question are above the specified concentration levels.

Lenovo has achieved FMD for all product types in FY 2016/17, realizing quick response to regulatory compliance updates, specifically for REACH SVHC updates. FMD provides material usage data which Lenovo uses to analyze material environmental health and safety attributes to aid in the process of selecting the most appropriate eco-friendly substances. Lenovo also tries to reduce the categories of substances, aiming to simplify e-waste disposal.

We have made it a point to inform customers about the environmental attributes of our products and compliance with applicable laws and regulations through the presentation of a completed industry standard IT Eco Declaration (based on Annex B2 of ECMA-370 5th edition, June 2015). Declarations for newly released products are posted on Lenovo's environmental website at: www.lenovo.com/ecodeclaration.

Consistent with our precautionary approach, we continuously analyze the regulatory environment and consider input from our customers, nongovernmental organizations (NGOs) and other stakeholders in evaluating the potential health and environmental impacts of our products. We weigh these inputs to determine the restricted substances, as well as the substances of interest to be tracked for the purpose of reporting and for consideration of future restrictions.

PRODUCT ENERGY EFFICIENCY

Product energy efficiency remains a core focus for Lenovo. Through collaboration with other OEMs, as well as industry stakeholder work groups, existing and proposed global IT product energy efficiency policies, regulations and requirements are vetted against current and future technology. The results of this effort are leveraged to develop leading edge products with much improved overall and operating efficiencies. Ongoing activities include updates to the ENERGY STAR® program specifications, U.S. DOE Appliance and Equipment standards, California Appliance Efficiency Program requirements, China CEC standards, EU Ecodesign (ErP) requirements and many other emerging protocols and regulations.

To further improve product energy efficiency for desktops, workstations and servers, Lenovo certifies internal power supplies to Ecova Plug Load Solutions' 80 Plus program for power supply efficiency. 80 Plus certified power supplies are independently tested and verified to the program's rated efficiency

criteria; i.e., Bronze, Silver, Gold and Platinum. Lenovo desktop, workstation and server products equipped with 80 Plus power supplies are significantly more energy efficient than systems equipped with typical power supplies.

The energy consumption and performance of Lenovo products meet the efficiency requirements of China, Japan, the United States, Europe and other jurisdictions. Many Lenovo notebook, desktop, server and monitor products satisfy and even exceed the current ENERGY STAR® requirements. The ENERGY STAR® qualified models are listed at www.energystar.gov. For more information about Lenovo's energy-efficient products, go to: www.lenovo.com/energy.

GENERATIONAL IMPROVEMENT IN PRODUCT ENERGY EFFICIENCY

Lenovo continues to drive energy efficiency improvements in our products both from a generation-to-generation perspective and by driving innovative new approaches to personal computer design. These improvements result in significant carbon emission reductions over the lifetime of the products' use by our customers.

Using a ThinkCentre desktop computer as an example, with assumptions regarding the number of computers in use and the same usage habits over a three-year use period, the numbers tell the story.

Model: M93 Tower
Introduced in FY 2013/14, this product was a top seller that year



Model: M910 Tower
Introduced in FY 2016/17, this product is in the same family as the M93 Tower



The M910t (tower form factor) uses nearly 12% less energy over a one-year period than the M93 Tower

If all M93 Towers sold were replaced with M910 Towers, the resulting total carbon emissions reduction over a three-year use period would exceed 13,000 MT

Model: M910q Tiny
Smaller, modular form factor introduced in FY 2016/17



The M910q (tiny form factor) uses approximately 49% less energy over a one-year period than the M93 Tower

If all M93 Towers sold were replaced with M910q Tiny, the resulting total carbon emissions reduction over a three-year use period would be nearly 57,000 MT

Significant improvements in product energy efficiency result from the unceasing work of Lenovo's Environmentally Conscious Products Focal Points and the product development teams they support.

Lenovo's Desktop Environmental Focal Point team, pictured on the right, is one of several teams of environmental experts embedded in Lenovo's product development teams dedicated to improving the environmental performance of Lenovo products.



From left to right: Alex Han, Wendy Zhang, Jane Zhuang, Rachel Li, Duo Wang, Jimmy Zheng

Product Energy Management Features

Lenovo offers innovative tools for taking control of PC and server power consumption, determining energy savings and reporting on the energy performance of building management, equipment and IT devices.

PC Tool

Benefit

"Lenovo Settings" app in Windows	Provides power management features for the user (i.e., Connected Standby)
Adaptive Thermal Management	Adjusts system power and fan speeds based on ambient levels
Active Directory and LANDesk*	Supports remote deployment of power schemes and global settings to allow administrators the ability to control and enforce ThinkPad® energy savings companywide
Lenovo EasyResume	Gives quick recovery from computer lid close, balancing low power state by suppressing CPU usage at lid close
Intelligent Cooling	Balances thermal performance to adjust settings to provide a cooler surface for comfort while optimizing product energy performance

Server Tool**Benefit**

The “New Customer WebUI” app [ThinkServer management model]	Provides power management features for the user
Supports remote deployment of power schemes and global settings [ThinkServer management model]	Allows administrators the ability to control and enforce ThinkPad energy savings companywide
Power Manager™ [other operating systems]	Helps optimize energy used by a running machine and saves up to 30 percent on energy consumption
Lenovo ASHRAE Management	Adjusts processor and fan speeds based on ambient levels
Rack Planner	Helps users better plan for rack efficiency by increasing rack density and calculating power consumption based on specific configurations
Smart Grid	Helps users monitor and manage the power consumption and temperature of ThinkServers with Intel Node Manager. Smart Grid can save power, increase rack density and avoid data center hotspots
PSU smart-on	When the system detects that the power loading is low in redundant PSU configuration, it can transfer the loading from 2 PSU to 1 PSU to get higher power efficiency and save power
Diagnostics	Capabilities and Easy OS installation (LEPT) embedded
80 PLUS Titanium™ server power supplies or PSUs [available for select System x servers]	By improving the efficiency of the server PSUs, energy efficiency improvements can be cascaded up through the data center for both power and cooling
Liquid cooling solutions	Can reduce the facility demands for data center chillers, resulting in facility infrastructure savings
Lenovo Efficiency Mode™ (LEM)	Works in cooperation with the operating system to fine tune the operating efficiency of the server. LEM can boost performance per watt efficiency by up to 11 percent compared to a server that is not using LEM
Intelligently managing power consumption	Unused devices embedded in System x servers are either powered down or placed into very low power state automatically during boot time and/or dynamically at run time. Devices include CPU cores, memory channels and DIMMs, PCI express ports, QPI links, SATA and SAS storage controllers, network controllers, serial ports, USB controllers and voltage regulatory devices (VRDs)

PRODUCT CARBON FOOTPRINT

Lenovo is engaged with members of the information and communication technology (ICT) industry and academia in the development of a tool to simplify and expedite determination of the Product Carbon Footprint (PCF) for ICT products through the Product Attribute Impact Algorithm (PAIA) project. Lenovo’s product development groups currently use the PAIA notebook, desktop, monitor, all-in-one, tablet and thin clients PCF calculation tools, and are engaged in development of a tool for servers and storage and/or networking products.

Lenovo, along with EICC, MIT, HP, Seagate and Cisco, has been working on development of product-specific allocation methods that link facilitywide carbon data to the specific product types manufactured within that facility.

To download PCF sheets for specific Lenovo products, visit www.lenovo.com/ecodeclaration/. These information sheets are generated using the streamlined PAIA life cycle analysis and include manufacturing, transportation, use and end-of-life. For more information about Lenovo’s work on calculating product carbon footprints, visit www.lenovo.com/climate.

DURABLE PRODUCTS ARE ENVIRONMENTALLY RESPONSIBLE

The longer a product lasts, the longer it stays out of the waste stream. Lenovo designs its products to maximize their product lifecycle and offers three-year standard warranties and five years of replacement parts availability on many of our top selling commercial products to support this extended lifecycle. Three-year warranties are offered as the base warranty on many top-selling Think-branded products, including all commercial monitors, notebooks, desktops and others. In addition, customers can purchase warranty upgrades to extend the base warranty by one or two years for many products. Base warranties for Lenovo consumer (Idea) products vary by product type and geography, but typically start at one to two years for the base warranty with the option for many products to purchase an extended warranty. [Click here](#) for more details on Lenovo's warranties.

Lenovo is continuously designing innovative features for our products to help extend their useful life. For example, Lenovo Longevity Battery Technology extends notebook battery cycle life through key technologies, including:

- **Increased use of lithium polymer cells:** Used in notebooks and tablets with embedded batteries, these cells typically provide longer life cycles than lithium-ion cylindrical cells.
- **Longer lifespan batteries:** Many Lenovo embedded batteries are designed to last two to three times longer than standard batteries. Lenovo Services offers three-year warranty upgrades on many embedded batteries. The longer lifespan is made possible due to carefully selected cells and charge algorithms.
- **Dual mode charging algorithms:** These technologies are used on most notebook batteries and adjust charge voltage and current over time to prolong the battery's lifespan. The feature is implemented in the hardware and as part of the battery firmware so it is not operating system or application dependent and works with any software load.
- **Field updateable battery firmware:** Customers can download a firmware update utility which allows them to apply firmware fixes to batteries in service, eliminating the need to replace batteries due to firmware problems. This program allows customers to apply fixes quickly and at no cost, even on batteries outside of warranty.

PRODUCT PACKAGING

Lenovo is committed to offering environmentally preferable packaging for its products. Over the past several years, Lenovo has had a strong focus on increasing the use of recycled and recyclable materials in packaging, reducing the size of packaging, and expanding the use of bulk and reusable packaging solutions.

Beginning in 2008 with the ThinkCentre M58/58p ECO USFF desktop PC, Lenovo has implemented the use of 100 percent recycled and recyclable packaging material on many products. The new packaging material, made from 100 percent recycled thermoformed cushions, enables PCs to be stacked together and requires less packaging material. This new material also helps minimize shipping costs. In FY 2016/17, Lenovo expanded the use of 100 percent post-consumer content foam packaging to more products, including the new Yoga, Miix, Tiny desktop and small form factor (SFF) desktop. In addition, on many Lenovo notebook product lines, Lenovo has implemented the use of 100 percent post-consumer molded fiber (paper pulp) packaging, which can typically be readily recycled in municipal waste streams. Lenovo discourages the use of polystyrene packaging wherever possible and encourages the use of molded pulp, fiber and LDPE. For more information about the process for making and recycling LDPE thermoformed cushions, go to www.lenovo.com/packaging and follow the link from there.

Lenovo continues to drive increases in the use of recycled content materials in product packaging. For example, all Think product primary carton boxes are certified to contain a minimum of 50 percent post-consumer fiber content and are required to use the maximum available post-consumer material where adequate supplies exist without compromising required packaging performance characteristics. The use of recycled content in Lenovo corrugated box packaging averages more than 70 percent. Lenovo has also transitioned 95 percent of ThinkPad products to recycled cushioning materials with the ThinkPad Edge using 100 percent recycled cushioning materials. Printing on boxes is done via flexography with water-based, nontoxic, RoHS-compliant inks.



In 2016 Lenovo began replacing EPS packaging for ThinkVision monitors with recycled molded fiber (paper pulp).

Lenovo has a strong focus on reducing the size of our packaging to minimize the amount of materials used while maintaining adequate protection for our products. Smaller packages also contribute to increased pallet density, enabling Lenovo to increase pallet density by over 33 percent in many cases. Lenovo uses reusable bulk packaging in our own internal operations for the transportation of chassis to manufacturing locations. In addition, bulk packaging and reusable bulk packaging may be available for many of Lenovo's products for customers in many regions.

Since 2008, Lenovo has eliminated 2,500 tons of packaging consumption by weight. In FY 2016/17 alone, the Packaging Team reduced packaging consumption by 500 tons.

Reuse

Lenovo provides the end customer an optional returnable packaging service, where the packaging materials can be sent back to Lenovo after receiving the products and reused for new shipments by Lenovo. Lenovo is also devoted to the reuse of incoming component packaging, especially in the return of chassis packaging.

Reducing Paper

Lenovo has eliminated the use of multipage user manuals shipped with many of our products. For example, with our line of PC options and accessories, Lenovo was able to condense 50-page user manuals into one-page posters. This single action allowed Lenovo to save approximately 350 million printed pages per year.

To see how Lenovo performed against its FY 2016/17 packaging targets, please go to [page 27](#).

Packaging Specifications

Lenovo communicates environmental requirements for packaging to suppliers via a series of packaging specifications. These specifications include requirements for minimum amounts of recycled content, marking for proper recycling, banned materials and other elements. All corrugated container (box) packaging should use a minimum of 50 percent post-consumer recycled fiber, and all paperboard packaging should contain a minimum of 45 percent post-consumer recycled fiber and 100 percent recovered fiber. In addition to meeting these specifications, many Lenovo packaging suppliers provide FSC-certified products for Lenovo packaging. Lenovo is currently in the process of assessing the global availability of FSC-certified packaging to support manufacturing facilities in all geographies.

8.4 PRODUCT END-OF-LIFE MANAGEMENT (PELM)

At Lenovo, PELM includes the reuse, refurbishing, de-manufacturing, dismantling, reclamation, shredding, recycling, treatment and disposal of products, parts and peripherals when they are taken out of service, reach end-of-life and/or are scrapped. This includes the recovery and reuse of products, parts subassemblies and components, including scrap electronic and electrical components such as disk drives, printed wiring boards, power supplies, and cables and cords. Lenovo-branded and nonbranded products owned or accepted by Lenovo (including customer returns or take back) are included in this definition.

As a part of our efforts to improve Lenovo's supplier base around the globe, we have made available our "[Lenovo Electronics End-of-Life Standard](#)." This document details what is required to become a Lenovo end-of-life partner. We continue to require and encourage our global supplier base to become R2 or eStewards certified.

KEY ELEMENTS OF PELM

Lenovo supports efforts to reduce the volume of end-of-life electronic products being disposed of in landfills, as well as efforts to reduce the need for new raw materials by increasing the beneficial reuse of products and parts or recycling of materials.

- We support legislation assigning financial responsibility for end-of-life management to the individual producers.
- We advocate legislative initiatives that allow at least the option for manufacturers to recover their own brand products, using the information gained from recycling their own brands to be fed back into the product design process. This practice optimizes the cost not only for the manufacturer but the consumer as well.
- We encourage our customers to reuse or recycle products at the end of their life cycle by offering consumers and/or commercial clients a range of recycling options for disposing of products, batteries and product packaging worldwide through voluntary programs and/or country, province or state mandated programs.

If you are interested in learning more about these programs, please visit: www.lenovo.com/recycling.

PRODUCT TAKE-BACK PROGRAMS

As a global company, Lenovo offers end-of-life recycling and management programs for both consumer and business customers in many countries around the world. Offerings are tailored to the specific location and business need and include programs for recycling products as well as packaging and batteries in many geographies.

In many European countries, Lenovo offers customers free-of-charge waste electrical and electronic equipment (WEEE), packaging and battery recycling options through local recycling systems. With support of our Europe/Middle East/Africa (EMEA) compliance partner 1cc, Lenovo managed over 50 direct take-back programs for WEEE, batteries and packaging in more than 20 countries. In FY 2016/17, we managed more than 33,000 tons of equipment.

With this engagement, Lenovo financed take-back activities in Europe totaling more than six million Euros in FY 2016/2017. Lenovo will continue to play an active role in the EMEA recycling landscape and plans to extend coverage of Lenovo take-back systems to regions in Eastern Europe and other countries outside of the EU.

Customers can obtain information about Lenovo's recycling programs and details on offerings by country at: www.lenovo.com/recycling.

For our business customers, Lenovo offers Asset Recovery Services (ARS) in more than 40 countries. Customer-access information for these programs in the Americas, Asia Pacific and EMEA can also be obtained at: www.lenovo.com/recycling.

MANAGEMENT OF LENOVO'S PELM SUPPLIERS

Lenovo maintains an extensive program for ensuring that remarketed products and parts and the refurbishing, remanufacturing, recycling and disposal of end-of-life products owned by Lenovo or returned by customers are accomplished in an environmentally conscious and legally compliant manner. This program includes Lenovo on-site environmental evaluations and approvals in accordance with Lenovo's stringent auditing protocol. Some of the critical evaluation requirements include:

- Supplier completion of Lenovo's initial supplier evaluation form declaring their processing capabilities and controls, environmental, health and safety management systems, and legal compliance.
- Supplier full downstream disclosure of facilities involved with receiving equipment or waste; reusing equipment as a product, part or material; and disposing of waste and ensuring all facilities maintain compliance.
- Successful Lenovo on-site environmental and services audit of all facilities and processes prior to their use, and documentation of audit findings and recommendations in a final report.
- Review of all audit documentation and recommendations by Lenovo's Product End-of-Life Management Program Manager, and final approval by Lenovo's Director of Global Environmental Affairs.
- Maintain Lenovo Corporate Approved Supplier Facility listing by geography and approved services for use by all Lenovo organizations, sites and programs worldwide in Lenovo's internal database.
- Establishment of a Lenovo contract with each approved supplier with specific environmental terms and conditions related to expected environmental performance and reporting.

Suppliers include surplus buyers, end-of-lease, asset recovery services, legal and voluntary product take-back providers, field services, dismantlers, recyclers and disposal vendors. All recovered products and parts are required to be data wiped, refurbished, tested for function, labeled as refurbished and resold where they will be used as originally intended without further refurbishing before use. Suppliers are required to use Lenovo-approved recyclers for the disposition of nonworking products and parts and waste generated from their refurbishing processes. Lenovo prohibits the shipment of hazardous waste to non-OECD countries.

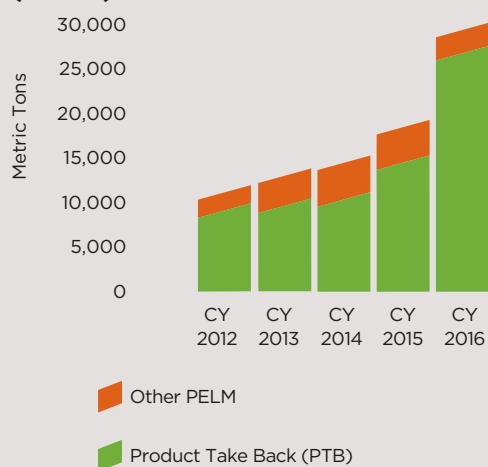
Additionally, Lenovo incorporates specific environmental terms and conditions into contracts and agreements with all PELM suppliers. Approved and contracted facilities are required to submit regular environmental reports documenting the total quantities of equipment and e-waste collected and processed on behalf of Lenovo and Lenovo customers, including the identification of methods of disposition and their percentages. Periodic follow-up audits are also completed to ensure continued compliance to legal and Lenovo environmental requirements.

RECOVERY AND RECYCLING TRENDS

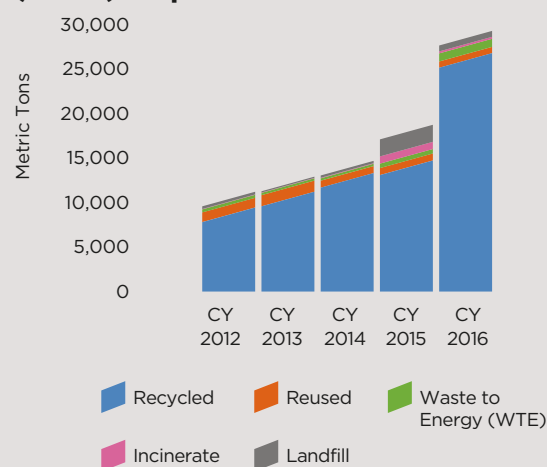
During the 2016 calendar year, Lenovo financed or managed the processing of 29,075 metric tons, equivalent to more than 64 million pounds, of Lenovo-owned and customer-returned computer equipment. Of this total, 2.4 percent was reused as products or parts, 91.4 percent was recycled as materials, 3.1 percent was incinerated with waste-to-energy recovery, 0.8 percent was incinerated as disposal treatment, and 2.3 percent was disposed of by landfill. As part of Lenovo's continual improvement activities, we look for opportunities to reduce the use of incineration and landfills and maximize reuse and recycling.

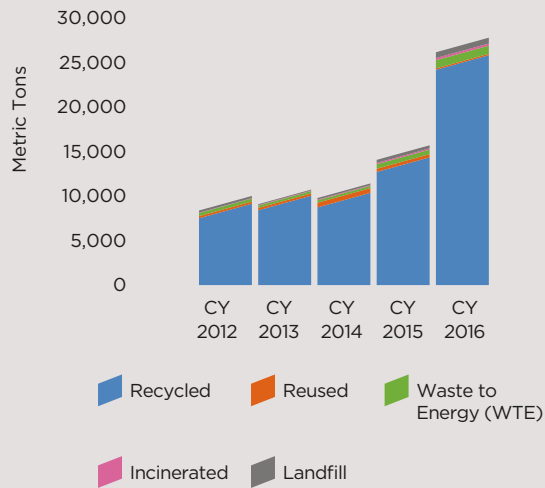
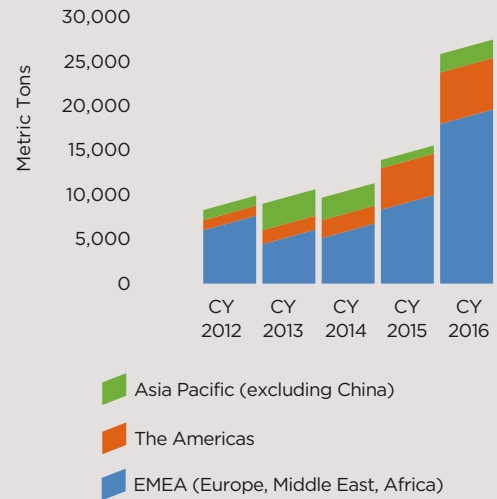
Since its launch as a global company in May 2005, Lenovo has processed more than 182,900 metric tons, or more than 400 million pounds, of computer equipment through our contracted service providers. Trends for the most recent five calendar years are illustrated below:

Recovery and Recycling Trends (PELM)



Product End-of-Life Management (PELM) Disposition



Product Take-Back (PTB) Disposition**Product Take Back (PTB) by Geography**

Our customers have shown considerable interest in our recycling programs. In 2016, customer returns constituted more than 27,300 metric tons, or more than 60.1 million pounds. Our 2016 performance includes data from Lenovo's Asset Recovery Services offered to large enterprises, along with data from Lenovo's other voluntary and legally required product take-back programs for consumers and businesses. The chart above right illustrates customer returns by geography.

9.0





APPENDIX

120	9.1	Lenovo Reference Documentation
121	9.2	Material Topic Boundaries
122	9.3	GRI Content Index
130	9.4	The U.N. Global Compact
131	9.5	Hong Kong Stock Exchange Environmental, Social and Governance (ESG) Reporting Guide Content Index

9.1 LENOVO REFERENCE DOCUMENTATION

Lenovo has posted extensive sustainability information on our Web pages. Below are hyperlinks to some of those pages. If you are reading this as a printed document, you may get to these links by opening this Sustainability Report on Lenovo's website at www.lenovo.com/sustainability. Lenovo maintains current copies of many of the policies, certifications, verification statements and other documents mentioned in this report online. Please visit www.lenovo.com/csr_resources/ to access these resources.

Lenovo Sustainability Web Pages

- Product: www3.lenovo.com/us/en/social_responsibility/product/
 - › Think Green Products – Energy: www.lenovo.com/energy
 - › Think Green Products – Materials: www.lenovo.com/materials
 - › Think Green Products – Packaging: www.lenovo.com/packaging
 - › Think Green Products – Recycling: www.lenovo.com/recycling
 - › Compliance Information: www.lenovo.com/compliance
 - › Accessibility Information: www.lenovo.com/accessibility
- Environment: www.lenovo.com/environment
 - › Think Green – Climate: www.lenovo.com/climate
 - › Think Green – Waste and Water: www.lenovo.com/waterandwaste
- Social: www.lenovo.com/csr
 - › Social Investments: www.lenovo.com/social_investments
- Global Supply Chain: www.lenovo.com/supply_chain
- Sustainability Reports: www.lenovo.com/sustainability

9.2 MATERIAL TOPIC BOUNDARIES

Materiality Topic	Stakeholders Especially Impacted (see stakeholder list on page 15)	Lenovo Relationship to Impact	Topic Boundary (inside/outside Lenovo)
Business Ethics	Employees, customers, communities in which we operate, suppliers	Direct	Inside and Outside
Climate Change (emissions)	All	Direct	Inside and Outside
Community Outreach	Communities in which we operate	Direct	Outside
Corporate Governance	Shareholders and investors	Direct	Outside
Digital Inclusion	Customers, communities in which we operate	Indirect	Outside
Diversity and Equal Opportunity	Employees	Direct	Inside
Economic Performance	Employees, shareholders and investors, suppliers	Direct	Inside and Outside
Energy Use	Communities in which we operate	Direct	Outside
Environmental Management System	Communities in which we operate, customers	Direct	Outside
Human Rights	Employees, suppliers	Direct	Inside and Outside
Labor Standards and Practices	Employees	Direct	Inside
Packaging	Communities in which we operate, customers	Direct	Outside
Philanthropy/Disaster Relief	Communities in which we operate	Indirect	Outside
Privacy	Customers	Direct	Outside
Procurement Practices	Suppliers, communities in which we operate	Direct	Outside
Product End-of-Life Management	Customers, communities in which we operate	Direct	Outside
Product Energy Use	Customers, communities in which we operate	Direct	Outside
Product Materials	Customers, communities in which we operate	Direct	Outside
Product Responsibility	Customers	Direct	Outside
Supply Chain Environmental Performance	Communities in which we operate	Indirect	Outside
Supply Chain Labor Practices	Communities in which we operate	Indirect	Outside
Talent Management	Employees	Direct	Inside
Transportation	Customers, communities in which we operate	Direct	Outside
Waste	Communities in which we operate	Direct	Outside
Water Use	Communities in which we operate	Direct	Outside

9.3 GRI CONTENT INDEX

Note: Our GRI Content Index below includes references to [Lenovo's FY 2016/17 Annual Report](#).

General Disclosures		
Disclosure	Response	Reason for Omission
GRI 102: General Disclosures 2016		
Organizational profile		
102-1 Name of the organization	Lenovo Group Limited	
102-2 Activities, brands, products, and services	Lenovo, Motorola, Medion, System x, NEC-PC, Stoneware, LenovoEMC	
102-3 Location of headquarters	p 12	
102-4 Location of operations	p 12	
102-5 Ownership and legal form	Lenovo FY16/17 Annual Report: p 159	
102-6 Markets served	Lenovo FY16/17 Annual Report: p 116	
102-7 Scale of the organization	pp 20-21	
102-8 Information on employees and other workers	p 21	
102-9 Supply chain	pp 59-65	
102-10 Significant changes to the organization and its supply chain	No significant changes during the reporting period.	
102-11 Precautionary Principle or approach	pp 106, 108	
102-12 External initiatives	pp 17, 89, 93	
102-13 Membership of associations	p 89	
Strategy		
102-14 Statement from senior decision-maker	pp 6-7	
Ethics and integrity		
102-16 Values, principles, standards, and norms of behavior	pp 40, 68	
102-17 Mechanisms for advice and concerns about ethics	p 41	
Governance		
102-18 Governance structure	pp 36-38, Lenovo FY16/17 Annual Report: pp 45-46	
102-19 Delegating authority	p 38	
102-20 Executive-level responsibility for economic, environmental, and social topics	p 38	
102-21 Consulting stakeholders on economic, environmental, and social topics	p 39	
102-22 Composition of the highest governance body and its committees	pp 36-37, Lenovo FY16/17 Annual Report: pp 47-49, 67	
102-23 Chair of the highest governance body	p 7	

General Disclosures		
Disclosure	Response	Reason for Omission
102-24 Nominating and selecting the highest governance body	Lenovo FY16/17 Annual Report: pp 50-51	
102-25 Conflicts of interest	p 38, Lenovo FY16/17 Annual Report: p 54	
102-26 Role of highest governance body in setting purpose, values, and strategy	p 38	
102-27 Collective knowledge of highest governance body	Lenovo FY16/17 Annual Report: pp 56-60	
102-28 Evaluating the highest governance body's performance	Lenovo FY16/17 Annual Report: pp 73-75	
102-29 Identifying and managing economic, environmental, and social impacts	pp 38-39	
102-30 Effectiveness of risk management processes	Lenovo FY16/17 Annual Report: pp 76-77, 81-82	
102-31 Review of economic, environmental, and social topics	p 38	
102-32 Highest governance body's role in sustainability reporting	p 38	
102-33 Communicating critical concerns	p 39, Lenovo FY16/17 Annual Report: pp 84-90	
102-35 Remuneration policies	pp 103-115	
Stakeholder engagement		
102-40 List of stakeholder groups	pp 15-16	
102-41 Collective bargaining agreements	p 69	
102-42 Identifying and selecting stakeholders	pp 15-16	
102-43 Approach to stakeholder engagement	pp 15-16	
102-44 Key topics and concerns raised	pp 15-16	
Reporting practice		
102-45 Entities included in the consolidated financial statements	p 12	
102-46 Defining report content and topic Boundaries	p 14	
102-47 List of material topics	p 15	
102-48 Restatements of information	p 26	
102-49 Changes in reporting	p 14	
102-50 Reporting period	p 12	
102-51 Date of most recent report	p 12	
102-52 Reporting cycle	p 12	
102-53 Contact point for questions regarding the report	p 14	
102-54 Claims of reporting in accordance with the GRI Standards	p 12	
102-55 GRI content index	pp 123-124	
102-56 External assurance	p 88	

Material Topic Disclosures		
Disclosure	Response	Reason for Omission
GRI 201: Economic Performance 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	Lenovo FY16/17 Annual Report: pp 16-31	
103-3 Evaluation of the management approach	Lenovo FY16/17 Annual Report: pp 16-31	
201-1 Direct economic value generated and distributed	p 22, Lenovo FY16/17 Annual Report: pp 4, 199, 202	
201-2 Financial implications and other risks and opportunities due to climate change	pp 92-93	
GRI 203: Indirect Economic Impacts 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 76-77	
103-3 Evaluation of the management approach	pp 76-77	
203-2 Significant indirect economic impacts	pp 77-83	
GRI 204: Procurement Practices 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 59-60, 62, 65	
103-3 Evaluation of the management approach	p 61	
204-1 Proportion of spending on local suppliers	p 65	
GRI 205: Anti-corruption 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	p 40	
103-3 Evaluation of the management approach	p 40	
205-1 Operations assessed for risks related to corruption	pp 40-41	
GRI 206: Anti-competitive Behavior 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	p 40	
103-3 Evaluation of the management approach	p 40	
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In FY 2016/17, Lenovo had no legal actions pending or completed regarding anti-competitive behavior or anti-trust or monopoly legislation.	

Material Topic Disclosures		
Disclosure	Response	Reason for Omission
GRI 301: Materials 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 105-108	
103-3 Evaluation of the management approach	pp 105-108	
301-1 Materials used by weight or volume		Confidentiality Constraints – Lenovo chooses not to disclose materials used by weight or volume due to concerns about confidentiality related to our manufacturing and development processes.
301-2 Recycled input materials used		Confidentiality Constraints – Lenovo chooses not to disclose materials used by weight or volume due to concerns about confidentiality related to our manufacturing and development processes.
GRI 302: Energy 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 86-91	
103-3 Evaluation of the management approach	pp 86-89	
302-1 Energy consumption within the organization	p 96	
302-4 Reduction of energy consumption	pp 93-95, 112-114	
GRI 303: Water 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 86-89, 103	
103-3 Evaluation of the management approach	pp 86-89	
303-1 Water withdrawal by source	p 103	
303-2 Water sources significantly affected by withdrawal of water	p 103	
GRI 305: Emissions 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	

Material Topic Disclosures		
Disclosure	Response	Reason for Omission
103-2 The management approach and its components	pp 86-94, 100-101	
103-3 Evaluation of the management approach	pp 86-89	
305-1 Direct (Scope 1) GHG emissions	pp 23, 97	
305-2 Energy indirect (Scope 2) GHG emissions	pp 23, 97	
305-3 Other indirect (Scope 3) GHG emissions	pp 23, 98	
305-4 GHG emissions intensity	p 23	
305-5 Reduction of GHG emissions	pp 93-95, 112-114	
305-6 Emissions of ozone-depleting substances (ODS)		Not Applicable – Lenovo does not manufacture, import or export ozone-depleting substances. Lenovo prohibits the use of ozone-depleting substances in our products and manufacturing processes except in HVAC and fire-suppression equipment as permitted by law.
305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		Not Applicable – With the exception of CO ₂ e related to energy use, Lenovo does not have any significant discharges or emissions to air or water. Lenovo has no wet chemical or industrial processes that use volatile organic compounds (VOC) and thus has no point sources of VOC.
GRI 306: Effluents and Waste 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 86-89, 102-103	
103-3 Evaluation of the management approach	pp 86-89	
306-1 Water discharge by quality and destination	p 103	
306-2 Waste by type and disposal method	pp 102-103	
306-3 Significant spills	p 104	
306-4 Transport of hazardous waste	p 103	
306-5 Water bodies affected by water discharges and/or runoff	p 103	

Material Topic Disclosures		
Disclosure	Response	Reason for Omission
GRI 307: Environmental Compliance 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 86-89	
103-3 Evaluation of the management approach	pp 86-89	
307-1 Non-compliance with environmental laws and regulations	Lenovo had no instances of significant fines or nonmonetary sanctions for noncompliance with environmental laws or regulations during the reporting period.	
GRI 308: Supplier Environmental Assessment 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 59-61	
103-3 Evaluation of the management approach	pp 59-61	
308-1 New suppliers that were screened using environmental criteria	pp 63-64	
308-2 Negative environmental impacts in the supply chain and actions taken	p 64	
GRI 401: Employment 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 61, 68-69	
103-3 Evaluation of the management approach	pp 61, 69	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	pp 71-72	
GRI 403: Occupational Health and Safety 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 57-58	
103-3 Evaluation of the management approach	pp 57-58	
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p 21	
403-3 Workers with high incidence or high risk of diseases related to their occupation	pp 57-58	

Material Topic Disclosures		
Disclosure	Response	Reason for Omission
GRI 404: Training and Education 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 72-73	
103-3 Evaluation of the management approach	pp 72-73	
404-1 Average hours of training per year per employee	p 72	
404-2 Programs for upgrading employee skills and transition assistance programs	pp 72-73	
404-3 Percentage of employees receiving regular performance and career development reviews	p 70	
GRI 405: Diversity and Equal Opportunity 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 40, 68-69, 75-76	
103-3 Evaluation of the management approach	pp 75-76	
405-1 Diversity of governance bodies and employees	p 21, Lenovo FY16/17 Annual Report: p 48	
GRI 408: Child Labor 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 40, 61, 69	
103-3 Evaluation of the management approach	pp 61, 69,	
408-1 Operations and suppliers at significant risk for incidents of child labor	pp 59-63	
GRI 409: Forced or Compulsory Labor 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 40, 61, 69	
103-3 Evaluation of the management approach	pp 61, 69	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	pp 59-63	
GRI 412: Human Rights Assessment 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 61, 69	
103-3 Evaluation of the management approach	pp 61, 69	

Material Topic Disclosures		
Disclosure	Response	Reason for Omission
412-2 Employee training on human rights policies or procedures	pp 40, 62	
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	pp 59-63	
GRI 414: Supplier Social Assessment 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 59-63	
103-3 Evaluation of the management approach	pp 59-63	
414-1 New suppliers that were screened using social criteria	pp 59-63	
GRI 416: Customer Health and Safety 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 47-51	
103-3 Evaluation of the management approach	pp 47-51	
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	p 50	
GRI 417: Marketing and Labeling 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 40, 51, 86-89	
103-3 Evaluation of the management approach	pp 40, 51, 86-89	
417-1 Requirements for product and service information and labeling	pp 51, 86-89	
GRI 418: Customer Privacy 2016		
GRI 103: Management Approach 2016		
103-1 Explanation of the material topic and its Boundary	p 121	
103-2 The management approach and its components	pp 42-43	
103-3 Evaluation of the management approach	pp 42-43	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Lenovo is vigilant about investigating possible leaks, thefts or losses of customer data. During FY 2016/17, no customer data incident rose to the level of notification to individuals or authorities.	

9.4 THE U.N. GLOBAL COMPACT

The UN Global Compact is a public-private strategic policy initiative for businesses committed to aligning operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. Lenovo became a signatory to the UN Global Compact in 2009 and fully embraces its policies and principles:

HUMAN RIGHTS

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

LABOR

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labor;
- **Principle 5:** the effective abolition of child labor; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

Click here to see Lenovo's UN Global Compact Participant Information and latest Communication on Progress (COP): <https://www.unglobalcompact.org/what-is-gc/participants/6103-Lenovo>

9.5 HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX

“Comply or explain” Provisions		Recommended Disclosures		Page Numbers	Comments/Explanation If Not Reported
Environmental					
Aspect A1: Emissions					
General Disclosure					
Information on:					
(a) the policies; and					
(b) compliance with relevant laws and regulations that have a significant impact on the issuer					
relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.				86-104	
<i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</i> <i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i> <i>Hazardous wastes are those defined by national regulations.</i>					
KPI A1.1	The types of emissions and respective emissions data.			23-24, 96-104	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity (e.g. per unit of production volume, per facility).			23, 96-98	
	- Scope 1 emissions			23, 97	
	- Scope 2 emissions			23, 97	
	- Scope 3 emissions			23, 98	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).			24, 103	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).			24, 102	
KPI A1.5	Description of measures to mitigate emissions and results achieved.			27-33, 52-53, 90-104, 108-113	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.			29, 32, 102-103	

“Comply or explain” Provisions		Recommended Disclosures		Page Numbers	Comments/Explanation If Not Reported
Aspect A2: Use of Resources					
General Disclosure				86, 90, 102-103, 105, 112-113	
Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>					
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).			23-24, 96	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).			24, 103	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.			28, 31, 91-95, 108-111	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.			103	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.			112-114	Lenovo does not report total packaging materials used for finished products, rather Lenovo tracks packaging on a per product basis and reports examples of accomplishments. Tracking on a per product basis allows Lenovo to drive improvements in generation-to-generation product packaging designs resulting in quantifiable environmental benefits. The amount of total packaging used would be mainly dependent on sales volumes, so it is not the most appropriate metric for Lenovo to use to drive real improvements in packaging design. By setting our packaging improvement goals at the product level, we are able to drive and measure improvements in design that are not dependent on overall product sales volumes.

“Comply or explain” Provisions		Recommended Disclosures		Page Numbers	Comments/Explanation If Not Reported
Aspect A3: The Environment and Natural Resources					
General Disclosure				86	
Policies on minimising the issuer’s significant impact on the environment and natural resources.					
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.			90-104	
Social					
Employment and Labour Practices					
Aspect B1: Employment					
General Disclosure					
Information on:					
(a) the policies; and					
(b) compliance with relevant laws and regulations that have a significant impact on the issuer				52-65	
relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.					
		KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	21	
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.		Lenovo does not report this information.
Aspect B2: Health and Safety					
General Disclosure					
Information on:					
(a) the policies; and					
(b) compliance with relevant laws and regulations that have a significant impact on the issuer				57-58	
relating to providing a safe working environment and protecting employees from occupational hazards.					
		KPI B2.1	Number and rate of work-related fatalities.	21	
		KPI B2.2	Lost days due to work injury.	21	
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	57-58	

“Comply or explain” Provisions		Recommended Disclosures		Page Numbers	Comments/Explanation If Not Reported
Aspect B3: Development and Training					
General Disclosure				72-73	
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.					
Note: Training refers to vocational training. It may include internal and external courses paid by the employer.					
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	72	
		KPI B3.2	The average training hours completed per employee by gender and employee category.	72	
Aspect B4: Labour Standards					
General Disclosure				40-41, 56, 59-63, 69	
Information on:					
(a) the policies; and					
(b) compliance with relevant laws and regulations that have a significant impact on the issuer					
relating to preventing child and forced labour.					
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	40-41, 56, 59-63, 69	
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.	41, 61-63, 69	
Operating Practices					
Aspect B5: Supply Chain Management					
General Disclosure				59-65	
Policies on managing environmental and social risks of the supply chain.					
		KPI B5.1	Number of suppliers by geographical region.		Of the 109 suppliers representing 95 percent of spend, in terms of manufacturing sites 79 are located in China and 30 are outside of China.
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	59-65	

“Comply or explain” Provisions		Recommended Disclosures		Page Numbers	Comments/Explanation If Not Reported
Aspect B6: Product Responsibility					
General Disclosure				40-43, 46-51	
Information on:					
(a) the policies; and					
(b) compliance with relevant laws and regulations that have a significant impact on the issuer					
relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.					
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	50	
		KPI B6.2	Number of products and service related complaints received and how they are dealt with.		Lenovo does not roll up product and service related complaints on a global level.
		KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	40	
		KPI B6.4	Description of quality assurance process and recall procedures.	47-50	
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	42-43	

“Comply or explain” Provisions		Recommended Disclosures		Page Numbers	Comments/Explanation If Not Reported
Aspect B7: Anti-corruption					
General Disclosure				40	
Information on:					
(a) the policies; and					
(b) compliance with relevant laws and regulations that have a significant impact on the issuer					
relating to bribery, extortion, fraud and money laundering.					
		KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		Lenovo does not report this information.
		KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	41	
Community					
Aspect B8: Community Investment					
General Disclosure				76-77	
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.					
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	76-77	
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	22	

