




Tsingtao Brewery Co., Ltd.

# Environmental, Social and Governance Report 2017

# 2017



## About this report

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### Scope of reporting

This is the tenth annual sustainable development report published by Tsingtao Brewery Co., Ltd. The data and information contained herein cover the operations and sustainable development practices of 62 wholly-owned / holding subsidiaries, and two jointly owned / operated breweries under Tsingtao Brewery Co., Ltd. from 1 January to 31 December, 2017. To ensure continuity and for the convenience of comparison, some of the data and information provided are not limited within the year 2017.

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### Editorial policy

This report is drafted in compliance with the ESG Reporting Guide issued by the HKEX, with reference to the Global Reporting Initiative (GRI) G4, and the Corporate Environmental Reporting Guidelines of Shandong Province. Also, the report is prepared in accordance with the Social Responsibility and Disclosure of EP Information Guidelines established by the Shanghai Stock Exchange as well as relevant requirements on sustainable development reporting and publishing drafted by the State-owned Assets Supervision and Administration Commission.

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### Content selection

This report focuses on the responsibilities of Tsingtao Brewery with regard to the sustainable development obligations to products, environment, community, employees and business partners, based on principles such as accuracy, effectiveness, importance and comparability etc. under the ESG Reporting Guide and the Global Reporting Initiative (GRI) G4. The collection of data and information in this report has been conducted in accordance with the company's existing working processes.

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### Explanation of short titles

Tsingtao Brewery Co Ltd. is hereinafter referred to as "Tsingtao Brewery", "the company" or "we" in the report. Tsingtao Brewery owns the copyright on this report.

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### The way we publish this report

The report is available in print and online. For online edition, please visit <http://www.tsingtao.com.cn>.

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114 years just for  
brewing good beer

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## Sustainable development indicators of Tsingtao Brewery

The year 2017 witnessed Tsingtao Brewery's glorious endeavour with the joint efforts from all the staff. While facing the pressure from deepened restructuring and rising costs, Tsingtao Brewery has evolved with the times and realised increase of three indicators including sales volume, business revenue and profit. The strategy "securing increase, restructuring industry and controlling costs" has been implemented in a concrete manner and major business indicators are in a fine momentum of increase. The new era of high-quality development for Tsingtao Brewery has begun.

Apart from realising economic gains, Tsingtao Brewery has been actively exploring the "new normal" in both practice and innovation. We firmly believe "value is created with a workmanship spirit" and warmly welcome this new era of consumer sovereignty. With a global view, we show the world the cultural confidence of Chinese enterprises with "national brand" products and keep on with the win-win situation with consumers, environment, community, investors, employees and every participant of the value chain.



## Economic responsibility

Indicator	2017
Sales volume / 10,000 kl	797
Sales revenue / hundred million yuan	262.77
Net profit attributable to shareholders of the parent company / hundred million yuan	12.63
EPS / yuan	0.935

## Environmental responsibility

In comparison with the figure in 2016, the water consumption per unit product in 2017 dropped by

**0.1%** ↓



In comparison with the figure in 2016 the standard coal consumption per unit product in 2017 dropped by

**5.08%** ↓



In comparison with the figure in 2016, the comprehensive energy consumption per unit product in 2017 dropped by

**3.79%** ↓



In comparison with the figure in 2016, the CO<sub>2</sub> recovery per kl of cold wort in 2017 increased by

**0.79%** ↑



## Social responsibility

Number of employees in 2017

**40,810**



Number of employees received aid from the Employee Caring Fund in 2017

**17**

Total sum

**382,941** yuan

Staff from more than

**60** firms donated

**783,257.74** yuan



## Message from the Chairman



Changes happen all the time in every circumstance, and a corporation's responsibilities change accordingly. The corporation's pursuit has transformed into the balance of "overlapping economic and social benefits" from economic achievement only.

## Shoulder the socioeconomic responsibility and start a new chapter of high quality development

"The rise and set of the moon and the sun appeared to emerge from the embrace of this enormous sea; and even all the bright and brilliant stars in the sky seemed to be given life and birth by this endless ocean." Since the 18th CPC National Congress, under the leadership of the CPC Central Committee with Comrade Xi Jinping as the core, the great cause of the Party and the nation has been successful with historical achievements and changes as well as exciting and inspiring outcomes through concerted efforts of all our staff in the past five years. This is a new era of grand design and brand-new endeavour. Shouldering the socioeconomic responsibility and the overlapping responsibilities for economic and social benefits, Tsingtao Brewery's staffs are working in a concrete manner, progressing with a daring mind to start a new chapter of high quality development.

### New responsibilities earmarked by the new era

A new era has begun and a new spring is in front of us. "The principal contradiction facing Chinese society has evolved, as socialism with Chinese characteristics has entered a new era. What we now face is the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life."

Changes happen all the time in every circumstance, and a corporation's responsibilities change accordingly. The corporation's pursuit has transformed into the balance of "overlapping economic and social benefits" from economic achievement only.

The "overlapping responsibilities" call for quality guarantee. In 2017 we created the "overlapping responsibilities monitoring and triple-decoding" quality management mode, setting the goal of quality management from fulfilling "high quality" to meeting "higher demand", so as to fulfil the need of material and cultural products of consumers all over the world.

The "overlapping responsibilities" feature human-oriented responsibilities. Employees are a core competitiveness of an enterprise and relying on them whole-heartedly is the most reasonable way of managing a corporation. We need to constantly improve the status of employees as masters of the corporation and enhance their sense of responsibilities, give priority to ensuring and fulfilling the employees' needs for a better life. Based on the development of the corporation, we keep on improving the solidarity and creativeness of our employees, forming the win-win situation between the great cause of the Tsingtao Brewery and the honour of its employees.

The "overlapping responsibilities" require a sense of social responsibility. Tsingtao Brewery has committed to various deeds including environmental protection, responsible drinking and targeted poverty alleviation, as well as deeds for social welfare and good virtue. The corporation's sense of social responsibility has been constantly improved and great contribution has been made

with the practice of a brick-and-mortar enterprise, in order to build a new beacon for the Chinese manufacturing industry.

In the future, Tsingtao Brewery will continue enhancing and expanding the "overlapping responsibilities" to show the sense of duty of a great enterprise in China.

### New requirements lead to new accomplishments

Grasses and trees grow abundantly and mountains are visible in this vibrant spring. We are doing our duty and opening a new chapter of development. Now China's economy has transformed to a high-quality development phase from a high-speed growth period, the consumers' needs for product have developed from "be" to "good" to "excellent". Therefore Tsingtao Brewery should seize the major task of "innovation", keep on inventing the new and improving the existing. We need to innovate on the uniqueness of products, on quality management, on new technology, new channel and new mode. In order to achieve this goal, we enriched our series of products, gave precise analysis to the market and produce in a flexible way. Transforming the old growth drivers into new ones, we have been innovating everywhere and every time for new potential, new benefits and new development, to form a new mode of management which can meet the demands from both the times and consumers.

### New growth drivers bring in new opportunities

The year 2018 is the essential year of continued exploration and endeavouring based on past achievements. We need to cherish the advantageous resources created and accumulated by previous generations of Tsingtao Brewery people, and deepen the development with a more endeavouring mind and firmer courage to reform. We need to make use of our advantages in quality, brand, technology, management, market and team, do the solid work under the guidance of our set strategy and the concerted efforts of all participants. Our prospect is bright and our duty is important. Under the new demand from this new era, all our people will strive to promote the Chinese brand to the world with commitment, courage, energy and solidarity.

Tsingtao Brewery Co., Ltd.  
Chairman

Sun Mingbo  
March 2018

## With “four confidences” for more steadiness and “four-courageousness” to drive forward

The grand design for a new era is completed and a new journey is started. The new era requires not only new appearance but also new deeds. To be the “enterprise of the era”, Tsingtao Brewery needs to carry on with the advantage on quality developed through the past century and the confidence gained from market experience, and carry on with the “rejuvenating” way of innovation under the courage of seeking for self-reform.

### New status in the new era

Stay firm with the “four confidences” and focus on the major business

Confidence is the driver of development. General Secretary Xi Jinping pointed out that enterprises need to focus on their major business in order to mount to the top of the industry, and the transformation from a big manufacturing nation to a strong manufacturing nation can be realised. In 2017, Tsingtao Brewery has painstakingly achieved win-win between economic and social benefits. We are committed to research and development of products, building our own brands, innovating in our channels and improving our teamwork to win our honour through all the hardness from the market. The hard-won outcomes in turn strengthen our confidence on our strategy, product, brand and teamwork. Implement the development strategy supported by capabilities and driven by the brand, to sell our products to over 100 countries and regions in the world. It is our confidence on strategy to build a world-renowned Chinese brand with a firm belief. With the idea of “114 years just for brewing good beer”, we do a bottle of beer to the best and keep on promoting new series of products according to consumers’ needs for a better life. Our confidence is rooted in everlasting good quality and special features with the product.

A century brand is precious in China, and a century brand that is visible in the world is even more precious. Tsingtao Brewery sticks to the positioning of higher-intermediate markets and has built a Chinese brand that is high in quality, price and visibility, showing the confidence in the brand based on the Chinese culture.

With a sense of duty and an endeavouring spirit, three professional teams for marketing, manufacturing and special function respectively have been actively participating in competition with strong confidence, which has formed the basic guarantee for the development of the enterprise and our precious confidence on teamwork. The new era belongs to those who are firm, progressive, ready to challenge and all the endeavouring people to strive for a better future with innovative mind and combat readiness.

### Making new achievement in the new era Based on “four-courageousness” and move forward

The new era brings us new requirements on development and calls for our new answer. Tsingtao Brewery will start a new journey with a refreshed body based on our courageousness in reforming, innovating, exploring and taking responsibility. Courageousness in reforming requires freeing our minds. Tsingtao Brewery will keep interacting with the new characteristics of the new era, keep an endeavouring spirit, be progressive in thinking exploring and doing and raise the openness of the organisation.

Courageousness in innovating requires changing the old and setting up the new. Innovation is the key to unlock the growth potential. Innovating is securing development and planning for future. Tsingtao Brewery will keep on innovating customer experience and upgrading products in terms of characteristics, diversity and uniqueness. Courageousness in exploring requires steadiness when facing difficulty. Developing a market needs people to grab the key issue, find the breakthrough point and implement the plan with approaches in finding and securing the essential part. To stage on the mainstream market of the world, Tsingtao Brewery needs to accumulate the wisdom and power for sustainable development with products as a cord and corporate culture as a platform. Courageousness in taking responsibility requires self-driven awareness. Without the self-driven awareness, any resource may become wasted. We shall not forget why we started during our progressing of the great cause that results in the awareness of duty and progressiveness. We shall promote the win-win with partners in the new era with sense of duty and awareness of responsibilities. Facing the predictable new era, Tsingtao Brewery will be firm with the “four confidences” and “four-courageousness”, build a new driving force for sustainable development, keep moving forward with unprecedented progressive posture with original pursuit in mind, and open a new chapter for this Chinese brand.

Tsingtao Brewery Co., Ltd.  
President

Huang Kexing  
March 2018



## Message from the President



The new era brings new requirements to us, asking us for new solutions of development. Tsingtao Brewery has “four confidences” – confidences on strategy, product, brand and teamwork – while seeking for development. Based on “four-courageousness” – courageousness in reforming, innovating, exploring and taking responsibility, the corporation has built a new force of sustainable development. We shall keep moving forward with an endeavouring posture while keep in mind why we started, to create the bright future for this great Chinese brand.

## About us

1

### Our vision

To be an international  
company with brands of  
global influence

2

### Our mission

Brewing popular beer  
with passion and  
inspiring happiness for  
life

3

### Company tenets

People oriented  
Teamwork  
Benefiting the society





## Our company

The predecessor of Tsingtao Brewery Co., Ltd. (hereinafter referred to as "Tsingtao Brewery") is the Anglo-German Brewery Co., Ltd. which was founded by German and British settlers in the city of Qingdao in August 1903. Tsingtao Brewery is the earliest brewery in China. According to the 2017 ranking of the Top 500 Most Valuable Brands in China published by the Global Brand Lab, Tsingtao Brewery has been on top of Chinese beer industry for the 14th consecutive year with a brand value of 129.762 billion yuan. Tsingtao Brewery was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange Market in 1993, becoming the first Chinese company to be listed on both markets.

Until the end of 2017, the company has 62 wholly-owned / holding subsidiaries, and two jointly owned / operated breweries in 20 provinces, municipalities and autonomous regions in China, boasting the leading

position in China's beer industry in terms of enterprise scale and market share. As the most renowned Chinese beer brand in the international market, In 2017 Tsingtao Brewery sold its products to over 100 countries and regions including the USA, Canada, UK, France, Germany, Italy, Australia, South Korea, Japan, Denmark and Russia. In 2017 the total overseas sales increased by 18% than the previous year, in which the Asia-Pacific market grew by 34%, the Oceania market grew by 44%, the MEA (Middle East, Eastern Europe and Africa) markets grew by 55%, the Western Europe market grew by 3%, the North America market grew by 17% and the Latin America market grew by 36%. The sales in Thailand, Chile, Kazakhstan has doubled, the sales increase exceeded 50% in Australia, Russia, Argentina, Columbia and Mongolia, and exceeded 10% in 20 countries including the USA, South Korea, Singapore, France, Rumania and Mexico.

## Our brands

### Combination of brands: "1+1"

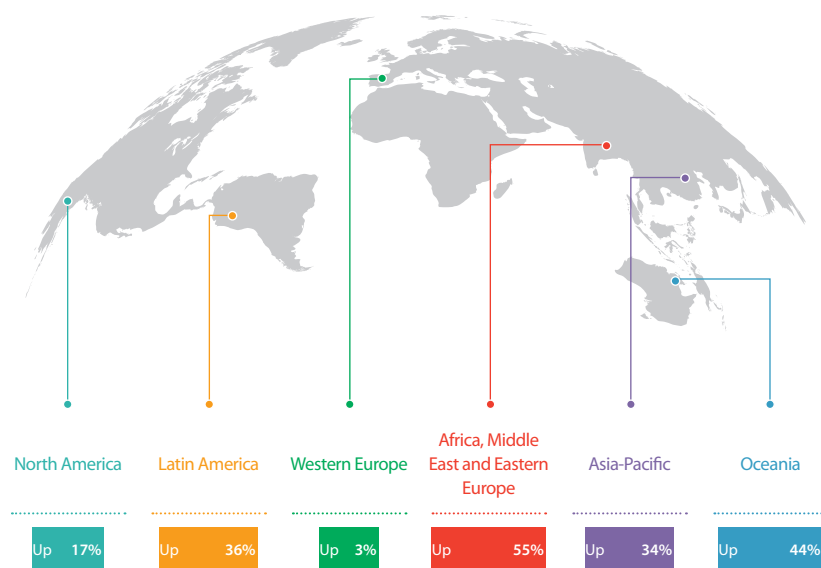
- 1 The first 1 refers to the flagship brand Tsingtao Beer
- 1 The second 1 refers to Laoshan Beer, its secondary brand

### Brand promotion model – "Four in One"

A combination of brand communication, consumer experience, product sales and interaction with fans.



Brand value: 129.762 billion yuan, staying on top of China's beer industry for the 14th consecutive year





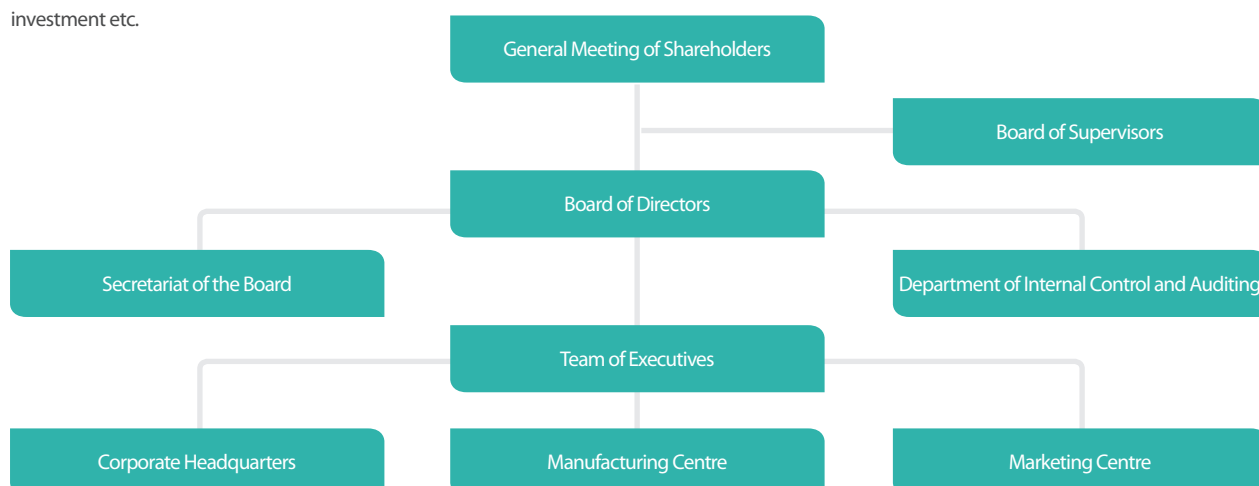
Members of the Eighth Board of Directors with Tsingtao Brewery

## Corporate governance

Till 31 December 2017, there were nine members of the Eighth Board of Directors with Tsingtao Brewery, of which four were executive directors, one was non-executive director and the other four were independent directors. There were seven members of the Eighth Board of Supervisors with Tsingtao Brewery, of which four were shareholding supervisors and three were employee supervisors. The independent directors came from different professional backgrounds and were richly experienced in legal affairs, accounting and financial investment etc.

Since the company went public, Tsingtao Brewery has been developing an advanced system of corporate governance that conforms to international standards and continues to improve with pioneering mind and actions. Good relations are maintained with sound communications with international investors and information such as the performance and major happenings of the company are accurately published. The management of the company is

structured so that the chairman of the Board of Directors, the president and the chairman of the Board of Supervisors are separate positions, creating a balanced governance structure with clear responsibilities. The company is the first listed domestic company with a board in which external directors and supervisors account for the majority of the Board of Directors and the Board of Supervisors respectively.





Members of the Eighth Board of Supervisors with Tsingtao Brewery

## Risk control and management

In 2017 Tsingtao Brewery constantly improved its internal control system and achieved the effective balance between “creating value” and “controlling risks”. While enhancing the building of system structure, we strengthened the auditing and checking to realise quality-based development. We have committed thorough research on the problems and risks in every key part of promotional budget management and drafted regulations including the Management Rules on Promotional Budgets, Management Rules on the Authorisation of Promotional Budgets, Management Rules for Reconciliation of Account Receivables and Account Payables with Marketing Centre Distributors (Management Accounting) and

the Management Rules for Promotional Budgets Write-off (Management Accounting), to regulate the management procedure of the promotional budgets and to improve the management of promotional budgets with sound outcomes. In 2018, the implementation of strategy and improvement of management will be the major tasks of the corporation's risk management and internal control. More strength will be applied in the auditing and correcting, with more attentions to marketing system and the implementation of core management rules including the Management Rules on Promotional Budgets, in order to reduce management risks.

## Innovation brings new dynamic to the enterprise

### ● Product innovation

"Remoulding the Classic series, rejuvenating the Pure Draft series and accelerating the 1903 series", the high and intermediate series products, Laoshan series as well as new and special product series are increasing in high speed. More than 20 series and over 1,500 special new products are promoted, and over 70 reserves of new product are ready for market. The newly refined IPA, refreshingly bitter and sweet taste Pilsner, elegant and aromatic Stout, flower fragrant White Beer,

the new innovative concept Laoshan Wanpi are among the list. Cross-border versions such as the Wenjiqiwu (early bird) Kentucky Customised Version, the Hongyundangtou (Good Luck) Triumph Version and the Wolf Warrior 2 Souvenir Version are striding to a normal status with a series of fast-fashioned and slowly-and-finely-brewed products to meet the diversified demands of different customers.



### Success with the "Youyitao" (Set Product of Tsingtao Beer)

In 2017, a special product "Youyitao" became a new breaking point in regional beer market for its targeted guidance and stimulation of customers' potential needs for diversified tastes.



IPA



The Hongyundangtou (Good Luck)



Tsingtao Classic 1903



Tsingtao Augerta 1903



Tsingtao Wheat Beer

01

02

03

04

05

06

07

08

09

10

Tsingtao Stout

Tsingtao Pure Draft

Tsingtao Classic

Laoshan Beer

Pilsner





## ● Channel innovation

### City Living Rooms bloom in more communities

In 2017 the TSINGTAO 1903 Community Living Room Beijing Xincheng International Branch, which is the 30th branch, opened and brought consumers more choices for recreational experience.

### Rapid growth in e-commerce

Tsingtao Brewery focuses its strengths on Tmall and Jd, the two e-commerce giants in China, and achieved sound outcomes through three major campaigns, achieving overall year-on-year growth rate of 103% with Tmall and 141% with Jd.

### New development in customised version

Together with famous IPs, the Wenjiqiwu (early bird) Kentucky Customised Version, the Hongyundangtou (Good Luck) Triumph Version and the Wolf Warrior 2 Souvenir Version are among the cross-border products of the year. Customising products

has become normal practice and Vanke, Hisense, SUNAC and Compton are among the customers of these products. Group procurement and customised version have also come to a historical high point.

## ● Organisation innovation

Tsingtao Brewery has restructured its organisation by setting up the Blue Army Innovative Sales Department. Different from traditional the mainstream products sold to popular market by the "Red Army", the mission of the "Blue Army" is to develop featured products, explore niche market

and cultivate future development. As a special task force, they are more flexible and innovative, gaming with the "Red Army" in new products and channels, promoting newer products and filling the blank left by their counterpart, which may be more attractive to consumers.



## Business ethics and compliance with regulations

While speeding up the transition of development mode, Tsingtao Brewery has been strict in the governing of the Party and paying great attention to improve the Party committee's work style, building clean governance and promoting anti-corruption work. A complete system to fight corruption and advocate clean governance was formed. In 2017, by holding special meetings on improving the Party committee's work

style and building clean governance, signing target responsibility documents for improving the Party committee's work style and building clean governance at each management level, undertaking activities such as internal inspection, regulatory checking, building clean environment and strengthening self-construction, we forged a strong fortification within the corporation and achieved great success in Party building.

### 1 Special meetings on improving the Party committee's work style and building clean governance as well as the signing of target responsibility documents for improving the Party committee's work style and building clean governance at each management level in 2017



### 2 Internal inspection and education on clean governance



### 3 Education on Party members' awareness



### 4 Self-construction



## Cooperation with value chain partners for win-win



Stakeholders	Our responsibilities and commitments
Consumers	Providing safe and high-quality products and services
Environment	Energy conservation and cost reduction, water resources protection, tackling climate change, and developing circular economy
Investors	Maintaining steady operations, providing rational and sustainable returns and reporting precisely on major news regarding operations in a timely manner
Employees	Providing a safe working environment, good pay and benefits while showing concern for the health and career development of all employees
Business partners	Co-development and cooperation based on integrity and trust
NGO and community	Contributing to the community and its harmonious development by frequently engaging in all kinds of charitable activities
Government	Paying taxes as required, conforming with regulations and respecting the law



## 114 years just for brewing good beer



Fan Wei

Vice-President and  
Manufacturing President of  
Tsingtao Brewery Co., Ltd.  
Brewer-in-Chief



Yun Bolan

Gold Medal Brewer 2017  
Yantai Beer Asahi Co., Ltd.  
Brewer-in-Chief



Xu Yong

Gold Medal Brewer 2017  
Tsingtao Beer Shanghai Songjiang  
Manufacturing Co., Ltd.  
Brewer-in-Chief



Wei Xianlei

Gold Medal Brewer 2017  
Tsingtao Brewery (Langfang) Co., Ltd.  
Brewer-in-Chief



Wang Kongyun

Gold Medal Brewer 2017  
Tsingtao Brewery (Shouguang)  
Co., Ltd.  
Brewer-in-Chief







## Product management throughout the value chain



Fan Wei

Vice-President and  
Manufacturing President of  
Tsingtao Brewery Co., Ltd.  
Brewer-in-Chief

## Food safety policy

Tsingtao Brewery has strictly complied with international, national and local laws and regulations. We have implemented comprehensive hazard analysis and risk assessment on raw materials, production, packaging, storage, transport and other processes to identify and strictly controlled the critical control points in order to provide consumers with satisfying quality beer.

## Strategic management on food safety

Tsingtao Brewery has built a food safety management system covering the whole life circle of products with ISO22000, HACCP, PAS220 as well as the FDA food safety management systems and protection plans. Food safety is our first priority in strategic management and quality control. The company has built a closed-loop control process for food safety. Meanwhile we have established and improved our food safety accountability system, enhanced the food quality and safety responsibility system, underlined the importance of prevention, prevented food safety hazards and ensured product quality.



## Food safety management innovation

Continuously improving the whole process quality control including source material, production procedure, logistics and marketing, covering over 30 management processes including the GMP, hazard analysis in production process and food safety management.

1

**Preventing from the source: establishing strict qualification management of suppliers, implementing strict material control risk monitoring and ensuring the quality safety of the upper stream supply chain**

- Multi-dimensional provider quality management
- Strictly observe the managing rules of accessing standard set for provider quality management, and veto the problematic provider whenever there is a problem with their qualification management, product monitoring and on-site auditing.
- Close monitoring system of raw material
- Formulating strict sampling procedures, observing the whole-range coverage monitoring principle, conducting targeted risk control, and monitoring identified risky material in a more frequent manner.



**Yun Bolan**

Gold Medal Brewer 2017  
Yantai Beer Asahi Co., Ltd.  
Brewer-in-Chief



2

**Strict control of the process: setting up standardised quality management systems and modes in all manufacturers to effectively control quality and ensure food safety**

- Improving the red line management and upgrading the evaluation management system
- Improving the food safety red card and yellow card system through regular checking, implementing and modifying with the manufacturing sector; upgrading food safety evaluation tools with reference to food safety checking and evaluation tools; improving food safety accident response and product retrieval (recall) management, as well as strengthening drilling and testing.
- Optimising quality control evaluation system to ensure effective control
- Improving standardising and the self-management capabilities.
- Improve auditing mechanism to ensure the implementation of each managing rule.
- Keep improving the taste and appraisal management, promoting quality constantly, set up taste and appraisal mechanism and taster evaluation system, and conduct third-party verification to promote the tasting skills of tasters. Control the whole tasting process to cover the complete manufacturing process and conduct two-level monitoring with the corporation and the manufacturer.

3

**Strict checking of products: setting up viable market monitoring and evaluation system to evaluate product quality in an objective manner**

- Product monitoring covering the whole range at multi-levels, with overall evaluation in the inspection and testing of samples.
- Analyse market quality status and trend in a dynamic manner and improve product quality.

No breaching records according to national level inspection and supervision in 2017, with 100% of products up to the standard during sample inspection and supervision

**100%**

No red card or yellow card records with internal inspection and supervision in 2017, with 100% of products up to the standard during sample inspection and supervision

**100%**

## The innovative quality management mode of "overlapping responsibilities monitoring and triple-decoding"



**Xu Yong**

Gold Medal Brewer 2017  
Tsingtao Beer Shanghai Songjiang  
Manufacturing Co., Ltd.  
Brewer-in-Chief

## Building new standard of quality management for the industry

The year 2017 marks the beginning of a new era of "Chinese Quality Standard". With the unique quality management mode of "overlapping responsibilities monitoring and triple-decoding", Tsingtao Brewery redefined the standard for good beer, which is the overlapping of "basic quality + featured quality". The quality management system of "three-level, two strictness and two completeness", and fulfilled the requirement of guiding consumers' tastes to be of higher quality, diversified and more personalised. Tsingtao Brewery believes that it is not good enough to define "high quality" by simply passing the strict national standards of China, FDA, EC and Japan's Positive List System. For Tsingtao Brewery, it is just the "basic quality" requirement by meeting these standards, which means the purity, cleanness, freshness, ripeness and coordination with the beer body. More importantly, characteristic features should be added in to make the

"featured quality" outstanding. Only by finely integrating the basic quality and featured quality, Tsingtao Brewery realised the leap forward of product quality.

To brew "good beer", Tsingtao Brewery adopts the "triple-decoding" way, namely, the decoding of consumer needs, products and process, with "scientific plus artistic" approaches, scientific approaches such as advanced technology and experiment method, artistic approaches including appraisal by physical sensing and workmanship spirit, to decode the vague, emotional and individualised preference into precise, reasonable and standardised technique and process. And finally with the Seven-Tier System of "three horizontal and four vertical" safety mechanism, let "constitutionalised" quality standard be the guarantee of quality management mode and form the core competitiveness with diversity.

## Excellent quality

In 2017, under the development idea of "quality first and quality for a strong nation", Tsingtao Brewery has become the "model" of high quality of China's economic development.



China Quality Award  
Nomination Award



2017 Quality Pacesetter  
Company



Outstanding Contribution  
Award of the Top 10  
Made-in-China Brands



"2017 Golden Chopsticks  
Award Benchmark  
Company"



2017 Top 100 Food  
Companies in the World



.....



## One more step with technological strengths



Wei Xianlei

Gold Medal Brewer 2017  
Tsingtao Brewery (Langfang) Co., Ltd.  
Brewer-in-Chief

- We have successfully put 12 new products onto the market: bottled Pilsner, Pilsner for export, White Beer for export, Strong for export, Original White Beer in 3L barrel, Original Beer in 3L barrel, Fresh Beer in 1L barrel, Original Brew in 1L barrel, Laoshan Wanpi Beer, Laoshan Wanpi Electronic Game version, Lemon Flavour 0.00 and the Orange Flavour Fruit Drink.
- We have conducted 23 researches on improving the quality, new technique, new technology and new packaging, as well as the promotion of four new technologies. More than ten low-cost technology projects were under research, application of ultra-high concentration brewing technique was promoted in 27 manufacturers, the made-in-China gaskets were widely used with our manufactures. We have also completed the promotion of lower weight paper cartons in 24 manufacturers.
- Awarded four scientific and technological progress prizes of national, provincial, municipal and association levels, ten patent applications approved and six patents authorised.
- One Project 863 programme and one Qingdao Municipal Science and Technology Project programme under promotion.

## Workmanship spirit for excellent quality

The essence of quality rests in the spirit of workmanship. The high quality of Tsingtao Beer would not be there without the whole-hearted work of generations of brewers, who have played essential roles in every process of brewing with endeavouring workmanship spirit and built the century legend of Tsingtao Brewery with the great power of examples of “workmen of a great nation”.

- Tsingtao Brewery's tasters winning the first and second places in international tasting competition of alcoholic drinks
- On 18 November 2017, the '2017 China Competition on Vocational Skills – “Le Hui Cup” the Third National Beer Tasting Skill Competition' was concluded in Shanghai. The competition lasted for five months with 226 tasters representing 139 breweries of 28 provinces, municipalities and autonomous regions competing in the finals. These finalists were recommended by alcoholic associations, employment departments and trade unions from 31 provinces, municipalities and autonomous regions of China, and went through preliminary contests before the finals.

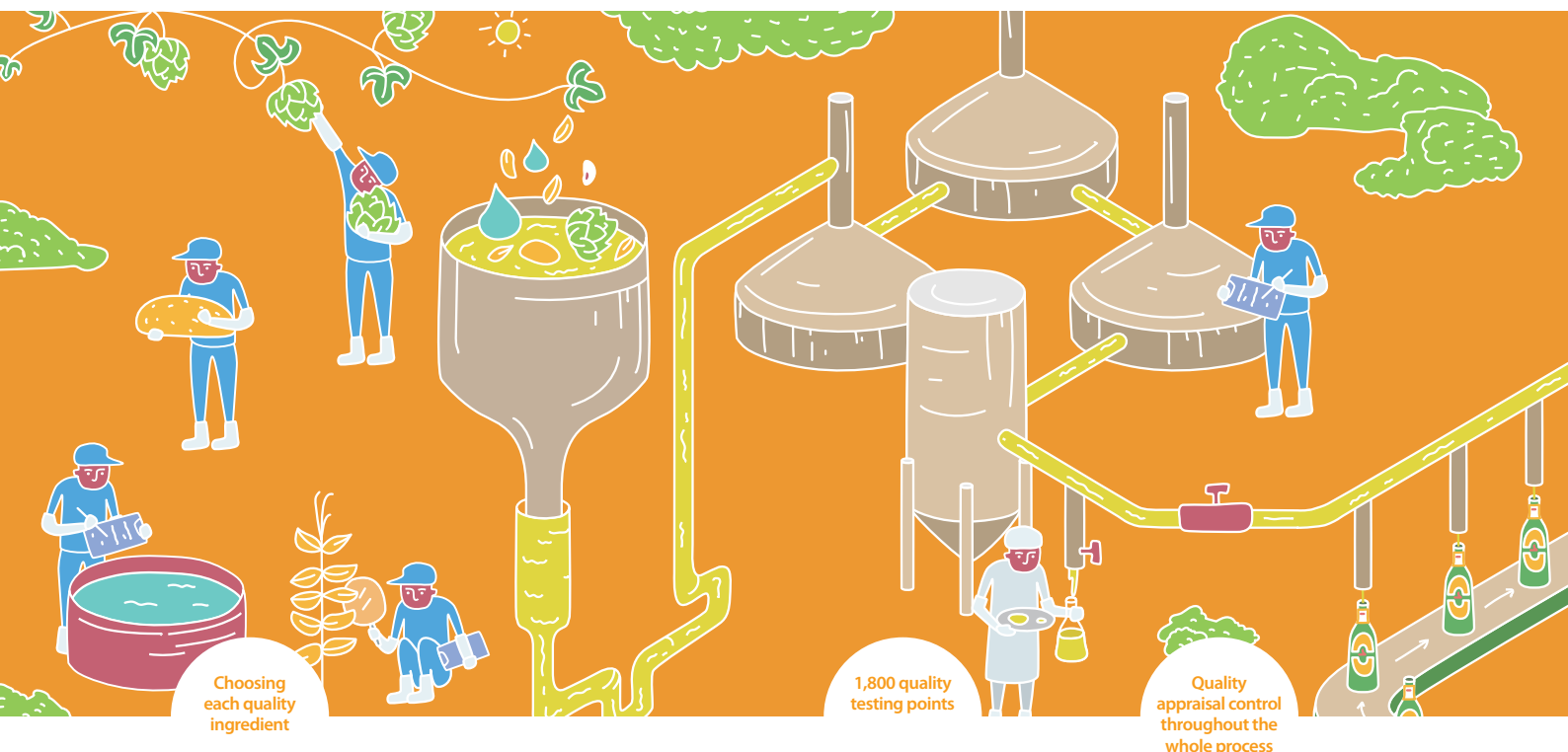


- Striving for quality product with the workmanship spirit for “fragrance of the barley”
- “Conducting an analysis with malt sampling needs repeated testing, tackling a problem needs hundreds of experiments, and all the work is just for better quality.....” says the 42-year old worker Zhang Yunhong, the team leader of the malt preparation process with the Tsingtao Brewery No.2 Branch, who has been working 23 years in malt preparation. He is a typical representative of those who work in the frontline of brewing industry and keeps the product's high quality with commitment and professionalism in a low profile.
- Now he is the “Golden Blue Collar Employee” of Tsingtao Brewery and Qingdao City's Talented Personnel with Outstanding Professional Skills. He has been awarded the Golden Blue Collar of Shandong Province, the Chief Technician of Qingdao City and the top award for Qingdao's Professional Skills Competition “Zhenchao Skills Award”.

## Interaction of the whole industrial chain and the concept of "Greater Outlook on Quality"

Tsingtao Brewery has proposed the "Greater Outlook on Quality" and built the all-staff quality management concept and system. In their eyes, quality control should extend to both the upper and lower streams of production with an all-staff quality management concept and

system effective through the whole process from designing, developing, raw material procurement, manufacturing, packaging, logistics to marketing, so as to make the quality management more systematic and comprehensive.



- **Water:** the water for brewing has to pass seven phases of processing and over 100 rigorous tests to make sure it meets the criteria.
- **Century-old yeast:** we use pure German beer yeast and transport optimum yeast strains to each of our breweries regularly.
- **Barley:** we choose fully matured and bright quality barley from specific regions across the globe. Rigorous testing procedures are followed at every level of operation from variety selection, planting and harvesting to transport and storage. All malt providers are evaluated with their work on environmental protection, and time tracking of environmental flaws with doubtful providers.

- **Rice:** we build special production bases and warehouses for rice, entrust designated third party to conduct all-factor testing. The soil, water, air, seed, planting and harvesting in production bases are monitored, while unannounced inspections at suppliers are conducted.
- **Hops:** we set our internal control standard that is stricter than national standard and lead the brewery industry to healthier development.

- Internationally certified standard quality control system with over 1,800 quality checkpoints in the production process.
- Universal quality control standard with real-time tracking and monitoring over quality management with affiliated breweries and factories.
- Extending the centralised third-party food safety testing system to cover all the brewing ingredients and materials that make direct contact with the beer to ensure FPY rates of procured materials reaches 100%.

- All dimensional quality appraisal system which functions throughout the whole process.
- All materials that will come in direct contact with the beer, including the gasket and water for bottle washing, are concluded in the scope of tasting and appraisal.
- Appraiser also test samples retrieved from the market regularly to ensure beer quality within shelf life.

Each bottle of Tsingtao Beer has gone through over 1,800 critical quality control points with every grain of barley and hops, even every drop on water selected with great care by Tsingtao Brewery people. The

persistence on quality and the inheriting of workmanship spirit have brought non-stop internal driving force of the 114 years' sustainable development.



- Onsite checking of the outer packaging quality of products in distributors' warehouses.
- Continuously improving the evaluation system for outer packaging and add in BSC assessment criteria.
- We rinse pipes with beer in the final step of bottle-washing to prevent water drops from diluting the final product.

- Strengthening the food safety control with logistics and circulation to provide quality products for consumers.
- Improving the logistics IT construction and increasing supply chain efficiency, following the concept of "green logistics" to reduce the impact on the environment through more-efficient logistics and to deliver beer in the same manner fresh flowers are delivered.
- With an overall implementation of storage management system, we realised a whole process management throughout the sales, logistics and consumption, raising product freshness and market competitiveness to give consumers experience of high quality product. Furthermore, customers may enjoy new shopping experience that features "fast supply chain and door-to-door delivery for our high quality products".

- The integrated vertical management system for customer service aims at "four-unified and one-satisfied", namely, unified management, standard, service and claim settlement, as well as making customers satisfied, in which way can we improve our service to be more professional, standardised, regulated and specified.
- Specialised teams for service to promote the organisation of customer service.
- Upgrade of information system function management to provide more support on service to customers

- Equipped with the Key National Lab on Beer Fermentation Engineering, the only lab within brewery industry which was identified as a key laboratory of China's light industry.
- Member of the Canadian Malting Barley Technical Centre, the Hopfenforschungszentrum Hüll in Germany, the American Society of Brewing Chemists and the Brewing Research International in the UK. Extensive exchanges and cooperation with institutions such as Murdoch University in Australia, the Doemens Beer Academy of Germany, the Hop Growers of America, the France Export Céréales, the Novozymes A/S of Denmark, Tsinghua University and Jiangnan University.
- Holding the 2017 China Beer Bio-Fermentation Technology High Level Forum, inviting experts from the American Society of Brewing Chemists and the Doemens Beer Academy of Germany to deliver academic reports on cutting-edge technology.

## To be the favourite Tsingtao Beer of customers

“

In September 2017, the CBNDData and Tmall jointly published the Wineglass of the Chinese – 2017 Tmall Alcoholic Drinks Consumption Big Data Report, putting Chinese liquor, wine, beer, imported wine and yellow rice wine as the major objects of research, interpreted the trends and characteristics of Chinese consumers' consumption of alcoholic drinks based on the big data provided by Alibaba. Statistics showed that Tsingtao Beer ranked on top of the top five favourite beer brands sold online, as the most purchased beer brand for consumers. ”

Sohu Big Data Shows Tsingtao Beer become Most Favourite Beer Brand Sold Online

On 28 July 2017, the seventh “Consumers' Favourite Tsingtao Beer” tasting event was held. The “Appraisal Team” consisted of over 40 delegates including 12 professional and national-level judges, 12 consumer delegates, six marketing representatives and several employees with the Tsingtao Brewery. They gave marks to different products and vote the Gold Medal Brewer of 2017 in reference to consumers' feedback. The 12 consumer delegates chosen by Tsingtao Brewery were invited to the Tsingtao Beer Museum to study the development of beer industry and professional training course on tasting, with their food, board and air tickets covered by the corporation.

Together with other judges, the consumer delegates tasted on-site the competition 77 samples of Tsingtao Beer series products of different classes and different concentrations. Those products were all covered by bags marked with numbers, and were evaluated in a blind-selection mode for fair. When the samples were brought in front of judges in seven batches with serial numbers marked on them, the “judges” taste and score the samples and wrote their comments down. Their opinion will have great impact on the future taste of Tsingtao Beer, and will be an important basis for taste improvement and product innovation.





### International style

Cao Jie the interpreter  
A lot of foreign friends love Tsingtao Beer

With this event I can understand the great variety of beer series such as Pure Draft, IPA, Stout, White Beer and so on. In the future I may recommend those tasty products to my friends nearby.

Friends coming from foreign countries would choose Tsingtao Beer. One of my foreign friends came to China and quickly learned his first Chinese word "Tsingtao", and his second word "iced", which meant iced Tsingtao Beer.

### Fashionable style

Li Bangxing the trendy chap  
I love the feeling of freshness, passion and vigour

Tsingtao Beer is a very fashionable brand with various designs and packages which are beautiful and trendy and my friends are all fond of it. Tsingtao Beer is surely the first when we choose to drink. This event is great because we are invited to the brewing of one kind of beer. And I believe it very meaningful that our opinions will be able to have impacts on adjusting the brewing technique.



**Wang Kongyun**

Gold Medal Brewer 2017  
Tsingtao Brewery (Shouguang) Co., Ltd.  
Brewer-in-Chief





## Green brewery

As a brewery with 114 years of history, Tsingtao Brewery has always centred on the mission and outlook of environmental protection, sticking to the legal and regulatory redline and bottom line, to promote the effective implementation of environmental protection measures. Tsingtao Brewery firmly believes that the input in environmental protection is an investment rather than cost, which is an effective guarantee for the green and sustainable development of a corporation. A series of environmental protection activities are organised to call for people's awareness of environment and green development, and contribute to the lush mountains, lucid waters, blue sky and white clouds.



In comparison with the year 2016, investment in the upgrading of environmental protection facilities grew by

**27%**

Pass rate in terms of effluent discharge standard

**100%**



## 01

## Optimising management

## 1.....

- In 2017, the corporation put forth the core checking card for implementing environmental protection as an effective tool to implement rules, regulations and announcements, showing a management thought of “seizing the focal point, making up for the shortcoming and strengthen the weak”.

## 2.....

- Building the Environmental Management Factor System, unifying the management of environmental factors to facilitate horizontal comparison between manufacturers and vertical comparison within a manufacturer.



## 4.....

- Timely collect and analyse over 200 parameters via the production operation information platform, in order to publish daily, weekly and monthly reports, distinguish abnormalities, compare horizontally and master the environmental information of the manufacturer.

## 3.....

- Raising the corporation's energy management level by promoting the application of benchmark management and six-sigma management tools in energy conservation and discharge reduction.

## 02

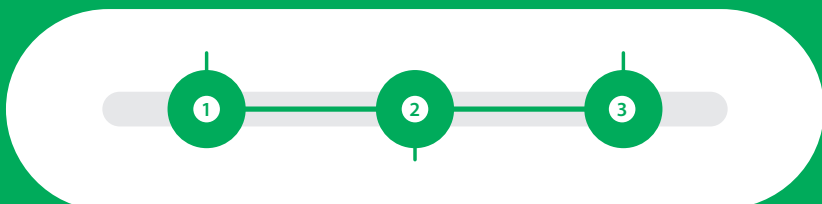
Strengthening training on environmental protection  
Improving skills on environmental protection

## 1.....

- Developing professional courseware on environment and environmental protection regulations, communicating on wastewater economy operation and sharing experience on wastewater treatment.

## 2.....

- Holding training on checking card for professionals.
- Holding various meetings for teams, classes including daily preliminary meeting.



## 3.....

- Fully sharing experience and knowledge on environmental protection with we-media.

## 03

## Participating in various public welfare events on environmental protection

Environmental protection pioneers at every level conducting various eco-environmental protection volunteer service and the “adding some green to the environment”

activities, to promote people's awareness on environmental protection and companies' duty on green development.



## Water resource conservation and recycling

Water consumption per unit product

**3.856** m<sup>3</sup>/kl

Pass rate with waste water discharge standard

**100** %

In comparison with the figure in 2016, the water consumption per unit product in 2017 dropped by 0.10%

**0.10%** ↓



### ● Saving water

Major actions on water saving with the company in 2017 include reducing nozzle diameter of the bottle washing machine and realise chained control, collecting and reusing backwash water and RO brine water, continuing with the optimisation of distributing brewing water, continuous inlet of beer into filtered beer tanks, collecting, reusing and restructuring of condensed water. With the 15 water saving technologies applied, the company's water consumption was further reduced.



### Case

The relocated Langfang project is designed with a discharge standard stricter than required standard to further reduce pollutant discharge. And the Class One A super high pressure plate-and-frame filter

### ● Waste water management and reuse

Tsingtao Brewery has implemented refined management and standardised sewage treatment processes, which lays stress on source reduction and process control. World advanced techniques were adopted to realise 100% of the effluence up to the sewage standard. All manufacturers have wastewater treatment systems with stable discharge in accordance with certain standards. The system adopts "anaerobic + aerobic" biological method. And the major treatment techniques include the UASB + activated sludge process and the UASB + contact oxidation process. In 2017 Tsingtao Brewery optimised and upgraded the waste water treatment techniques of manufacturers such as Luzhou Brewery and Tengzhou Brewery.



Super high pressure plate-and-frame filter



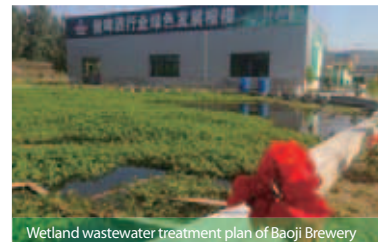
### Case

Anaerobic IC or EGSB techniques are introduced into new and larger manufacturers, which have the advantages such as less land area requirement, higher processing efficiency and more methane output.



Wastewater IC tower in Yantai No.2 Brewery

Some of the manufacturers introduce in wetland pre-treatment technique before final discharge of wastewater to clean the water and beautify the environment as well.



Wetland wastewater treatment plan of Baoji Brewery

## Energy management and conservation technology application

Systematic thinking, process control, increasing the energy utility rate and building a green energy conserving and environmental friendly enterprise – these are the persistent pursuit of Tsingtao people. In 2017 Tsingtao Brewery continued with the national plan on energy conservation and discharge reduction, kept on promoting the transforming of energy conservation projects and application of new energy

conservation technologies via adopting high-concentration brewing and heat-reducing technique, continuous beer inlet into filtered beer tanks, balance between coldness and heat in steriliser, as well as the quick application of 51 energy conservation techniques, in order to lower comprehensive energy consumption per unit product continuously.

### Outcomes on energy consumption and discharge reduction

Standard coal consumption per unit product

**36.42** kg/kl

Electricity consumption per unit product

**65.03** kWh/kl

In comparison with the figure in 2016, the standard coal consumption per unit product in 2017 dropped by

**5.08%** ↓



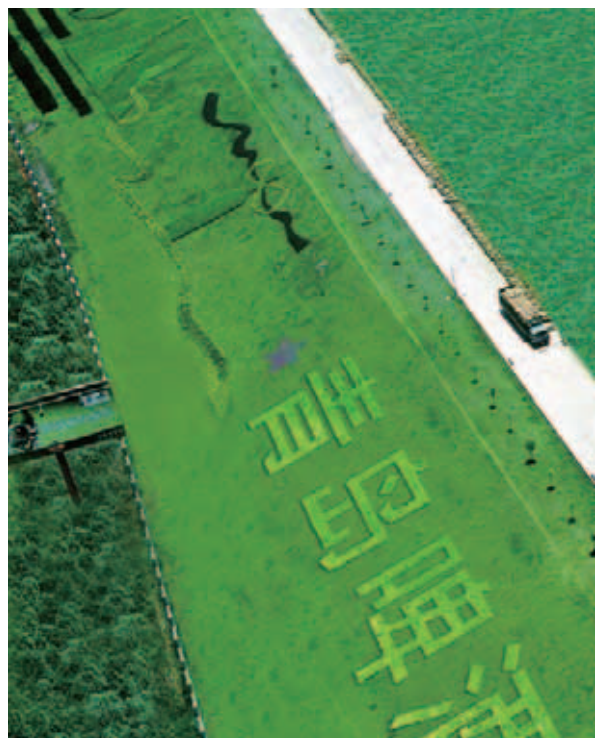
In comparison with the figure in 2016, the comprehensive energy consumption per unit product in 2017 dropped by

**3.79%** ↓



In comparison with the figure in 2016, the CO<sub>2</sub> recovery per kl of cold wort in 2017 increased by

**0.79%** ↑



## Application and improvement of energy conservation technology



## Reduction of pollutant emission and tackling climate change

According to new requirements including national laws and regulations on environmental protection and the Ten Rules on Air Pollution, the company conducted technological reforms including coal-to-gas-conversion, super-low discharge and denitration, to reach the discharge standard and reduce the discharge amount of waste gas.

In 2017, six manufacturers invested over 27 million yuan on weeding out 13 coal-fired boilers, building 23 natural gas boilers, actively adopting natural gas clean energy and conducting super-low discharge and denitration reforms of boilers.

### Reduction of waste gas emission in 2017

Reduction of smoke and dust

**39** tonnes

Reduction of SO<sub>2</sub>

**128** tonnes

### Discharge and its statistics

Reduction of waste gas emission in 2017



Reduction of SO<sub>2</sub>  
**173** tonnes

Reduction of smoke and dust  
**225** tonnes



### Case



super-low discharge upgrading in Yantai No.2 Brewery



super-low discharge upgrading in Tsingtao Brewery No.5

- Reducing carbon emission
- Reducing carbon emission and increase the recycling efficiency of CO<sub>2</sub> to realise the zero-procurement, recycle and reuse of CO<sub>2</sub>.



### Case

#### Flow dusting and CO<sub>2</sub> recycling for CO<sub>2</sub> tanks in Songjiang Brewery

- Air phase controlled above 99.99% with storage tanks since June.
- The recycling rate of CO<sub>2</sub> entering tanks rising from 85% to 90%.  
Over 200,000 yuan may be saved each year if calculated at a rate of 5,500 tonnes per year.
- Raising collection rate by 5% means reducing 280 tonnes of discharged CO<sub>2</sub>.



## Circular economy and recycling use of waste

Recycling use of waste: to stick to the 3R principle – “Reduce, Reuse, Recycle”, and maximise the recycling, conserving and using of resources.

In 2017 the company recycled all by-products and reusable waste. And the comprehensive utilising value increased by 8.9% year-on-year.

### Management measures for dangerous waste

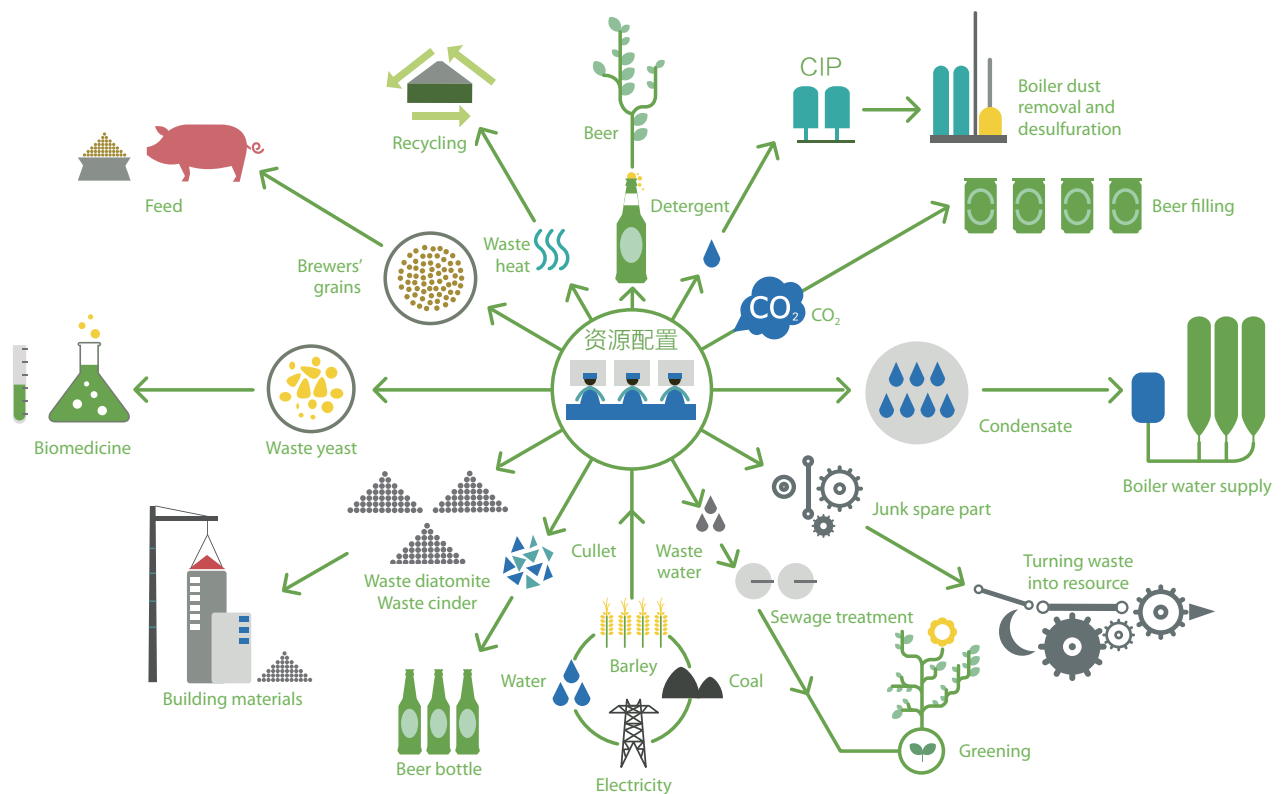
- Dangerous waste can be treated by qualified dangerous waste treatment plants in an environment-friendly manner.
- Setting management benchmark for dangerous waste, implementing the Parameter System for the Standardised Management of Dangerous Waste, and keeping the standardised, harmless and reduced management of dangerous waste.

### Measures on reducing dangerous waste

- Reducing from the source by replacing harmful materials to reduce harmful waste, such as changing mercury-containing modulator tubes to LED lights and reusing chemical containers after washing.

### Management of common solid waste

- The “five settled” management standard by the company: settled personnel, settled position, settled time, settled measures and settled frequency.
- Non-reusable solid waste to be disposed by a qualified third party.
- Reusable solid waste to be comprehensively reused or recycled, namely the “3R” approach, to reduce solid waste. Sludge and waste diatomite to be used as manure and waste yeasts to be further reused to increase their added value.



## Caring for the environment and being greening pioneers

Since the Alliance of Environmental Protection Volunteers was established by Tsingtao Brewery in June 2015, it has grown from 2,000 people at the beginning to more than 10,000 people now. Environmental protection volunteers from various departments have conducted over 1,000 events on environmental protection, including low-carbon bicycle riding, promotion on the awareness of environmental protection, afforestation,

walking race, water source protection, all-staff clean sweep, community events, reusing waste materials and innovative environmental protection activities. Those activities have effectively publicised the awareness of environmental protection, formed many scenarios on environmental protection, sprayed the sense of duty on environmental protection to the world and received recognition from the people.



Environmental protection volunteers from Tsingtao Brewery actively involved in the event "let the sea be more clear – saving the environment and cleaning the sea"



Tree planting event in Huangshi Brewery



Lucid waters and blue sky Parent-child experience event in Xi'an Brewery

On 5 June, Tsingtao Brewery held the World Environment Day and 10,000-people protecting our green activities at Tsingtao Brewery No.2. More than 300 "blue sky defenders" led by Tsingtao Brewery's flag of environmental protection went to Zhancunhe River, and cleaned up rubbish along the river. Meanwhile, nearly 10,000 employees from 60 manufacturers all over China walked onto the street to conduct similar events.



Beautifying the workshop activity in Zhuhai Brewery



Environmental protection volunteers from Luzhou Brewery cleaning the street



Environmental protection volunteers from Tsingtao Brewery No.2 sending out fliers on environmental protection





## Caring for the community

As a corporation in the new era, Tsingtao Brewery has always been developing in a sustainable way led by a "sense of responsibility" with more attention paid to the balance between economic and social benefits: committed to responsible drinking and caring for environment, conducted 10,000-people protecting our green activities, set up the Employee Caring Fund to help the weak, set up the Tsingtao Brewery Good Person Award to encourage employees ready to help others for a just cause, happy to give assistance to other people, respecting and loving the elderly people. The responsibility of a corporation was fulfilled for employees, consumers, stakeholders and the whole society, showing the sense of duty and responsibility of a Chinese brand.







## Responsible drinking – we care more for your health

### Our suggestions People who should not drink

- 1 Underage groups should be taught not to drink.
- 2 Pregnant women should not drink. Breast-feeding women should not drink.
- 3 Do not drink and drive. Do not ride in the car driven by people who drink and drive.
- 4 Patients under medical treatment or taking medicines should not drink.
- 5 No excessive drinking and avoid drinking on an empty stomach.

### Our activities Healthy life with beer

- 1 Products are labelled with a sign warning "Excessive drinking can seriously damage your health."
- 2 Promoting public service ads "Do not drink and drive."
- 3 Developing low alcohol and low heat products
- 4 We hand out leaflets to promote responsible drinking during sales promotions.
- 5 Age verification reminder on our official website.

As the rotating chairman of the China SAO, Tsingtao Brewery has always proposed the idea of the social responsibility of responsible drinking, initiated "moderate drinking for better life". In the promotional week of responsible drinking 20-27 October 2017, Tsingtao Brewery actively participated

in the promotion of responsible drinking by posting and sending fliers, with the initiative "moderate drinking for better life". With the Tsingtao Beer Museum and the industrial tourism trip on Pure Draft, initiate responsible drinking in front of local residents and tourists, and keep healthy as well as happy.





## “Positive Energy of the Era” with “Tsingtao Brewery Good Person Award”

The afternoon of 6 December 2017 witnessed the 2017 Tsingtao Brewery Staff Cultural Festival and the Launching Ceremony of “Tsingtao Brewery Good Person Award”. Staffs from over 50 companies all over the country participated in the cultural performance. The “Tsingtao Brewery Good Person Award” includes “Good Person for Happy to Give Assistance to Other People”, “Good Person for Helping Others for a Just Cause”, “Good Person for Respecting and Loving the Elderly People”.

The setting up of the “Tsingtao Brewery Good Person Award” is aimed at promoting the implementation of corporate cultural building programmes, further improving social well behaviour, practising the solemn promise made by Tsingtao Brewery employees, presenting and commending the series of good examples amid the development of the corporation, and forming the fine custom of “finding the good, recommending the good, hailing the good and volunteering to be the good”.



### Case

- In July 2017, Tsingtao Brewery Chenzhou Branch organised its production department Party members to visit a museum for revolutionary education. En route to the museum at Hangxi Canyon, they saw a woman falling into a four-metre deep pool. Without any hesitance, Party member He Jun jumped into the pool and saved her life.
- On 16 July, Pan Gang, an employee with the quality control department goes out with his family and saw a tourist struggling in the Tuojiang River on the way. In that critical moment, Pan Gang jumped into the river to save her immediately and succeeded in pulling her to the bank with the help from other passers-by.
- At 05:30 on 19 July, Xu Qiming, the Engineering Department Director of Suqian Brewery was jogging with his family as he always does. By the bank of the ancient Yellow River at downtown Suqian, he saw a 30-year-old woman struggling in the river. It was a dangerous moment and he jumped at once into the

river without even time to untie his mini radio bag from his waist. With great effort he seized the woman and dragged her to safety.

- Ye Sheng, an employee with the EHS Department of Yangzhou Brewery successfully stopped a theft case of storage battery from an electromobile. Facing the thief holding weapons, he dealt with the case calmly and bravely, saved the public property from damage, and showed great courage and sense of justice of the security team.
- Many people in Qingdao have heard of Duan Guangzhi, the “Tsingtao Brewery’s Brother Push-You-Up”. It was a dangerous moment when people found a three-year-old boy screaming with his head stuck between the racket of the safety net outside a window at the fourth floor. The 50-year-old worker from Tsingtao Brewery No.5, Duan Guangzhi, climbed to the windowsill of the third floor and pushed the boy with one hand and stayed in that posture until the boy was saved.

## Caring for the community – we are by your side

In recent years, the company actively responds to the call from the Central Committee on targeted poverty alleviation, shouldering social responsibilities with solid action and benefiting the society in return. In 2016, as a member of the Poverty Alleviation Workgroup of Enterprises under direct administration of the Qingdao Municipal Government, the company set up a poverty alleviation programme with the rural Dazeshan Town in Pingdu, Qingdao. In 2017 the company's programme group conducted on-site investigation and inspection to further discuss assistance plan and schedule, and visited those poverty-stricken residents. In 2018, the company will invest 5 million yuan to those poverty alleviation programmes.

In 2017 the company donated 100,000 yuan to children in poverty in Pu'er, Yunnan; handed out the fourth batch of the "Beichuan Children Growing up with Tsingtao Brewery's Ten Years' Welfare Fund"; and donated 100,000 yuan to the disabled in Qingdao. A total number of 3,791 cases in 37 batches of volunteer activities were conducted by employees from various branches of the company, and activities such as volunteered blood donation, volunteered environmental protection, volunteered accompany and volunteered winter cloth donation became

most of the companies' routine work. In terms of caring for educational programmes, Tsingtao Brewery launched the Tsingtao Brewery-Qingdao University Postgraduate Student Scholarship programme in 1996 to award excellent students and assist students in poverty. In 2005 the "Tsingtao Brewery Award for Excellent Teachers" was established to award excellent teachers. Those awards demonstrated the concept of Tsingtao Brewery in caring for educational programmes and talented personnel training. They also represented the principle of gratefulness and benefiting the society in return as a company with sense of social responsibility. Great promotional effects for the atmosphere of respecting teachers and honouring education in every part of the society were built up as well.



### Cases

#### Building the first mobile blood bank in Qingdao

To tackle the shortage of blood in cold weather, the Qingdao Municipal Blood Bank initiated the 2018 "Blood Domino" blood donation relay event. The second stop was Tsingtao Brewery. Cold wind blowing in -10 degrees Celsius could not hinder the warm-hearted employees and nearly one hundred people donated 22,200 mL blood that time. Tsingtao Brewery has built the "Tsingtao Brewery Mobile Blood Bank", the first mobile blood bank in Qingdao. When there is a case of emergent blood demand, this team may "come and donate immediately" as an emergency response echelon to secure blood supply.

#### Passing on reunions and helping people coming home

During the 2018 Spring Festival, Tsingtao Brewery worked with China Volunteer Service Fund to initiate a welfare event named "facilitate your journey home" with a heart-warming design of posters. Jd.com's flagship shop was furnished into a "Pub for Reunion in Warmth" by Tsingtao Brewery, and participating consumers could get four coupons for their journey home. Tsingtao Brewery would then change these coupons into actual distance of the journey and help those who were not home yet go home for a family reunion.



## Sponsoring sports and cultural activities – inspiring the progressive spirit of the era

The core of a brand lies in cultural content and value, with the spirit of brand always in conformity with the spirit of the times. Tsingtao Brewery has always actively sponsored sports events and participated in social and cultural activities, to build not only the core of the new era, but also the era's main theme of striving, endeavouring, passion and human.

In 2017, Tsingtao Brewery paid more attention to the interaction with fans while promoting sports and musical marketing: by sponsoring the Chinese Football Association Super League, the Asian Football Confederation Champions League, the CBA League and the first Qingdao International Marathon; as well as holding various sports and musical competitions such as the TS919 Pure Draft Refreshing Baby Challenge Match, the Ocean-Land-Sky Beer Festival and the University Students' Musical Festival, to carry forward the endeavouring spirit of the era.

1 "Title Sponsor" of the 2017 Qingdao Marathon



2 Laoshan Beer continued to be the official partner of the CBA League, bringing the "Ally of Drinkers" to the match



3 Sponsoring the Asian Football Confederation Champions League



4 Title sponsoring the TS919 Pure Draft Refreshing Baby Challenge Match, encouraging everyone to pursue the dream of "refreshing life".



5 Laoshan Beer enters the "Super Era", becoming the official partner of the Chinese Football Association Super League



6 Sponsoring the University Student Musical Festival, the one with an "air" of beer





Employees from Kunshan Brewery donating for children living in mountains



Employees from Langfang Brewery visiting the Fuyuan Elderly Carehome

## Our volunteer service team



Volunteers from Lyulansha Brewery participating in a round-the-city run for public good, to collect money for youths with serious diseases



Volunteers from Tsingtao Brewery making dumplings for elderly people living alone without family in communities during Dragon Boat Festival





Employees from Luoyang Brewery visiting Huangyao Primary School in Xuncun Town, Yiyang County



Another annual event of "helping the students in Autumn" by Shouguang Brewery, sending scholarships to employees' children who have entered higher-level educational institutes



Employees from Anshan Brewery donating for the disaster-stricken Xiuyan Area



Employees from Heze Brewery sending sun umbrellas to traffic police officers at work



Employees from Tsingtao Brewery No.2 participating in the Qingdao International Marathon, providing volunteer service to athletes



Employees from Baoji Brewery donating for Xishan Sunjiacun Primary School



## Value chain in harmony

Tsingtao Brewery “stimulates human resources with the system” with a view of “proper people for proper things”. We provide proper positions for staff according to the development of the company and the specialty of each staff, with focus on building the talent echelons and reserve talent, providing rich professional training and developing opportunities so that every staff work happily, grow quickly and transmit the high quality and happiness of Tsingtao Beer to consumers worldwide.

Meanwhile Tsingtao Brewery never forgets to keep a thankful heart to upstream and downstream cooperation partners for their strong support. We try to build win-win relationship and shared prosperity together with each partner.







## Let our employee work safely, healthily and happily

In 2017 the company continued to place laws and regulations as the bottom line, built the core checking card mechanism, carried on with the theme event of "Being responsible for my own safety" to raise the awareness of all the staffs, cultivating a professional team, mastering new tools and new measures, constantly improving work safety to support the healthy development of the company.

No accidents in terms of production safety up to the level of serious injury happened last year with work injuries that caused loss of workdays dropped by 78%. We won the title "Advanced Unit for Safe Production Management of Shandong Province" for the tenth consecutive year, and 51 awards on work safety, including seven provincial-level awards and 28 municipal-level awards.

### Implementing the main body responsibility of production safety management and actively secure work safety

- Specify the work safety responsibility to working units and individuals
- Forming the responsibility system for work safety with heads of departments as the No.1 responsible person, making full-play of the systematic and hierarchical management system, assigning dual-responsibilities to individual posts and each person involved, tracking down the misconduct and claiming responsibility, and solidly implement the main body responsibility.
- carried on with the theme event of "Being responsible for my own safety"
- Holding open class on work safety delivered by the president; holding various cultural activities including safety commitment, oath on work safety, parents' words show, speech contests, cartoons and article soliciting, in order to raise the awareness of work safety of all the staffs.
- Holding various training courses on work safety, with 42 hours of training per person, which is much higher than 8 hours required by national standard.
- Publishing the Promotion Scheme on Standardisation of Work Safety Management for Teams, launching the "Standardisation of Work Safety Management for Teams", promoting the standardisation work with nine aspects including implementation of responsibility system, system building, on-site management and cultural building, appraising and electing 12 work safety management pacesetter teams.
- Conducting all kinds of emergency response rehearsals with a total of 1,519 times, laying stressing on practicality, adding night rehearsals.



Employees from Tsingtao Brewery No.4 signing on the theme board of the month of work safety





Employees from Jieyang Brewery participating in "beware of the ammonia" emergency response drilling, with eyes covered

### Continuously improving safety management system

- Publishing the supreme principle of safety management
- Publishing the supreme principle of safety management featuring "outlook, mission, guidance, proposal, values, bans, process rules and core check cards", forming a complete system of management.
- Optimising the process management and make it more practical and more effective
- Establishing optimisation plans on process management; collecting feedbacks on the manufacturers' documents during commissioning; improving flaws found in practice; improving nine documents including the Safety Management Rules on Ammonia System.
- Continued implementation of advanced management tools
- BBS promotion:
  - The BBS management tool promotion work was completed with 66 manufacturers, each with a standard team of two lecturers and 20 observers, the awareness of work safety reached from 72% to 86%, up 14%.
- JSEA promotion:
  - A series of high-risk working standards was formed, with preliminary JSEA analysis to effectively control hazards during operation. On-site photos should be taken and filed.

### Focusing on key points of management, preventing major risks and building the core checking card system for safety and environmental concerns

- Forming a whole set of core checking card system for safety and environmental concerns with four tiers, in which there are 22 security core check cards, 1,051 detailed items for evaluation, totalling 2450 points
- The thought of core checking card was established with reference to ISRS, tracking of key points and carrying out of actions



Work safety training in Zhuhai Brewery

A whole set of core checking card system for safety and environmental concerns with

4 tiers

Number of safety core checking cards

22

Detailed items for evaluation

1,051

## Safeguarding the rights of employees and paying attention to employees' health

### Equal and in-compliance employment

- With over 40,000 employees, Tsingtao Brewery insists equal and in-compliance employment regardless of the ethnicity, nationality, gender, religious belief, age, political group or marital status of the employee.
- Open employment with recruiting information published in open channels.
- No child labourer or enforced labour is allowed. No child labourer is allowed to work in any of our workplace.
- In 2017 no significant risks were discovered with Tsingtao Brewery in terms of hiring child labourers or cases of enforced labour.
- The company has been honoured the "Best Employer of the Year in China" for seven consecutive years from 2011 to 2017.

### Fair and reasonable salary and benefits

- We have strictly followed national laws and regional regulations; provided paid-leaves, maternity and sick leaves, physical examination, health training, as well as a refined social welfare protection system for employees.
- Stick to the staff income distribution mechanism based on company growth with individual achievement as basic influencing factors. Adopting the salary increase management mode based on the investment-output ratio of efficiency and benefits

### Protecting equal rights and strengthening communications with employees



The company firmly observes laws and regulations, respects the rights and opinions of employees, strengthens communications with employees in various forms such as meeting of employee representatives, opening management information, democratic management, staff community, WeChat public account, internal publications and regulations, improves the employee relationship management system, to protect employees' rights effectively.

- The trade union assembled the members of the employees' assembly annually to answer proposals from the staff, which effectively protects the employee's rights of knowing, participating and supervising. The trade union also tried to make the management affairs open to the public, and continuously improved the working environment of common staff for them to get occupational health education and ensure the implementation of democratic management of the company.
- Teams of "part-time communication counsellors working for common staff" was built, covering 100% of all certified manufacturers.
- The new media of WeChat platform was adopted to provide tutorials for the staff and promote the enterprise culture. The portable class of management was also opened on WeChat. Innovations were made in the caring for employees, promotion of training information, E-learning through WeChat, researching, training, and taking online examinations.
- Various cultural activities were held by all units to enhance the cohesiveness and centripetal force.

### Caring for employees with support from a special fund

- Ten employee "Project for Public Benefits" programmes undertaken.
- The company provided help to 347 sick staffs and their family members with a total cost of 229,000 yuan on easement or consolation money.
- 17 employees received aid totalling 382,941 yuan from the Employee Caring Fund in 2017 for serious disease. The Employee Caring Fund received donation totalling 783,257.74 from employees of over 60 branches
- Conducting caring activities to help 174 local employees in extreme poverty and employees stationed away, with a total cost of 157,000 yuan on easement or consolation money.
- Visiting staffs and their families who are in sickness, difficulties, with special circumstances or stationed away; sending summer refreshments to frontline workers; distributing easement or consolation money to employees.
- Building local manufacturer sample service stations; setting up "Mama Homes" to provide caring to pregnant or baby nursing female staffs; featuring the new mode of staff service with the trade union's "one station and one home".
- Distributing the "trade union member service card" to provide convenience to employees.

### Employer brand building

In 2017, Tsingtao Brewery won the recognition and awards from many professional HR agencies in terms of employer culture, employer environment, employer image, training and development, influence among university students.



- 1 Best Employer of the Year in China 2017.
- 2 Model Employer in China of the Year 2017.
- 3 Top 15 of the 15th Competition of Best Employer for Chinese University Graduates in Fast Moving Consumer Goods and Retail Industry
- 4 Special Employer of North China 2017



## Helping employees to grow quickly

Number of "Gold Medal Professionals" selected

28

- Continue promoting capabilities of all the staffs

- In 2017, the company kept on promoting the capability building with all the staffs, especially around the promotion of vocational capability and reserve echelon talents, with various knowledge-based organisations including fundamental 1903 schools, Pure Draft schools, preservation schools, studying and sharing

clubs and Tsingtao academies. Great platforms were built for each kind of employees, such as marketing and manufacturing drilling base, training camps, vocational practice, professional skill competitions as well as micro-lecture competitions.

- "Brewing" talents selecting professional stars

- In 2017 we have improved the selection of gold medal professionals with reform on their selection, using, stimulating and dynamic management. 28 gold medal professionals were selected out of seven core manufacturing posts including saccharification, fermentation, filtering, bottling, labelling, packaging and PLC. The selected professionals will be the backbone of technological assistance, project resolution, professional lecturer, course development and talent echelon incubation.
- In 2017 the company built a PLC practice base, two gold medal professionals became PLC professional lecturers.

- Building the "Team of Wolf Warriors in Marketing"

- The year 2017 witnessed the forming of a competitive atmosphere of "competing, learning, racing and overtaking". In order to stimulate the potential and fighting spirit of staff, we awarded 31 Honoured Theatres for Wolf Warriors, 86 cups for Wolf Warriors, 1,244 pioneer flags honouring the Wolf Warriors, 7,928 Wolf Warrior medals in which 1,019 were regional managers, 1,329 were local office managers and 5,580 were sales representatives.
- In 2017 we held the "Wolf Warrior Honours Training Class for Business Management" for frontline regional managers with more than six medals of Wolf Warrior Honour, who were trained and recharged with more new energy and vitality.



## Create win-win relationship with business partners

Tsingtao Brewery highly values its business partnerships and works tirelessly to create mutually beneficial outcomes for all of its affiliates in the hope of growing together with cooperation partners.

Number of bottles stored during the off season in 2017 with a financial support to suppliers

**158** million

Helping suppliers with the problem of money shortage with

**200** million yuan

## Helping suppliers to succeed

In 2017, we carried out scientific and effective communications with our suppliers, provided opportunities to improve the product quality, service, management and

cost of both sides. Meanwhile we raised the efficiency, lowered the energy consumption, minimised environmental impacts and built a green production chain.

### • Support on environmental protection

We have positively investigated and screened all suppliers with approaches such as auditing exchanges to encourage them putting pressure on themselves with upgrading of environmental protection equipment. We have monitored suppliers including carton, label, bottle cap and pop can providers to improve their level of environmental protection and guarantee the material supply.

- New bottle providers all reached our standard in discharge and were beginning to use clean energy such as natural gas to reduce pollutants. Moreover, in hope of stimulating their will to upgrade, we covered the increased cost on environmental protection.

- Bottle providers kept on raising their efficiency and reducing the cost with technological innovation such as adjusting the technique, raising the output of kiln material, reshaping the three-nozzle I. S. machines and speeding up bottle making by over 30%; the precision of manufacturing control was raised to meet the requirements of producing lightweight bottles.
- Glass factories have conducted clean production and circular economy positively, constantly raising their level of environmental management. Water in the processes of glass cleaning, glass mould cooling, dust removal and desulfuration was recycled to realise zero-discharge. The piling grounds of materials were enclosed or covered to prevent dust contamination.

### • Financial support and technological exchange

- We provided financial support to suppliers by storing 158 million bottles during the off season in 2017 to help providers pass the inventory period, which made the normal operation of the company possible and supported the safe supply in peak season.
- Helping suppliers raise management levels via technological exchange and on-site technical guidance. The financial companies provided notes discounted and the problem of funding constraints of the suppliers was eased.

- The company has paid part of the money payable in advance to carton providers to help them through financial restraints. The total amount added up to 200 million yuan, which was a great assistance to providers.



Win-win cooperation with distributors

## Wholehearted support for distributors

Tsingtao Brewery fully respects and recognizes every distributor. We hope to grow together with our distributors and realise concerted innovation, sharing and win-win.

- **Promoting the united business plans with distributors**
- We actively promoted the coordination between manufacturers and distributors.
- **Strengthening communications with distributors and stimulating them to progress**
- Holding the 2017 Tsingtao Brewery – Golden Eagle Annual Conference

- **Trainings for distributors are carried out.**
- The "Win-win Theme Training for Distributors" is carried out for two times, strengthening the communication on best practices between business teams and dealers. It also effectively improves the dealer's business sense and professional ability to operate in the market.

Win-win cooperation with distributors



## Honours in 2017

Categories	Awards
Awards on the brand and image of the corporation	Most Competitive Enterprise
	2017 Quality Pacesetter Company
	2017 Top Ten Influential Brands of Alcoholic Drinks in China
	2017 (14th) Top 500 Most Valuable Brands in China With a brand value of 129.762 billion yuan
	2017 Top 100 Food Companies in the World
	2017 Most Influential Brand in China
	China's Most Admired Companies (12 times)
	China's Most Respected Companies (14 times)
	2017 Top 500 Asian Brands
	2017 Top Chinese Brand Award
	2017 Top 50 Chinese Brands
	Among the first "Honest Shandong Business" Brands
Awards on innovation and product	Leading the Top 5 Most Welcomed Beer Brands Purchased Online The favourite beer brand for consumers
	2017 Enterprise Big Data Communication Innovation Award
	Outstanding Contribution Award of the Top 10 Made-in-China Brands
	"2017 Golden Chopsticks Award Benchmark Company"
Awards on capital market and social responsibility	"Tsingtao Beer to be shared by the world" winning the "Award for Innovative Case of the Year"
	The Reputable Marketing Corporation Award of the 2016 Chinese Companies to Change the World
	2017 Best Chinese Employer Award Model Employer in China of the Year
	"Best Market Value Management with China's Listed Alcoholic Drinks Companies"



## Comments from a third party

### Comments on this report

In 2017 the output of beer in China was still decreasing but there were more prominent signals for its rebound. With consumption upgrade, the company deepened restructuring in the product combination, marketing channel, brand image and consumer interaction, with major approaches such as innovation on series, low-end productivity removal and embracing new retail methods. The restructuring in 2017 added new value to many companies' sales revenue and profit and accumulated energy for future development. The year 2018 is an essential year in brewing industry restructuring, which may also bring risks for companies to overcome in the future, including decreased consumption stickiness, weak awareness of series consumption and systematic risks in raw material supply.

We can conclude from the Tsingtao Brewery Co., Ltd. Environmental, Social

and Governance Report 2017, that facing multiple pressure on rising costs of raw material, packaging and human resources, the Tsingtao Brewery Co., Ltd. has positively adjusted development strategy with a firm belief in "value is created with a workmanship spirit". Tsingtao Brewery embraces the era of consumer sovereignty and seizes the main thread of "innovation", keeps on innovating in quality management, new technology, new channel and new mode to achieve development. To brew high-quality beer, the "overlapping responsibilities monitoring and triple-decoding" quality management mode was developed, setting the goal of quality management from fulfilling "high quality" to meeting "higher demand", so as to secure the implementation of quality management mode guaranteed by quality standards and build diversified core competitiveness. Tsingtao Brewery has committed to

various deeds including environmental protection, responsible drinking and targeted poverty alleviation, as well as deeds for social welfare and good virtue. The corporation's sense of social responsibility has been constantly improved. We believe that with advantages on quality, brand, technology, management, market and teamwork, Tsingtao Brewery will surely shoulder the new duty in the new era, build the new high ground of China's brewing industry and promoting Chinese brands to top of the world.

### The report suggests

The upgrading of consumption brings in opportunity of product upgrade. The old idea of pursuing market share only has been history, and the new consumption era featuring diversification and individualism has come. Companies are expected to cultivate the Chinese beer series consumption culture by this opportunity, which need constant perfection with everlasting quality and reputation to accumulate the cultural advantage of Chinese beer brands. We suggest Tsingtao Brewery to combine technological innovation and cultural advantage communication, actively

cultivate new series, scenarios and cultures of beer, set examples of "workmen of a great nation", and brew the beer that are popular among consumers. Meanwhile we hope Tsingtao Brewery to shoulder the duty and responsibility to establishing a national brand, to make the national brand more international, and further raise the image and status of Chinese brewery industry in the world.

—— The beer branch of the China Alcoholic Drinks Association



## Your feedback

Dear readers

Thank you for reading the Tsingtao Brewery Co., Ltd. Environmental, Social and Governance Report 2017. Please write any suggestions and comments you may have on the following feedback form and return it to us via post, fax or email. Your feedback is welcome.

Name:

Organisation:

Tel:

Email:

Which chapters provided you with the most important information?

- |  |                          |
|--|--------------------------|
| 1 The preface                          | <input type="checkbox"/> |
| 2 114 years just for brewing good beer | <input type="checkbox"/> |
| 3 Green Brewery                        | <input type="checkbox"/> |
| 4 Caring for the community             | <input type="checkbox"/> |
| 5 Value chain in harmony               | <input type="checkbox"/> |
| 6 "Honours in 2017" etc.               | <input type="checkbox"/> |



Your evaluation of the report

	Good	Fair	Not good
· Readability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
· Cogency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
· Layout design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
· Overall impression	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Your suggestions for our report next year