

Tsingtao Brewery Co., Ltd.
Environmental,
Social and Governance Report
2019



About this report

Scope of reporting

This is the twelfth annual sustainable development report published by Tsingtao Brewery Co., Ltd. The data and information contained herein cover the operations and sustainable development practices of 60 wholly-owned / holding subsidiaries, and two jointly owned / operated breweries under Tsingtao Brewery Co., Ltd. from 1 January to 31 December, 2019. To ensure continuity and for the convenience of comparison, some of the data and information provided are not limited within the year 2019.

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.

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.

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.

The way we publish this report

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

Contents

Sustainable development indicators	02
Message from the leaders	04
About us	06

18

116 years
just for brewing
good beer



28

Green brewery



40

Caring for the community



48

Creating harmony
with the value chain



Honours in 2019	61
Evaluation from a third party	62
Appendix	63

Sustainable development indicators of Tsingtao Brewery

In 2019 Tsingtao Brewery kept on progressing and pioneered higher grounds. Facing various challenges including rising costs and changing market demands in the period of saturation in beer industry, we proposed the new strategy of “integrating platform resources for a leap forward”. The year 2019 witnessed Tsingtao Brewery’s leadership in the industry with new records of great increase in sales, revenue and profits achieved.

Remaining true to our original aspiration and keeping our mission firmly in mind, we realised quality development under the strong leadership of the CPC. We have firmly carried out series of work centred upon our “thirteen major goals” and opened a new era of “attractive quality”. We won the gold medal in the “World Beer Championships” again, premiered in the Qingdao Multinationals Summit, and had the first stride to hold an overseas version of Tsingtao Beer Festival. We have reformed the traditional production mode and updated the new mode of “customised production”. With the three pillar modules, i.e., “happiness” “health” and “fashion”, our major programme has been strengthened. The space for sustainable development has been expanded for Tsingtao Brewery as well. The market vacancy on big health project related marine products has been complemented with our brand new Tsingtao Prince Seaweed Soda Water. We have deepened our structure reform and built the supply chain centre and the health drinks department. We shoulder social responsibilities with our actual deeds to demonstrate the sense of responsibility of Chinese enterprises, calling for responsible drinking and promoting the green, healthy and quality lifestyle. Tsingtao Brewery is creating a better life for people with greater innovation to lead the trend of consumption and initiate more reforms.



Economic responsibility

The company always attaches great importance to the returns for investors. With the past 23 years since the company was listed in 1993, the total cash dividend has reached

7.1 billion yuan 

Indicator



2019

Sales volume/ 10,000 kl

805



Sales revenue/ hundred million yuan

279.84



Net profit attributable to shareholders of the parent company / hundred million yuan

18.52



EPS / yuan

1.371



Environmental responsibility

In comparison with the figure in 2018, the water consumption per unit product dropped by

3%



In comparison with the figure in 2018, the CO₂ purchase per unit product dropped by

3.85%



In comparison with the figure in 2018, the comprehensive energy consumption per unit product dropped by

5%



Social responsibility

Number of employees

38,169



Public welfare investment in 2019

3.1 million yuan



Employees helped by the "Employee Care Fund"

22



Total sum:

0.63

million yuan



Special budget to battle COVID-19 for the year 2020

10.81 million yuan in cash

3.03 million yuan worth of supplies



Message from the Chairman



In times of changes the only thing to surpass change is long-term trend. Quality development has become a main theme in the course of building a strong nation with brands and manufacturing. We will keep promoting the “Made in China” brand with confidence and actions and let consumers around the world feel the craftsmanship and the “self-transcendence” of a century-old brand.



Opening a new era of leap forward with high quality

In 2019, Tsingtao Brewery had a landmark year of quality development in the course of building a strong nation with brands and manufacturing force.

In the past year the company carried on with the strategy of “integrating platform resources for a leap forward”. With the progressing of structural reform with the supply chain centre, health drinks department and Tibet Branch were established. We developed the Tsingtao Prince Seaweed Soda Water and replaced old growth drivers with new ones by building or upgrading projects including Tsingtao Brewery (No.3) Co., Ltd., Tsingtao Brewery Rizhao Co., Ltd., Tsingtao Brewery Zhangjiakou Co., Ltd. and the Tsingtao Brewery Hans Xi'an Co., Ltd. The “Tsingtao Beer Festival” has been promoted among countries and regions along the Belt and Road for win-win outcomes. We advocated customised production to meet various market demands and achieved fruitful results. Tsingtao Brewery has unlocked the quality development future with entrepreneurship and workmanship spirit, fulfilling people's needs for a better life.

In 2019 Tsingtao Brewery has recorded a sales volume of 8.05 million kL with a revenue of 27.984 billion yuan and a net profit attributable to shareholders of the parent company of 1.852 billion yuan. The brand valued 163.772 billion yuan, staying on top of the beer industry in China as one of the world Top 500 brands.

Sticking to the concept of “customer-centred development”

In 2019 Tsingtao Brewery stuck to the concept of “customer-centred development” and constantly fulfilled the consumers' needs for a better life.

Quality consumption is what a true life deserves. For the past year Tsingtao Brewery won several prizes around the world including the gold medal in the “World Beer Championships”. Based on “basic quality + special quality”, the company entered a new era of “attractive quality”, only to bring consumers experiences that are “more than expected”.

We continue with the research and development of cross-border products and medium and high-end products.

More products were developed to meet consumers' diversified demands, new retail approaches were adopted to give more convenience to customers, and chain bars were built to fulfil consumers' needs upon different scenarios. In this way more ways were opened to realise a better life for people.

Sticking to the concept of “innovation-driven development”

Innovation should be put at the strategic position by mastering the keyword “quality development”.

For 117 years, pursuing the new trend of the times and creating value all the time are not only the touchstone of quality development, but also the strategic concept of Tsingtao Brewery.

In 2019, Tsingtao Brewery confirmed the strategy of “integrating platform resources for quality leap forward” and proposed the six major strategic goals, i.e., “brand, innovation, quality, benefit, structure and coordination” in the course of development.

We have cooperated with the team of Academician Guan Huashi to develop the new marine big health beverage, the Tsingtao Prince Seaweed Soda Water, which covered the market vacancy. Starting from Liberia, the country in west Africa, we launched the series of activities themed “Tsingtao Beer Festival on the Silk Road”. A brand new model of international festival was formed with “festival + city promotion + business and culture”, with empathy and echo worldwide, to tell the story of China. The year marked Tsingtao Brewery's eagerness in innovation, with breakthroughs of innovation on products, manufacturing, sales and scenarios, enriching the connotation and extension of the company's quality development, injecting in more definitive power for the company's development.

Sticking to the concept of “sustainable development”

Only with a sharing mind which may establish and strengthen both yourself and others can the value of quality development be prominent.

In 2019, the company kept on optimising the existing and planning the increment. Many factories were upgraded and expanded, replacing the old growth drivers with new ones in a steady manner, observing the rule of sustainable development, in order to build a “beer +” industrial ecosystem featuring correlation, integration and coexistence, and realise value multiplication with platform resources.

The company has always been working on a solid future with sense of responsibility under the thought “people are more precious than things while social value is higher than business value”. The company, consumers, stakeholders and the community thus coordinated in a balanced way for win-win. We have also been caring the environment with green brewery. We donated for more children's schooling, and established one-to-one assistance mechanism to help the people in need in Longnan of Gansu, in Anshun of Guizhou and in Heze and Pingdu of Shandong. The company has been honoured one of China's Most Admired Companies, one of China's Most Respected Companies, a Most Competitive Enterprise, the Model Employer in China, and awarded the only “Order of Compassion of the China Red Cross”.

In times of changes the only thing to surpass change is long-term trend. Quality development has become a main theme in the course of building a strong nation with brands and manufacturing. We will keep promoting the “Made in China” brand with confidence and actions and let consumers around the world feel the craftsmanship and the “self-transcendence” of a century-old brand.

**Tsingtao Brewery Co., Ltd.
Chairman
Huang Kexing**



March 2020

About us



Corporate vision

To be an international
company with brands of
global influence



Corporate mission

Brewing popular beer
with passion and inspiring
happiness for life



Company tenets

People-oriented
Teamwork
Benefiting the community

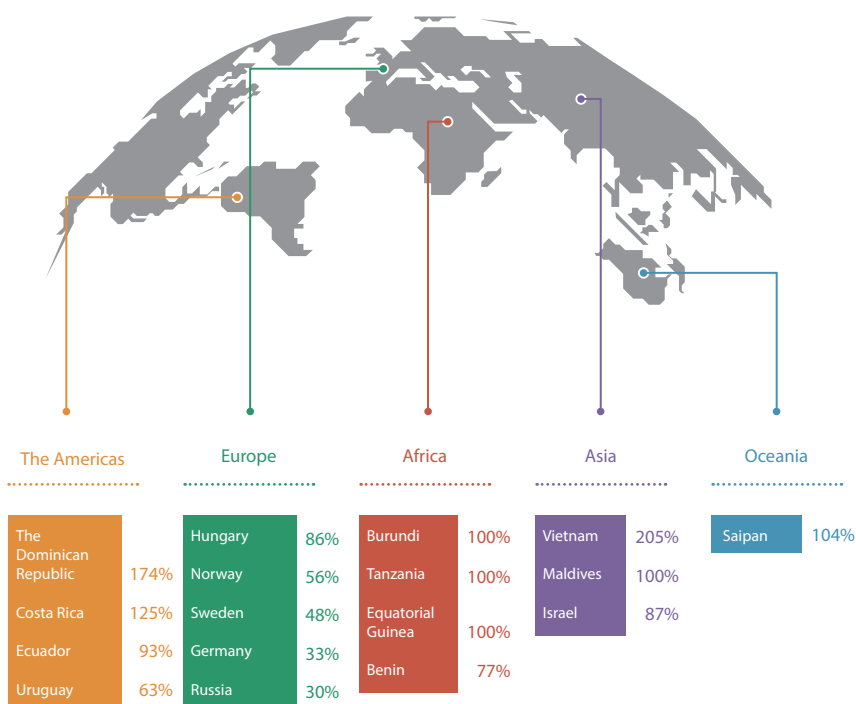
Our company

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 2019 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 16th consecutive year with a brand value of 163.772 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 2019, the company has **60** 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, Tsingtao Brewery is selling its products to over 100 countries including the USA, Canada, UK, France, Germany, Italy, Australia, the ROK, Japan, Denmark and Russia. In 2019 the total overseas sales increased despite of the unfavourable market conditions, with the sales in 17 countries including Vietnam, Israel, Uruguay and the Philippines grew by over 50%.



Our brands

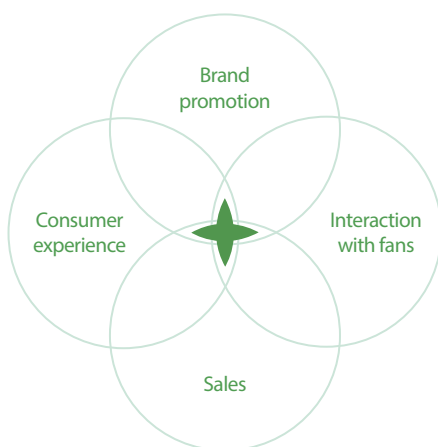
Combination of brands: "1+1"



The flagship brand Tsingtao Beer

The secondary brand Laoshan Beer

The "Four-in-one" Brand promotion:



The brand values **163.772** billion yuan, ranking **FIRST** for the past **16** years in China's beer industry.





Members of the ninth board of directors with Tsingtao Brewery

Corporate governance

Till 31 December 2019, there were eight members of the ninth board of directors with Tsingtao Brewery, of which four were executive directors, and the other four were independent directors (Mr Tang Bin resigned non-executive director in July 2019). There were six members of the ninth board of supervisors with Tsingtao Brewery, of which four were shareholding supervisors and two were employee supervisors. The incumbent independent directors come from different professional backgrounds and are 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 through sound communications with international investors, and information such as the performance and major happenings of the company is accurately disclosed. The management of the company is structured in a way that the chairman of the board of directors, the president and the chairman of the board of supervisors are independent positions, so that a balanced governance structure with clear responsibilities is formed. 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.

Honours with the capital market

The revelation of company information has been recognised by the Shanghai Stock Exchange for the sixth consecutive year:

Staying in Class A

Becoming Hang Seng Corporate Sustainability Index Series Member:

The company has become a member of the Hang Seng Corporate Sustainability Index Series since 9 September 2019, with the HSCASUSB, the HSCASUS and the HSMHSUS selected.

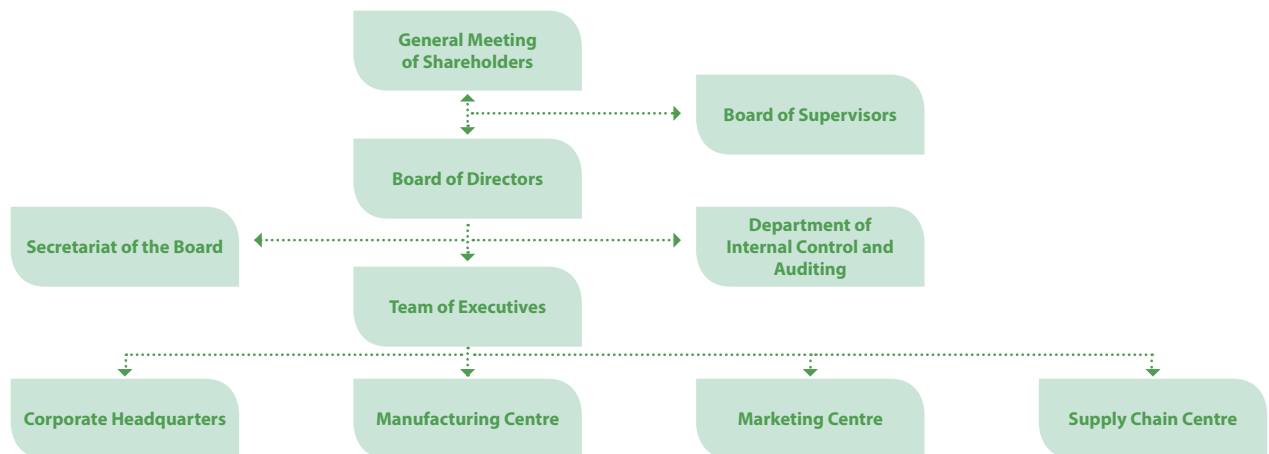
Winning two major prizes of the Golden Bull Award for China's Top 100 Listed Companies:

On 31 October, the 21st Golden Bull Award Ceremony of China's Top 100 Listed Companies was held in Beijing by the China Securities Journal. Tsingtao Brewery won the "2018 China Business Top 100 Award", Chairman Huang Kexing won the "2018 Golden Bull Business Leader Award", the only winner among Qingdao's listed companies.

The company has demonstrated outstanding sustainability with the recognition by capital market and the community on the investment value, corporate governance, information revelation, and relationship with investors.



Members of the ninth board of supervisors with Tsingtao Brewery



Risk control and management

In 2019 the company proposed the new strategy of “quality leap forward” in response to internal and external changes, around which the overall risk assessment was conducted to identify internal and external risks.

The company operated with compliance to laws and regulations, protected the interests of shareholders, and timely responded to the concerns of stakeholders. The enthusiasm of the staff was activated to further expand the market and improve the effectiveness of promotional expenses. The management was visibly improved and product combinations were constantly optimised, realising the double increase of both sales and profits.

For strategy and operation goals, the company firmly carried out series of work centred upon the “thirteen major goals” and conducted series of actions including internal control building, risk assessment, internal control assessment, sales auditing, economic responsibility auditing, project cost consultation and supervision, price chain special auditing and logistics management special auditing. The company’s strategy was effectively implemented with the auditing work to discover and correct defects in operation.

Business ethics and compliance with regulations

Tsingtao Brewery has always strictly followed and executed the rules of the Party and laws and regulations of the nation on preventing bribery, blackmail, fraud and money laundering. In the course of cracking down on bribery, blackmail, fraud and money laundering we have been strictly executing the *Guidelines for Integrity and Self-discipline of the Communist Party of China*, *Regulation of the Communist Party of China on Disciplinary Actions*, the *Constitution of the People's Republic of China*, the *Supervision Law of the People's Republic of China* and the *Criminal Law of the People's Republic of China*, and implementing related provisions of the *Anti-unfair Competition Law of the People's Republic of China*, the *Regulations of the Central Commission for Discipline Inspection of the Communist Party of China on the Strict Prohibition of Seeking Illegitimate Gains by Misuse of Office* and the *Law of the People's Republic of China on Anti-money Laundering*.

Under the approval of the board meeting, the company promulgated the anti-fraud system and publicised the hotline number as well as email address for public report and supervision. With honesty and integrity advocated, the company built its anti-fraud corporate culture.

The company stays firm in implementing the rules on comprehensively enforcing strict Party self-governance, in establishing and improving the system of accountability for improving Party conduct and upholding integrity in daily management, and in promoting the return of primary responsibility to its rightful place at all levels. We have promulgated the *Accountability System for Directors, Supervisors and Senior Managers of Tsingtao Brewery*, the *Accountability System for Responsibility*

Fulfilment and the Regulations on Integrity for Managing Staff and Employees of Tsingtao Brewery. The "key few" were closely watched upon and various measures were taken to guarantee the exercising of "two responsibilities".

Tsingtao Brewery has centred on the key areas, posts and staffs with monitoring work in precision and restricted power within the "cage" system. We promoted our integrated mechanism to ensure "officials dare not, cannot and do not want to be corrupt" with zero tolerance to corruption. We stick to active performance in prevention and nip the buds before risks grow out of control. We stimulate all staffs to work and accomplish for the company's healthy development.



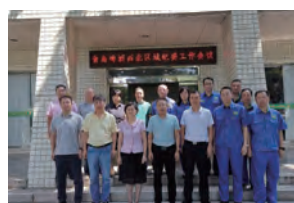
Meeting on improving Party conduct and upholding integrity



Reporting performance and honesty to the company's Party committee and commission for discipline inspection



Education and training on disciplines



Empowering the factory and the market with the form of regional commission for discipline inspection meetings



Reform in the system of discipline checks and internal monitoring



Lecture on Party conduct and clean governance and the fourth training class for disciplinary staffs

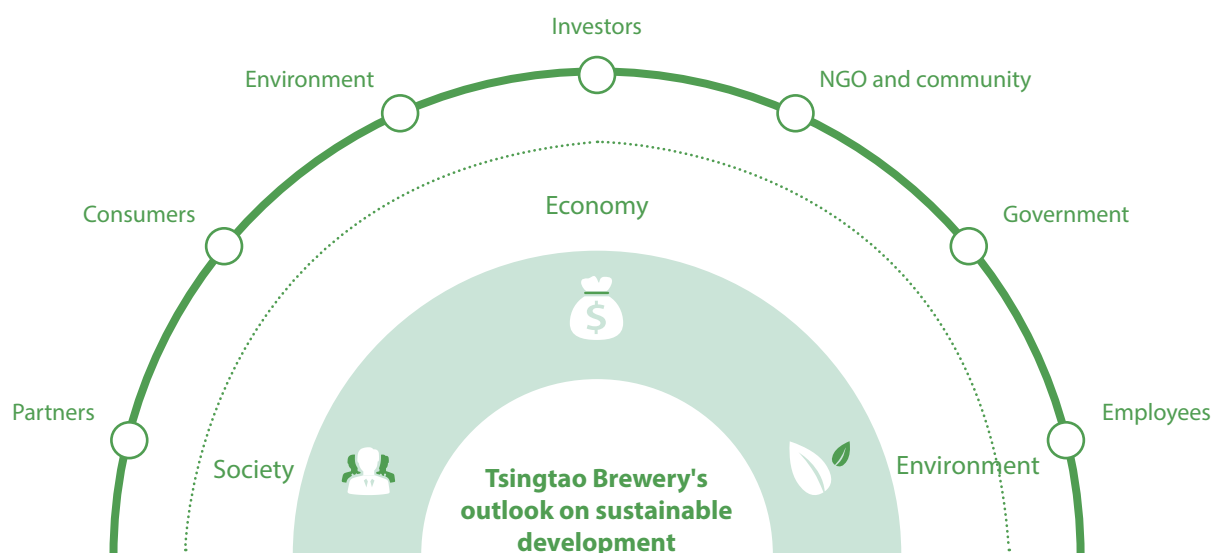


Checking and supervising

Intellectual Property Rights

Tsingtao Brewery constantly produces series of new products with unique characteristics which meet the market demands and conducts overall protection of IPR on trademarks, patents and copyrights. The company strictly abides by IPR related laws and regulations of the People's Republic of China including but not limited to the *Trademark Law of the People's Republic of China*, *Patent Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China* with related judicial interpretations. The company has established an IPR management system in coordination with the strategic goals. Internal managing rules such as the *IPR Management System*, *Legal Risk Notification System*, *Patent Rewarding and Punishing Measures* and the *Code of Confidentiality* etc. were also promulgated for effective protection of the IPR.

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

Building the three modules – “happiness, health and fashion”

In 2019 the company centred on the new strategy of “integrating platform resources for quality leap forward” to build the three modules – “happiness, health and fashion”. Based on the major business of beer, we cooperated with the academician for “treasures” in the field of marine big health. The Tsingtao Prince Seaweed Soda Water was developed as a concrete step for the company’s “health” module, which led the new trend of development themed “marine + health”.

The Tsingtao Prince Seaweed Soda Water led the new trend of development themed “marine + health”

On 27 July, the Tsingtao Prince Seaweed Soda Water had its premiere on the press conference. Tsingtao Brewery has accelerated the transformation of marine technology to improve people’s lives with a sense of responsibility. Supported by the resources of the only national level key laboratory in China’s brewing industry and the OUC team, we made breakthrough on turning laboratory outcomes to consumer products and realised the integration of production and research. The joint work not only gave birth to the brand new Tsingtao Prince Seaweed Soda Water and filled in the gap on marine health beverage, but also led the further endeavour into the “marine campaign”, helping the consumer product area flourish under the strategies of “building a strong maritime power” and “Health China”.



We all know that seaweed is the gift from the ocean, just like the beautiful music from my hand, which has exciting power. Enjoying the music as a graceful art form may make your life flourish, while tasting the soda water is a great experience for health which may make your life more solid. There are no boundaries for music, nor boundaries for the love of health and quality. I wish this lovely seaweed soda water may pass health from the ocean like passing the musical note upon the music score to more people.



Spokesperson:
Lang Lang

Being approved to use the HCS logo by the Health Promotion Board of Singapore



Tsingtao Prince Seaweed Soda Water was approved to use the HCS (Healthier Choice Symbol) logo by the HPB (Health Promotion Board of Singapore).

The new drink Tsingtao Prince Seaweed Soda Water with ocean blue package attracted local consumers’ eyes upon entering the shelves of the department stores and supermarkets in Singapore.





The drink's premiere on the new year vocal concert of Jiangsu TV



Cooperation with the TV show programme "Happiness Trio 2"



To love sports, love health, and stay young



Exciting party, sharing health

Product innovation to fulfil diversified needs



Pilsner

Tsingtao Pilsner won the big prize in the “European Beer Star” competition out of 2,344 beer products from 51 countries. In 2019 Pilsner was renewed, sticking the “simplicity, purity and true” characteristics the product attracted consumers’ attention and interest with inviting communications and innovative presentations.



Night Owl Beer

The Double Eleven of 2019 saw the upgraded “Night Owl Beer” in limited edition booming. Hua Chenyu the genius in music became the “Chief Night Owl” of Tsingtao Brewery, inviting you to drinking together the “Night Owl Beer” and enjoying the vibrant night life.



Overseas products





Chinese-style tin

On 21 March 2019 the Chinese-style tinned Tsingtao 1903 was launched, bringing an immersive Chinese-style experience in collaboration with the themed promotion on Tmall.



Twelve Constellations Beer

The Twelve Constellations Beer has the theme of 12 zodiac signs in aluminium bottles. The product is popular among young people for its fashionable package for the new demands, and has become the first choice of many stylish people.



Tsingtao Wheat Beer in Vincent van Gogh Tin

The "Encounter" series Tsingtao Wheat Beer in memory of the world-class master of art Vincent van Gogh present three classic paintings The Starry Night, Sunflowers and the Wheat Field with Cypresses on to the tin of the Tsingtao Wheat Beer. You may well enjoy the tin of beer while enter the world of Vincent van Gogh.



Production innovation Customised production Fulfilling personalised demands

On 27 July 2019 the Tsingtao Beer customised production platform was built with the outlook “customising your moments”, which marked the new start of customised experience and lifestyle and infinite possibilities of consumers’ modern lives. Now the customised production has developed from the “corporate customised production” of at least 3,000 boxes for a start to the true “personalised production” of at least 15 boxes for a start.



Channel innovation to meet demands




Optimising the comprehensive capability with the supply chain Building quality customer experience

Introducing in JD Logistics	<ul style="list-style-type: none"> Optimising CDC warehouse operation Reducing logistics cost Quickening response to orders
Cooperation with Cainiao Logistics	<ul style="list-style-type: none"> Increasing execution accuracy Inventory turnover
Adopting the Jiahaijinliang (strengthened business management system developed by Cainiao)	<ul style="list-style-type: none"> Optimising information process Aftersales soaring

The most shining brand on the 2019 e-commerce platform

Lunar new year shopping festival	618 The 18 June sales promotion day	Double Eleven
<p>Sales grew by 181%</p> <p>Ranking No.1 among all flagship beer stores of Tmall</p>	<p>Sales revenue grew by 173%</p> <p>Double champion in the sales of Tmall and JD</p>	<p>The growing speed of Tsingtao Beer sales ranked first on Tmall, JD and Suning.</p>

Sweeping every honour of the beer shelf of the Tmall

 <p>Winning the big prize of “2018 Outstanding Contribution Group” in March</p>	 <p>Winning the big prize of “2019 Flagship Alcoholic Drink” in September</p>	 <p>Winning the highest prize “Most Popular Brand” in big food at Tmall in December</p>
--	---	--

Adopting the AR/VR panoramic online store Increasing the interactive flow



Ranking fourth on the member list of the Double Eleven with 16.34% members active, which is 13 times higher than that in the same field

Life-like shopping experience with one-to-one personalised shopping guide; clicking in and following the virtual assistant to the 360-degree panoramic online consumption scene and turning flows to bills with AR+VR; increase in Tmall interaction during the Double Eleven exceeding 350%

With fans adding one another as friend, increasing the consumer stickiness, staying time and interactivity with Tsingtao Beer

Expanding new channels Early results appear after live streaming



Weiya live broadcast

Five minutes in live broadcast to sell 20,000 boxes

Beef buddy in Tik Tok

Expanding Tik Tok community with classic sales version

With Hua Chenyu as spokesperson

To undertake the role of night owl resulting in a sales of 360,000 bottles in 12 hours

Upgraded community interaction Fulfilling the needs in different scenarios



With a consumer-centred concept, Tsingtao Brewery has built the Tsingtao 1903 lively bar, the "second parlour" in front consumers' homes with stylish and personalised designs, happy beer culture, harmonious atmosphere with affection and high quality lifestyle. With the new scenario of beer consumption, aiming at the structural reform, diversity, quality, personalisation and customisation, the experience needs of different consumers' group are fulfilled. With multidimensional features experiences the consumers are interacting with the brand in a panoramic and deepened way, broadcasting reputation for the beer culture and advocating new stylish life. The interactive sales experience and community based platform service may shorten the distance with consumers and fulfil their needs for consumption upgrading, and let them know a young and stylish brand full of vitality. By the end of 2019 there are 50 Tsingtao 1903 lively bars in 11 cities in China.

116 years
just for brewing
good beer



**Over 1,800
quality testing
points**

**360° whole
value chain
management**

01

Product management throughout the value chain

Food safety

Tsingtao Brewery strictly abides by the international, national and local laws and regulations such as the *Food Safety Law of the People's Republic of China*, *Regulation on the Implementation of the Food Safety Law of the People's Republic of China*, *Measures for the Administration of Food Production Licenses* and the *Measures for the Administration of Food Safety Sampling and Inspection*, to brew the beer that consumers like. 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.



Best Product Quality Award in 2019
Liang Gang, Chief Brewer,
Tsingtao Brewery (No. 2) Co., Ltd.

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

Strict control on the process

Setting up standardised quality management systems and modes in all manufacturers to effectively control quality and ensure food safety



Best Product Quality Award in 2019
Yin Yan, Chief Brewer,
Tsingtao Brewery (No. 3) Co., Ltd.

● 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.

● Improving the red line management and upgrading the evaluation management system

Tsingtao Brewery has issued a series of standard documents including the *Minimum Testing Frequency for Supplementary Brewing Materials and Processing Agents*, and conducted examination on raw and supplementary materials batch by batch to make sure only the up-to-standard products may enter the manufacturing process. The company has also established internal control standards for semi-finished products and finished products, which would be examined in accordance to the *Minimum Testing Frequency for Typical Chemical and Physical Data and the Standard Code for Testing*. The products may only enter the market when they turned out up-to-standard after batch examination.

Building strict and effective quality assessment system through the whole process: strengthening risk control at the source in a systematic way, improving internal verification at the streamline,

Food safety management innovation

Tsingtao Brewery stays firm with the quality safety management concept of “building the firewall for food safety” and conducts whole-supply chain quality management. 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.

Benchmarking international food safety standards in quality control

- Benchmarking international food safety standards in quality control, extending the food safety monitoring standard to advanced countries and regions including Europe, North America, Japan and ROK.
- Conduct risk screening and control with beer and major raw materials by building risky substance testing database and making it internationally advanced.

Strict checking of the product

Setting up viable market monitoring and evaluation system to evaluate product quality in an objective manner



Best Product Quality Award in 2019
Zhang Pei, Chief Brewer,
Tsingtao Brewery

helping with the construction of new plants, keeping a highly skilled team for tasting, adopting the two-stage tasting in the whole process from raw material to commodity to constantly improve product quality.

The quality control system is based on the “six-uniform management” of “uniform staff, uniform management, uniform testing method, uniform instrument, uniform data system and uniform quality control evaluation”. We guarantee the quality control in compliance by advocating the in-front management of raw materials, optimising efficient testing methods, improving internal control at the streamline, training the QA staff to be multiply capable, further building the simple and efficient quality control system, raising QA efficiency, and constantly carrying out strict quality controls.

- Expand the monitoring of product series and sales channels, continuously promote the quality management of terminal products, extend the overall control covering all designated series, various sampling channels, packaging and special logistics patterns.

Tsingtao Brewery sticks to the idea and principle of “good people brewing good beer”, “quality and safety first” and “food safety > total product > production cost”, duly recalls any unsafe products on the market according to the nation's *Administrative Procedures for Food Recalls*.

In 2019

No breaching records according to national level inspection and supervision. Products up to the standard during sample inspection and supervision

100%

No red card or yellow card records with internal inspection and supervision. Products up to the standard during sample inspection and supervision

100%



No cases of recalls due to safety or health hazards ever happened with Tsingtao Brewery's sold or transported products till now.

Triumphant news keeps pouring in with prizes won

Winning many world big prizes

In the Best Spring Lager Competition of the World Beer Championships held in March in the USA, Tsingtao Augerta won the recognition of the judges with outstanding taste and quality and got the Gold Medal.



Total quality management recognised by the nation

On 28-29 August, the Total Quality Management Improvement and the 40th Anniversary of the China Association for Quality event was held in Beijing. The event was themed "total quality management for high quality development" with over 2,000 representatives from outstanding Chinese enterprises and overseas quality management agencies from countries including Japan, ROK, Europe and USA. Tsingtao Brewery was honoured the "Distinguished Unit at the 40th Anniversary of Total Quality Management Improvement", the "one kWh" QC team of the Tsingtao Brewery Shouguang Co., Ltd. and the "Heroes" QC team of the Tsingtao Brewery (No. 2) Co., Ltd.'s were among the 2019 National Excellent Quality Management Group.



Winning the SPBA
(Singapore Prestige Brand Award)



At the beginning of November, the SPBA (Singapore Prestige Brand Award) and the Top Ten China Leading Brands Awarding Ceremony, an influential awarding ceremony was held in Singapore. This award was to honour the best quality leading flagship brand in Chinese market, and Tsingtao Beer won the recognition of both overseas markets and experts.

Leaping forward to “attractive quality”



Best Product Quality Award in 2019
Yan Ying, Chief Brewer,
Tsingtao Brewery Baoji Co., Ltd.



Best Product Quality Award in 2019
Wang Chenghong, Deputy Chief Brewer,
Shenzhen Tsingtao Brewery Asahi Co., Ltd.



Best Product Quality Award in 2019
Sun Dajun, Chief Brewer,
Tsingtao Brewery (Xuzhou) Pengcheng Co., Ltd.

On the 41st themed event “Quality Improvement Day” on 10 April, Tsingtao Brewery proposed that the company should start from “winning awards” with world class gold medal quality, based on “basic quality + featured quality”, and move Tsingtao Brewery into a new era of “attractive quality”, just for bringing consumers “unexpected” experience.



The attractive quality is the surprising quality that exceeds consumers’ expectations. Tsingtao Brewery has divided the quality into three interactive and progressing stages, i.e., basic quality, featured quality and attractive quality. The attractive quality is actually a sublimation of the previous two based on understanding consumers. Through analysing the reason why consumers love beer, we have conducted trans-border exploration and research under the new topic, and created super satisfactory and unexpected attractive quality experience for consumers.

Building a decoding system in accordance to consumers’ needs, and realising the attractive quality oriented by consumers’ needs

Building “whole supply chain” attractive quality indicator system, speeding up the development of new products and technological innovation to build attract quality and fulfil the diversified, personalised and customised demand of consumers

Continue moulding attractive quality brand experience, demonstrating workmanship spirit with focus on the main business to provide more happy experience for consumers

Improving all staff’s attractive quality management from a single product to the brand, service, culture, consumer experience and corporate management

The 360° whole value chain Brewing the “China Quality” with workmanship

The “360° whole value chain” was proposed by Tsingtao Brewery and the total-staff quality management concept and system was established. In the eyes of Tsingtao Brewery people, quality control should be expanded from the upstream to the downstream, and the total-staff quality management concept and system should be established to cover the whole process



Choosing each quality ingredient

- **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 choosing origin, selecting of variety, planting and harvesting to transport and storage
- **Rice:** we build special production bases and warehouses for rice, entrust designated third party to conduct all-factor testing. The soil, water, air and the whole term of planting in production bases are monitored, while on-site full coverage inspections of rice suppliers are conducted, so as to ensure food safety

1,800 quality testing points

- 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
- Building 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%

Quality appraisal control throughout the whole process

- 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

Strict packaging process

- 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

from design, research, development, raw material procurement, manufacturing, packing, transport through sales, so as to make the quality control more systematic and comprehensive.

Each bottle of Tsingtao Beer has gone through over 1,800 quality testing 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-stoppable internal driving force of the 116 years' sustainable development.



Speedy logistics service

- 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"

Sincere customer service

- 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
- Implementing the "six management modes", i.e., systematic management mode, institutionalised work mode, standardised compensation mode, military-like action mode and human-centred staff management mode
- Advanced information management system, convenient communication channel between customer service staff and consumers to promote the efficiency and quality of customer service
- Building the three-stage customer service network with frontline units and big retailing clients around customers in the centre, realising "no-seam service" with quick coordination actions targeted at various market feedback

Strong R&D capabilities

- Equipped with the Key National Lab on Beer Fermentation Engineering, the only lab within brewery industry which was identified as one of the first key laboratories 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. The year 2019 saw rounds of technical exchanges between Tsingtao Brewery and the Australian Export Grains Innovation Centre (AEGIC), the InterGrain Pty Ltd, as well as
- Tsingtao Brewery pays high attention to information management and consumer privacy protection, and improves the market information protection mechanism. The company requires related staffs to abide by national secrets laws

China's Jiangnan University

- Awarded six scientific and technological progress prizes of provincial, municipal and association levels
 - 14 patent applications approved, 12 international PCT patents acquired, eight invention patents authorised and 20 papers published
 - Involving in the making of two national standards, four group standards and publication of 46 technical standards as the chief member
- and regulations as well as the *Secrets Code of the Tsingtao Brewery*, and specifically issues privacy clauses to avoid market information leak or loss, undertaking the duty of confidentiality and protecting information security.

Good quality to win good reputation



I think holding the Tsingtao Beer Festival in Liberia is an innovative step and a new platform to promote the friendship between China and Liberia. Tsingtao Beer Festival's coming to Liberia as a famous Chinese festival is not only a promotion of Tsingtao Beer, but also a great action to promote the business communications between the two nations. I with the Tsingtao Beer Festival in Liberia may continue year after year and become a new business card for the friendship.

HE Fu Jijun,
Ambassador Extraordinary and
Plenipotentiary of China to Liberia



Drawing the new plan for Belt and Road business cooperation with Tsingtao Beer Festival



Since the Belt and Road Initiative, Tsingtao Brewery actively expanded the markets along the Belt and Road, with the whole year 2019 in progress to today's nearly 60 countries in coverage.

Liberia is the first stop of the "Tsingtao Beer Festival's Tour along the Silk Road", starting from which the Tsingtao Beer Festival sent the city's "open, modern, dynamic and stylish" genes in the new era, to Singapore, ROK and Germany among the 15 nations of destination. Through the new mode of international festival themed on "Tsingtao Beer Festival + city promotion + business culture", we respond to the country's Belt and Road Initiative and contribute to the new platform for Qingdao's international cooperation.



Many products from Qingdao have entered Liberia. Qingdao and Monrovia are port cities with friendship relations in many fields and I believe that with more events like the Tsingtao Beer Festival, the two nations will have closer ties with win-win cooperation.

Nathaniel F. McGill, Minister of State for Presidential Affairs

Famous in Jinghai and Haojiang as the outstanding national boutique in Macao

Three generations of consumers drink Tsingtao Beer. The green bottles often appear on the banquet in gratitude to high school and college teachers, as well as birthday parties, wedding banquets, full-moon-birth feasts, company banquets among all kinds of banquets. People in Macao always drink "Daqing" when there is a happy event.

Mr Lau from Macao



"Tsingtao Beer is smooth and delicate, refreshing and delicious, with an endless aftertaste. The drink has always been popular with Macao people." As the most sold beer brand, Tsingtao Beer is very welcome in Macao with over 50% of market share.

Wandering in the streets of Macao, whichever restaurant you enter, the boss would give you Tsingtao Beer when if you ask for a beer. "In Macao, Tsingtao Beer is called 'Daqing' with affection. For most beer drinkers it's one of the most common choices."

Meeting stylish world tourism ladies from 30 countries



It is stylish to drink Tsingtao Beer with fried chicken among young people in ROK. And today I see with my own eyes the brewing process of Tsingtao Beer, experienced the deep cultural background of the century-old beer brand. It's worth the trip to Qingdao.

World tourism lady from ROK

Tsingtao beer is so mellow, with the flavour of wheat permeating in a crisp and friendly taste. I will surely share with people around me this great oriental taste.

Dana, World tourism lady from Germany

On 30 September, world tourism ladies from 30 countries gathered in Qingdao and presented an attractive fashion show with the combination of Tsingtao Brewery elements and global styles, leaving an impression of health and beauty.

Environmental protection

Tsingtao Brewery sticks to the ecological development concept of "Lush mountains and lucid waters are invaluable assets" in co-existing with the nature through environmental protection, low-carbon management and circular economy.



The consumption of coal in the past five years reduced by 80.79%

Effluent discharge standard met 100%



Optimising management

Tsingtao Brewery always attaches great importance to environmental protection and pollution control, and believes “good-heartedness often meets with recompense” in terms of environmental protection, with an outlook of “being the model for green development in beer industry”. Our mission on environmental protection is to “promote the sustainable development of the company and to “realise a harmonious state of coexistence with the nature by means of environmental protection actions, low carbon management and circular economy”. We have included environmental protection, circular economy and low-carbon economy in the company’s development strategy as essential ingredients to realise sustainable development.

In the reporting year, Tsingtao Brewery has conformed to all essential *environmental laws and regulations that may greatly impact the company, including the Environmental Protection Law of the People’s Republic of China, Law of the People’s Republic of China on Prevention and Control of Water Pollution, Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People’s Republic of China on Prevention and Control of Pollution From Environmental Noise, and the Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste.*

The company has an independent department of safety and environment for the exclusive management of environmental protection. Management rules have been revised and upgraded, and technical standards related to environmental protection have been published. With the annual goals and guidelines in mind, we have systematically screened out management risks within the company, implemented the environment management rules, the target-oriented responsibility mechanism and the performance assessment system.

Tsingtao Brewery attaches great importance to building a professional team for environmental protection with all staffs certified. We have organised regular trainings by environmental experts and competitions on environmental protection skills for the constant improvement of the employees’ craftsmanship and manufacturers’ environmental management outcomes.



As a food company Tsingtao Brewery strictly followed the rules on site selection settled by the *General Hygienic Regulation for Food Production of the National Food Safety Standard (GB14881)*. With a sense of responsibility to the environment and the community, in response to the safety and environment policies of the local government, we have fully investigated the water source, ecological surroundings and community environment and made the investigation result an essential reference for the new brewery’s location. Tsingtao Brewery also considered environmental impacts by the wastes generated from the production process and took the most positive measures to minimise the negative impacts.

In 2019 the company expanded the investment into environmental protection with over 32 million yuan for sewage treatment facility upgrading, low-nitrogen upgrading, odour control and noise treatment of gas-fired boilers. The pollution treatment facilities and control system were improved and in stable operation. The stable and up-to-standard discharge of all pollutants was ensured and the performance of environmental protection was constantly improved.

Water usage, sewage and water resource management

Water is the source of life and water conservation is the essential task in the work of energy conservation and consumption reduction. Tsingtao Brewery strictly follows the requirements of laws and regulations including the *Law of the People's Republic of China on Prevention and Control of Water Pollution*. All breweries have wastewater treatment facilities and online monitoring equipment with stable up-to-standard discharge. The system adopts "anaerobic + aerobic" method. The company constantly improves the process management of sewage treatment with higher efficiency in key steps, more stable operation and lower contaminant concentration at the sewage outlet.

The company holds the idea of source reduction, process control, in-depth treatment and gradient utilisation with a series of effective measures. With the rearrangement of the water management system, the overflow, condensed water, cooling water and middle water are recycled, in order to increase its utilisation rate. We have implemented a benchmarking management of water consumption and taken 25 measures to save water including control of bottle washing water, optimisation of the RO process and chain improvement of pump cooling water etc., involving the whole production process for the effective reduction of water resource consumption.



Tsingtao Brewery Baoji Co., Ltd.'s sewage treated and introduced in the wetland of the factory, forming a garden-like sewage treatment station

Case

In 2019 the newly built Tsingtao Brewery Zhangjiakou Co., Ltd. adopted various techniques to reduce water consumption. The ultra-filtration facility treats 20,160 m³ of tap water, the three-stage reverse osmosis facility can save 15,000 m³ water each year; bottle washing water recycle and MBR technique can save 27,400 m³ tap water each year.



Ultra-filtration facility



Three-stage reverse osmosis



Water consumption

	Unit	2017	2018	2019	Change in %
Water consumption	1,000 m ³	30,313	30,613	30,266	-1 %
Water consumption per unit product of beer	m ³ /kl	3.87	3.84	3.74	-3%

Discharge data

	Unit	2017	2018	2019	Change in %
COD (discharged into natural water)	Tonne	106	81	64	-21%
COD (total)	Tonne	1,078	1,056	1,025	-3%



Energy management and application of energy conservation technology

Tsingtao Brewery always abides by the *Energy Conservation Law of the People's Republic of China* and related laws and regulations. The company has established an energy statistics system and improved the index system of energy statistics with a target responsibility system for energy conservation. With optimised management process, strengthened process control and innovation in technology application, the efficiency for energy usage has been constantly improved. The company has built and improved rules and operational practices related to energy management, covering the whole production process with energy conservation and consumption reduction management with 31 measurable and contrastive KPIs and 65 major control points for energy usage. In 2019 Tsingtao Brewery achieved visible result in energy conservation by improving the energy management system, optimising facilities and refining process management with project upgrading and application of new technologies. With these measures, in comparison with the figure in 2018, the comprehensive energy consumption per unit product in 2019 dropped by 5%.

Energy consumption					
	Unit	2017	2018	2019	Change in %
Coal	10,000 tonnes of standard coal	7.0	4.2	3.0	-30%
Electric power consumption	10 million kWh	51.5	52.2	52.1	0%
Natural gas	10 million m ³	6.93	9.43	9.84	4%
Diesel	kt	0.130	0.025	0.002	-92%
Thermal energy consumption	Billion kJ	3,838	3,826	3,857	1%
Comprehensive energy consumption per unit product of beer	Standard coal per kL	0.05	0.04	0.04	-5%

Application of new energy conservation technologies

New boiling technique was introduced into 10 new breweries to lower down the steam consumption.

New brewing technique was applied in 14 new breweries to reduce the consumption of water, electricity and steam.

Promotion of energy conservation projects

Pilot energy saving boiling facilities were adopted in two breweries; constant temperature control for bottle washers/sterilisers were adopted in three breweries; the dynamic operation equipment including cooling, air compressing and boiler was improved and upgraded in six breweries; and water purification process was optimised in four breweries to lower down thermal consumption.

Detailed process management

The company continued with the application of 51 energy conservation projects, detailing the operation parameter and improving the performance. Energy management checking systems were established and implemented at company and brewery levels for all energy conservation measures in bricks and mortar. The performances of energy conservation projects including heat recovery, condensed water recovery, bright beer tank continuous feeding and heat equilibrium of the sterilisation machine were improved. Energy conservation facilities including packaging workshop afterheat recycling and heat equilibrium of water processor were improved.

Improving the operation in natural gas boilers for higher efficiency in energy conservation

The company has made a specific research on the operation of natural gas boilers. The operation has been standardised based on the steam usage in beer production on three aspects including boiler operation, steam load matching and water quality management. The company saved natural gas consumption cost by 4.67 million yuan with 3% increase in efficiency with each natural gas boiler in 21 breweries.



Case

The newly built Tsingtao Brewery Zhangjiakou Co., Ltd. adopted facilities including adjustable volume ratio device for refrigerating units, cold storage unit for refrigerating system and double-stage compressor, to reduce electric power consumption. The power cost can be reduced by 618,200 yuan each year, in which the cooling system's stage cooling technique energy cost dropped by 2 kWh, saving 200,000 kWh power through the year.

Reducing pollutant emission and tackling climate change

Waste gas management

Tsingtao Brewery strictly follows laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and ensures the emission meeting national and local standards with online flue monitoring equipment installed and entrusting qualified third-party for the comparison and monitoring work.

The company has made a thorough investigation to waste gas sources, taken effective control with critical control point management, arranged breweries to revise emergency plans for heavy pollution, and been tracking their responding performance in accordance with the local demand.

The year 2019 saw 11 breweries conduct low-nitrogen upgrading on 47 gas-fired boilers to reduce the NO_x emission, and the total emission of NO_x was consequently reduced by 9%.

	Unit	2017	2018	2019	Change in %
SO ₂	Tonne	133	39	37	-5%
NO _x	Tonne	445	219	199	-9%

The company is eager in promoting clean energy with coal to gas conversion and CO₂ recovery and reuse projects. Natural gas boilers were adopted in 34 breweries and biogas boilers were used in 19 breweries to reduce greenhouse gas emission.

In the past five years, 20 breweries phased out coal-fired boilers and reduced the consumption of coal by 80.79% (in weight), and 91.76% breweries outsourced steam and natural gas. It is estimated that three breweries will weed out their coal-fired boilers in 2020 and 96.67% breweries will use outsourced steam and natural gas.



Low nitrogen upgrading of gas-fired boilers in Tsingtao Brewery Jinan Co., Ltd.

Greenhouse gas emission management

Tsingtao Brewery actively responds to the nation's call to tackle climate change, attaches great importance to carbon management and effectively controls greenhouse gases emission. The company has conducted an investigation into the greenhouse gases emission with breweries to master the complete emission data, and formed its own *Carbon Management Proposal* as well as a quantitative model for greenhouse gases.

We regularly monitor the data on energy consumption and greenhouse gases emission during the production process to calculate the total greenhouse gases emission through the whole process and take corresponding measures to diminish emission i.e. using clean energy and recovering biogas. The major sources of greenhouse gases emission with Tsingtao Brewery are indirect emissions from electricity and heat usage. With energy management the consumption was constantly reduced. In 2019 the company's greenhouse gases emission reached 927,797 tonnes of CO₂-equivalents.

In order to reduce carbon emission in production process, we have been collecting and purifying the CO₂ from fermentation for production needs, which makes a perfect recycle and reduces greenhouse gases emission. The amount of CO₂ recovered from 2017 to 2019 equals the effect of planting 3.64 million firs each with no less than 30 years of age and absorbing 111 kg CO₂ annually.

Total emission of greenhouse gases and its density		
Total amount of greenhouse gases	Unit	2019
Total emission	Tonne of CO ₂ equivalent	927,797
Range 1	Tonne of CO ₂ equivalent	310,871
Range 2	Tonne of CO ₂ equivalent	616,926
Total emission density	kg of CO ₂ equivalent/kL production	120.15
Total emission density (range 1)	kg of CO ₂ equivalent/kL production	40.26
Total emission density (range 2)	kg of CO ₂ equivalent/kL production	79.89

Training on environmental protection

Experts were invited to professional trainings re online sewage water treatment operations and internal testing standards. Special trainings were organised on environmental impact assessment and application of new-edition discharge permits. Skills of the environmental protection staff were improved.



Training on standard internal testing and online facility management

Material consumption for waste and packaging

Tsingtao Brewery sticks to the 3R principle – “Reduce, Reuse, Recycle”, and maximise the recycling of resources. The comprehensive utilising rate of waste materials constantly increased, and the value of waste materials increased by 6.9% in 2019.

Tsingtao Brewery strictly abides by laws and regulations including the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste. All dangerous wastes of the company were treated by qualified organisations according to laws and regulations. Consequently the amount of dangerous wastes generated was reduced by 3% and that of harmless wastes was reduced by 7.4%.

Harmless solid wastes including distiller's dried grains, waste yeast cullet and waste cartons are recycled. Sludge and diatomite are preferred to be used as biological fertilisers. The number of factories to comprehensively use sludge increased to 33 in the year 2019, five more than 2018.

Wastes and their recycling										
		2017			2018			2019		
	Unit									
		Amount generated	Amount recycled	Recycle rate	Amount generated	Amount recycled	Recycle rate	Amount generated	Amount recycled	Recycle rate
Distiller's dried grain	kt	136.5	136.5	100%	138.8	138.8	100%	134.1	134.1	100%
Dried yeast	kt	11.3	11.3	100%	11.5	11.5	100%	11.6	11.6	100%

The company has been purchasing low-ink cartons and labels, advocating the use of light-weight bottles, cutting packaging material consumption, lowering logistics costs and reducing resource consumption.

Consumption of packaging materials					
	Unit	2017	2018	2019	Change in %
Bottles	kt	1,125	1,219	1,281	5%
Pop-top cans	kt	61	63	65	3%
Cartons	kt	206	226	227	0%
Plastic film	kt	12.5	12.3	12.8	4%

Initiating the action of green protection among all staffs

In 2019 Tsingtao Brewery's environmental volunteers organised 200 events for environmental protection including "comprehensive use of resources – finding the bottles around you" "reducing water contamination – lowering down the phosphorous content". The event "reducing greenhouse gases – feeling the power of waking" attracted more than 4,000 participants on the World Environment Day and left a total record of 65.94 million steps, which may cover the equator 1.6 times. We call for low carbon travelling and less driving to reduce the discharge of pollutants and greenhouse gases. The company organised events like tidying sewage treatment plants, community interaction and garbage classification etc. and covered over 100,000 people through WeChat and Weibo, broadcasting the concept of low carbon life and environmental protection to consumers and the whole world, demonstrating Tsingtao Brewery's proposal "adding green to the environment".



1

Cleaning the neighbourhood of the river by Tsingtao Brewery (No. 2) Co., Ltd.

2

Promoting the "World Environment Day" event by the Tsingtao Brewery Shouguang Co., Ltd.



2



Walking on the "World Environment Day" events by the Tsingtao Brewery Kunshan Co., Ltd. and the Tsingtao Brewery Sanshui Co., Ltd.



Tree planting events by the Tsingtao Brewery (No. 4) Co., Ltd., Tsingtao Brewery Baoji Co., Ltd. and the Tsingtao Brewery Kunshan Co., Ltd.



The "Launching dreams and loving green environment" event by the Tsingtao Brewery Jiujiang Co., Ltd.

Caring for the community



The company donated **7 million yuan** to Longnan of Gansu, Heze and Pingdu of Shandong

Donating **2 million yuan** to the "Bringing bright the heart and ear"



Purchasing local agricultural products from Longnan worth **3 million yuan**

The company has issued the *Tsingtao Brewery Welfare Management System for External Donations*, making itself a better legal person with institution and standard for performing social responsibilities.



Contributing to the targeted poverty reduction

Poverty reduction through industry development

Tsingtao Brewery implements the *Guideline on Further Strengthening Collaboration on Poverty Alleviation Between the Eastern and Western Regions* of the General Office of the CPC Central Committee and the State Council, and actively involves in the collaboration on poverty alleviation in accordance with local documents including the *Key Issues for the Work of Qingdao Pairing-off Cooperation for Poverty Reduction Leadership Group in 2019* (Qingfupinxiezuozu 2019-2) and the *Key Programmes for the Qingdao-Anshun and Qingdao-Longnan Pairing-off Cooperation for Poverty Reduction in 2019* (Qingfupinxiezuozu 2019-3). We have invested 400 million yuan to upgrade the Pingdu industry park and increased 180 million yuan investment in Heze. With the help of Tsingtao Beer Festival events in Longnan and Anshun, and the participation and co-organisation in the fifth Huangguoshu International Beer Festival and Electric Music Festival the poverty reduction through industry development was impressed with Tsingtao Brewery features.

- On 29 June, the first Longnan Tsingtao Beer Festival themed “Meeting in Longnan and ganbei with Qingdao” was held in Wudu with Longnan Municipal Government and Tsingtao Brewery as the host and Tsingtao Brewery Gansu Branch Co., Ltd. as the organiser. This event is the fruit of the Qingdao-Longnan Collaboration in poverty alleviation, igniting local people’s enthusiasm with beer festival, featuring Longnan attractions, promoting the integrated development of culture, tourism and investment, as well as the deep cooperation between Qingdao and Longnan.
- On 26 July, the fifth Huangguoshu International Beer Festival was launched in the Huangguoshu Tourism Resort in Anshun City. Tsingtao Brewery collaborated with the local organiser with the event and provided series of beer, helping the trade promotion event during the festival to promote the integrated development of culture, tourism and investment.

Poverty reduction for social welfare

The company donated 7 million yuan to Longnan of Gansu, Heze and Pingdu of Shandong. The company donated 2 million yuan to the “Bringing bright the heart and ear” event to help children and aged people with recovery operations.



- On 16 October, Tsingtao Brewery donated 2 million yuan in the “Passing love” donation raising event “Bringing bright to the heart and ear” for registered poverty population in Anshun, Longnan and Heze, funding children with congenital heart diseases, deaf children and aged people with cataracts operations for free.

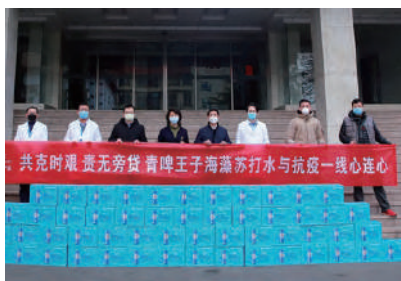
- According to the *Agreement on Donation* and the *Implementation Measures* settled by the company, the Government of Dazeshan Town and the Qingdao Red Cross Society together, Tsingtao Brewery's "Blessing" plan to help Dazeshan Town of Pingdu City with an aid of five million yuan was implemented. Five tourism roads were built to improve the traffic of Jinshan Road, Suolitoushizijian Road etc. The 41 Tsingtao Brewery sightseeing cabins were completed and opened to villagers and tourists. The rural rejuvenation cultural square became a place for recreation to villagers of Shizhuzi Village.
- In 2019 the Tsingtao Brewery Xi'an Hans Group Corporation actively responded to the call of the local government in accordance with the *Three-Year Guideline on Winning the Battle Against Poverty (Shanfa 2018-10)*, and invested 250,000 yuan in response to the local government's call to help improve village roads and build the Phase 2 project of cultural promotion facility for the village committee. The action received many praises from the local government, the assisted local people and local poverty population.

Reducing poverty with consumption

The company purchased 3 million yuan of local agricultural products of Longnan.

Undertaking the responsibility of inspiring people to work as one to overcome adversity

The COVID-19 epidemic has touched the hearts of the nation. Tsingtao Brewery has put the health and safety of people and employees on top with solid actions to battle the epidemic. On 19 January 2020 the company donated ten million yuan in cash and two million yuan in supplies. Affiliated units of the company donated 810,000 yuan in cash and 1.03 million yuan in supplies (total donation reaching 10.81 million yuan in cash and 3.03 million yuan in supplies) for prevention and control of the disease.



Meanwhile, the company's branches actively donated money and supplies for the local battle against COVID-19. The Tsingtao Brewery Heze Co., Ltd. and the Tsingtao Brewery Baoji Co., Ltd. donated their disinfectant products to local authorities. The company's Shandong Province regional branch collected resources from every channel available and donated masks, tents and daily supplies to the local. The company's Hubei Province sales branch donated 600 pieces of daily supplies to patients and 1,200 bottoming shirts to medical staffs. The company also sent gifts including beer and soda water to families with medical staffs who participated in the pairing-up arrangement to assist Hubei Province. We have been supporting our frontline fighters with our solid actions.

“Building dreams together” college students volunteer teaching



Tsingtao Brewery “Love stadium” built in Suizhou, Hubei

Tsingtao Brewery has collaborated with the China Youth Development Foundation to establish the Tsingtao Brewery Youth Sports Development Fund and launch the social welfare plan of “Building dreams together”, which includes the “building dreams on PE lessons” college students volunteer teaching and the “building dreams on playgrounds” construction aiding project. In 2019 the social welfare plan of “Building dreams together” restarted and expanded the coverage of college students volunteer teaching, in which 36 volunteers were dispatched to 18 rural primary schools to help teaching in the PE lessons.



Volunteers teaching pupils in the Qianying Town Central Primary School in the Xiuyan Manchu Autonomous County of Anshan, Liaoning

Winning the “Order of Compassion” of the Red Cross Society of China

On 17 January 2019, the Red Cross Society of China awarded the “Order of Compassion” to donors with important contribution to China’s humanitarian programmes in 2018. Tsingtao Brewery was the only candidate organisation from Shandong and won the award for a second time since 2008.



Responsible drinking

As a beer producer with a sense of social responsibility, the company actively responds to the nation's call for responsible drinking and advocates healthy lifestyles with moderate and reasonable drinking behaviours. As a member of the China Alcoholic Drinks Association's Union of Alcoholic Drinks and Social Responsibility, Tsingtao Brewery understands the importance of promoting the practice and concept of responsible drinking and implementing the social responsibility of a food company. We strictly follow the Advertising Law of the People's Republic of China in marketing and established related measures in media management to avoid the appearance of contents which encourages or urges consumers to drink or over-drink in alcoholic drinks advertising.

Tsingtao Brewery clearly marks the ingredients and alcohol content on the packaging of the product, actively helps consumers understand knowledge on drinking through various marketing and sales approaches, and reminds them the importance of moderate drinking and responsible drinking. There is an age limit on the homepage of Tsingtao Brewery which denies access of the underage and reminds those who are under the age of 18 not to drink.

Our advice

People who should not drink

- Underage groups should not drink, and no-alcohol education should be provided.
- Pregnant women should not drink. And breast-feeding women should not drink.
- Drivers should not drive after drinking, and passengers should refuse to ride on a vehicle driven by the drunk.
- Patients under medical treatment or taking medicines should not drink.
- Avoid excessive drinking or drinking without food intake.

Healthy life with beer

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

Our activities



Telling people how to appreciate beer during the responsible drinking event promoted by the Tsingtao Brewery (No. 5) Co., Ltd., the South China sales branch and the Tsingtao Brewery (No. 2) Co., Ltd.

Caring for the community – passing on the warmth

Various welfare events conducted by the company in 2019



On 20 January 2020, the Qingdao Federation of Trade Unions and Tsingtao Brewery conducted events to provide "big gift packs" to underprivileged workers



The "Learn from Lei Feng Month" and women's rights promotion event by Tsingtao Brewery Gansu Co., Ltd.



Xuzhou international marathon support group formed by the Jiangsu sales branch staffs of the Tsingtao Brewery Gansu Co., Ltd.



The trade union of the Tsingtao Brewery Heze Co., Ltd. visiting left-behind children in Dongrenzhai Village of Lyuling Town on 1 June, Children's Day



Volunteers from the Tsingtao Brewery Chengdu Co., Ltd. handing out supplies and food to villagers and children in the Buwai Village, Laguo Township in Butuo County of the Liangshan Yi Autonomous Prefecture



Volunteers from the Tsingtao Brewery Shijiazhuang Co., Ltd. visiting left-behind children and children in difficulty at the Primary School of Xianzhuang in Nanmeng Town

Carrying forward the positive spirit of the times

In 2019 Tsingtao Brewery ignited enthusiasm with the approach of the youth. Strawberry Music Festival, ModernSky Music Festival, Electric Music Festival and the I'm Changzuoren are among the events supported by the Tsingtao Draft beer. Tsingtao Brewery cooperated with the Asian Football Confederation Champions League, the Chinese Football Association Super League and the CBA, helped the Qingdao Huanghai FC to obtain a seat in the CFASL, and specially built a Tsingtao Beer background for marathons. Beer festivals were organised in 50 cities along the road of 13,000 kilometres. Carrying forward the positive spirit of the times is the connotation of Tsingtao Brewery's enthusiasm.



Tsingtao Beer Festival events were organised in 50 cities



"Getting together for running" marathons held in more than ten cities



Century-old Chinese style with Tsingtao



Music + beer with vitality outbreak



Starting the journey of Winter Olympics with the Beer Festival on the Ice



Tsingtao Brewery cooperated with the Asian Football Confederation Champions League, the Chinese Football Association Super League and the CBA.

Creating harmony with the value chain

Happiness
index for
employees
reached
92.24%



Employees are the most valuable of Tsingtao Brewery. The company “stimulates human resources with the system, builds a harmonious environment for development and creates happiness for employees”, in the hope of making ourselves the best employer with global influence. We empower the employees so that every staff may work and live happily in order to pass the happiness to global consumers.

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.



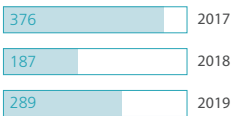
Let our employees work safely, healthily and happily

Number and ratio of job-related fatalities



Unit: %

Loss of working days due to job-related injuries



Unit: day

Tsingtao Brewery has always taken laws and regulations as the bottom line and red line, strictly abiding by safety laws and regulations including the Production Safety Law of the People's Republic of China, Fire Control Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, implementing primary responsibility for security at all levels, mobilising all staff for safety behaviour watch (with BBS), and conducting Job Safety Analysis before work for high-risk operations. For years no accidents of severe injury have been recorded and the safety management performance has been improving. The company always puts production safety on top of all business activities with improved staff safety consciousness, professional teams, regulated daily practices and a deep understanding of the safety culture, only to provide a safe, healthy and happy place to work.



Signing to promise safe production by employees with the Tsingtao Brewery Pengcheng Co., Ltd.

More solid base for safety management

Classified management
Conducting assistance in pairs



Optimising the process
Improving documents and mechanisms
The company's safety management mechanism is optimised every three years

Forming the safe production responsibility management system "to ensure that both local CPC committees and management are held accountable and that officials take responsibility for workplace safety in performing their duties"

Signing target responsibility documents at every level

Promoting classified risk management and control Diminishing safety hazard



Strengthening trainings Forming the three levels of safety education system



In 2019 the company conducted safety trainings for **18,000** times with an average training of **25.64** hours.

6,271 employees from **1,172** workshops in all factories took exams after training.



Safety first-aid training and exercise conducted by Tsingtao Brewery Heze Co., Ltd. and the Tsingtao Brewery Baoji Co., Ltd.

Conducting various activities to promote safety culture

105,000 safety suggestions collected for analysis, tracking and root out hazards

Conducting the safety month activity themed "my safety for myself – better application of tools and methods", improving the sense of safety of all staff and training a professional team

Screening in a comprehensive manner and adopting in- compliance management Protecting employees' vocational health



Competition on safety production and environmental protection by the Tsingtao Brewery Yangzhou Co., Ltd.

Building the vocational health management system, identifying hazards, strictly implementing requirements by national laws and regulations, and organising vocational health examinations before, during and after the employment with an investment of **26 million yuan** in 2019 to protect vocational health



Experience training of labour protection supplies by the Tsingtao Brewery (No. 4) Co., Ltd.

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

Employment policy, remuneration and welfare

Tsingtao Brewery sticks to the bottom line of compliance to laws and regulations including the *Labour Law of the People's Republic of China*, *Labour Contract Law of the People's Republic of China*, *Law of the People's Republic of China on Promotion of Employment*, *Law of the People's Republic of China on the Protection of Minors*, *Social Insurance Law of the People's Republic of China* and the *Regulation on Work-Related Injury Insurance*.

Tsingtao Brewery always believes the employment concept of "letting the right people to the right thing" and pays attention to matching employees up with positions based on open, fair and justice in recruitment. The company adopts standard verification process and benchmarking during interviews, creating equal employment opportunity for each candidate while making sure each recruit up to the standard of employment and the requirements of the position. In terms of recruitment, promotion and salary, the company insists equal and in-compliance employment regardless of ethnicity, religious belief, gender, age or marital status of the employee.

Tsingtao Brewery sticks to the compliance to laws and regulations, signs employment contracts and pays for employees' social insurances as well as housing provident funds. In 2019 the company 100% signed employment contracts with employees and paid for their social insurances. No child labour or enforced labour is allowed in any business or working venue and no risks of child labour or enforced labour existed during the whole reporting period with any business.

In 2019 the company won:



2019 Model Employer in China

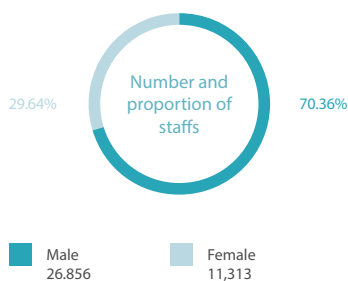


2019 Top 50 Outstanding Employers of China

Complete system for social welfare and security

Tsingtao Brewery strictly observes national, provincial and municipal regulations including the *Regulation on Paid Annual Leave for Employees*, *Implementation Measures for Paid Annual Leave for Employees of Enterprises* and the *Opinions of the State Council on Reforming the Mechanism for Determining Wages in State-owned Enterprises*. We stick to the staff income distribution mechanism based on company growth and productivity with individual achievement as basic influencing factors. In 2019 a special Golden Wheat Ear incentive of 37 million yuan was shared among outstanding employees. Employees can enjoy paid-leaves, maternity and sick leaves, regular physical examinations and health trainings. In 2019 we collected 23,750 happiness index questionnaires from employees and recorded 92.24% for the level of happiness with employees, which showed a steady increase in participation and happiness index.

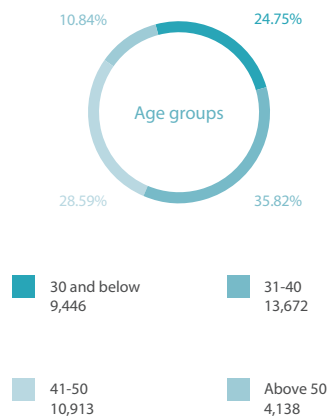
Number of staffs on active duty
by the end of 2019: 38,169



Voluntary turnover rate: 12.3%



Tsingtao Brewery Fuzhou Co., Ltd. celebrating the 70th anniversary of the founding of the PRC



Excellent employees from the sales branch joining in the "visiting home" activity

Protecting equal rights and strengthening communications with employees



The seventh sports meeting for employees with the concept of carrying the fighting spirit and promoting the power for work



The paper-cutting event in Tsingtao Brewery (No. 4) Co., Ltd.



Cultural performance by employees of the Tsingtao Brewery Nanning Co., Ltd.

Tsingtao Brewery strictly follows the requirements of laws and regulations, respects the rights and wills of employees. The communication with employees is strengthened with various carriers including employee representative meetings, transparency in corporate affairs, community for employees, WeChat posts, internal magazines and systematic protection.

The trade union organises employee representative meetings every year to respond to the proposals of employees and protect the rights to know, participate and supervise. Open management of corporate affairs and the working environment for frontline workers are improved, vocational health trainings are conducted and democratic management is implemented.

With new media the company has started WeChat platforms and WeChat online mobile management classes for employee consultation and corporate culture. Many innovations have been conducted in aspects including caring for employees, information pushing, micro-courses, training investigation and online exams.

The solidarity among employees has been improved through various cultural events.

Caring for the employees with multiple measures

The Tsingtao Brewery Caring Fund is the first caring fund in Qingdao for underprivileged employees built on 23 March 2011 by Tsingtao Brewery and Qingdao Red Cross Society with the aim to solve problems such as financial shortage for medical care due to severe illnesses with employees. The company established the *Managing Rules for Tsingtao Beer Caring Fund* and the *Operation Guideline of Tsingtao Beer Caring Fund*. In 2019 the company offered help to 22 employees haunted by diseases such as liver cancer and uraemia with over 630,000 yuan from the Tsingtao Brewery Caring Fund.

Sympathies were given to the sick, poor, special or expatriate staffs and their families. The activity of "Sending Refreshment to Frontline Staff" was held and gifts and money were given to the staff to send the company's sympathy.

Building model service stations; building "Mama Homes" to provide caring to pregnant or baby nursing female staffs; building the new employee service model of "one station and one home"



Pennants sent to the Tsingtao Brewery (No. 2) Co., Ltd. by employees with disease



Tsingtao Brewery Xiamen Co., Ltd. visiting employees with serious disease



Love Fund donation event organised by Tsingtao Brewery Sanshui Co., Ltd.



Granting student subsidies to staffs' children by Tsingtao Brewery Xuecheng Co., Ltd.

Employee training and development

It is the corner stone of Tsingtao Brewery to attach importance to staffs and their training. The company sticks to the idea of “training for all”. In 2019 based on an overall coverage of training resources, we transformed from a “supplier” to a “service provider” in staff learning with linkage to multiple platforms connecting quality learning resources both internal and external to give staffs more choices. With the optimisation of the “mixed learning” mode, we better fulfilled the need of the employee, improved their learning outcomes and performances, and formed a “symbiotic ecosphere” for staff learning.

The company has designed diversified training programmes for employees with integrated operation of resources. For senior managers we built the House of Knowledge programme, covering top business school professors’ viewpoints, specialists’ research outcomes and benchmarking enterprise cases. For intermediate managers we built the full-path learning channel from new managers to high-performance managers to improve their comprehensive capability with learning modes including online self-learning, offline workshop, scenario simulation and tackling practical problems, and learning contents including systematic theories and enterprise management practices. For functional staffs we built the Tsingtao scholars’ club to improve their capability on analysing and solving problems from overall thinking, team management and managing tools. For marketing staffs we built brand programmes including the Micro-classroom of pioneers and Learning community of regional managers to empower the frontline with individual capability. We have also organised special competitions such as the Micro-course competition and the Masters’ classroom, in order to improve grass-root manufacturing staffs’ skills and experience. With abundant learning resources and vivid learning modes, we can provide personalised service to different groups and empower different levels of staffs in a targeted way.

Within the reporting period the company had a staff of 2,450 internal trainers, and the training covered 100% of the employees with a total of 14.5 million training hours.



Group photo of the trainees for Carnegie Class



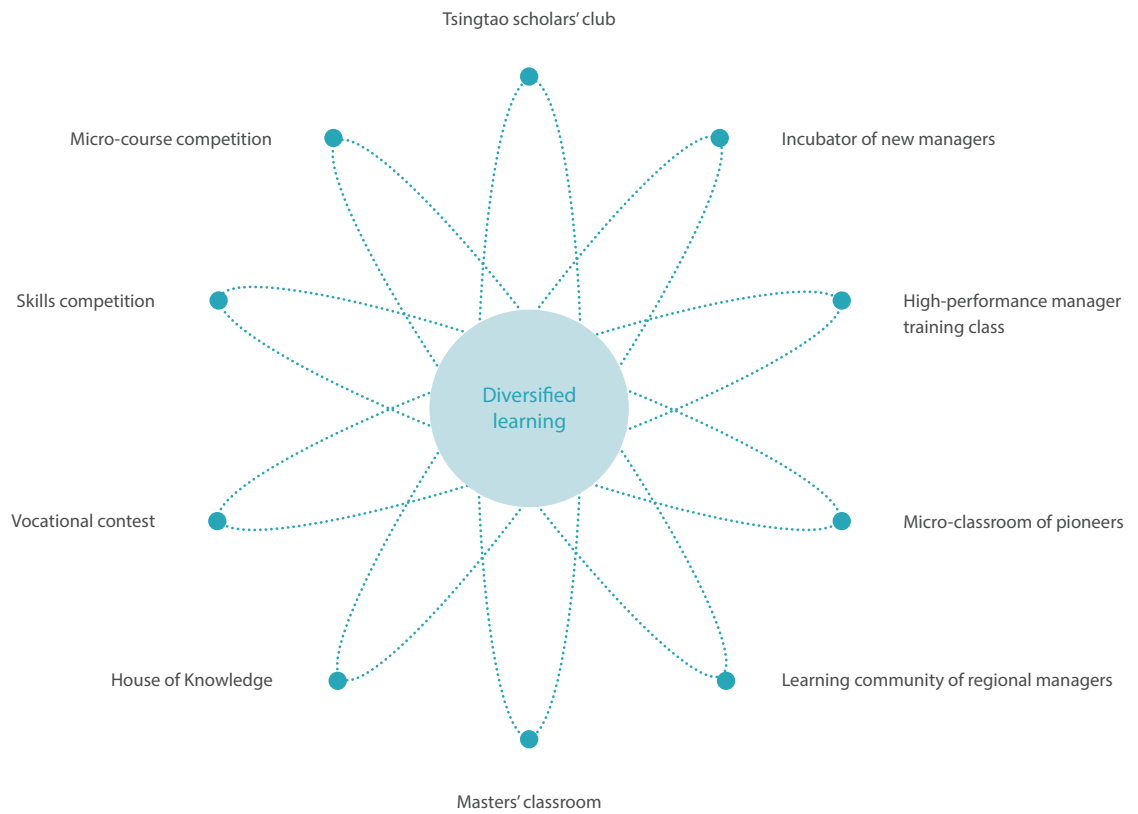
The seventh vocational skill competition of Tsingtao Brewery

Case

Tsingtao Brewery became one of the first pilot units in Shandong Province for corporate internal verification for skilled talents in 2019, in the wake of the nation’s policy reform on skilled personnel evaluation system. The company has integrated both corporate evaluation and social evaluation to expand the path for the development of skilled personnel, and has the first 49 engineers passing the verification of senior technicians.

Case

Tsingtao Brewery organised staffs to participate in the *Rejuvenating Shandong with Skills* vocational skill competition (also the First Vocational Competition on Beer Quality Testing of Shandong Province), ending up with nine contestants entering the top ten and three staffs on top three, which demonstrated a competitive atmosphere of “competing, learning, racing and overtaking” of the Tsingtao brewing masters.



Lockin China the fourth Global University Career Development Conference entering Tsingtao Brewery



In 2019 Tsingtao Brewery became one of the first pilot units in Shandong Province for corporate skill internal evaluation with 49 skilled employees awarded the "senior technician" certificates

Win-win cooperation with distributors for common profit and prosperity



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.



Inspecting barley production

Helping suppliers to succeed

Tsingtao Brewery strictly abides by the laws and regulations including the *Food Safety Law of the People's Republic of China*, *National Food Safety Standard Food Additive Usage Standard (GB2760-2014)* and the *Sanitary Licensing Regulations for Production Enterprises of Disinfection Products*. Meanwhile the company has established and followed a series of internal management rules including the *Tsingtao Brewery's Supervision and Management System for Bidding*, *Bidding Management Process of Tsingtao Brewery*, *Standard Processes for the Entrance, Cooperation and Withdrawal of Suppliers of Tsingtao Brewery* and the *Rules for Procurement Operators*. We hold irregular supplier meetings by category annually, letting them know the managerial concepts of Tsingtao Brewery to win their understanding and collaboration. In each year's on-site verification, we strengthen the management with suppliers on the product quality and food safety, and promote their consensus on social responsibility and sustainable development. We always ask suppliers to sign the *Commitment for Clean Service* before bidding to make sure business ethics are well performed. Should the suppliers commit severe breach to rules or regulations, we cancel their supplier qualifications and will not collaborate with them any more.

The company also undertakes verification on suppliers for their performances in environmental protection, safety and social responsibility, and strictly requires suppliers operate in accordance with related environmental laws and regulations. Those contaminating companies under restriction must obtain a pollutant discharging license and strictly follow related rules or the local discharge standards. In the course of sourcing new suppliers and auditing existing suppliers, we have included the ISO 9001, ISO 14001 and ISO 22000 into the scope of certification requirements for suppliers. According to laws and regulations, we have established the *Checklist of Required Certificates with Suppliers*, which requires bidders provide all certificates and third-party testing reports before each year's bidding. We carry out the designated third-party testing mechanism for samples of materials in close contact with beer collected by Tsingtao Brewery. Those suppliers failed to meet the requirements of certificates or testing will not be invited to the bidding. In the course of cooperation we may randomly check the effectiveness of their newest testing reports or qualification certificates. A list of qualified suppliers of materials in close contact with beer has been settled with a dynamic management of the list. Within the reporting period we have introduced in over 20 new suppliers and removed over 30 listed suppliers, and no cases of breach of the rules on safety or environmental protection occurred with collaborative suppliers.

In 2019, there were around
1,700
applicable suppliers for the
company

over **99%** being local
Chinese suppliers

Breakdown of Tsingtao Brewery's Suppliers

Suppliers of materials for production (raw material, packaging materials and additives etc.)	Suppliers of non- production materials	Suppliers with partnership qualification
Approximately 600	Approximately 1,100	Approximately 1,700

The company conducts annual comprehensive evaluation on collaborative suppliers, assessing food safety, quality, service, amount of supply and the verification of on-site checking for a final result, with a focus on factors including food safety and credit.

Through whole-procedure monitoring and whole-process assessment, we effectively prevent the food safety risks of purchased raw materials by analysing the data collected on defect rate, timely delivery rate, product rejection rate, return rate and compliance to feedback the suppliers for their improvement and make sure their raw materials and service can meet the requirements of Tsingtao Brewery. In 2019 the company conducted comprehensive evaluation on over 300 collaborative suppliers of materials for production with means including cooperation process assessment and on-site checking and it turned out that all suppliers met the standard, which effectively supported the production of Tsingtao Brewery.

Supporting domestic raw material businesses

In order to promote the barley industry in China and ensure raw material safety, the company cooperated with domestic suppliers in terms of financing, selective breeding, research, development and testing as well as barley preparation technology.

Funding for sufficient production and supply

In 2019 the company supported suppliers to build or renovate five kilns to enlarge the regional productivity of Qingdao region and ensure the operation of the brewery.

The company helped two malt suppliers financing for barley purchase stage and ensured the win-win with providers in terms of both quantity and quality of domestic source malts.

Leading the industry in the application of low carbon environmental protection in production

- The company supports suppliers' actions in upgrading energy-saving kilns and high-speed bottle making machines to increase productivity and lowering energy consumption. All bottle suppliers have reached the discharge standard in their production process.
- The company supports suppliers' actions in upgrading equipment by using clean energy and replacing coal with gas.
- The company supports suppliers' actions in raising standards for environmental protection and actively undertakes the cost of rising price.
- Expanding the usage of light-weight bottles to reduce logistics costs and resource consumption.

Supporting sales agents with sincerity

Operation assessment Improving the profiting capability of sales agents

Tsingtao Brewery has a sales network covering the whole world and the company fully respects and recognises every agent. The company would like to work with sales agents to realise the common dream.

The company has created the strategic sales agent operation assessment system, providing prescriptions to sales agents to improve their profiting capability. With assessment the key sales agents realised stronger market mastery and achieved significant growth in product combination readiness, Class A and B terminals' direct supply rate, person-truck ratio, stock distribution rate, communication between distributing partners and team performance.



Golden Eagle Club awarding plaque to distributor

Distribution mode innovation Sharing and complementing of resources and advantages

The company has divided the responsibilities, rights and benefits in a scientific way, proposing the "MDCD-vendor collaborative distribution model". The management advantage of the company and the advantage of social resources with distributors are mobilised in a sharing and complementing mode. This mechanism has made the "1+1>2 in executing power" possible and the market breakthrough possible with the aim of building brand operator.

Enhancing practice and communication Improving the capability of market operation

The 2019 Golden Eagle Club was organised, the "Win-win Theme Training for Distributors" was carried out to strengthen the communication on practices among distributors. It not only enabled the practical communication with field learning, but also effectively improved distributors' business sense and professional ability to operate in the market.



Win-win trainings for distributors

Honours in 2019

Categories	Awards
Awards on the brand and corporate image	2018 Health China Brand Influence Enterprise
	2018 Chinese Alcoholic Drink Brand with the Most Innovative Value
	2018 Outstanding Contribution Corporation
	70 Chinese Brands on the 70th anniversary of the founding of the PRC
	The 13th China Brand Festival Huapu Award in 2019
	Excellent Globalisation Value Award
	2019 Flagship Alcoholic Drink Award
	China's Most Admired Companies (14 times)
	SPBA-China's Top 10 Leading Brands
	2019 Outstanding Performance Award and the Most Competitive Enterprise Award
	"Prosperous 70" Outstanding Brand for the Promotion of China's Alcoholic Drink Industry
	2019 Brand Influence Award
	Jinxi Award 2019 Most Influential Company
	2019 China's Most Respected Companies
	Award for Strengthening the Nation with 100 Chinese Brand Examples
Awards for product quality	Annual Most Popular Brand
	2018-2019 Food Safety and Integrity Demonstration Unit
	2019 Golden Chopsticks Award Benchmark Company
	2018 China Alcoholic Drinks Association's "Qingzhuo Award" for New Beers
	2019 Gold Medal of the "World Beer Championships"
Capital market and social responsibility	HCS (Healthier Choice Symbol) logo by the HPB (Health Promotion Board of Singapore)
	2018 Top 100 Listed Companies
	The Most Progressing Big Consumption Listed Company in 2019 China Listed Company Reputations
	Annual Outstanding Trustworthy Listed Company
	Leading Enterprise in Social Responsibility for the 17th China Food Safety Annual Conference
	Order of Compassion of the China Red Cross
	2019 Most Trustworthy Listed Company
	2019 Top 50 Outstanding Employers of China
	2019 Model Employer in China

Comments from a third party

Evaluation by the report

In 2019, facing the challenges and opportunities brought by internet and consumption upgrading, beer companies actively broke the traditional organisation and sales modes and started a new round of exploration. The year 2019 is the year to see the tentative results of beer companies' reforms. With innovation in system, production and sales, the profiting capability has been improved. Nevertheless, due to reasons including international trade conflicts, downward pressure with the internal economy, incomplete industrial chain and weak diversity in consumption culture, there will still be many challenges for beer companies in the future.

We can conclude from the Tsingtao Brewery Co., Ltd. Environmental, Social and Governance Report 2019, that the Tsingtao Brewery Co., Ltd. has faced pressures i.e., the industry has entered a period of maturity and saturation, rising costs and changing consumption demands. The company quickly conducted multidimensional overturning reform to traditional manufacturing mode and made new records in sales. The diversified, personalised demands of consumers for more convenience were met through the

exploration and innovation of the product and brand through the "four changes" centred on consumers. Meanwhile, with innovation in food safety management, we built and completed the food safety accountability system, enhanced the food safety responsibility system, underlined the importance of prevention, prevented food safety hazards and ensured product quality.

Tsingtao Brewery has always attached great importance to the green and sustainable development mode, exercising the ecological development concept of "lush mountains and lucid waters are invaluable assets". With environmental protection, low carbon management and circular economy, the harmonious coexistence between human and nature was achieved. Meanwhile by advocating responsible drinking, targeted poverty reduction and battling COVID-19, supporting social welfare programmes and promoting positive concepts, the company has been showing more sense of social responsibility of outstanding national corporations, as well as highlighting the sense of responsibility and duty of Chinese brands.

Suggestions by the report

In recent years, influenced by the changes in consumption demands, the rise of middle-income group and excess productivity, the traditional manufacturing situation of the beer industry was overturned. In view of the continued optimising period with China's consumption structure, there will be greater potential in the growth of consumption in the future. We suggest that Tsingtao Brewery master the product's structural increase steps while deepen its structural reform, continue building new scenarios for beer consumption especially in the innovation and guidance of high-end and super high-end consumptions based on Chinese people's consumption culture advantage in beer. At the same time, industrial internet should be more solid, digital transformation of the company should be accelerated, smart platforms including whole industrial chain big data and online-offline integration should be promoted. With the advantage in platforms, more exploration and innovation in product and service should be carried out and the deep integration of manufacturing innovation and service

innovation should be promoted with higher industrial efficiency, in order to fulfil the diversified demands of consumers.

As the leader in beer industry, while promoting the quality leap forward of the company itself, Tsingtao Brewery continues to undertake corporate social responsibility, gave more support to the protection of the environment, participated in welfare programmes and built a sound image within the industry. The company shoulders the responsibility of a national brand in building a brand visible in the world, demonstrating the height, thickness and breadth of the century-old brand, and contributing to the strategy of building a strong nation with brands and manufacturing force.



Appendix: Environmental, Social and Governance Indices

ESG Indices			Page of disclosure
Environmental			
A1: Discharge	General disclosure	Relating to the discharge of waste gas and greenhouse gases, drain contamination to water and land, generation of hazardous or harmless wastes etc.: (a) policies; and (b) documents on conforming to relative laws and regulations with essential impacts to publishers	29-31/35-37
	A1.1	Discharge data	29/32/35-36
	A1.2	Total emission of greenhouse gases (tonne) and (if applicable) density (e.g. per unit of production volume, per facility)	36
	A1.3	Total hazardous waste (tonne) and (if applicable) density (e.g. per unit of production volume, per facility)	37
	A1.4	Total harmless waste (tonne) and (if applicable) density e.g. per unit of production volume, per facility)	37
	A1.5	Description of measures and results of discharge reduction	30-37
	A1.6	Description of methods of treating hazardous and harmless wastes, and measures and results of reducing the waste	37
A2: Resource usage	General disclosure	Policies on effectively using resources (i.e. energy, water and other raw materials)	31/33
	A2.1	Total consumption (1,000 kWh) and density (e.g. per unit of production volume, per facility) of direct and/or indirect energy (electricity, gas or oil) by category	33
	A2.2	Total water consumption and density (e.g. per unit of production volume, per facility)	32
	A2.3	Description of plan and results of energy efficiency	31-34
	A2.4	Description of problems on acquiring suitable water source, and the plan and results of improving water usage efficiency	31-32
	A2.5	Total packaging material consumption (tonne) and (if applicable) per unit consumption	37
A3: Environment and natural resources	General disclosure	Policies to diminish major impacts to the environment or natural resources by the publisher	30-31/33/35-37
	A3.1	Description of major impacts to the environment or natural resources by business activities, and actions taken to control the impacts	30-39
Social			
B1: Employment	General disclosure	On remuneration, dismissal, recruitment, promotion, hours of work, holidays, equal opportunity, diversification, anti-discrimination and other treatment or welfare: (a) policies; and (b) documents on conforming to relative laws and regulations with essential impacts to publishers	49/52-55
	B1.1	Total employee statistics in gender, employment category, age group and region	53
	B1.2	Employee loss ratio statistics in gender, age group and region	53
B2: Health and safety	General disclosure	On providing safe workplace and protecting employees from vocational hazards (a) policies; and (b) documents on conforming to relative laws and regulations with essential impacts to publishers	50-51
	B2.1	Number and ratio of job-related fatalities	50
	B2.2	Loss of working days due to job-related injuries	50
	B2.3	Description of measures taken for vocational health and safety, and related methods of execution and monitoring	50-51

ESG Indices			Page of disclosure
Social			
B3: Development and training	General disclosure	Policies on improving employees' knowledge and skills to perform the duty Description of training activities	56-57
	B3.1	Percentage of employees trained by gender and employment category (i.e. senior management, intermediate management etc.)	56
	B3.2	Average hours of training for each employee by gender and employment category	56
B4: Labour principles	General disclosure	On preventing child labour or forced labour (a) policies; and (b) documents on conforming to relative laws and regulations with essential impacts to publishers	52
	B4.1	Description of checking the recruitment practices to avoid child labour or forced labour	52
	B4.2	Description of measures taken to eliminate cases of violation upon discovery	52
B5: Supply chain management	General disclosure	Polices on managing environmental and social risks of the supply chain	58-59
	B5.1	Number of suppliers by region	59
	B5.2	Description of the convention of selecting suppliers, number of suppliers to undertake relative practices, and methods of execution and monitoring under conventions	58-59
B6: Product liability	General disclosure	On the health, safety, advertisement, tag and privacy facts of products and service, and remediation measures (a) policies; and (b) documents on conforming to relative laws and regulations with essential impacts to publishers	12/18-27/45
	B6.1	Percentage of sold or transported products to be recalled due to safety or health causes	21
	B6.2	Number of complaints received on product or service, and the measures of reaction	20-21/25
	B6.3	Description of convention on IPR protection	11
	B6.4	Description of quality verification and product recall process	18-25
	B6.5	Description of policies on consumer data and privacy protection, and related measures on execution and monitoring	25
B7: Anti-corruption	General disclosure	On preventing bribery, blackmail, fraud and money laundering: (a) policies; and (b) documents on conforming to relative laws and regulations with essential impacts to publishers	8-10
	B7.1	Number and results of lawsuits concluded on corruption by publisher or employees within the period of reporting	10
	B7.2	Description of prevention measures and reporting methods, and related measures on execution and monitoring	8-10
B8: Community investment	General disclosure	Policies on understanding the community demands by involvement and bringing community benefits into consideration during business operations	38-39/40-47/55
	B8.1	Focused area of contribution (i.e. education, environmental issues, labour requirement, health, culture, sports)	11-17/26-27/ 38-39/42-47/62
	B8.2	Resources mobilised within the focused area (i.e. time, money)	12-17/26-27/ 38-39/42-47



Environmental protection measures taken by
Tsingtao Brewery in printing this report

75% of this copy is made of recycled paper
Printed with recycled paper under the ISO14001
Environment Management System certification

