



Tsingtao Brewery Co., Ltd.

Environmental, Social and Governance Report 2016

Contents

Sustainable development indicators 04

Message from the leaders 06

About us 08

113 years
just for brewing good beer

18



Green brewery

26

**Creating harmony
together**

42



About this Report

Caring for the
community

36



Honours in 2016	52
Comments from a third party	53
Your feedback	54

Scope of reporting

This is the ninth annual sustainable development report published by Tsingtao Brewery Co., Ltd. The data and information contained herein cover the operations and sustainable development practices of 62 wholly-owned / holding subsidiaries, and two jointly owned / operated breweries under Tsingtao Brewery Co., Ltd. from 1 January to 31 December, 2016. To ensure continuity and for the convenience of comparison, some of the data and information provided are not limited within the year 2016.

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>

Sustainable development indicators of Tsingtao Brewery

In 2016, Tsingtao Brewery demonstrated great strategic stability and strong operational strength, as well as actively explored and adapted to the “new normal”, in both practice and innovation. We firmly believed that “value is created with a workmanship spirit”, and ushered in this new era of consumer sovereignty with our quality products. We continued to expand our circle of friends in the world and went into more countries and regions. We kept on achieving win-win results with consumers, environment, community, investors, employees and every participant of the value chain.



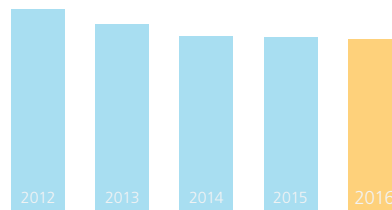
Economic responsibility

Indicator	2016
Sales volume/ 10,000 kl	792
Sales revenue/ hundred million yuan	261.06
Net profit attributable to shareholders of the parent company / hundred billion yuan	10.43
EPS / yuan	0.772

Environmental responsibility

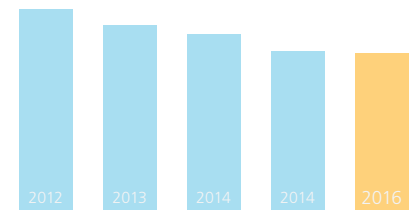
In comparison with the figure in 2015, the water consumption per unit product in 2016 dropped by
Unit: m³/kl

1.78% ↓



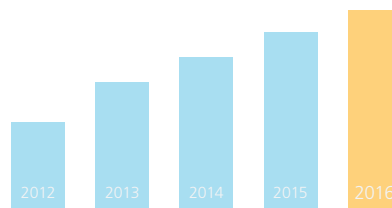
In comparison with the figure in 2015, the standard coal consumption per unit product in 2016 dropped by
Unit: kg/kl

2.42% ↓



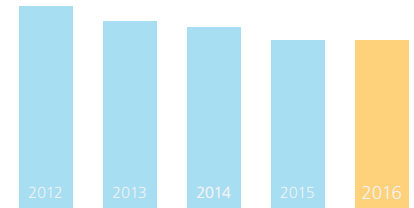
In comparison with the figure in 2015, the CO₂ recovery per kl of cold wort in 2016 increased by
Unit: kg

2.43% ↑



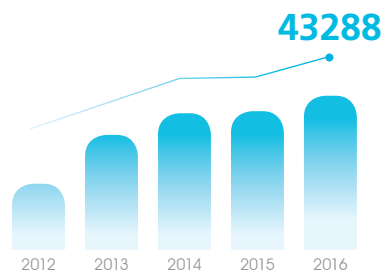
In comparison with the figure in 2015, the comprehensive energy consumption per unit product in 2016 dropped by
Unit: kg/kl

1.89% ↓



Social responsibility

Number of employees in 2016



Aid from the Employee Caring Fund in 2016

771,900 yuan



Message from the Chairman

The transition is on the way and there is still a long way to go. We are making this transition to better satisfy consumers. This is the engine of sustainable development, as well as the root of everlasting prosperity for Tsingtao Brewery.

Transition: the engine of sustainable development

The global economy is in a period of deep adjustment and transition with new potential of growth well prepared. With China's transition from world factory to world market, the beer market in China has taken profound changes and become a world market. First, consumers tend to "enjoy the bottle" rather than "hit the bottle". Second, the variety of the beer has changed from mono-flavoured to multi-flavoured. Third, the sales situation has changed from "channel barriers" to "mutual connexion".

The traditional function of beer industry is weakening and new growth drivers are developing. Transition has become the new focal point of supply-and-demand equilibrium. The essence of supply-side structural reform in beer industry lies not only in forming new subjects and enhancing the leading roles of new products and new varieties in industrial transition, but also in cultivating new growth drivers such as innovation in technology, brand, experience and channel, to satisfy and fulfil consumers' demands.

Consumers are becoming more conscious of products nowadays: they would choose what they need rather than whatever you produce. We must change our marketing strategy from channel-driven to terminal-driven, and attract consumers with brand and product diversification. We must change our production quality from basic quality to characteristic quality. We must change our production scale from mass production to flexible production, in order that large scale production and featured small scale production complement each other. Therefore a transition is needed. We should focus on supply-side structural reform, produce fine products, bring in changes to organisational structure, people's minds, sales channels, business modes etc., and realise the trend of observing new situation, finding new opportunity, igniting new potential and opening new path of development.

Tsingtao Brewery has built her century-old fame in the past 113 years of continuous transition. The upcoming transition nowadays still requires Tsingtao Brewery hold fast to the high quality standard of "113

years just for brewing good beer", to the quality culture of "good people make good beer", to the "diversified" product characteristics, to the "developing strategy driven by the brand", to the outlook of "building an international enterprise with an influential global brand", and to the mission of "creating happiness for life".

With persistent effort, we will enrich the connotation of "good beer" by transition. Traditional world famous beer is what we have, while first-class niche market in the world is also what we want. We brew our beer with a unique taste and make our variety of beer and brand experience richer and more diversified. The brand Tsingtao Brewery shall become more influential in the world, and distribution of resources in the world shall be accordingly optimised as well.

The transition has been on the way in the past years. We have promoted the production of beer into a new era of "science + art" and created more new products of different classes which better suit Chinese consumers' tastes (Pilsner, IPA, Classic 1903, Pure Draft and Wheat Beer etc.). We look high on the transparency of information, the increase of efficiency and channels brought about by "internet+". In our organisation we also set up a "red army" and a "blue army", as well as new departments such as "innovative sales project department" and "modern channel project department" etc.

The transition is on the way and there is still a long way to go. We are making this transition to better satisfy consumers. This is the engine of sustainable development, as well as the root of everlasting prosperity for Tsingtao Brewery.

Tsingtao Brewery Co., Ltd.

Chairman

March 2017

Message from the President

Strengthening a nation with brands is the only way for the country to transform its growth focus from “made in China” to “created in China”, as well as shifting from speed to quality and from products to brands. This is not only the way to fulfil the requirement for upgrading quality consumption, but also the driving force to promote innovative transition of China’s economy.



Driven by quality and win by the brand

Strengthening a nation with brands is the only way for the country to transform its growth focus from “made in China” to “created in China”, as well as shifting from speed to quality and from products to brands. This is not only the way to fulfil the requirement for upgrading quality consumption, but also the driving force to promote innovative transition of China’s economy.

It is the responsibility of an enterprise to establish more world renowned “Chinese brands” and promote China’s economy into an era of quality development.

As a leading Chinese brand well known in the world, Tsingtao Brewery has firmly insisted on the belief “just for brewing good beer” and the concept of “quality development” in her 113 years of history, and introduced in the European beer culture which is now flourishing in China. Tsingtao Brewery aims to create a Chinese brand with global influence in a pursuing spirit for excellence, and provide world consumers with better products and service with a “development mode driven by brand”, which features “cultural guidance, innovation driven and systematic transition”.

Win with quality. We stick to the principle “good people make good beer” and produce a business card of “quality product made in China” to the world. With one glass of beer, the world is “inter-connected”. Tsingtao Brewery always believes that brand is consumers’ asset and we need to present world consumers with an asset of happiness. Therefore the century-old Tsingtao Brewery echoes with the world, by actively upgrading the quality and variety of products to lead the fashion of drinks, by upgrading the promotional mode of brands to enhance consumer experience and interaction, by upgrading channels or even business models to explore a “golden balance” of quality development with the transition practice of the century-old traditional enterprise.

In 2016, with a judgement vision of the future for the current period of industry development, Tsingtao Brewery combines persistence, innovation, coordination, integration, experience and accumulation

together to promote quality upgrading, to raise global influence of the brand and to magnify social responsibility. Thus the inner driving force of sustainable development is built and a solid foundation for quality development is established. We perceive and guide the demand of consumers, care for our staff, pay off the contribution by shareholders and investors, realise win-win with the upstream and downstream partners of the value chain, benefit community and people, and set responsibility as the background colour of the enterprise’s sustainable development.

In the past year since the Belt and Road Initiative became the major axis of world economy growth, we have continued our performance in the international stage with confidence, and developed our markets in Sri Lanka, Ecuador, Bangladesh, Senegal etc., with the unique “oriental flavour” perfuming the circle of friends around the world. This brand of China has brightened up with cultural confidence, with diversified taste and special charms of the Chinese culture, flourishing in both domestic and overseas markets. The overseas markets see our products maintain a rapid growth in spite of global recession, and the Chinese brand does speak for China.

The brand shoulders the Chinese dream. In the future, Tsingtao Brewery shall keep on with her persistence as an international brand in the pursuit of the dream, and bear more responsibilities and duties during the transitional period of China’s economy growth. The upgrading and leading with “Chinese brand” in an era of product quality will definitely promise a steady and long-term growth of China’s economy and lead to a better future prospect.

Tsingtao Brewery Co., Ltd.

President

A handwritten signature in black ink, consisting of stylized Chinese characters, likely reading 'Qian Xing' (钱兴).

March 2017

About us



To be an international
company with brands of
global influence



Brewing popular beer
with passion and inspiring
happiness for life



People oriented
Teamwork
Benefiting the society



Our company

The predecessor of Tsingtao Brewery Co., Ltd. (hereinafter referred to as "Tsingtao Brewery") is the Anglo-German Brewery Co., Ltd. which was founded by German and British settlers in the city of Qingdao in August 1903. With her long history of beer brewing in China, Tsingtao Brewery is now the fifth largest producer of beer in the world. According to the 2016 ranking of the *Top 500 Most Valuable Brands in China* published by the Global Brand Lab, Tsingtao Brewery has been on top of the list of Chinese beer industry for the 13th consecutive year with a brand value of 116.875 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 2016, the company has 62 wholly-owned / holding subsidiaries, and two jointly owned / operated breweries in 20 provinces, municipalities and autonomous regions in China, boasting the leading position in China's beer industry in terms of enterprise scale and market share.

Tsingtao Brewery is among the first Chinese brands to enter the global market and stays on top of the list of Chinese beer brands in terms of total volume of export to markets including the USA, Canada, UK, France, Germany, Italy, Australia, South Korea, Japan, Denmark and Russia. In 2016 the total overseas sales has increased by 12% than the

previous year, in which the Asia-Pacific market grew by 45%, the Latin American market grew by 14% and the Western European market grew by 8%. And the company has successfully entered the markets of Ecuador, Bangladesh and Senegal, with coverage of 94 countries and regions.



Our brands

○ Combination of brands: "1+1+N"

The first 1 refers to the flagship brand Tsingtao Beer, the second 1 refers to Laoshan Beer, its secondary brand, and the N refers to each regional brand.

○ Brand promotion model – "Four in One":

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



Our innovation — product innovation

Embracing the era of consumer sovereignty

In recent year, Tsingtao Brewery has featured in customised, high-end and characterised production in the innovation of beer products. New products like Pilsner, Keg IPA, Wheat Beer, Stout with date / ginger flavour, Classic 1903, the Hongyundangtou (Good Luck), as well as the Warcraft and Kentucky special editions are successfully promoted to the market. Nonetheless the packaging of Pure Draft series has been upgraded for the connotation of youth and fashion.



Tsingtao Classic 1903

Our master brewers select only the finest barley and hops in the world, and brew with the “two-stage low-temperature long-term fermentation technique” that was adopted in 1903. The product features noticeable malt flavour, elegant hop aroma, full-bodied and intense appearance, as well as mellow and subtle tastes.



IPA

This product presents an inviting red amber colour and delicate creamy foam, with strong fragrance of the hop and unique fruit ester aroma. The liquid is full-bodied and smooth, with a strong and enjoyable bitter taste. The bitter taste will soon turn into a subtle sweet aftertaste, with fruit aroma and sweetness of malts lingering in your mouth. This beer is suitable for sipping and appreciating.



Pilsner

This is a new product promoted by Tsingtao Brewery in 2016. This kind of beer is brewed under the 1516 *Reinheitsgebot* with noble origin, careful selection of ingredients and unique technique. This product has a vibrant bitter and smooth taste with subtle sweet aftertaste and provides consumers with a different experience of tasting buds. In 2017 this product won the *Qing Zhuo Award* issued by the China Alcoholic Drinks Association.



Tsingtao Pure Draft

Without pasteurisation, the taste is refreshing and clear with smooth feelings.

In 2016 the Tsingtao Pure Draft went into the market in a brand-new appearance with Huang Xiaoming the famous actor as the “Global Chief Brand Officer”. The new packaging features fashion, youth and passion and may give consumers a fresh experience.





The Hongyundangtou (Good Luck)

Tsingtao Brewery's Hongyundangtou (Good Luck) high-end aluminium bottled beer plays the role of witness of happy moments of consumers, and the idea "when there is joyous occasion, there is Hongyundangtou" has become a common consensus of consumers.

In 2016 the "Early Riser KFC Customised Version" went into the markets of Shandong Province and Henan Province, where consumers can feel the passion and joy brought about by Tsingtao Brewery more easily.



KFC customised version



Tsingtao Wheat Beer

This product uses 100% top quality barley malt and wheat malt, adopting optimised proportioning of ancient European brewing methods and top-fermentation technique. The foam appears as smooth as milk, the liquid appears as blurred as mist and tastes a smoked flavour representing the aroma of lilac and fruit mixed together. Consumers may have the brand-new experience of "unique taste from the first gulp".



Tsingtao Classic 1903 Warcraft special edition

This product went to the market as a gift to Warcraft fans with compliments to youth and passion. Within one month's time the sales of this edition exceeded one million cans, on which appear two classic roles respectively from the Horde and the Alliance.



Tsingtao Stout

Tsingtao Brewery is the first to brew stout in China, and promoted her first product of stout to market in 1932. In recent years the company has successfully developed date-flavoured stout and ginger-flavoured stout, enabling people to feel the strong taste brought about by burnt malt.

Our innovation — channel innovation

New consumer experience in the mobile network era

In 2016, Tsingtao Brewery continued to lead the e-commerce market and innovated sale modes:

The channels were expanded, realising an overall year-on-year growth of 81% via e-commerce and 49% in B2C sales, covering every major e-commerce platform and keeping the lead in this field.

The first APP as an O2O platform within beer industry – Tsingtao Beer Quickbuy – has its service covering 36 cities with more than 2,000 cooperation partners, over 500,000 registered accounts and a sales volume exceeding 300,000 boxes.

Exploring emerging channels with interdisciplinary cooperation

Customised products for cooperation partners such as Shangri-La and Kentucky are developed to meet the characterised and diversified taste demands of

consumers, providing easier channels for consumers to get the product. This approach has enriched brand experience and created surprise for consumers.



Developing a new way of life with fashion and leisure

“Good beer, slow life and tipsy fashion” is the concept of the TSINGTAO 1903 Community Living Room, which brings the most original Tsingtao Beer, the happiest beer culture and the most fashionable recreation method into community, building the “second living room within the reach of consumers”.

Besides the 20 existing TSINGTAO 1903 Community Living Rooms in Qingdao, the first Tsingtao Brewery TSINGTAO 1903 ZONE opened in Beijing Galaxy SOHO in May 2016, starting its new lead in fashions.

Our innovation — organisation innovation

Cultural evolution and challenging oneself

To stimulate the innovative power of the company, Tsingtao Brewery created a “competitor” – small and micro-sized blue army. The missions of the Tsingtao Brewery Innovative Sales Department (also the Blue Army) include innovation in sales and management, innovation in the operation, organisation and management modes in developing new products and new markets, as well as innovation in the development modes of channels.

Since the small and micro-sized Blue Army came into being, it has been positioned as a mode of Internet+, a role of competitor

to departments with mainstream products and sales channels, in order to develop new products, explore new markets and experiment with new business modes. The Blue Army is more of an ingenious army, seeking margins omitted by the Red Army, discarding existing mainstream products, channels, terminals and customers, in order to explore new channels and profits. A brand-new formation of coordination with the traditional Red Army plus small and micro-sized Blue Army, or the left hand and the right hand “fighting” each other, is coming into shape within Tsingtao Brewery.



Corporate governance

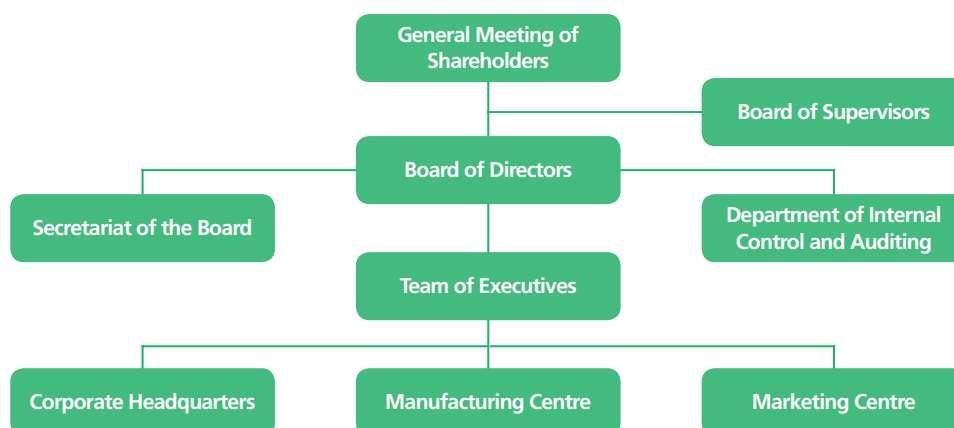


▲ Members of the Eighth Board of Directors with Tsingtao Brewery

There are nine members of the Eighth Board of Directors with Tsingtao Brewery, of which four are executive directors, one is non-executive director and the other four are independent directors. There are seven members of the Eighth Board of Supervisors with Tsingtao Brewery, of which four are shareholding supervisors and three are employee supervisors. The independent directors have 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 with sound communications with international investors and information such as the performance and major happenings of the company are accurately published. The management of the company is structured so that the chairman of the Board of Directors, the president and the chairman of the Board of Supervisors are separate positions,

creating a balanced governance structure with clear responsibilities. The company is the first Chinese public 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. In December 2016, the company won the title of “Top 20 Best-Practice Boards of Supervisors with Public Companies” in the appraisal activity of the “Best-Practice Boards of Supervisors with Public Companies” hosted by the China Association for Public Companies (CAPCO), Shanghai Stock Exchange and Shenzhen Stock Exchange.





Members of the Eighth Board of Supervisors with Tsingtao Brewery ▲

Risk control and management

In 2016 the company planned an overall strategy and adopted effective measures like optimising each resource factor and perfecting internal control system to implement the strategy. Standard

corporate governance structure was formed and the management kept pace with the times with strategic steadiness, actively responded to uncertain factors.

Improving management with IT facilities and promoting standard management

More manual controls were changed into automatic control by the system to increase efficiency and bring down human risks.

Enhancing evaluation and accountability mechanisms and improve risk control capabilities

We gave timely feedback to the execution and improved existing problems with internal control evaluation, better implemented and perfected the management system, called misbehaviors to account, regulated operation activities, strengthened people's sense of responsibility and prevented operation risks.



▲ Undertaking “company working with inspection bodies”



▲ Public awareness campaigns

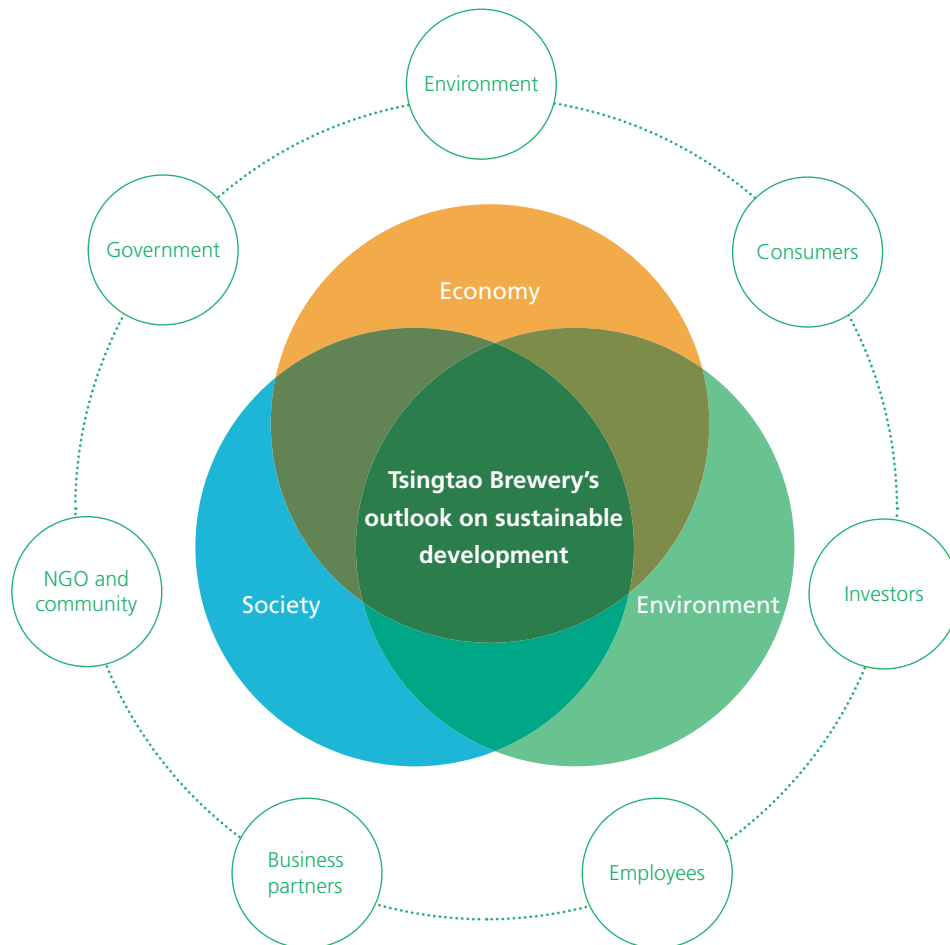
Business ethics and compliance with regulations

While speeding up the transition of development mode, Tsingtao Brewery has always paid great attention to improve the Party committee's work style, building clean governance and promoting anti-corruption work. A complete system to fight corruption and advocate clean governance was formed.

In 2016, we forged a loyal, clean and responsible management team and made the concept “do and be clean” the

mind set of our employees, by holding special meetings on improving the Party committee's work style and building clean governance, signing target responsibility documents for improving the Party committee's work style and building clean governance at each management level, undertaking activities such as public awareness campaigns, “company working with inspection bodies” and tests for studying party regulations and discipline etc.

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

113 years

just for brewing good beer



Fan Wei

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



Li Hua

Gold Medal Brewer 2016
Tsingtao Brewery's number
two manufacturing branch
Brewer-in-Chief





Zhang Pei



Gold Medal Brewer 2016
Tsingtao Brewery
Brewer-in-Chief

Jiang Heping



Gold Medal Brewer 2016
Tsingtao Brewery
(Shaoguan) Co., Ltd.
Brewer-in-Chief

Liu Jingzhong



Gold Medal Brewer 2016
Shandong New Yinmai
Brewery Co., Ltd.
Brewer-in-Chief

Product management throughout the value chain



Food safety policy

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

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

Food safety strategic management

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.



In 2016, Tsingtao Brewery made great efforts in food safety management and control, whole-process control, as well as beer taster training.



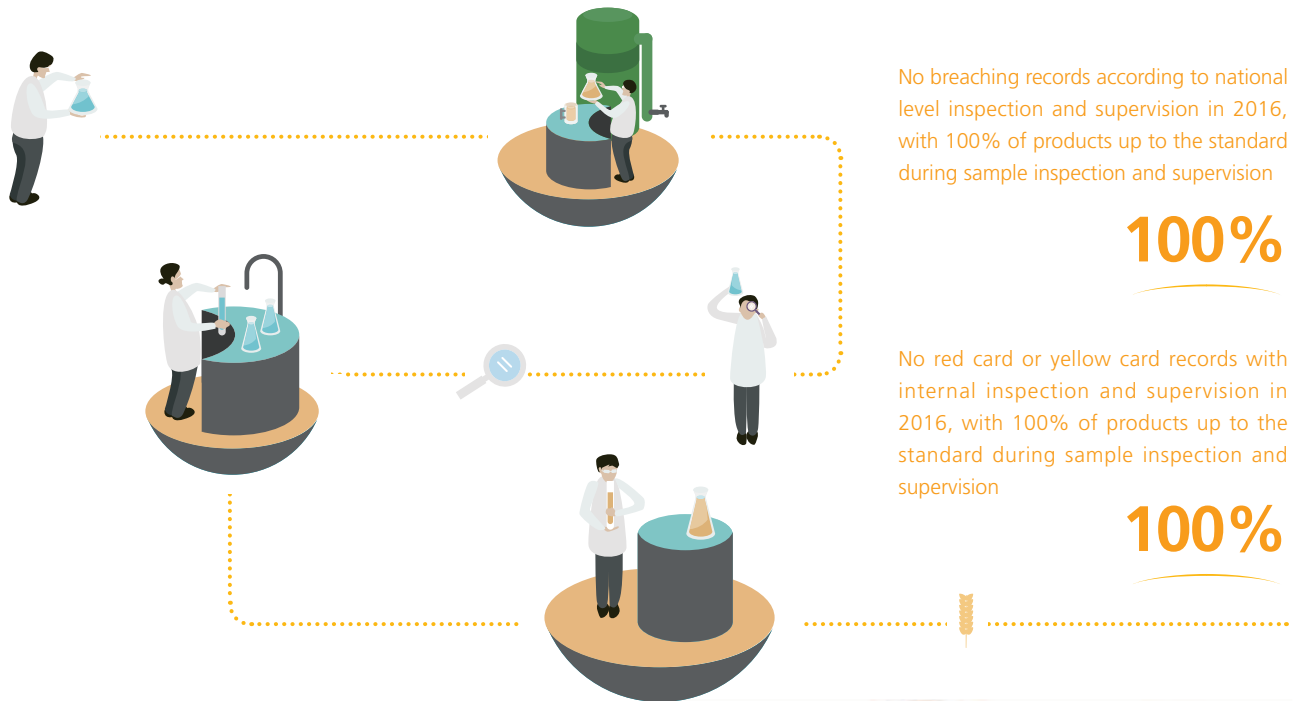
Zhang Pei
Gold Medal Brewer 2016
Tsingtao Brewery
Brewer-in-Chief

Food safety management innovation

- Optimising source control of food safety
- We have established the *Management Process for Supplier Qualifications*, standardised the quality management process from supplier back-tracing to decision on access, clarified responsibilities of each management levels, detailed the qualification management of suppliers, normalised the supplier process assessment and ensured the quality safety of the upper stream supply chain.
- Enhancing monitoring and control of food safety risks
- We have intensified the monitoring frequency of risk materials identified, drafted and implemented a market sampling and monitoring plan with

combined efforts of the headquarters and third-party testing companies.

- Improving the red line management and upgrading the evaluation management system.
- Improving the food safety red card and yellow card system through monthly checking, implementing and modifying with the manufacturing sector
- Upgrading food safety evaluation tools with reference to food safety checking and evaluation tools like the *DNV ISRS* and the *BRC Global Standard for Food Safety*.
- Improving food safety accident response and product retrieval (recall) management, as well as strengthening drilling and testing



Li Hua
Gold Medal Brewer 2016
Tsingtao Brewery's number
two manufacturing branch
Brewer-in-Chief



Implementing quality control with management at different levels

- Implementing management at three different levels and making corresponding control measures
- Enhancing the identification and control of critical quality control points, and improving system checking capacity

Improving tasting and appraisal techniques, building and launching critical taster talent distribution maps

- Continuously improving the whole process quality control from source material to final products
- Drafting the Standard for Choosing Critical Tasters, scientifically and effectively undertaking the examination and choosing of critical taster at different levels

Promoting the dynamic market quality monitoring mode

- Implementing dynamic market quality monitoring plan covering whole series of products and increasing market monitoring frequency

Implementing high efficiency training with modern information network system

- Building remote video training system on quality control, organising training on key issues like food safety and QA
- Actively promoting critical SOP video making, improving quality control micro classroom courseware, and continuously improving the checking capability of quality controllers

Quality guarantee throughout the whole process

Tsingtao Brewery has built a three-dimensional quality management system supported by quality guidance, quality management system, all-factor quality appraisal, third-party food safety integrated monitoring mechanism and technology development, to ensure the food safety and quality assurance

of the whole industry chain. Through the “greater quality control system”, a comprehensive process control over every detail of brewing was realised, including raw ingredients, production, logistics and sales. And consumers shall get high quality products.



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 variety selection, 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, seed, planting and harvesting in production bases are monitored, while unannounced inspections at suppliers are conducted.
- **Hops:** we use Saaz hops, which are honoured the “Czech Gold”, and hops produced in Northwest China’s Xinjiang and Gansu for their unique natural qualities, and track the whole processing course.

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
- Extending the centralised third-party food safety testing system to cover all the brewing ingredients and materials that make direct contact with the beer to ensure FPY rates of procured materials reaches 100%

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

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

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".

After-sales service with passion

- Extensive service network, specialised team and nearly 1,000 service workstations in China
- Providing consumers with quick, affectionate and easy "real time" after-sales service
- Classified management of customer feedback and market information, enabling the timely tracking and quick treatment of information

Strong R&D capabilities

- Equipped with the Key National Lab on Beer Fermentation Engineering, the only lab within brewery industry which was identified as a key laboratory of China's light industry
- Awarded five scientific and technological progress prizes of provincial, municipal and national association levels, authorised five patents and approved of 15 patent applications
- Extensive communications and cooperation with institutions such as Murdoch University, the Brewing Research International, the Canadian Malting Barley Technical Centre, the Hopfenforschungszentrum Hüll in Germany, the American Society of Brewing Chemists and the Australian Export Grains Innovation Centre .

Tsingtao Beer in consumers' eyes

Comments on IPA from consumers

Multi layered hops enable the mellow and full bitter taste. A unique enduring fragrance stays in your mouth with a sip.

Keypal

The first gulp is bitter, but the second gulp has a unique fragrance. When the mouth begin to adapt to the bitter taste, more enchanting aroma of hops and malt together with the fruit fragrance comes to your taste.

Wang Yi

Comments on Pilsner from consumers

The taste of Pilsner is as deep as the dark night out of the window. You can't help miss the taste after you finish one bottle. The taste is refreshing with bitterness, just like a worldly gentleman with rich content.

Xinxin

The foam is white and rich and the body of the liquid is golden like a wave of wheat surging in the glass..... Bitter at first but with a sweet aftertaste.

Niyoujiu

Inviting golden colour with fragrance of the malt, the beer is just like your first love, which tastes sometimes strong and sometimes weak with fresh breeze. The liquid has a full bodied aroma from hops and grains.

Willow

Liu Jingzhong

Gold Medal Brewer 2016
Shandong New Yinmai Brewery Co., Ltd.
Brewer-in-Chief





Comments on Classic 1903 from consumers

Upon opening a bottle of Classic 1903, a strong fragrance of wheat comes to nose. The taste is pure with wheat aroma, and 10% original malt-wort. The strong wheat aroma is a great company to food. It doesn't only taste nice but also brings a lot of inspiration for me to develop new dishes.

Gourmet Peter

This product is definitely the classic of the classic. The liquid is clear, the wheat aroma is strong and the foam is rich. Drink this beer and you have a feeling of being in a wheat field with the fragrance of wheat and hops full of your mouth.

Shuimutiancheng

Comments on the Pure Draft from consumers

Good taste and refreshing are the impression to me. I love the cool and crispy tasting Pure Draft. The mouth will be full of fresh tastes and you feel the livelihood of life rushing and jumping inside. And that is the taste of youth.

Weizidexiaofei

The green bottle is the colour of sprouts newly sprung in spring, lively and vibrant

Naodongdakaideyu

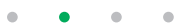
I like to drink the Pure Draft in gulps. It is a nice experience with refreshing taste, just like a fresh crispy cucumber with dew on it.

Zhaodamiao



Jiang Heping
Gold Medal Brewer 2016
Tsingtao Brewery (Shaoguan) Co., Ltd.
Brewer-in-Chief

Green brewery



Tsingtao Brewery 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 “promote the sustainable development of the company and “realise a harmonious state of coexistence with the nature by means of environmental protection actions, low carbon management and circular economy”. We continuously promote the specialised and detailed management

of environmental protection, undertake featured activity of “adding some green to the environment” in the past years, raise the awareness of environmental protection of all the staff, increase the environmental achievements, let consumers enjoy our green products and make contribution to the sustainable and sound development of our society.

In 2016, the company fulfilled all environmental requirements and met 100% with effluent discharge standards. Many of our branch breweries won provincial and municipal honours.



100% pass in terms of
effluent discharge standards

100%

Investment in the upgrading
of environmental protection
facilities grew 12.7% in
comparison with the year 2015

12.7%

• Optimising management

In 2016, Tsingtao Brewery re-organised and re-compiled the environmental systems of the company based on environmental laws and regulations, published relative management rules with more detailed and clarified procedures and issues. The environmental protection review management rules were continuously optimised with a detailed red card and yellow card system. The environmental protection checking was strengthened with combined measures such as self-checking, peer review, on-site checking by the company and remote checking.

• Improving skills

Tsingtao Brewery has been continuously raising the skills of staff, developing courseware on environmental protection specialty and system, holding competitions on waste water treatment for processing staff. We have made full use of self-media approaches and realised real-time sharing of experience and knowledge on environmental protection.

• Holding the activity of “adding some green to the environment”

Various theme events of “adding some green to the environment” were regularly held with the organisation of environmental protection volunteers at different levels, through which the ideas on environmental protection were broadcasted and green responsibilities of the company were implemented.

100% pass with waste water discharge standard

100%

In comparison with the figure in 2015, the water consumption per unit product in 2016 dropped by

Unit: m³/kl

1.78% ↓



Water resource preservation and recycling

Saving water

Water is the source of life, while preserving water has always been the most important work of energy conservation and cost reduction. The company has taken various effective measures to save water and raise the efficiency of water usage in accordance with the ideas of source reduction, process control, in-depth treatment and “usage staircase”. In 2016 the company paid attention to raising the reverse osmosis outflow rate, improved of the cooling water recycling system and centralised the retrieving and reusing of water resources, as well as promoted the development of 17 water saving techniques like restructuring of the nozzle diameter of the bottle washing machine, so as to further reduce water consumption.

Waste water management and reuse

Tsingtao Brewery has implemented refined management and standardised sewage treatment processes, which lays stress on source reduction and process control. World advanced techniques were adopted to realise 100% of the effluence up to the sewage standard. In 2016 Tsingtao Brewery optimised and upgraded the waste water treatment techniques of six manufacturers, i.e. Wuxing, Songjiang, Weifang, Shijiazhuang, Xi'an and Tsingtao Brewery's number two manufacturing branch.

**Case**

Tsingtao Brewery Weifang branch adopted the cutting-edge MBBR technique with their aerobic pool, realising full flow with suspending filler, and achieving high efficiency in waste water treatment. The per unit sewage water electricity consumption dropped by 34.7% compared to the figure in 2015.

**Case**

After upgrading the anaerobic system, the Wuxing branch of Tsingtao Brewery has 40% decrease in both per unit sewage water electricity consumption and sludge outflow.

Energy management and preservation technology application

Systematic thinking, process control, increasing the energy utility rate and building a green energy conserving and environmental friendly enterprise – these are the persistent pursuit of Tsingtao people. According to the national plans of energy conservation and discharge reduction, we will keep on promoting the transforming of energy conservation projects and application of new energy conservation technologies to lower energy consumption continuously.

Application of energy conservation technology

In comparison with the figure in 2015, the comprehensive energy consumption per unit product in 2016 dropped by

Unit: kg/kl

1.89% ↓



In comparison with the figure in 2015, the standard coal consumption per unit product in 2016 dropped by

Unit: kg/kl

2.42% ↓



Case

The Khanka Lake branch adopts large space heating for packaging workshop and warehouse. With same investment on heating, the large space heating can realise intelligent frequency conversion, wireless control, automatic cleaning and remote maintenance, saving nearly 50% of energy.

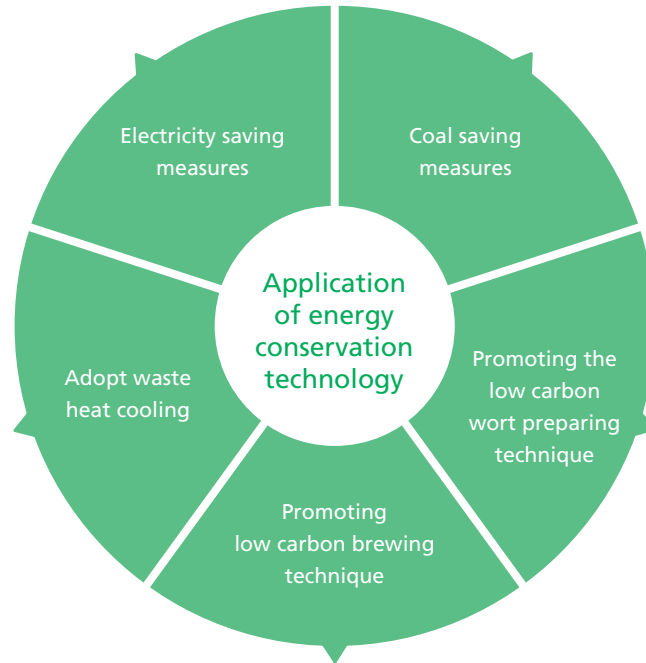


Case

The Khanka Lake branch uses the energy conserving and environmental friendly air cooling machine with the cooling system for fermentation. It is proved that 65 kWh of electricity is saved per hour in comparison with the traditional ammonium cooling machine.

- Transformation of ammonium system automatic emptying
- Repeated cooling technology
- Frequency conversion control of compressor and boiler induced-draft fan
- Pilot application of scale removing with new technique of vaporisation and cooling

- In summer, the wort may be cooled by the cooling with lithium bromide chiller using the excessive secondary vapour generated in boiling.
- In winter, the excess heat generated from saccharifying may be used for the heating of the neighbourhood of the brewery.



- Reducing CO₂ discharge by 8%
- Saving 45 yuan per thousand litre wort

- Upgrading the heat recovery function of the saccharifying wort cooker
- Applying the technique of wort boiling with heat wave
- Applying the technique of boiler thermal storage
- Applying steriliser insulation

- Building barley quality and technical standard system, increasing the malt limit dextrinase activity by 100%. Forming a key set of technology for low carbon malt preparation

Using renewable energy

Tsingtao Brewery's wastewater is processed with UASB and IC anaerobic treatment. We adopted source control optimisation, steady operation of the anaerobic system and refined management mode to produce biogas to be recycled as fuel for the boiler, thus reducing greenhouse gas emission and lowering production costs.

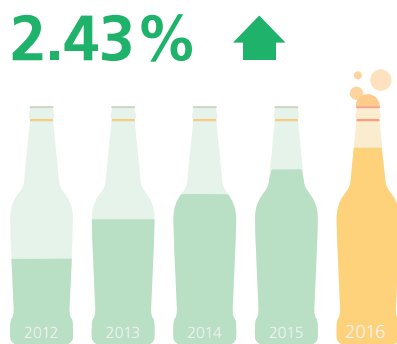
Biogas boilers and bags



Tackling climate change

In comparison with the figure in 2015, the CO₂ recovery per kl of cold wort in 2016 increased by

Unit: kg



Climate change has become the focus of the current programme of people's livelihood. In order to tackle climate change, Tsingtao Brewery has adopted a working guideline of "early involvement, early action and early benefit" and built a new mode of low carbon operation with recycling and reusing of CO₂ and marsh gas, energy management, as well as measures like replacing coal-fired boilers etc.

Reduction of waste gas emission

- In line with the requirements of the laws and regulations such as the newly promulgated Law on the Prevention and Control of Air Pollution, a replacing plan for coal-fired boilers with a capacity of less than 10 tons in Tsingtao Brewery and the subsidiaries was drafted to reduce pollutant emission. In 2016, five manufacturers had replaced their coal-fired boilers, of which four changed to gas-fired and one changed to collective heating.
- In 2016 Tsingtao Brewery replaced the coal-fired boilers with environmental friend gas-fired boilers in the subsidiaries in Hanzhou, Luzhou, Shaoguan and Nanning. In Xuecheng branch, the New Yinmai Company adopted advanced technologies such as Bag and electrostatic dust as well as Ozone denitration, completed the upgrading of super-low discharge coal-fired boilers, in order that the super-low emission requirements for NO_x, SO₂ and dust could be met.



Case

The New Yinmai company invested 10.5 million yuan for the upgrading of super-low discharge coal-fired boilers, in order that the super-low emission requirements for NO_x, SO₂ and dust could be met.



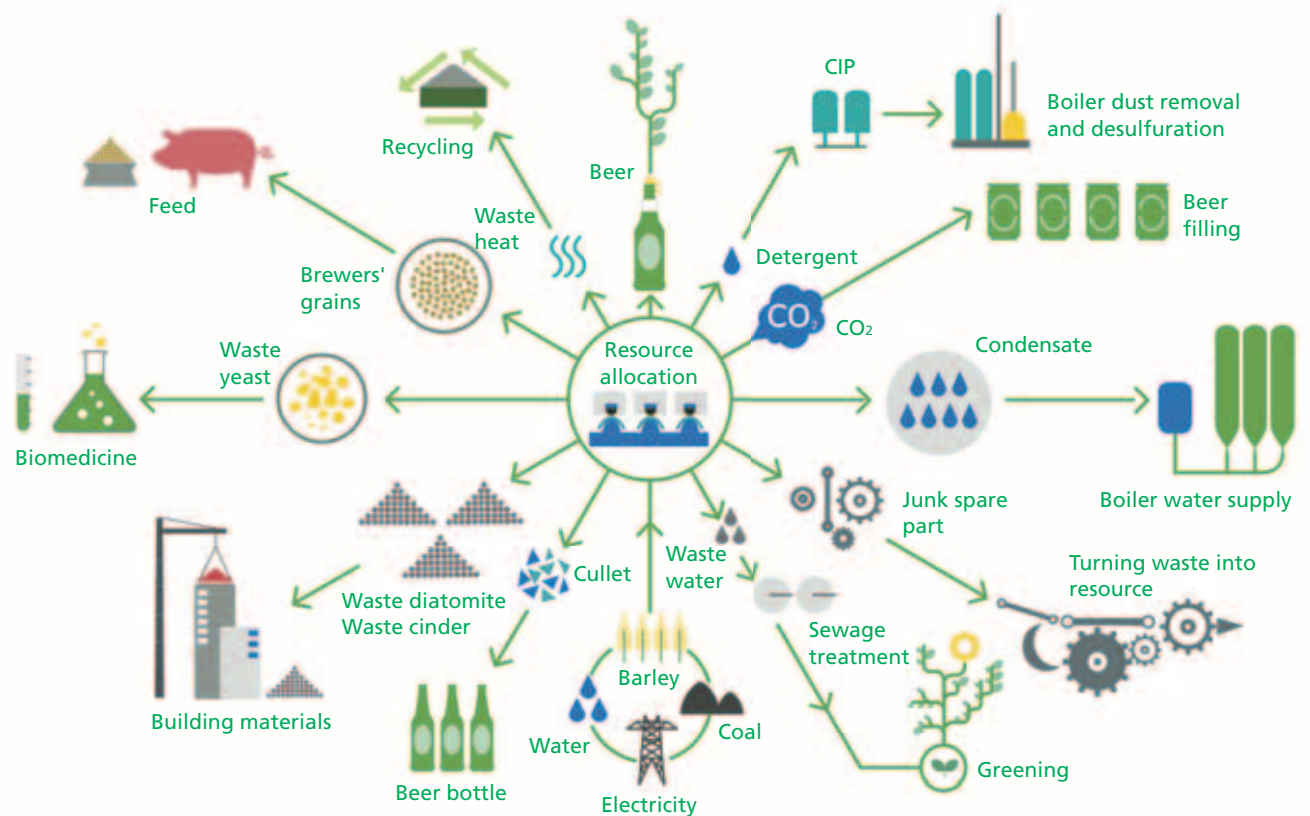
Case

The Luzhou company invested 3.15 million in 2016 for coal to gas transition programme, adopting four natural gas-fired boilers each with a processing capacity of four tons. After the upgrading the emission of SO₂ was nearly zero, the emission of dust decreased to below 10 mg/m³, realising tremendous drop of discharged pollutant concentration in comparison with coal-fired boilers.

Circular economy and recycling use of waste

Recycling use of waste: to stick to the 3R principle – “Reduce, Reuse, Recycle”, and maximise the recycling, conserving and using of resources; to reuse and recycle by-products generated in production and

service; to optimise the bidding plan for bulk waste and specify the evaluation details and requirements for bulk waste contractors. In 2016, the recycle rate for usable waste reached 100%.



▲ Exhibits made of waste materials in the brewery



▲ Turn the by-products into organic fertiliser for green plants



▲ Volunteers of the Tsingtao Brewery's number two manufacturing branch promoting environmental protection activities on 5 June the World Environment Day

Caring for the environment To be the greening pioneers

Since the Alliance of Environmental Protection Volunteers was established in June 2015, Tsingtao Brewery has undertaken more than 380 events featuring environmental protection, such as saving the water source, separate collection of garbage, cleaning work, green riding with bikes and fitness walking. As many as 5,000 volunteers joined in these activities. They spread the awareness of environmental protection and got many more people to join in, making environmental protection a daily routine.



▲ Staffs of the Wuwei company introducing environmental protection knowledge to public



▲ Staffs of the Songjiang company signing their names on the board for the environmental protection initiative



▲ Shouguang company's promotion event featuring the theme of "adding some green to the environment"



▲ Environmental day event carried out with the cooperation of the Shouguang Lu Primary School



▲ Jiujiang company undertaking "collecting garbage for beer" activity



▲ Volunteers from the Tsingtao Brewery's number five manufacturing branch cleaning the beach



▲ Volunteers from Yulin company planting trees

Caring for the community

• • • •

Tsingtao Brewery has always set social responsibility on top of company development, actively promoted every programme for public benefit, repaying the community with actions.





3000

employees joined in
the volunteer activity

GTAO

Responsible drinking – we care more for your health

People who
should not drink



Healthy life
with beer

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

- 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
-



▲ Responsible drinking promoted by the Zhuhai and Jieyang companies



▲ "No alcohol for the under-age groups" posters at the stores



▲ Tsingtao Brewery winning the "Best Team" title.

Caring for the community – we are on your side

Since 2013, Tsingtao Brewery has fulfilled the social responsibility with a total donation of 13,385,760 yuan for the public. The trade union of the company has built a service network of volunteer group, with more than 60 teams and over 3,000 staff participating in the programme. The volunteers regularly held public service events such as blood donation, community volunteer service, voluntary environmental protection activities, and clothes donation. The blood donation has become a regular event of our staff, and our team of volunteers has been recognised by the Red Cross Society of China as an "Outstanding Red Cross Volunteer Team".

In recent years the "Psychological aid programme at the Tsingtao Brewery Qushan Town Primary School in Beichuan",

the "Reconstruction project of the Zhongling Village, Lushan County, Ya'an" and the "Ten-year Developing Programme together with Beichuan Children" drew the attention of the community and received lots of reputation. We won the "China Charity Award" and were honoured for many consecutive years the titles like "Caring Company" and "Company to Help the Disabled" at provincial and municipal levels. In 2016 the volunteer group of Tsingtao Brewery was honoured the "Best Team" in Qingdao.

Tsingtao Brewery launched the Qingdao University-Tsingtao Brewery Postgraduate Student Scholarship programme in 1996. During the past 21 years, the scholarship benefited as many as 1,502 outstanding students.



▲ Qingdao University-Tsingtao Brewery Postgraduate Student Scholarship awarding ceremony

Our voluntary service team



▲ Tsingtao Brewery volunteers participating in the 195th event of the “Warming the winter” series activity organised by the Xiaojie voluntary organisation in Daishu Village, Rizhuang Town, Laixi City



▲ Taiyuan company undertaking charitable donation activity “Hand in hand for charity with love in Longcheng”.



▲ Staff from the Suqian company greeting children in the Sucheng District Social Welfare Care home



▲ Hansi company staff greeting the Children's Village in Xi'an



▲ Langfang company staff greeting the Fuyuan Care home for the Elderly



▲ Luoyang company staff handing out T-shirts and school supplies to the underprivileged pupils in Yiyang County



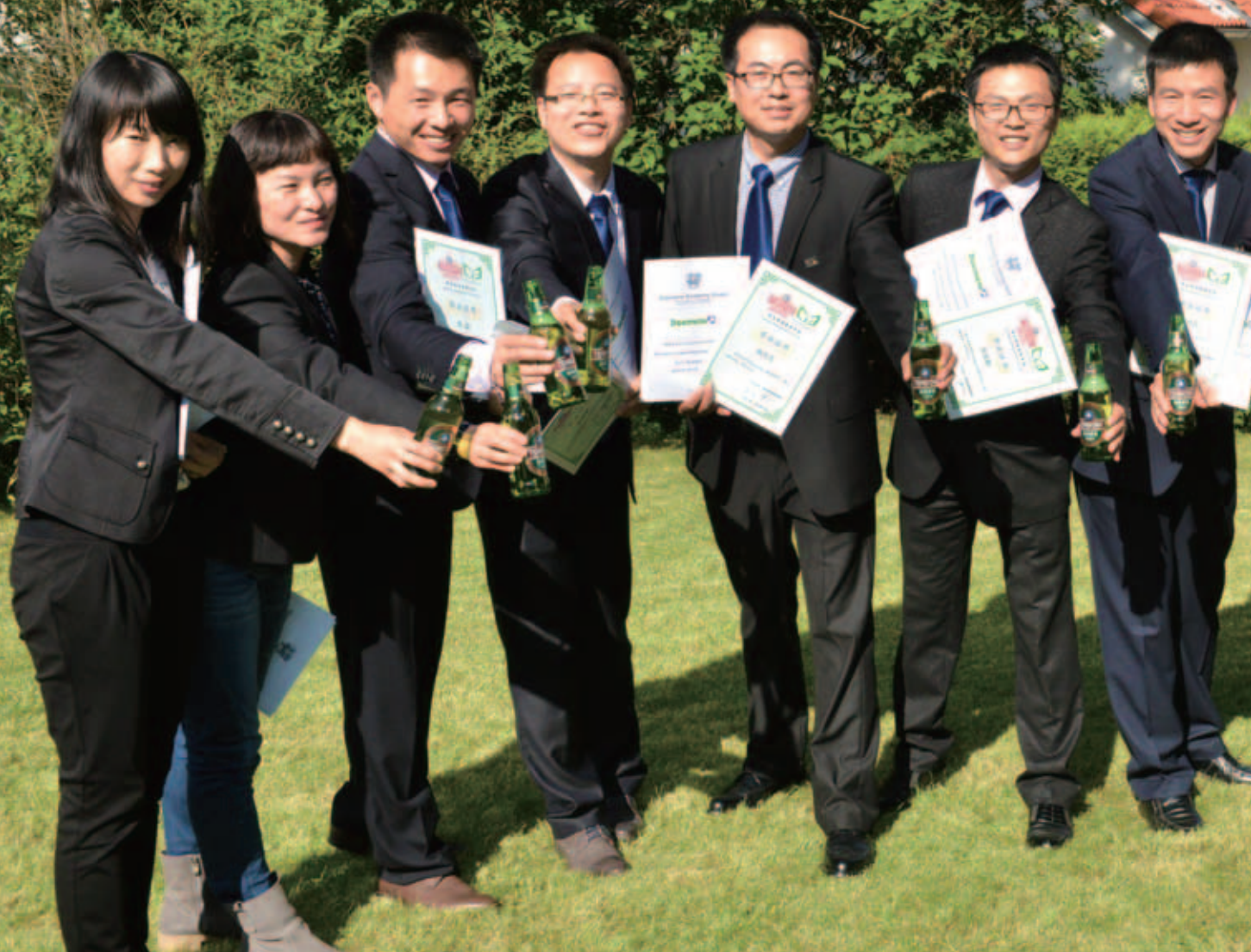
▲ Staff of the Tsingtao Brewery's number four manufacturing branch in blood donation

Caring for the community

• • • •

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

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



In 2016 the Employee
Caring Fund provided
an aid of

771,900 yuan



Representatives to study in the second batch
of brewer training course in Germany

Let our employee work safely, healthily and happily

In 2016 we continued to execute the guiding safety principle “safety first with preventive measures taken and comprehensive treatment” with the *Production Safety Law of the People's Republic of China* as the red line and bottom line of management. Safety management system building was promoted and no accidents in terms of production safety up to the level of serious

injury happened in 2016. We won the title “Advanced Unit for Safe Production Management of Shandong Province” for the ninth consecutive year, as well as the provincial awards of the “benchmark company for safe production management and control system building” and the “benchmark company for system building of hidden risks screening and diminishing”.

Safety inspection

**Whole coverage
Zero blind angle**

Risk identification

**Comprehensive
Zero risk**

Hidden risk
management

**Diminishing all
Zero tolerance**

Implementing the main body responsibility of production safety management

- Signing target responsibility documents at every level and specify the responsibility to working units and individuals
- Establishing a work committee for production safety management, setting up an independent production safety management department, staffing professional production safety management personnel and registered safety engineers in accordance with laws and regulations

Introducing in consultation, rebuilding a more scientific and complete production safety management system

- With the guidance of the ISRS (International Safety Rating System), we have built a standard system, an evaluation system, management tools such as BBS and JSA, a core team, as well as a monitoring indicator system.
- Every manufacturing branch of the company has passed the certification of Safety Standard Level Three and the OHSAS18001.



▲ Staff signing their name on the banner “my safety for myself” during the Production Safety Month in the Taizhou company



▲ The Heze company holding a joint drill with the local fire brigade on the emergency rescue of a liquid ammonia leak scenario



▲ Representatives winning awards in the production safety knowledge contest

Priority assurance for the production safety input

- The group invested 100 million yuan in production safety, to improve the production safety from the root and provide staff with safe protection in working

Improving the training and raising the awareness of the staff

- Building a safety culture within the staff, improving the safety training for staff and ensuring 100% of the special work personnel holds a license

Risk identification and hidden risk management

- A combination of headquarters safety auditing, peer review, weekly inspection by the GM and BBS inspection by the work group directors

Strengthening drilling

- Establishing an emergency rescue system combining comprehensive plan, special plan and on-site processing, with drilling regularly held

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

Equal and in-compliance employment

- Insisting equal and in-compliance employment regardless of the ethnicity, nationality, gender, religious belief, age, political group or marital status of the employee.
- No child labourer or enforced labour is allowed. In 2016 no significant risks were discovered with Tsingtao Brewery in terms of hiring child labourers or cases of enforced labour.
- Open employment with recruiting information published in open channels.
- The company has been honoured the "Best Employer of the Year in China" for six years from 2011 to 2016.

Fair and reasonable salary and benefits

- We have strictly followed national laws and regional regulations; provided paid-leaves, maternity and sick leaves, physical examination, health training, as well as a refined social welfare protection system for employees.
- Tsingtao Brewery continued to refine the salary growth management model based on basic security growth and performance goal growth. The total salary of an employee was linked to the performance. We have optimised the total number and structure of our staff, raised average efficiency and ensured the stability and continuity of employees' income.



Protecting equal rights and strengthening communications with employees

The company firmly observes laws and regulations, respects the rights and opinions of employees, strengthens communications with employees in various forms.

- The trade union assembled the members of the employees' assembly annually to answer proposals from the staff, which effectively protects the employee's rights of knowing, participating and supervising. The trade union also tried to ensure the management affairs open to the public. The trade union has built a "Service Station for the Staff", which continuously helped to improve the working environment of common staff. They could get occupational health education there, and the station is also a place to ensure the implementation of democratic management of the company.
- A team of part-time communication counsellors working for common staff was built. 100% of the manufacturers have been approved, and 108 counsellors have got their certificates.
- The new media of WeChat platform was adopted to provide tutorials for the staff and promote the enterprise culture. The portable class of management was also opened on WeChat. Innovations were made in the caring for employees, promotion of training information, E-learning through WeChat, researching, training, and taking online examinations.
- Various cultural activities were held by all units to enhance the cohesiveness and centripetal force.



▲ "Protecting eyes for a healthier life" with the Harbin branch employees

Caring for employees with support from a special fund

- The Love Fund of the company provided help to 23 poor staffs who suffer from serious illness in 2016. The total amount reached 771,900 yuan. And the fund totals 2,685,773.09 yuan now.
- The "Mama Home" was built to provide caring to pregnant or baby nursing female staffs.
- We paid attention to the health of employees. Physical examinations for the staff were organised regularly. Sympathies were given to the sick or poor staffs and their families, and staffs in need of special help. 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.



▲ Employees' assembly – to vote for the new trade union committee



▲ Employee with serious illness receiving the aid from the Caring Fund of the company

Helping employees to grow quickly

Paying attention to employee training and building complete systems on training and development

Managing Rules on Training, Managing Rules on Partner Trainers, Managing Rules on Course Development, Managing Rules on Training Fees, Managing Rules on the Online Management College Training, Managing Rules on the Certification of Career Qualifications, Managing Rules on the Promotion and Stimulation for Professional Position Holders, Managing Rules on Position Exchange and the Managing Rules on Staff Development etc.

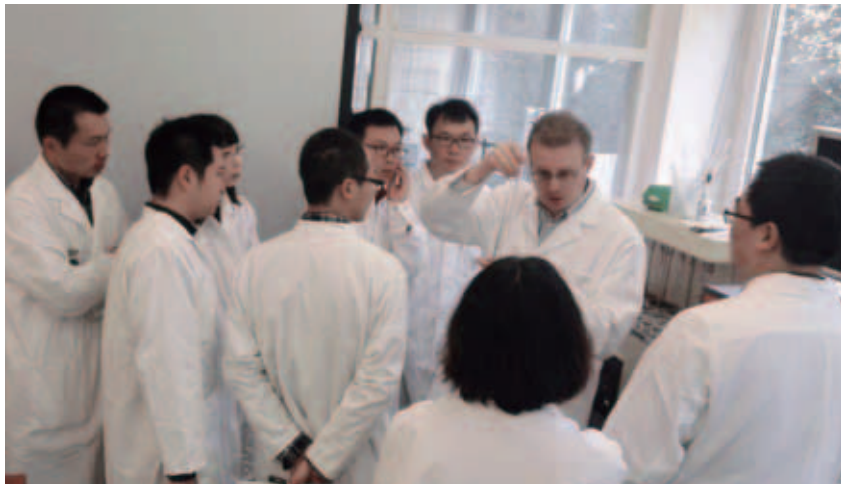


Case

In 2016, the company launched the sixth professional skills contest, in which the number of contestants exceeded 23,000. A three-level competition (national preliminary contests, regional semi-finals, and concentrated finals) was held to build a learning, communicating, and competing platform for the front-line employees. This contest helped to improve the skills of front-line employees.



▲ The Tsingtao Brewery's number two manufacturing branch of TPM Training School lessons delivered by Tsingtao Brewery Number Two manufacture



▲ Trainees from the second Tsingtao Brewery – Doemens brewer class to study in Germany



Building multifaceted learning platforms

On-job training, on-line study (PC and mobile phone), tutoring, project research, counselling, skills competition, studying abroad, customised training, etc. were provided.

Learning system with overall coverage

Thanks to the continuous efforts of many years, the company has built a study system which can offer classes of different majors to various people like distributors, grass-root staffs, managers at all levels, key professional and technical staffs.



The WeChat public account QR code for the Tsingtao Brewery Management College



Staffs can study whenever they need.
The skills studied can be applied soon after the class.

In 2016, the first micro-lecture contest was held. A new mode of crowd-funding through the internet was used to inherit the internal wisdom of the company, constructing a knowledge map for all occupations, and helping people at all levels to make progress. The contest received a positive response from the staff. A total of 2,735 contests took part in the game, and 1,096 works were in the race with over 30 thousand hits on the internet.

- A team making micro-lecture
- The operation standard and the target audiences prudentially selected
- Brilliant cases made at any time
- New knowledge spread out on time



Create win-win relationship with business partners

Case

- The industry led to develop in a lightweight way of being low-carbon and environmentally friendly
- Environmental situation of suppliers evaluated, and priority given to suppliers who have met the environmental standard when purchasing
- The extensive using of light weight bottle to help reduce logistics costs and consumption of resources

- Leading the industry in the application of new technologies

The promotion of the application of new products, new technologies, and new models will be continued. The quality of procurement will be enhanced, but the cost of it will be slashed, leading the development of the industry, such as:

- Pioneering in the use of light weight bottle
- Promoting the use of low weight paper cartons
- Being the first company who uses electronic business platform to bid



Case

- To help suppliers to enhance their environmental protection ability

To ensure the emission standards being met

The malt suppliers are demanded to upgrading their current sewage treatment facilities, expanding the sewage treatment pool, and meeting the requirements of national environmental protection standards

To increase the investment in environmental protection and technical improvement

- Bottle suppliers are demanded to increase environmental protection input, to meet the emission standards, and to take the initiative to shoulder the increased cost of environmental protection of the supplier; a number of suppliers have achieved the standard of not discharging any wastewater.
- The cullet processing procedures needs spraying water onto the glass to finish the cleaning. The waste water produced will be recycled after the sewage treatment; the seal water of coal-gas producers will be pumped by water pump to use as spraying water and clean the cullet.
- In 2016, thanks to technical innovation and process adjustment, bottle suppliers increased their production speed by more than 30%; the replace of old air compressor with new screw machines helped to reduce power consumption.

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.

Helping suppliers to succeed

In 2016, we carried out scientific and effective communications with our suppliers, provided opportunities to improve the product quality, service, management and cost of both sides. Meanwhile we raised the efficiency, lowered the energy consumption, minimised environmental impacts and built a green production chain.

Financial support

- Support will be given to ensure the development of suppliers, such as the off-season storage of bottles, finishing the payment in advance, etc., to ensure the suppliers can go through the inventory period safely, and to maintain the normal running of the enterprise.
- The electronic billing platform helps to enhance the timeliness of payment and settlement, and the problem of funding constraints of the suppliers will be eased because of the notes discounted provided by finance companies.

Technical and managerial support

- To enhance the management ability of the supplier, communications on best practice and technical, and on-spot technical guidance will be provided to suppliers who are weak in management.
- To improve the quality management level, quality standards have been improved and on-spot audits have been strengthened.



▲ Win-win cooperation with distributors

Wholehearted support for distributors

Tsingtao Brewery fully respects and recognizes every distributor and we hope to grow together with our distributors.

Promoting the united business plans with distributors

- We actively promoted the coordination between manufacturers and distributors, and enhanced the operational capabilities of strategic distributors. Our business team focused on the promotion of business qualities in management, distribution system, terminal supply and micro operation with 257 strategic distributors.

Strengthening communications with distributors and carrying out training programmes in relative areas

- Holding the 2016 Global Distributor Conference
Organising distributors to participate theme trainings and “Forum of Famous Experts” activities, and at the same time, 110 outstanding dealers were honoured significantly enhance the development awareness of the distributors, and boost the confidence and morale of them.
- Theme trainings for distributors are carried out.
The “Win-win Theme Training for Distributors” is carried out for two times, strengthening the communication on best practices between business teams and dealers. It also effectively improves the dealer's business sense and professional ability to operate in the market.



▲ Win-win cooperation with distributors

Honours in 2016

Categories	Awards
Awards on the brand and image of the corporation	BrandZ Top 100 Most Valuable Chinese Brands 2016
	The World's 100 Most Reputable Companies
	2016 (Thirteenth) Top 500 Most Valuable Brands in China
	Top 500 Enterprises of China 2016
	China's Most Admired Companies (11 times)
	China's Most Respected Companies 2016 (13 times)
	"Most Competitive Enterprise"
	On top of the list of China Time-honoured Brand
	China Spectrum Award with the 2016 (Tenth) China Brand Festival
Innovative awards	2016 Food Safety Shandong "the Influential Food Brand in China"
	The "Yidi" Science and Technology Innovation Award
	Enterprise Big Data Communication Innovation Award
Awards on capital market and social responsibility	2016 Outstanding Contribution Award of the Top 10 Made-in-China Brands
	Top 20 Best-Practice Boards of Supervisors with Public Companies Best Practice and Excellent Case of the Board of Supervisors of Public Companies
	The "Annual Overseas Contributions Award" with the Eleventh Annual People's Social Responsibility Award
	Top 100 Best Employers in China
	"Golden Chopsticks Award Benchmark Company"

Comments from a third party

Comments on this report

In 2016, the beer industry showed a stabilised rebound following a two-year sluggish demand and shrinking market. The beer industry however, has been on the downturn of industry life cycle, demonstrating a slow-down in growth in both gross revenue and sales volume for three consecutive years. The most important reason for such a downturn is the lacking of cultural influence in beer industry and beer products. Moreover, structural adjustment is still the focus of the industry. Leading companies should make industrial culture their priority.

We can conclude from the Tsingtao Brewery Co., Ltd. Environmental, Social and Governance Report 2016, that as a leading brand, the Tsingtao Brewery Co., Ltd. had made significant contribution to formulating brand strategy and improving operations in product renovation, distribution channel expansion, organisation optimisation and food safety control system development. Moreover, in the

development process, the Tsingtao Brewery Co., Ltd. always respects craftsmanship, sharing success with staff and clients, initiates drink culture and organic way of production. The Tsingtao Brewery Co., Ltd. has been widely recognised as a pioneer in promoting sustainable development and developing more unified value chains.

The Tsingtao Brewery Co., Ltd. has been dedicated to prioritising human value over material value, promoting societal value over company value, and aligning business value, environmental value and societal value. The increasing brand influence of the Tsingtao Brewery Co., Ltd. originates from consumer's recognition of the adherence to the philosophy of people-orientated, harmony between man and nature, and sustainable way of development. Therefore, we have reason to believe that the Tsingtao Brewery Co., Ltd. would become the corner stone of sustainable development, demonstrating China's culture, brand and power.

Suggestions

We recommend the Tsingtao Brewery Co., Ltd. to make further efforts to promoting effective communication with industrial competitors, proposing healthy competition, developing food culture that better serves younger generations, utilising brand value to initiate more NFP projects, and improving China's food industry brand influence. The Tsingtao Brewery Co., Ltd. is not only going to be an industry leader, but also a founder of cultural communication.



—— The beer branch of the China Alcoholic Drinks Association

Your feedback

Dear readers,

Thank you for reading the Tsingtao Brewery Co., Ltd. Environmental, Social and Governance Report 2016. Please write any suggestions and comments you may have on the following feedback form and return it to us via post, fax or email. Your feedback is welcome.

Name:

Organisation:

Tel:

Email:

Which chapters provided you with the most important information?

- | | |
|--------------------------------------|--------------------------|
| The preface | <input type="checkbox"/> |
| 113 years just for brewing good beer | <input type="checkbox"/> |
| Green Brewery | <input type="checkbox"/> |
| Creating harmony together | <input type="checkbox"/> |
| Caring for the community | <input type="checkbox"/> |
| "Honours in 2016" and | <input type="checkbox"/> |
| "comments from a third party" | |



Your evaluation of the report

Please contact us:

Address: Headquarters of Public Relations,
Tsingtao Brewery Mansion, May Fourth
Square, Xianggang Middle Road, Qingdao,
266071, China P. R.

Tel: 0532-85785641

Fax: 0532-85720051

Email: zhutt@tsingtao.com.cn

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

Your suggestions for our report next year