



北京2022年冬奥会官方赞助商  
Official Sponsor of the Olympic Winter Games Beijing 2022



Tsingtao Brewery Co., Ltd.

## Environmental, Social and Governance Report

# 2018

## About this report

### Scope of reporting

This is the eleventh 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, 2018. To ensure continuity and for the convenience of comparison, some of the data and information provided are not limited within the year 2018.

### 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.

### 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.

### 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>.

**website: [www.tsingtao.com.cn](http://www.tsingtao.com.cn)**



**115 years**

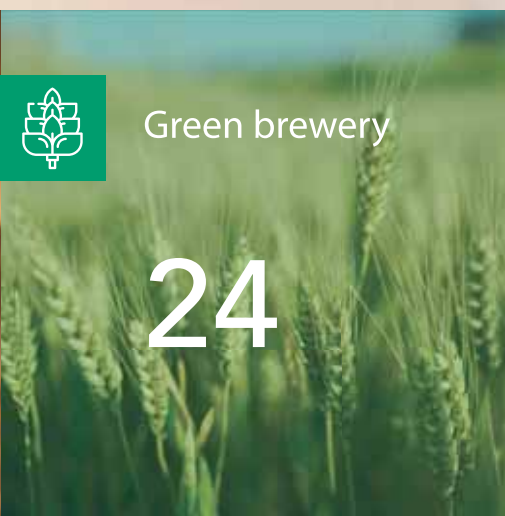
just for brewing good  
beer

**14**



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## Sustainable development indicators of Tsingtao Brewery

The year 2018 witnessed Tsingtao Brewery's glorious endeavour with the joint efforts from all the staff. While facing the pressure from deepened restructuring and rising costs, Tsingtao Brewery has been seeking development through transformation and upgrading. The company has come to a new stage of high-quality development and realised increase in sales volume, business revenue and profit. In the past year Tsingtao Brewery entered the new era of quality by staying true to craftsmanship and glittered on the international stage with its gold-medal quality. A concerted growth in quality

and efficiency has been achieved in the course of innovative transformation. Innovation in the channel of internet has been upgraded and the "new retail" has been welcomed by the company. Tsingtao Brewery is now sailing with the profound cultural background to connect the world, showing the full brilliance of a Chinese brand. 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.

### Economic responsibility

Indicator 2018

Sales volume/ 10,000 kl	803 
Sales revenue/ hundred million yuan	265.75 
Net profit attributable to shareholders of the parent company / hundred billion yuan	14.22 
EPS / yuan	1.053 

The company always attaches great importance to the returns for investors. Since we were listed in 1993, a total of 6.5 billion yuan dividend was allocated in cash in the past 22 years, which is much higher than the 5.1 billion yuan equity financing from the capital market.



Environmental  
responsibility

In comparison with the figure in 2017, the water consumption per unit product in 2018 dropped by

0.43%



In comparison with the figure in 2017, the comprehensive energy consumption per unit product in 2018 dropped by

2.29%



In comparison with the figure in 2017 the coal consumption per unit product in 2018 dropped by

2.75%



In comparison with the figure in 2017, the CO<sub>2</sub> recovery per kl of cold wort in 2018 increased by

2.23%



Social  
responsibility

Number of employees in 2018

39320



Targeted poverty alleviation  
Donation to the Dazeshan Town of Pingdu,  
Qingdao

5 million yuan



## Message from the Chairman



“

Looking into the future, Tsingtao Brewery should be “steady and progressive”, namely, steady in performance and growth, and progressive in refining the business management including product quality, service standard and management level to provide consumers more value.

”

## Restructure the balance and unleash the new driving force for sustainable growth

The year 2018 witnessed a mild growth in global economy and a decreasing driving force for growth. China's beer industry is facing changes in this background. After the rapid growth from 2004 to 2014, the Chinese beer industry is breaking its existing balance due to the changes in China's population, people's level of consumption and even the way of life. The process of balance, breaking balance and rebalance is the portrait of the future development of the beer industry as well as globalisation. Tsingtao Brewery has been developing in a sustainable way in this changing background, breaking the old balance and eager in building a new one. By dynamic restructuring the company has gained new growth drivers for steady and long-term development.

**We continue to build the balance between corporate value and social value.** A company grows not only in size but also in responsibility; and a good company needs to effectively guide the relationship between corporate value and social value, making the two complementing each other and create a virtuous cycle for development.

**We continue to build the balance between corporate supply and consumption demand.** We changed our supply strategy from the “one bottle fits all” in the past to developing a series of products. We changed from mass production to the flexible production with multiple series and small batches. We changed from the traditional single channel sales to the full-channel sales covering the entire internet. We changed from selling what the company produces to customised production.

**We continue to build the balance between promoting short-term performance and achieving long-term strength.** As a century-old company, Tsingtao Brewery believes that

“the present is the future”. We should not only do well in the present for stable growth and benefit, but also create new supply and growth drivers for future development. We will empower our marketing exploration, strengthen the width of the brand influence, nurture our “soil” for sustainable development, and realise the balance between power and endurance.

**We continue to build the balance between quality and benefit.** The quality culture of “good people make good beer” and the pursuit of quality and level are now deeply rooted in the blood and soul of every employee. Our benefit can't be guaranteed without quality the unchangeable basis, therefore we pursue benefit with the guidance of quality and realised the balance between quality and benefit.

**We continue to build the balance between perseverance and innovation.** Tsingtao Brewery evolves with the times based on the strategy of “keeping the existing advantage and building the new”. The core competitiveness must be maintained by “keeping the existing advantage” and the professional perseverance of “115 years just for brewing good beer”. And the total factor “innovative eco-chain” is built to empower the company's sustainable development through “advancing with the times” and “building the new” and innovating technology, products, channels, brands and business modes.

Through building the new dynamic balance, Tsingtao Brewery achieved the best outcome in the changing and challenging year of 2018, realising the increase in sales, revenue and profits.

Looking into the future, Tsingtao Brewery should be “steady and progressive”, namely, steady in performance and growth,

and progressive in refining the business management including product quality, service standard and management level to provide consumers more value. This is an era of changes, and this is an era of challenges and opportunities. Tsingtao Brewery will unleash the new driving force for sustainable growth and build a new balance with the perseverance of “no change” and the endeavour of “seek change”.

Tsingtao Brewery Co., Ltd.

Chairman: Huang Kexing

A handwritten signature in black ink, appearing to read '黄克兴' (Huang Kexing).

March 2019

“

In retrospect, Tsingtao Brewery has been improving the “quality of charm” in the past year on the basis of “fundamental quality + featured quality”, with a series of actions including market expansion, brand promotion, responsibility magnification, tasting-bud-satisfaction by substantial benefit, employee care, value chain units win-win, shareholder and investor return, as well as community and public feedback. A sustainable growth pattern in stable growth was thus established.

”

## Message from the President



## Winning prizes and promoting quality development

The year 2018 witness a stable yet progressive Chinese economy with the access point of high quality, continued economic structure optimisation, as well as transformation and upgrading in growth pattern. Real economy entities including Tsingtao Brewery are the ballast and booster for socio-economic development in promoting the supply side reform. We are probing new business modes, redefining good beer, adjusting growth pattern and building our brand influence. There is the sustainable, positive and progressive power of business inside the whole process.

In retrospect, Tsingtao Brewery has been improving the “quality of charm” in the past year on the basis of “fundamental quality + featured quality”, with a series of actions including market expansion, brand promotion, responsibility magnification, tasting-bud-satisfaction by substantial benefit, employee care, value chain units win-win, shareholder and investor return, as well as community and public feedback. A sustainable growth pattern in stable growth was thus established.

**Facing the profound reorganisation of the industry, Tsingtao Brewery achieved “increase in both quality and benefit”.** Thanks to our comprehensive measure in “adjusting structure, improving cost-benefit ratio, cutting costs and raising efficiency”, we successfully optimised our capability in resource allocation. By improving quality and efficiency, optimising product structure, our level of profit was raised. By managerial innovation for higher operational efficiency, we realised the growth in both quality and benefit based on our current conditions.

**We are strengthening the basis for high-level development with high quality.** In 2018 Tsingtao Brewery won a series of prizes

including the gold medal in the “World Beer Championships”, a big prize in the “European Beer Star” competition, the China Quality Award Nomination Award with the “overlapping responsibilities monitoring and triple-decoding” quality management mode, and the outstanding prize for the Key National Lab on Beer Fermentation Engineering, the only lab within brewery industry identified as a key laboratory of China’s brewing industry. In June our beer products appeared on the dinner table of the SCO Qingdao Summit banquets as the representative of China’s national brands. The brand is honoured as “the diplomat on the table” for the frequent exposure in banquets of the BRICS Summit, G20 Summit and APEC meetings. In December Tsingtao Brewery signed the cooperation agreement as an official sponsor to the Beijing 2022 Winter Olympiad, becoming the Chinese brand to sponsor a second time for the Olympic Games since the Beijing 2008 Olympiad.

**Innovation is the primary force driving high-quality development.** From research and development to product innovation, from cultural innovation to organisational innovation, Tsingtao Brewery maintained sustainable development for the past century and still features passion and vitality thanks to the internal gene of reform and innovation. This year we will enhance our new product development and sales to meet the multiple, characteristic and customised demand of consumers, and fully embrace the “new retail” through innovation and upgrading of online channels.

**The social value is the foundation where a corporation stands on.** Tsingtao Brewery is achieving win-win and concerted prosperity with upstream and downstream value chain units including consumers, shareholders,

employees, suppliers, partners, environment and communities. In 2018 we conducted our “Dream together” event to support sports, carried out the “Tsingtao Brewery Welfare Plan” for targeted poverty alleviation and donated five million yuan to Dazeshan Town in Pingdu, sponsored 1,648 dream programmes with the Tsingtao Brewery-Qingdao University Scholarship programme for the 23rd continuous year, and shouldered 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.

In 2019 Tsingtao Brewery will continue with innovation, transformation and upgrading, explore the new growth points with an open mind, speed up building new growth drivers, and accumulate new power for the stable and sustainable development. We will pay great efforts in building a national brand and raising our product competitiveness and global influence. We will seek sustainable development and share the outcomes of corporate development with employees, value chain units and the whole society at large.

Tsingtao Brewery Co., Ltd.

President: Fan Wei

March 2019

## About us

### Our vision

To be an international company with brands of global influence



### Our mission

Brewing popular beer with passion and inspiring happiness for life



### Company tenets

People oriented  
Teamwork  
Benefiting the society



## Our company

The predecessor of Tsingtao Brewery Co., Ltd. (hereinafter referred to as "Tsingtao Brewery") is the Anglo-German Brewery Co., Ltd. which was founded by German and British settlers in the city of Qingdao in August 1903. Tsingtao Brewery is the earliest brewery in China. According to the 2018 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 15th consecutive year with a brand value of 145.575 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 2018, the company has 62 wholly-owned / holding subsidiaries, and two jointly owned / operated breweries in 20 provinces, municipalities and autonomous regions in China, boasting the leading position in China's beer industry in terms of enterprise scale and market share.

As the most renowned Chinese beer brand in the international market, In 2018 Tsingtao Brewery sold its products to over 100 countries including the USA, Canada, UK, France, Germany, Italy, Australia, the ROK, Japan, Denmark and Russia. In 2018 the total overseas sales increased despite of the unfavourable market conditions, in which the Asia-Pacific market grew by 4.5%, the Western Europe market grew by 5.2%, and the MEA (Middle East, Eastern Europe and Africa) markets grew by 23%. The sales in 14 countries including the UK, Italy and Canada grew by over 10%, the sales increase in 11 markets including Russia, the Philippines and Poland exceeded 50%, and the sales doubled in five markets including Brazil, DR Congo and Greece.

The brand value  
of Tsingtao Brewery

**145.575** billion yuan

The brand value ranking  
for the past 15 years in  
China's beer industry

**1<sup>st</sup>**



# Our brands

## Combination of brands: "1+1"

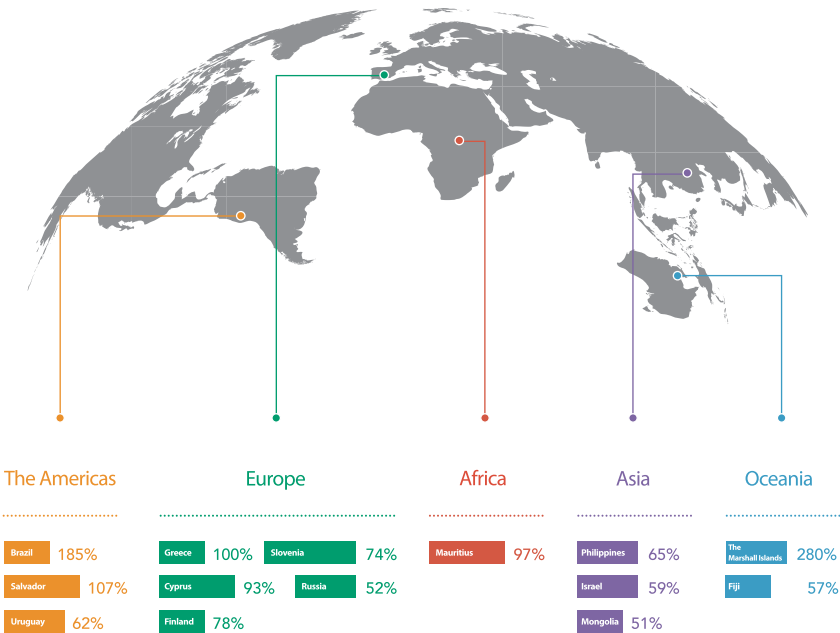
- 1 The first 1 refers to the flagship brand Tsingtao Beer
- 1 The second 1 refers to Laoshan Beer, its secondary brand



## The "Four-in-one" Brand promotion

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

## Growth rate in overseas markets





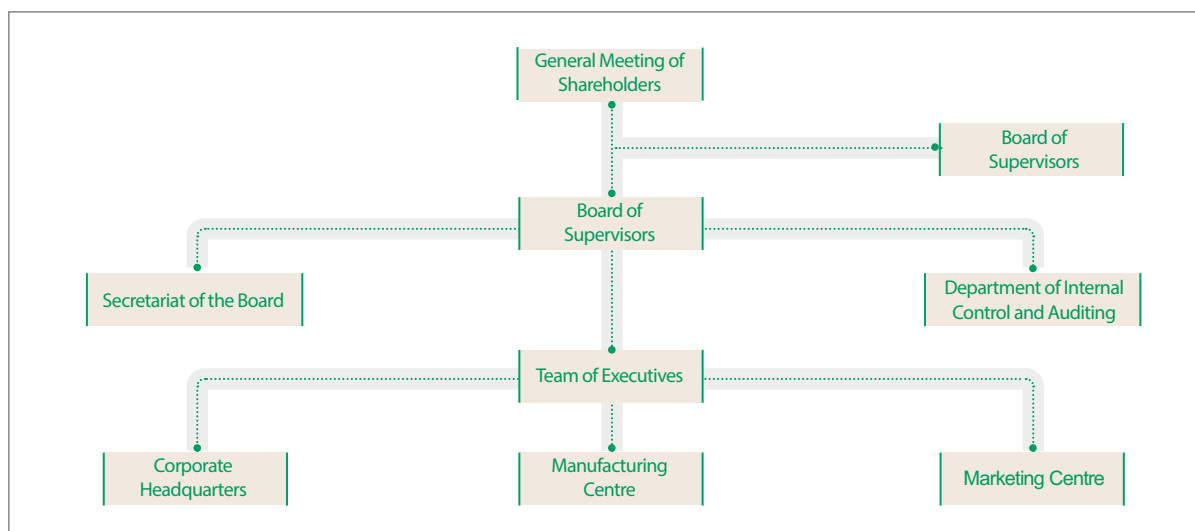
Members of the Ninth Board of Directors with Tsingtao Brewery

## Corporate governance

Till 31 December 2018, there were nine members of the Ninth Board of Directors with Tsingtao Brewery, of which four were executive directors, one was non-executive director and the other four were independent directors. There were seven members of the Ninth Board of Supervisors with Tsingtao Brewery, of which four were shareholding supervisors and three were employee supervisors. The independent directors came from different professional backgrounds and were richly experienced in legal affairs, accounting and financial investment etc.

Since the company went public, Tsingtao Brewery has been developing an advanced system of corporate governance that

conforms to international standards and continues to improve with pioneering mind and actions. Good relations are maintained with sound communications with international investors and information such as the performance and major happenings of the company are accurately published. The management of the company is structured so that the chairman of the Board of Directors, the president and the chairman of the Board of Supervisors are separate positions, creating a balanced governance structure with clear responsibilities. The company is the first listed domestic company with a board in which external directors and supervisors account for the majority of the Board of Directors and the Board of Supervisors respectively.





Members of the Ninth Board of Supervisors with Tsingtao Brewery

## Risk control and management

In 2018 the company continued to provide high-quality products and service in the background of supply side reform and industrial transformation and upgrading. The company explored and innovated in the course of deepening corporate reform and raising management level to realise the beneficial, quality and sustainable development.

Facing the changes of environment both inside and outside, the company timely identified and evaluated the influences of risk control management changes to the company's development, and actively took measures to tackle risks brought about as the new business modes, technologies and methods widely applied in management

practice, i.e., the impact to traditional manufacture by the internet and big data technologies.

In management, the company operated with compliance to laws and regulations, protected the interests of shareholders, and timely respond to the concerns of stakeholders. We built a complete internal control and evaluation systems, hired qualified external auditors to audit the internal control process, revealed the internal control report together with the corporate annual report and prevented the operational risks of the company with a total upgrading of internal control system through sound corporate governance.

## Innovation brings energy

Thanks to innovation, the 115-year-old Tsingtao Brewery has become the new “benchmark” for an evergreen enterprise with vigour and passion.

### Product innovation

Tsingtao Brewery unceasingly speeds up the pace of product innovation with a consumer-centred concept. The company has noticed the customised, high-end and characteristic consumer demands and developed a series of featured products including the Tsingtao Classic 1903, Tsingtao Pure Draft, Tsingtao Augerta 1903, the Hongyundangtou (Good Luck), the Tsingtao Beer World Cup Limited Edition and the Tsingtao Night Owl Beer for Old Friends.

developed ready for various segmented markets to meet customers' various demands. The new products with unique packaging are new market winners including the new bottle-version IPA, the Success edition of the Hongyundangtou (Good Luck), the Tsingtao Beer World Cup Limited Edition and the Tsingtao Night Owl Beer for Old Friends.



### Production mode innovation

The production mode was transformed to meet the various consumer demands, and the mass production changed into customised batch production or even tailored production for individual customers. Tsingtao Brewery precisely grasped the upgrading

and customised consumer demands and optimised the product structure with the strategy of various kinds, small batches and customised production. The company realised the development in both quality and efficiency.





## Channel innovation

In 2018, Tsingtao Brewery established cooperation relationships with online flagship stores such as the Alibaba's 1st.1688.com, JD.com, Freshhema.com, Netease Yanxuan and Xiaomi Youpin. Through the connexion to new market ecology, the company's sales and

profits grew rapidly in a balanced manner. The company has entered an era of high-quality development with a 65% growth in Tmall and a 133% growth in JD.com.

## Customised production for corporate customers as new normal

Customised production for corporate customers has become Tsingtao Brewery's new normal in production. The business cooperation mode for customised beer production was gradually completed, and the corporate procurement business was standardised and normalised.

In the spring of 2018 we shook hands with Pizza Hut again and developed the Success

edition of the Tsingtao Beer Hongyundangtou (Good Luck), and completed customised orders for enterprises like Vanke and Ailand. Now with cross-industry cooperation with Netease Yanxuan and Zhouheiya in customised production, Tsingtao Brewery is leading the trend of a new era for customised production.



□ Strategic agreement signed between Tsingtao Brewery and JD.com



□ Success edition of the Tsingtao Beer Hongyundangtou (Good Luck)



Tsingtao Wheat Beer



Tsingtao Stout



Pilsner



IPA



Laoshan Beer

## Business ethics and compliance with regulations

Tsingtao Brewery conscientiously implements the spirit of the 19th CPC National Congress and the second plenary session of the 19th CPC Central Commission for Discipline Inspection, focuses on the main business and main responsibilities, carries out the high-quality development with the management team in the core position.

The year 2018 witnessed new outcomes in improving the Party committee's work style and building clean governance within the company through multiple measures such as political reviews, discipline checks, internal monitoring, disciplinary education and

organisational restructure. We improved our long-term effective mechanism to ensure "officials dare not, cannot and do not want to be corrupt" for the company's healthy development, in which way Party officials sense of responsibilities and eagerness to take on challenges, and Party members' compliance to regulations and disciplines were improved.

### 1 Build a fine Party culture and keep the organisations clean



Signing ceremony of target responsibility documents for improving the Party committee's work style and building clean governance at each management level

### 2 Education on Party members' awareness



Party lecture delivered by the company's Party Secretary Huang Kexing

### 3 Build a fine Party culture and keep the organisations clean



Li Yan, Secretary for the company's Party Discipline Inspection Commission inspecting Tsingtao Brewery (No. 3) Co., Ltd.

### 4 Self-construction



The third edition of training for discipline checks and internal monitoring

### 5 Party building

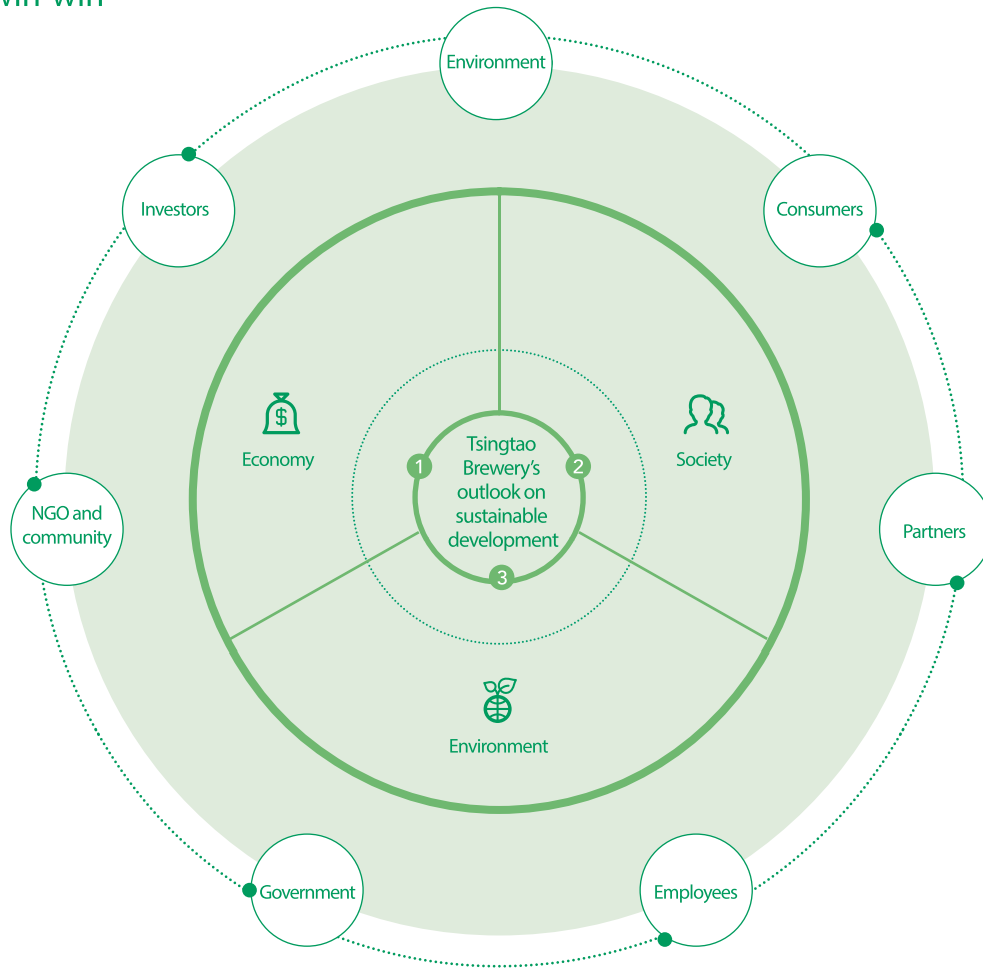


Party building event at the former site of the Gutian Conference



Theme event "Retaking the Long March with original aspiration and mission in mind"

## 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



# 115 years just for brewing good beer



National level beer assessment committee member  
Director, Brewery Department,  
Tsingtao Brewery (Jinan) Co., Ltd.  
**Jiang Wei**



National level beer assessment committee member  
Quality manager, Quality Control Department,  
Tsingtao Brewery (No. 2) Co., Ltd.  
**Song Jie**







National level beer assessment committee member  
BQA manager, Quality Control Department,  
Tsingtao Brewery Hans Baoji Co., Ltd.

**Yang Junhua**



National level beer assessment committee member  
Quality manager, Quality Control Department,  
Tsingtao Brewery (Chengdu) Co., Ltd.

**Tang Yaohua**



## Product management throughout the value chain



**Jiang Wei**

National level beer assessment committee member

Director,  
Brewery Department,  
Tsingtao Brewery (Jinan) Co., Ltd.

## 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.

## Food safety management innovation

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

## 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.

### Preventing from the source

**Establishing strict qualification management of suppliers, implementing strict material control risk monitoring and ensuring the quality safety of the upper stream supply chain**

#### • Multi-dimensional provider quality management

Strictly observe the managing rules of accessing standard set for provider quality management, and veto the problematic provider whenever there is a problem with their qualification management, product monitoring and on-site auditing.

#### • Close monitoring system of raw material

Formulating strict sampling procedures, observing the whole-range coverage monitoring principle, conducting targeted risk control, and monitoring identified risky material in a more frequent manner.

### Strict checking of products

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

- 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.

- Build specific monitoring modes, set monitoring plans for key issues and hazardous projects, deepen the strict examination process and prevent quality hazards

**Song Jie**

National level beer assessment committee member  
Quality manager,  
Quality Control Department,  
Tsingtao Brewery (No. 2) Co., Ltd.

#### Strict control of the process

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

##### • Improving the red line management and upgrading the evaluation management system

Improving the food safety red card and yellow card system through regular checking, implementing and modifying with the manufacturing sector; upgrading food safety evaluation tools with reference to food safety checking and evaluation tools; improving food safety accident response and product retrieval (recall) management, as well as strengthening drilling and testing.

• 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 and check the effectiveness step-by-step to ensure product quality with strict quality control measures including the combination of on-site auditing and remote auditing, the combination of modular management and sectional management, and strengthened on-site examination etc.

##### • Keeping a high-skilled team for strict quality control to ensure good taste

The company always promotes the beer tasters' vocational skills and keeps a highly skilled team for tasting. Tsingtao Brewery's beer tasters are the most outstanding ones in the industry, which claims 40% of the total national level beer assessment committee members, and won top prizes in national level beer tasting competitions. The tasting skills are widely applied in quality management to continuously promote the product quality in the whole process from raw material to products.

2018

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%

## Triumphant news keeps pouring in with prizes won

Tsingtao Beer is one of the top brands in the world. It maintains its original taste with good quality guaranteed and the prize is a proof of the excellent quality of Tsingtao Beer.

——Werner Glossner  
former CEO of the “Doemens Beer Academy” of Germany

Tsingtao Beer is excellent due to its great quality, taste and rich history. I believe the quality of China's beer industry has been improved. China has a large market and beer industry has a huge potential in opportunity and space for future growth.

——Roland Demleitne  
General Manager, German Brewers Association the sponsor of the “European Beer Star” competition

“The beer is rich in foams and ripe in beer body with complex flavour and long-lasting taste. Its black agate-like appearance is appealing and is very suitable to be served with dinner, as an excellent drink.”

——Judging Panel  
of the World Beer Championships

In the World Beer Championships held in November 2018 in the USA, Tsingtao Brewery products won the recognition of the judges with outstanding taste and quality and got the Gold Medal. Then in the “2018 European Beer Star” competition held in

the southern German city of Nuremburg, Tsingtao Beer won the big prize in the “European Beer Star” competition out of 2,344 beer products from 51 countries.



Big prize in the “European Beer Star” competition



Gold Medal, World Beer Championships



Winning the China Quality Award Nomination Award

In 2018 Tsingtao Brewery won the China Quality Award Nomination Award with the “overlapping responsibilities monitoring and triple-decoding” quality management mode, which is the first time for a foodstuff industry company to win this award





## The spirit of workmanship leading the new era for quality

On 10 April 2018, the 40th "Day of Quality Improvement" event and launching ceremony of the "overlapping responsibilities monitoring and triple-decoding" quality management mode was held in Tsingtao Brewery Co., Ltd. with the theme of "spirit of workmanship leading the new era for quality". The company's

three generations of brewers gathered to participate and witness the 40th "Day of Quality Improvement" event and launching ceremony of the "overlapping responsibilities monitoring and triple-decoding" quality management mode.



**Yang Junhua**

National level beer assessment committee member

BQA manager,  
Quality Control Department, Tsingtao Brewery  
Hans Baoji Co., Ltd.



**Tang Yaohua**

National level beer assessment committee member

Quality manager,  
Quality Control Department, Tsingtao Brewery  
(Chengdu) Co., Ltd.

The "overlapping responsibilities monitoring and triple-decoding" quality management mode to unlock the consumers' "unique taste"

In this era of consumer sovereignty, Tsingtao Brewery exclusively developed the "overlapping responsibilities monitoring and triple-decoding" quality management mode and redefined good beer as the overlapping of "basic quality + featured quality".

Through the triple-decoding of consumers' demands, products and techniques, we fulfilled and guided the consumers' demands for high quality, diversification and characteristics. The key of the "overlapping responsibilities monitoring and triple-decoding" quality management mode is to apply the exclusive flavour atlas analysis capability with scientific methods and artistic approaches to decode consumers' vague, sensational and diversified tastes into precise, reasonable and standardised production process, so as to meet and guide consumers' demands.

Turning from "meeting high standards" to "meeting high demands"

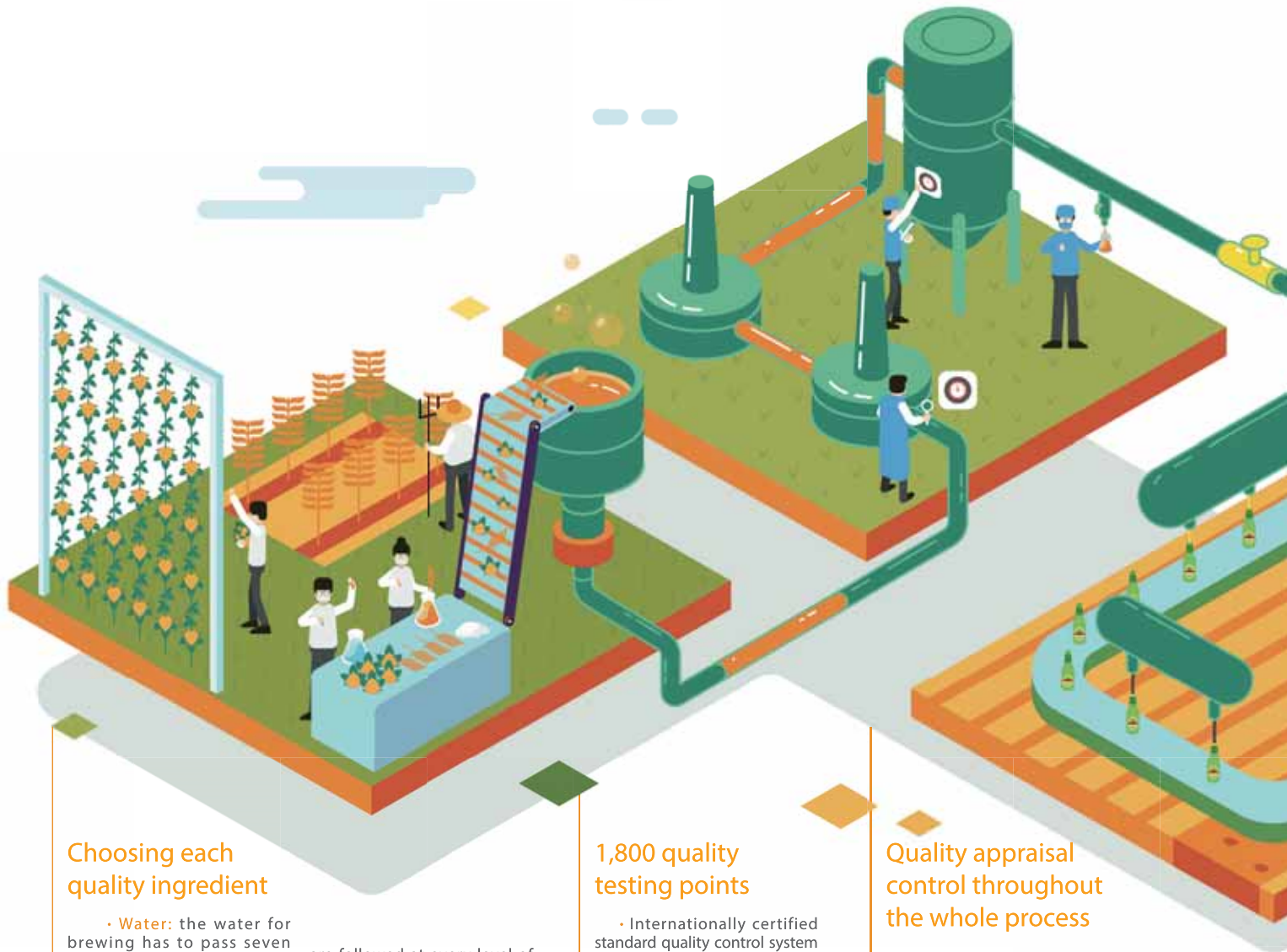
As is understood by Tsingtao Brewery, the era of consumer sovereignty's quality improvement should not only be measured by product indicators, but also by meeting the unique and characteristic demands of consumers, for the standard of good beer is whether it can fulfil consumers' experience demands.

Henceforth, Tsingtao Brewery has developed over 20 kinds of products with more than 1,500 specifications to segment the consumer market of differentiated needs, and to lead and meet the diversified demands of consumers. With this unique banner in the highly competitive international market, Tsingtao Brewery won the recognition of global consumers.

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



### 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

- **Hops:** we use Saaz hops, which are honoured as “Czech Gold”, and also 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
- Building the centralised third-party food safety monitoring system to cover all the brewing ingredients and materials that make direct contact with the beer

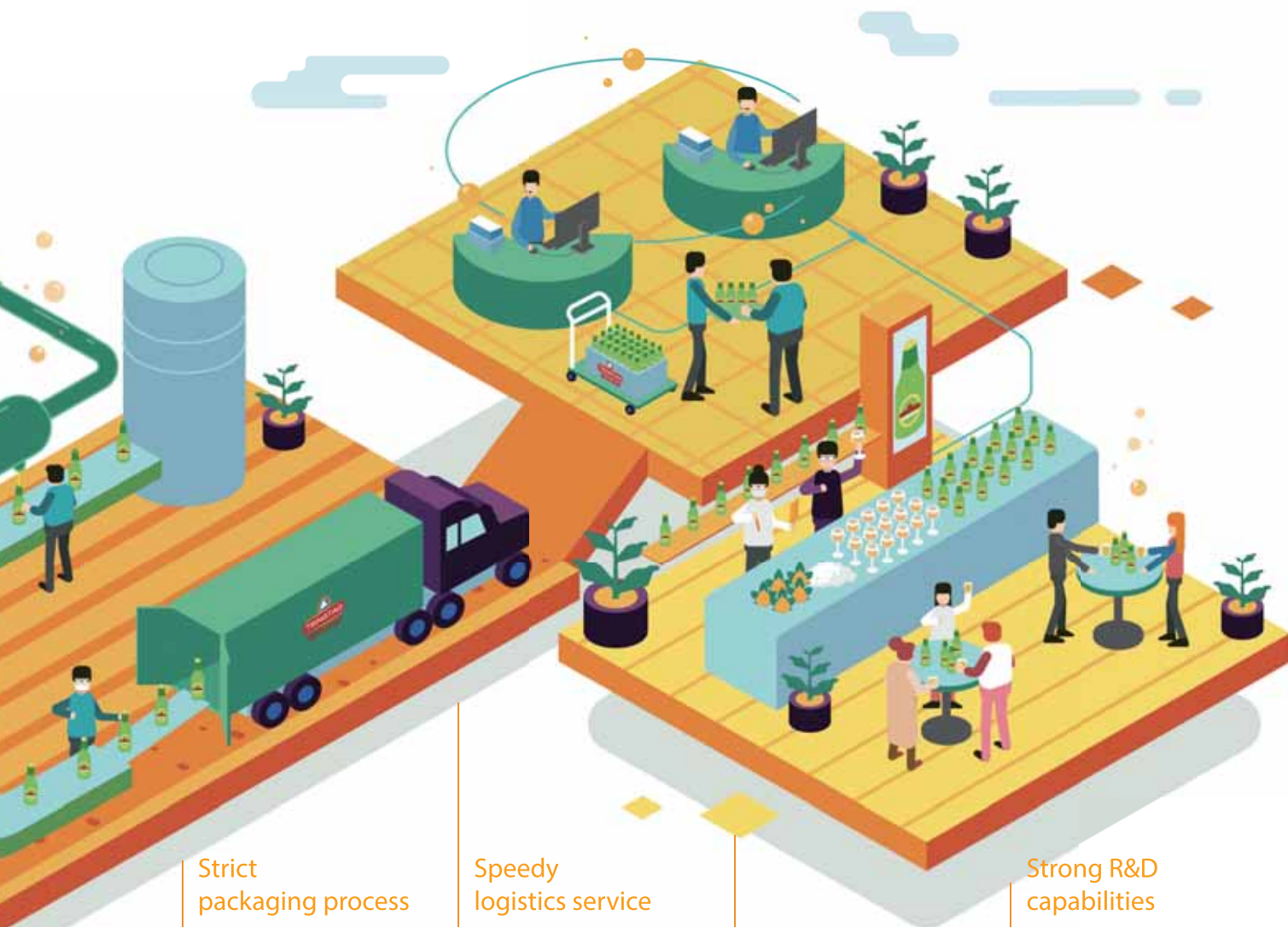
### Quality appraisal control throughout the whole process

- 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



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 115 years' sustainable development.



### 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

### Speedy logistics service

- Strengthening the food safety control with logistics and circulation, 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

### After-sales service with passion

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

### Strong R&D capabilities

- Equipped with the only national-level key lab in China, we won the title of "Outstanding National Key Lab" in 2018
- Member of the Canadian Malting Barley Technical Centre, the Hopfenforschungszentrum Hüll in Germany, the American Society of Brewing Chemists and the Brewing Research International in the UK
- Extensive exchanges and cooperation with institutions such as Murdoch University in Australia, the Doemens Beer Academy of Germany, the Hop Growers of America, the France Export Céréales, the Novozymes A/S of Denmark, Tsinghua University and Jiangnan University



## From national banquet to home banquet To be the favourite beer of customers

The 18th Meeting of the Council of Heads of Member States of the Shanghai Cooperation Organisation was convened in Qingdao and Tsingtao Brewery became the sponsor of the SCO Qingdao Summit with beer products on the dinner table to welcome friends from abroad. We provided 11 diversified and characteristic categories of products in 17 kinds including the customised gift package for SCO Qingdao Summit, the Hongyundangtou (Good Luck), the original keg beer, the Tsingtao Classic 1903, Tsingtao Classic, Tsingtao Pure Draft, Tsingtao Augerta 1903, Tsingtao Wheat Beer, Tsingtao Stout, IPA and Pilsner. By meeting the

various taste demands, Tsingtao Brewery has won the recognition and praise of the guests from all over the world.

The national banquet beer also appears on the dinner tables of ordinary people's homes more frequently with consistent national-level quality.



“

Many foreign leaders love the beer too. President Putin did not forget to say "today's beer is excellent" when he confirmed the well-arranged banquet and magnificent firework

show. President Nazarbayev gave Tsingtao Beer even more praises."

——Another perspective of the Summit in 12 stories from the mobile application of the People's Daily

“

On the MFA's Shandong Global Promotion Activity last September, Dr Clemens von Goetze the German Ambassador to China commented on Tsingtao Beer twice, pointing out "the Qingdao International Beer Festival is always attracting a great number of visitors including many German brewers and brewery representatives. The beer was originally brewed with the traditional Reinheitsgebot (German Beer Purity Law) and the recipe was then adjusted according to local taste. I believe the blending of tastes with Chinese elements has given special flavour to the beer."

——Dr Clemens von Goetze,  
German Ambassador to China







“

The beer got its name from the city and the city is famous with the fragrance of the beer. The century-old Tsingtao Beer is now sold in over 100 countries and regions, bringing the fragrant flavour to the whole world. According to a rough calculation, consumers of the world drink more than 40,000 bottles of Tsingtao Beer in every average minute."

——Morning News, CCTV

3

“

When I was a little boy I often buy some beer for my parents, and now I drink beer during reunions with friends and relatives. Tsingtao Beer brings me not only the beautiful taste, but also perfect experience of enjoying myself. My collection of these bottles and tins is not only a habit of mine, but also an evidence of

Tsingtao Brewery's path of development and a showcase of history. There is a story behind every piece of collected item and we pass on with the culture of Tsingtao Brewery with the unique way of collection."

——Yuan Jun the collector

4





# Green brewery

┌ 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. ┐





Effluent discharge standard met

100%

Reduction of smoke and dust by

25.89%

## Optimising management



Tsingtao Brewery always complies with the legal and regulatory bottom line by timely acknowledging the new requirements and trends in national laws and regulations for environmental protection. In 2018 the company has identified and applied 28 national laws and regulations.

Tsingtao Brewery always complies with the legal and regulatory bottom line by timely acknowledging the new requirements and trends in national laws and regulations for environmental protection. In 2018 the company has identified and applied 28 national laws and regulations.

Tsingtao Brewery attaches great importance to the training on environmental protection and actively build a professional team for environmental protection with all staff certified. We have organised competitions on environmental protection skills, selected environment experts, and improved the environmental protection work in each brewery. We have also invited environmentalists from related governmental departments to deliver training courses for the constant improvement of the employees.







## Water resource conservation and recycling



Water is the source of life and water conservation is the essential task in the work of energy conservation and consumption reduction. The company holds the idea of source reduction, process control, in-depth treatment and gradient utilisation with a series of effective measures including stringent control of bottle washing water, continuous feeding in the bright beer tank, increasing the water output rate of the RO equipment, and recycling of the overflow, condensed water, cooling water and middle water, in order to increase the utilisation rate of water.

All manufacturers have wastewater treatment systems with stable discharge in accordance with certain standards. The system adopts "anaerobic + aerobic" biological method. And the major treatment techniques include the UASB + activated sludge process and the UASB + contact oxidation process.

According to the new laws and regulations, Tsingtao Brewery installed online monitoring equipment of TN and TP in 2018 and upgraded the sewage system of six breweries. The sewage discharge per unit product in 2018 dropped by 2.22%.



Water consumption per unit product

3.85<sup>m<sup>3</sup>/kl</sup>



Waste water discharge standard met

100<sup>%</sup>

In comparison with the figure in 2017, the water consumption per unit product in 2018 dropped by

0.43% 





## Energy management and conservation technology application



Standard coal consumption per unit product

**35.43** kg/kl



Electricity consumption per unit product

**64.78** kWh/kl

Systematic thinking, process control, increasing the energy utility rate and building a green energy conserving and environmental friendly enterprise – these are the persistent pursuit of Tsingtao people. In 2018 Tsingtao Brewery continued with the transformation of energy conservation projects and application of new energy conservation technologies and achieved substantial results in energy conservation through energy management system perfection, equipment optimisation and detailed process management.

In comparison with the figure in 2017, the standard coal consumption per unit product in 2018 dropped by

**2.75%**



In comparison with the figure in 2017, the comprehensive energy consumption per unit product in 2018 dropped by

**2.29%**



In comparison with the figure in 2017, the CO<sub>2</sub> recovery per kl of cold wort in 2018 increased by

**2.23%**





### Application of new energy conservation technology

New boiling technique was introduced into 14 new breweries to lower down the steam consumption. And new brewing technique was applied in 14 new breweries to reduce the consumption of water, electricity and steam.

### Promotion of energy conservation projects

Constant temperature control for bottle washers were introduced in three breweries, the dynamic operation equipment including cooling, power distribution, boiler and CO<sub>2</sub> recovery were improved and upgraded in ten breweries, and three breweries made comprehensive reuse of the cold energy of the CO<sub>2</sub> recovery system.

### Detailed process management

The company continued with the application of 51 energy conservation projects, detailing the operation parameter and improving the performance. The performance of energy conservation projects including heat recovery, condensed water recovery, bright beer tank continuous feeding, chain control of the packaging equipment, heat equilibrium of the sterilisation machine, afterheat refrigeration, cascade refrigeration and electric motor conversion control.

### Rizhao company with the smart electric system

We use dynamic tracking to monitor the real-time cooling water temperature in the air-cooling station, reduce the operation power of the electric motor by automatically adjusting the pump motor speed and the current intensity, and optimise the electric motor's operation efficiency to save energy. With those approaches we can save more than 30% electricity.

### Saving electricity by

30% 





## Reduction of pollutant emission and tackling climate change



the breweries procure steam and natural gas from outside

91%



Reduction of SO<sub>2</sub> by

10.1%



Reduction of NO<sub>x</sub> by 20.26%

20.26%



Reduction of smoke and dust by

25.89%

The company is eager in promoting clean energy with coal to gas conversion and CO<sub>2</sub> recovery and reuse projects. Natural gas boilers were adopted in 38 breweries and biogas boilers were used in 19 breweries to reduce greenhouse gas emission. Three breweries conducted low-nitrogen upgrading with their gas-fired boilers to reduce the NO<sub>x</sub> emission, and the rates of outsource steam and natural gas purchased were raised to 90%.

The CO<sub>2</sub> recovery rate was steadily increased and greenhouse gas emission was reduced. The amount of CO<sub>2</sub> recovered in g 4.6 million firs each with no less than 30 years of age.

The emission was reduced by 10.1% with CO<sub>2</sub>, 20.26% with NO<sub>x</sub>, and 25.89% with smoke and dust.



Natural gas boiler upgrading



CO<sub>2</sub> recycling equipment





## Circular economy and recycling use of waste

Tsingtao Brewery sticks to the 3R principle – “Reduce, Reuse, Recycle”, and maximise the recycling, conserving and using of resources. The comprehensive utilising value increased by 6% year-on-year.

All dangerous wastes of the company were treated by qualified organisations according to laws and regulations. The amount of dangerous wastes generated and treated was reduced by 2.5%.

In 2018 the Tsingtao Brewery No. 2 did a trial on using the high concentration organic waste water generated from the upstream workshop as the carbon source for the downstream wastewater treatment plant, which accepted 60 tons of high concentration organic waste

water each day instead of purchasing from outside to lower down the cost. The brewery in turn reduced its COD discharge and diminished the impacts to the environment. This project made benefit in both economy and environment, while also achieved the win-win between the two companies.

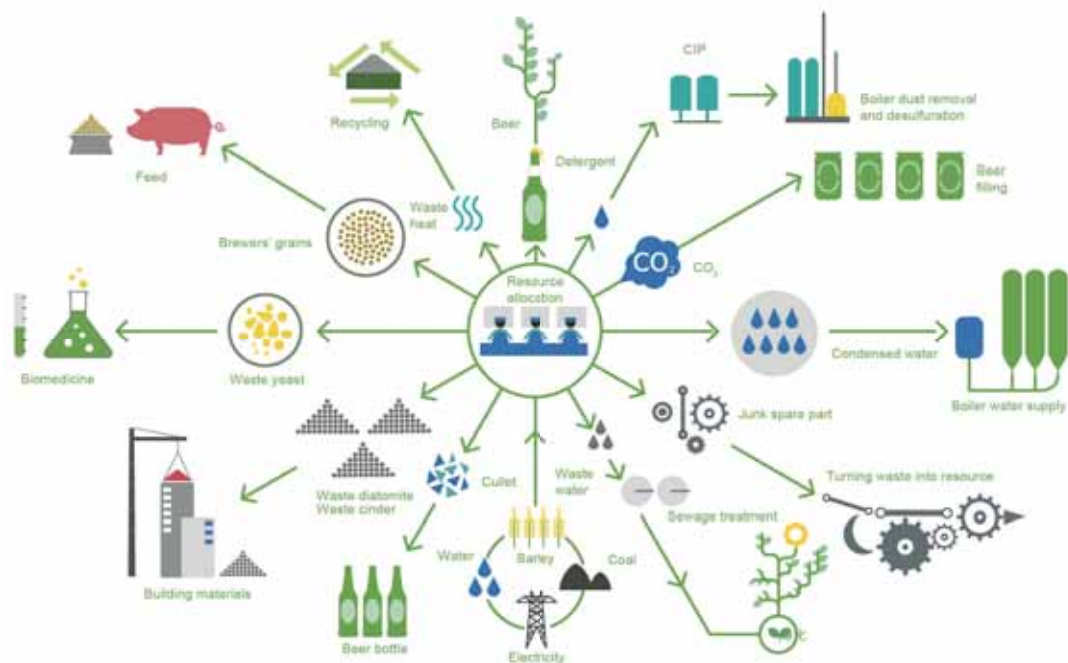
The brewery turned used material into handicrafts, which fully stimulated the employees' enthusiasm and imagination, and strengthened their sense of environmental protection.



The Hornet made of used spare parts in Tsingtao Brewery No. 2



Tsingtao Brewery turning used material into handicrafts





## Initiating the movement of green protection among all staffs and promoting environmental protection



World Environment Day poster

Since the Alliance of Environmental Protection Volunteers was established by Tsingtao Brewery in June 2015, each subsidiary company has established environmental protection volunteer organisations calling on the green low-carbon actions. In 2018 Tsingtao Brewery initiated nearly a thousand events including the movement of green protection with ten thousand participants, the theme event of "War to Defend the Blue Sky" calling on ten thousand volunteers for forestation, low-carbon transport, environmental protection promotion, water source protection, waste reuse etc. We observe the green and low-carbon lifestyle with our actual deeds to beautify the environment and reduce contaminant discharge.

On environmental festivals, we design the poster for "Earth Hour" and "World Environment Day" etc., calling on all staff to turn off lights for one hour, plant more trees, drive less, save resources, beautify the environment and reduce greenhouse gas emission via modern media like We-Media. We broadcast the concept of low-carbon and environmental protection to consumers of the world.



Union of Environmental Protection Volunteers of Fuzhou company



Launching ceremony of the "World Environment Day" event in Weifang company



Tree planting event of the Rizhao company





□ The volunteer event for beautifying and protecting the environment of the Kunmingchi Pool of Han Dynasty



□ Greenspace community of the Shouguang company



# Caring for the community

「 Tsingtao Brewery has always been developing in a sustainable way led by a “sense of responsibility” with more attention paid to the balance between economic and social benefits: committed to responsible drinking and caring for environment, conducted various volunteer activities, set up the Employee Caring Fund to help the weak, and conduct the targeted poverty alleviation action plan. The responsibility of a corporation was fulfilled by the supports provided to employees, consumers and stakeholders. 」







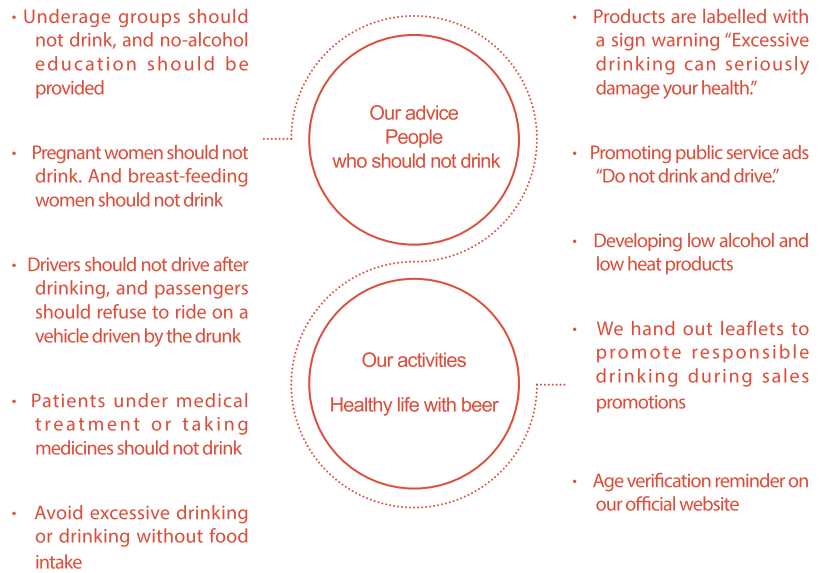
Targeted poverty alleviation  
with a donation to Dazeshan  
Town in Pingdu

5 million yuan





## Responsible drinking – be reasonable and refuse drunk driving



In October 2018, as head of the rotating president organisation of the China Alcoholic Drinks Association's Union of Alcoholic Drinks and Social Responsibility, Fan Wei the president of Tsingtao Brewery participated in the great public event of the 2018 National Responsible Drinking Promotion Week themed “Refusing drunk driving with sense of responsibility” held in Beijing, together with heads from other rotating president and vice president organisations of the Union.

Tsingtao Brewery always calls for and practises the social responsibility of responsible drinking and actively participates in the great public event of “Responsible Drinking Week”. The company suggests that underage groups should not drink, pregnant women should avoid drinking, drivers should not drive after drinking, and people should avoid excessive drinking. And the company advocated that consumers should enjoy the happiness of health brought about by the beer and live a green, healthy and quality life.

During the National Responsible Drinking Promotion Week 15-19 October 2018, Tsingtao Brewery actively involved in the promotion of responsible drinking. The event was launched in the Tsingtao 1903 Flagship Restaurant of the Tsingtao Brewery Museum, initiating and promoting the idea of “Refusing drunk driving with sense of responsibility” to visitors and invited them to sign the “Declaration of Safety”.

As the rotating president organisation of the China Alcoholic Drinks Association's Union of Alcoholic Drinks and Social Responsibility,



## Targeted poverty alleviation – the five million “Tsingtao Brewery Welfare Plan”

### Helping students

Dong Wenjie, a clinical science student of the 2017 intake of Qingdao University says: “Tsingtao Brewery is a corporation with strong sense of social responsibility. They provide scholarships to university students year after year to help students improve their lives. The incentive and recognition to students will encourage me work with confidence and strength and carry forward the spirit of serving the public interest.”

“My impression is that Tsingtao Brewery is a renowned company in China and the whole world at large with a long history. Now it has grown into an international enterprise with rich content, conscience, experience and vitality with tremendous contribution to the nation's socioeconomic progress and the social virtue's improvement.” Says Liu Bin, a litigation law student of the 2017 intake of Qingdao University who declared the willingness to be someone with conscience and sense of social responsibility with Tsingtao Brewery as the example, and pledged to try hard in studying, working and contributing to the society with the original aspiration always in mind.



The year 2018 is an important year for targeted poverty alleviation of our country. Tsingtao Brewery actively responds to the call for targeted poverty alleviation from the Central Committee and shoulders the social responsibility in targeted poverty alleviation and poverty township title elimination, to meet the needs of towns weak in economy. The company has donated five million yuan to Dazeshan Town for poverty alleviation in the construction projects of five tourism motorways, 50 tourism kiosks and five theme squares for countryside rejuvenation. The long-term system of poverty relief and countryside rejuvenation was built with a series of projects including road building and new driving force releasing for local residents.

Meanwhile, the Shouguang company, Xi'an company and the Lyulansha company are contributing to the great national poverty relief work with a total donation of 524,000 yuan.

The Red Cross Society of China awarded the “Order of Compassion of the China Red

Cross” to contributors of China's humanitarian programmes in 2018. As the only nominee in Shandong Province, Tsingtao Brewery won the honour for a second time after 2008. The company has carried on with the traditional virtue of benevolence of the Chinese people with sense of responsibility, demonstrated the Red Cross spirit of “humanity, love and devotion”, and highlighted the humanitarian thought of helping each other in times of crisis.

Tsingtao Brewery started the Tsingtao Brewery Education Fund in cooperation with the Qingdao Municipal Education Development Foundation in 1996. Till 2018 the Tsingtao Brewery Scholarship has been existing in Qingdao University for 23 years with 1,648 students awarded, and is now the longest scholarship programme in Qingdao University with the greatest amount of money and largest number of people. Apart from the financial relief, the Tsingtao Brewery attaches even

greater importance to the students' overall development. The company carried out the “Tsingtao Brewery Dreamworks Assistance” programme to provide internship opportunities to students from poor families, to encourage students participate in career training and social practice, achieving sound results in education, promoting the university's talented personnel cultivation and advancing the education programme tremendously.





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

In the eve of 1 June 2018, representatives of moral examples of the company, Duan Guangzhi from the Tsingtao Brewery No. 5, He Jun from the Tsingtao Brewery Chenzhou company and sales staff from the Chengdu company and the Sichuan retailing company, formed a volunteer team to revisit the Tsingtao Brewery Qushan Town Primary School in Beichuan. They met the children of the “Ten Years to Grow Together” programme with the mission of the company, distributed scholarships, visited their families and awarded three outstanding teachers with county-level honours.

During the event, “Tsingtao Brewery Good Man” Duan Guangzhi and He Jun expressed their wish to join hands with the sponsored pupils and help them grow. The company has always been eager in the education programme since 2009 when sound cooperation was built with the China Youth Development Foundation. Donations were made to build Hope Project primary schools and sports facilities in China’s

poverty-stricken areas. In 2018 the company established the “Tsingtao Brewery Youth Sports Development Foundation” with the China Youth Development Foundation, and helped the children in earthquake-stricken Beichuan with the “Ten Years to Grow Together” programme. They pointed out that the trip realised their dreams to help the people in need as “Tsingtao Brewery Good Man”, as the volunteers’ aspiration to help others out of loneliness and smile with happiness in heart was carried out.

Now more than 800 people including the company’s leaders, staffs and volunteers from out of the company participate in the programme to continue this relay of love. The Tsingtao Brewery Volunteer Team has been awarded the best teamwork award by the China Red Cross and the Shandong Red Cross over the past years.







In 2018, employees from subsidiary companies actively participated in the volunteer events. A total of 48 public events with 4,677 volunteers was organised to strengthen the company's sense of social responsibility and promote social harmony. Apart from conventional events such as blood donations, environment

actions, elderly care actions and clothes donations, many volunteer events caring specific groups including the elderly, children, the disable and cleaners are conducted to strengthen the company's sense of social responsibility and promote social harmony.



In terms of education, Tsingtao Brewery has established sound cooperation relationship with the China Youth Development Foundation, donating to poverty stricken areas for Hope Project primary school and sports facilities building. In 2018 the company established the "Tsingtao Brewery Youth Sports Development Foundation" with the China Youth Development Foundation, and started the "Dream together" plan, recruiting university students for teaching in public

service and sponsoring hardware by the donation of sports grounds. The sports and education programmes in poor areas have been facilitated in a more complete and accurate way with a combination of hardware sponsorship and software support.



#### "Dream together" event

Ji Xiaoliang is a sophomore of Shandong Physical Education Institute studying in the major of Physical Education, and also one of the first volunteers for the "Dream together" event. Through this activity, he came to Donglufang Primary School of Tai'an, and spent one month's

time teaching basketball. The pupils fell in love with basketball games and benefited a lot, not only physically, but also mentally, with dream and hope for the outside world cultivated.



## Sponsoring sports and cultural events to highlight the endeavouring spirit of the times

The press release of the 2022 Beijing Olympic Winter Games and the Beijing 2022 Paralympic Winter Games was held on 17 December 2018 by the organising committee, announcing Tsingtao Brewery to be the official sponsor of the Olympic

Winter Games Beijing 2022 and the Paralympic Winter Games Beijing 2022. Tsingtao Brewery once more becomes the brand to sponsor the Olympic Games since the Beijing 2008 Olympiad.



□ Tsingtao Brewery signed the cooperation agreement as an official sponsor to the Beijing 2022 Winter Olympic Games



□ Shen Xue, Zhao Hongbo and Qi Guangpu cheering for the Beijing 2022 Winter Olympic Games

"Tsingtao Beer is a well-known brand with so many years of sponsorship to the sports programmes. When I participated in international competitions, it would be extremely familiar to and proud of me to have beer from China in foreign restaurants and pubs. I feel much honour in seeing the national brand in foreign lands and Chinese shining on international arena. I wish the Olympic Games will have more participation from companies with more sense of social responsibility and national feelings!"

——Shen Xue  
the Olympic champion

"Tsingtao Beer is one of the first Chinese beer brands to go out. When we drink this beer in a foreign country or introduce it to friends we feel very proud. In the 2010 Vancouver Winter Olympic Games we raised our glasses to drink Tsingtao Beer for celebration, and I hope we will raise a glass of Tsingtao Beer again with the world when we succeed in the 2022 Winter Olympic Games."

——Zhao Hongbo  
the Olympic champion



During the 2018 World Cup in Russia, Tsingtao Brewery sent the “the Tsingtao Beer World Cup Limited Edition” to help fans in showing their most enthusiastic ways of cheering. Tsingtao Brewery cooperated with the Asian Football Confederation Champions League, the Chinese Football Association Super

League and the CBA, calling for the fans to burn their passionate youth and fully enjoy themselves. It was involved in the Shandong Provincial Games, building the unique Tsingtao Brewery sights for the exclusive marathon event in China. The company also created new games during the Qingdao International Beer Festival.



1 Cheering for the World Cup



2 Cooperation with the Asian Football Confederation Champions League



3 Sponsoring the Chinese Football Association Super League



4 Cooperation with CBA



5 Cheering for the Qingdao Marathon



6 Facilitating the 24th Provincial Games of Shandong



7 Local versions of Qingdao International Beer Festival





# Creating harmony with the value chain

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 uphold the view of "proper people for proper things", empower the employees so that every staff may work and live happily.

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 2018 the happiness index for employees reached

91.61%

## Government honours for safety

131





Let our employee  
work safely,  
healthily and  
happily



Government honours for safety

131



We hold the title of Outstanding  
Unit of Shandong Province in  
Safe Production for

10 years



Tsingtao Brewery sets the prospect and goal of “turning the company to the employees’ sanctuary for healthy and happy work”.

In 2018 the company continued to apply the core checking card mechanism to raise the awareness of all the staffs and cultivating a professional team. No accidents in terms of production safety up to the level of serious injury happened last year. We won the title of Outstanding Unit of Shandong Province in Safe Production for the tenth consecutive year with all local breweries striving to be the local model for safe production. The company has 45 subsidiary units winning 131 governmental safety honours in 2018 (including 13 provincial honours won by 12 units and 40 honours won by 29 units).

The company ensured the implementation of safety management with “most decisive manner, strictest monitoring and most stringent approaches”. It came into normal practice “to ensure that both local CPC committees and management are held accountable and that officials take responsibility for workplace safety in performing their duties, and intensify joint efforts to see that those who fail to uphold safety standards are held accountable.” In 2018 the company set diversified quantitative indicators for performance check for the first time over branches, and distributed the responsibility of work

safety to teams and individuals with 4,230 statements on the goal of work safety, in which way 12 benchmark groups for work safety stood out among 1,157 teams.

The company strengthened the team building for work safety and trained 22 national-level safety engineers in 2018 to raise the total number of national-level safety engineers to 78. There are 325 professional work safety managing staff holding certificates in the company, all of whom passing the official examination.

The company carried on with the theme event of “Being responsible for my own safety”, holding open class on work safety delivered by the president; holding various cultural activities including safety commitment, oath on work safety, parents’ words show, speech contests, cartoons and article soliciting, in order to raise the awareness of work safety of all the staffs. Various forms of work safety education and training were conducted to let the sense of safety deep rooted in people’s minds. We have conducted various training courses on work safety, with 46.95 hours of training per person in average, which is much higher than 8 hours required by national standard.





## Caring for employees

The company provided help to 372 sick staffs and their family members with a total cost of 257,000 yuan on easement or consolation money in 2018. We started the online application process of "Care Fund" to enable the participants involve in the whole process of settling aiding money amount and consolation work, making the fund management more transparent and standardised with higher eagerness of employers and employees. a

Station for Workers" in Tsingtao Brewery, which was managed by designated personnel and praised by the company and other subsidiaries. The company also built the "Mama Homes" to provide caring to pregnant or baby nursing female staffs, which is in line with the "Service Station for Workers" construction, featuring the new mode of staff service with the trade union's "one station and one home"



In 2018 the trade union of the company built the service brand "one station and one home" to benefit employees and relieving the burden of the corporation. "Service Station for Workers" was built to help employees and 22 branches obtained the funding from higher-level trade unions. The trade union of the company was eager in building local manufacturer sample service stations and welfare projects for employees. There are examples such as the combination of service projects, event venues and workers' libraries in the "Service

In 2018 three companies including the Tsingtao Brewery, Tsingtao Brewery No. 4 and the Tsingtao Brewery No. 5 won the title of "Model Home for Workers in Qingdao". The All-China Federation of Trade Unions awarded 270 sets of books worth 25,000 yuan to the "Workers' Club" of the Tsingtao Brewery and the Tsingtao Brewery No. 5, fulfilling the needs of employees for reading.







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

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

Legal and in-compliance employment

Protecting equal rights

Fair and reasonable salary and benefits

Tsingtao Brewery sticks to the bottom line of compliance to laws and regulations, duly signed employment contracts with employees and paid for their social insurances and housing funds. In terms of recruitment, promotion and salary, the company insists equal and in-compliance employment regardless of the ethnicity, nationality, gender, religious belief, age, political group or marital status of the employee. Open employment with recruiting information published in open channels was insisted, and no child labourer or enforced labour existed during the whole year.

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. We stick to the staff income distribution mechanism based on company growth with individual achievement as basic influencing factors. Adopting the salary increase management mode based on the investment-output ratio of efficiency and benefits



## Helping employees to grow quickly



Giving the title "star worker" to

**1,095** employees



Employees' happiness index rating in 2018

**91.61**%



Happiness index rating with employees for the fifth consecutive year over

**90**%

## Empowering the employees

We put in the core the capabilities of actual operation and carried out skill competitions. "Gold Medal Skilled Professionals" were employed, forming the sharing platform of skilled personnel. The proportion of experts over assistant level was raised by 5.4%. The seventh vocational skill competition was held to select high-skill personnel with knowledge, skill and innovative mind, which attracted 100% of employees from frontline work units, and there was an increase of 50% branches to enter the finals.

In 2018 the "star employee competition for frontline workers" was launched to select and highlight excellent workers and craftsmen in sales sectors, and 1,095 employees won the "star worker" titles.

## Improve employee satisfaction and feeling of gain

The company kept on investigation on the employee's happiness index and personal engagement, and cared for the employees' opinions on emotions, career development, salary and welfare. The employees' happiness index was rating 91.61% in 2018 and there was a 90% happiness index rating with employees for the fifth consecutive year. The satisfaction figure with female staff and young staff is typically higher than the average.

## Building the brand of model employer

Tsingtao Brewery upgraded the webpages for the brand of model employer to help job seekers understand the employer's culture better. This was widely recognised by job seekers, university students and partner suppliers. A series of honours were won including the China Human Resource Development Association's "Outstanding Corporation for Employee Development", the "Model Employer in China", the "Chinese University Students' Favourite Employer", the "Model HR Management Team", the "Top 100 Employers in China", and the "16th Edition of the TOP 15 Employers for China's University Graduates in the New Retail Industry" etc.



Model Employer in China of the Year 2018 award



## Win-win cooperation with distributors for common profit and prosperity



### Helping suppliers to succeed

In 2018, we carried on with the concept of the concerted development with the supply chain, established 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, and built a green yet efficient production chain.

#### Support on environmental protection

We have positively improved our management of suppliers in terms of environmental protection, and monitored all suppliers in the upgrading of environmental protection facilities to encourage them putting pressure on themselves. Currently our suppliers including carton, label, bottle cap and pop can providers have met the requirement for environmental protection and guaranteed material supply.

New bottle suppliers all met the discharge standards, and the company still has further plans to promote the transformation to cleaner natural gas kilns and reduce wastes.

#### Financial support

We provided financial support to suppliers by storing bottles during the off season in 2018 to help providers pass the inventory period, which made the normal operation of the company possible and supported the safe supply in peak season.

We made pre-payments for part of the accounts payable to carton providers to alleviate the financial strain of suppliers and ensure production safety.

We gave malt providers financial support and carried out the to-order-planting of barley in Gansu and Inner Mongolia to promote the barley industry in China.

#### Introducing in advanced management and carrying out technology exchanges

The financial companies carried out on-site communication meetings in the Southeast and the Northwest to share the financial and monetary policies, provided notes discounts to bulk material suppliers to help with their capital turnover.

The company introduced syrup providers into the corn starch futures market and held two sessions of seminars on futures to improve the suppliers' handling capability on futures and stabilise procurement cost.

In 2018 the company visited and audited suppliers for over 300 times to feed in advanced management, help them improve management and quality, in order to let them grow with Tsingtao Brewery together.





## Wholehearted support for distributors

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

realise concerted innovation, sharing and win-win.



The 2018 Tsingtao Brewery Global Retailers Conference was convened in Sanya, Hainan, which attracted over 1,200 people including company leaders, operation teams and sales teams of subsidiaries.



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The "Best Practice Training for Distributors" and the "Win-win Theme Training for Distributors" were carried out to effectively improve the dealer's business sense and professional ability to operate in the market.



# Honours in 2018

Categories	Awards
Awards on the image of the corporation	Most Competitive Enterprise
	China's Most Admired Companies (13 times)
	China's Most Respected Companies (15 times)
	The Honoured Brand for Craftsmanship in 2018
	2018 (15th) Top 500 Most Valuable Brands in China with a brand value of 45.575 billion yuan
	Meritorious Corporation of China's Alcoholic Industry during the 40 Years of Reform and Opening Up
	Model Business to Commemorate the 40 Years
	2018 Chief Broadcaster Gold Medal World Marketing Prize
Awards for quality	Prize for financial investment
	Gold Medal of the "World Beer Championships"
	Big prize in the "European Beer Star" competition
	First Prize for Technological Progress of the China National Light Industry Associations
	Outstanding Contributor of the Top Ten Quality Manufacture
Capital market and social responsibility	"2018 Golden Chopsticks Award Benchmark Company"
	Best Social Responsibility Report of the China Corporate Responsibility Annual Conference
	Most Respected Listing Corporation of the Year
	2018 Model Employer in China and Model HR Management Team
	Top 100 Outstanding Employers of China
	Excellent Corporation for Employee Development



# Comments from a third party

## Comments on this report

The year 2018 witnessed a slight rebound in sales since the drops over the past four consecutive years. According to the National Statistics Bureau, China's beer companies over designated size produced a total of 38.122 million kl beer from January to December of 2018, up 0.50% year-on-year. There was also a double-increase in sales revenue and profit. Apart from that, there were sharp increases in both import and export. The rivalry products quickly grew up, the consumption stickiness went down, the product culture went weak and the raw material supply risk plummeted, causing imminent challenge for the beer industry.

We can conclude from the Tsingtao Brewery Co., Ltd. Environmental, Social and Governance Report 2018, that facing multiple pressure on deepened industrial restructure and rising costs, the Tsingtao Brewery Co., Ltd. has adopted the new

development strategy with adjusted structure, higher cost efficiency, lower cost and improved efficiency in order to lead the trend of quality improvement and consumption fashion with craftsmanship, realising the improvement in both quality and efficiency in the course of innovative transformation. Meanwhile the company kept on developing diversified, characterised and customised products, innovatively upgrading through the online channel, and opening the new normal of "new retail".

Tsingtao Brewery has always held the idea of sustainable development, focusing on the coordinated development of business, environmental and social values, attaching great importance to business ethics, self-discipline, Party conduct and clean governance, insisting cooperation and win-win with value chain partners, promoting the strategy of green brewery,

initiating responsible drinking, supporting social welfare programmes, carrying forward the positive energy of the society, showing the sense of social responsibility of outstanding national corporations, as well as highlighting the sense of responsibility and duty of Chinese brands.

As the manager and service provider, we believe that in this essential period of profound restructure in China's beer industry, Tsingtao Brewery will definitely play the role of the leader, become the model enterprise of beer industry for sustainable development in China, and perform the sacred duty of promoting the brand and culture of Chinese beer brands to the world.

## The report suggests

In this new era of diversified and characterised consumption demand, the culture of a beer brand must be based on the strong fundament of beer culture. We suggest that Tsingtao Brewery explore further innovation in technology, channel and market, while better broadcast the culture of beer to build new scenarios of beer consumption, enhance the cooperation with value chain partners and strengthen the response mechanism against risks, creating a win-win future for all with an open mind.

We also suggest Tsingtao Brewery carry out wider dialogues and communication, help build the development mode of shared future, mutual benefit and virtuous competition, fully play the role of leader in beer industry, shoulder the responsibility of a national brand, push the brand to the world stage, actively participate in international welfare events and build the international image and influence of a Chinese national brand.

—— 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 2018. Please write any suggestions and comments you may have on the following feedback form and return it to us via post, fax or email. Your feedback is welcome.

Name:

Organisation:

Tel:

Email:

Which chapters provided you with the most important information?

- |   |                          |
|---|--------------------------|
| 1.The preface                                       | <input type="checkbox"/> |
| 2.115 years just for brewing good beer              | <input type="checkbox"/> |
| 3.Green Brewery                                     | <input type="checkbox"/> |
| 4.Caring for the community                          | <input type="checkbox"/> |
| 5.Value chain in harmony                            | <input type="checkbox"/> |
| 6."Honours in 2018" and comments from a third party | <input type="checkbox"/> |



Your evaluation of the report

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	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 ?





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