

2023

Environmental, Social and Governance (ESG) Report



600年·活着的传承



SICHUAN SHUIJINGFANG CO., LTD.

About this report

Organisation scope

The scope of disclosure in this report is consistent with the annual report, the content covers the environmental, social and governance (ESG) performance of Sichuan Shuijingfang Co., Ltd. and its subsidiaries.

Reporting methodology

The report is compiled with reference to the United Nations Sustainable Development Goals (SDGs), the Sustainability Reporting Standards by the Global Reporting Initiative (GRI Standards), the ‘Guidelines on Self-Regulation of Listed Companies – Sustainability Report (Trial) of the People’s Republic of China’, and the ‘Guidance for Alcoholic Beverage Enterprise ESG Disclosure’ published by China Alcoholic Drinks Association.

Time range

Unless otherwise specified, the time range of the data and content disclosed herein spanned from 1 January 2023 to 31 December 2023 (part of the content may extend beyond the above time range).

Publication cycle

This is an annual report and the third ESG report released by Sichuan Shuijingfang Co., Ltd.

Publication form

This report is available in print (with environmentally friendly ink and paper) and electronic form. Download the electronic version through links below:

Shuijingfang official website: <http://www.swellfun.com>

Shanghai Stock Exchange official website: <http://www.sse.com.cn>

Notes on information

The information and data cited herein are mainly from the Company’s internal data collection systems, statistical reports and public information. The Company promises that the information and data cited in this report do not contain any false records, misleading statements or material omissions, and is responsible for the objectivity, authenticity and accuracy of the content. Unless otherwise specified, the monetary amounts shown in the report are presented in RMB. The report is prepared in Simplified Chinese and English, respectively. In the event of any discrepancy in interpretation between the Chinese and English versions, the Chinese version shall prevail.

Referencing

For ease of expression, ‘Sichuan Shuijingfang’, ‘Shuijingfang’, ‘Company’ and ‘we’ in the report all refer to Sichuan Shuijingfang Co., Ltd. and its subsidiaries.

Suggestion and feedback

Should there be any comments or suggestions on this report, please email to esg@swellfun.com or scan the QR code to give feedback. Thank you for your concern and support for the ESG work of Shuijingfang.



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Letter from CEO



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The report to the 20th National Congress of the Communist Party of China (CPC) in 2022 notes, “We will work to expand domestic demand and better leverage the fundamental role of consumption in stimulating economic growth.” Thus, it has become a new topic requiring reflection for every consumer goods company to expand consumption and promote high-quality, healthy consumption growth, ultimately meeting the people’s growing needs for a better life. As a Baijiu producer spanning the primary, secondary and tertiary industries, Shuijingfang needs to meet the expectations of diverse stakeholders in our investment, production and operating activities. Therefore, the effort to drive the green, high-quality development of the industrial chain across the board is set to be the key to our sustained success going forward.

We have established a management structure and system centred on the ESG Steering Committee, with the ESG philosophy embedded in our corporate culture and strategic plan. In 2023, we launched the SJF 2035 Sustainability Targets, which pointed the way for the Company’s medium and long-term sustainable development. We are particularly proud of the solid progress toward our ESG targets due to concerted efforts across departments and of further recognition of our ESG performance by mainstream ESG ratings last year.

”

Cheers for the fulfilled life with high-quality products

As a representative brand of Chinese Baijiu, we always committed to our original aspiration of making fine liquors from source and began to explore the model of raw grain contract farming in 2023. We ran pilot programmes for sorghum and glutinous rice by promoting scientific breeding and green farming, and pulled off whole-process data traceability from sowing to delivery, paving the way for establishing an end-to-end quality traceability system. Meantime, as a company with a long view, Shuijingfang has always tasked itself with pushing consumers to lead a healthier, better life by advocating responsible drinking among consumers, encouraging them to pursue a healthier lifestyle.

Cheers for the rewarding partnership with the win-win cooperation

Every step we have taken would be impossible without strength pooled from partners along the value chain. We have put in place systems assessing the quality, EHS and overall competence of suppliers, and keep improving suppliers’ quality and management through SEDEX and routine training and empowerment in the course of cooperation. In 2023, we conducted SEDEX on 70 key suppliers. At Shuijingfang, we attentively listen to feedback from every employee and develop a sound training system and career plans for them, as a way to boost their engagement and cohesion. In 2023, we provided our employees with an extra ‘One-Million-Yuan Medical Insurance’ benefit, as part of our effort to carefully safeguard the health of our ‘family’.

Cheers for the inclusive society with philanthropy acts

We have always conveyed our warmth and good faith to society through diverse public welfare programmes. In 2023, we launched the ‘Shuijingfang Charity Day’ and established the Shuijingfang volunteer team to fully stimulate the endogenous impetus to fulfil our corporate social responsibility. Upon learning of the earthquake in Gansu Province, we immediately donated RMB 2 million to the quake-affected area to help with disaster relief and post-quake recovery as soon as possible. During last year, we took further our programmes in rural revitalisation, community co-development, disaster relief, education, sports and health, among other areas of public welfare, contributing our part to the development of the communities where we operate and the wider society.

Cheers for the green planet with low carbon development

The era-defining proposition of green, low-carbon development is also a direction to be explored by the entire Baijiu industry. To Shuijingfang, a green pioneer in the industry, environmental protection not only is our duty, but also matters to our orderly production and product quality. We continuously reduce the impacts of our operating activities on the environment by incorporating the idea of going green into all processes of our business development and day-to-day operations. Since Shuijingfang’s admission to the Science Based Targets initiative (SBTi) in April 2023, we have fully analysed the emission reduction potential of all processes of the Company’s production, operation and value chain. This effort laid a solid foundation for setting carbon abatement targets that are scientific, feasible and industry-leading. In this year’s report, we published our first analysis report on climate-related risks and opportunities to systematically identify climate-related risks and opportunities with material strategic impacts on Shuijingfang and put forward a targeted climate action indicator framework.

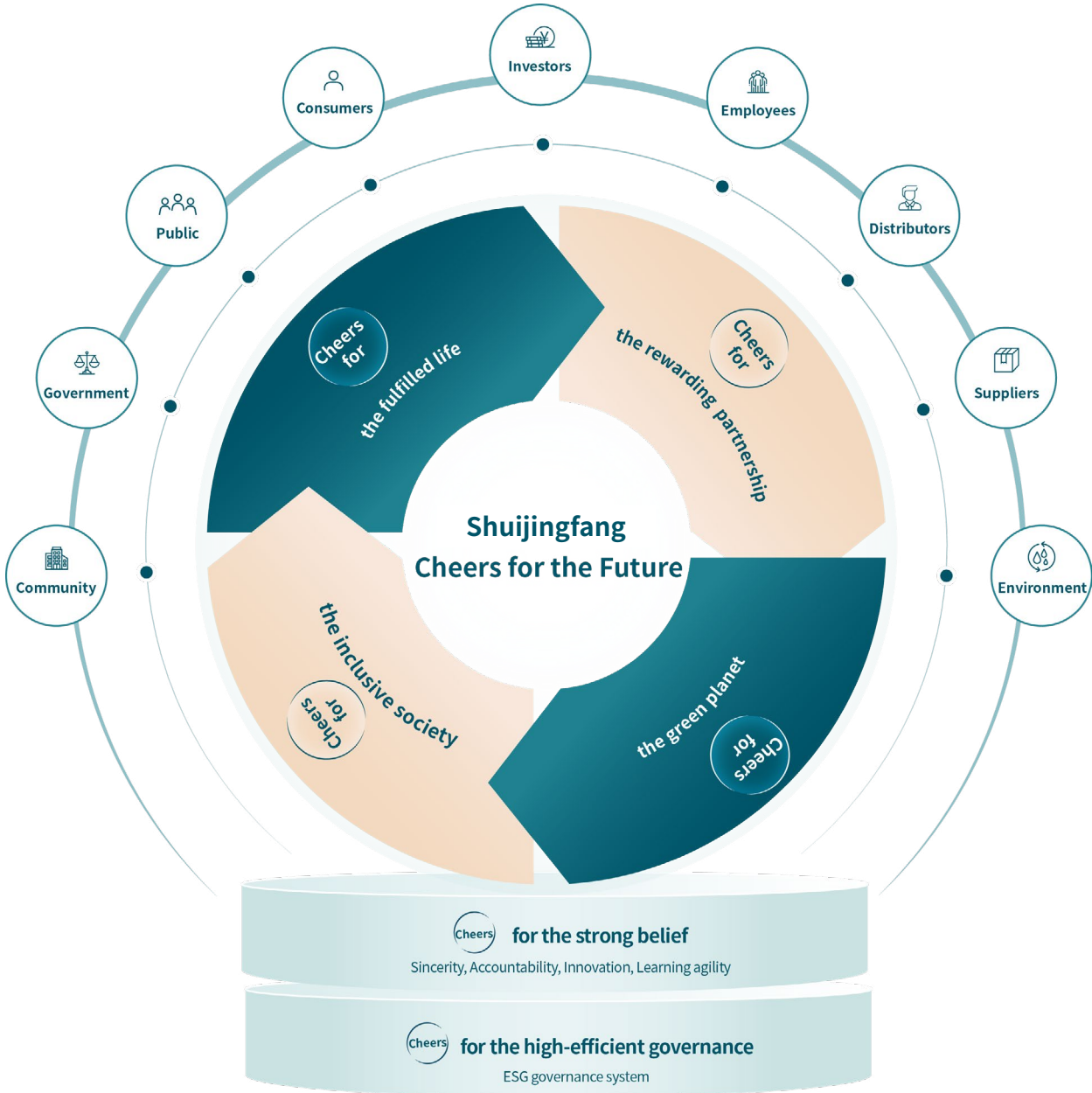
Looking back, we have moved steadfast forward along the way from the ESG strategy of ‘SJF – Cheers for the Future’ we began to conceive two years ago to the sustainability targets for five strategic areas we established last year, and on to the implementation of area-specific targets. In 2024, we will refine our institutional, cultural and safeguard mechanisms for ESG management, and guide more partners along the value chain to strengthen their ESG management, with a view to taking further the implementation of our ESG strategy and paying tribute to a better future with more heartwarming Baijiu!

Acting General Manager of Sichuan Shuijingfang Co., Ltd.
Bruce Jiang

ESG strategy and governance structure

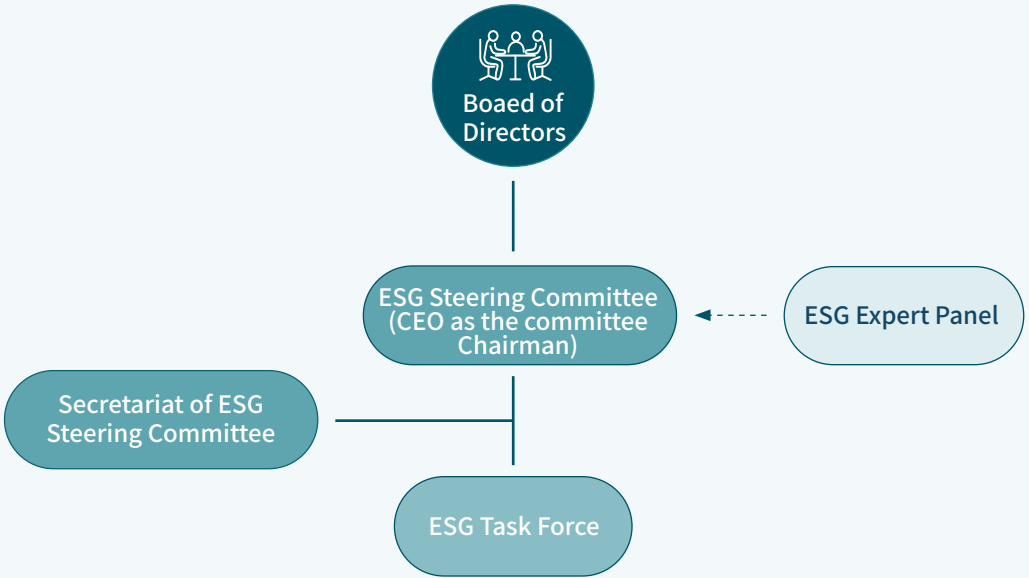
ESG strategy

In 2023, Shuijingfang continued to deploy and implement the ‘SJF – Cheers for the Future’ ESG strategy, and joined hands with its stakeholders to create the shared value. We stand in awe of the nature and business rules, respect and prudently treat the expectations of every stakeholder, and cheer for a better future through tangible actions. Driven by corporate values, and built on a faultless and efficient ESG management system, Shuijingfang is committed to fulfilling consumers’ need for high-end Baijiu through superior products and services, adding glories to people’s growing demand for a better life; we collaborate with every partner in our value chain for sustainable and healthy development; we leverage our strengths and do our best to contribute to a more inclusive society; with our influence along the value chain, we motivate more individuals to join us in building a more beautiful planet by championing green development.



ESG governance structure

Shuijingfang’s ESG management system serves as a solid organisational foundation and institutional guarantee for the setting and progress tracking of sustainability goals, as well as related risk management. It helps Shuijingfang continue to improve its corporate governance, follow up on the key concerns of stakeholders, and achieve stable and sustainable operations. The ultimate objective is to fulfil the corporate vision of ‘to be a top tier strong flavour player, with sustainable and healthy growth, most trusted and respected in the industry’.



- The **Board of Directors** supervises and guides **ESG Steering Committee** in ESG management.
- The **ESG Steering Committee**, chaired by **the CEO**, is composed of senior managers of all departments and works under the coordination by the **Secretariat of ESG Steering Committee**. The Committee sets Shuijingfang’s overarching ESG goals and strategies, identifies ESG priorities, establishes a daily work management mechanism, and joins in regular communication with the **ESG Expert Panel** to collect and refer to their suggestions and opinions, so as to better guide, supervise and manage the Company’s ESG work.
- The **ESG Task Force** consists of persons in charge of ESG matters from all departments. It promotes ESG implementation in each department, executes and follows up on key indicators, and reports to the **ESG Steering Committee** on a regular basis.
- The **ESG Expert Panel**, composed of top-notch experts, provides professional advice for the **ESG Steering Committee**, supports the Committee’s work and decision-making, and delivers professional capacity building training for the **ESG Task Force** by regularly sharing ESG best practices and developments.



SJF 2035 Sustainability Targets: 2023 Key Progress

Continue to improve our business ethics and compliance management system

- We compiled and published 48 periodic reports and interim announcements, and submitted 48 filings to the Shanghai Stock Exchange (SSE).
- We held 6 reporting and communication meetings with investors, with a total of 1,112 investors attending the meetings online.
- 100% of our employees received anti-corruption training and cyber and information security training.
- In September, we officially joined the UN Global Compact.



Create the shared value for everyone in our business ecosystem

- We provided offline and online training sessions totalling 20,654.7 hours to its employees (excluding third-party employees).
- The Company’s Party Committee offered hardship (disease) subsidies to 31 employees, and distributed study-aid grants to 38 employees’ children.
- We conducted the Supplier Ethical Data Exchange (SEDEX) evaluation for 70 key suppliers to ensure that their performance is in compliance with ethical standards.
- We extensively trained our distributor support personnel, with 22 training sessions for the core product business unit covering 571 participants across the country and 15 sessions for the High-End Product Business Unit covering 87 participants.



Always provide our consumers with premium products and healthier life

- A total of 537 Baijiu workshops were held throughout the year, covering 19 provinces and cities, with 15,000 participants.
- We provided quality training to 1,462 employees, with a total of 1,150.9 training hours.
- We actively responded to the National Responsible Drinking Awareness Week by rallying 527 stores to participate in the event.
- We issued the ‘Shuijingfang Specification for Protective Production at Ancient Cellars’, which became the first detailed standard for the protective production enterprise of ancient cellar ponds in the Baijiu industry.



Leverage our strength to better serve our community and the whole society

- We carried out public welfare projects covering six areas (the Friendly Neighbour Programme, rural revitalisation, social responsibility research, disaster relief, intangible cultural heritage protection and inheritance, and sports public welfare), with charitable donations totalling RMB 5,180,000.
- We helped 1,393 people through public welfare programmes related to rural revitalisation.
- We set up the ‘Shuijingfang Charity Day’, with a total of 75 employees engaged in volunteering who rendered 150.7 hours of volunteer services during their paid working hours.
- The Shuijingfang Museum organised 25 cultural and educational advocacy activities covering 2,675 participants.



Incorporate environmental protection into our business and day-to-day operations

- In April, we submitted the commitment letter for the Science Based Targets initiative (SBTi).
- From 1 July 2022 to 30 June 2023, we purchased 17,763 MWh of power from clean resources through the International Renewable Energy Certificate (I-REC), reducing 10,130,239 kg of carbon dioxide equivalent.
- The Tuqiao factory reused about 28 tons of the wastewater from bottle washing for fog cannon truck spraying and sewage plant dosing and cleaning.

ESG rating performance, honours and social recognitions in 2023

ESG rating performance

	2023	2022
MSCI	BB	B
S&P Global	41 outperformed 74% of peer companies rated	33 outperformed 65% of peer companies rated
(Climate change)	B	C
CDP		
(Water security)	C	/



Honours and social recognitions

Award	Awarded in	Awarded by
Chief Responsibility Officer of Corporate Social Responsibility in the Food Manufacturing Industry	January 2023	National Business Daily
2022 Responsible Brand of the Year	January 2023	Food Industry Associations of Sichuan Province
2022 Caring Organisation of Jinniu District in Paired Assistance to Shiqu County	February 2023	Leading Group of Jinniu District for Paired Assistance to Shiqu County
2023 ESG Star of China Listed Baijiu Company	April 2023	Sohu Wine Industry
Tianma Award for Investor Relations of Listed Companies in China	May 2023	Security Times
2023 Outstanding Responsibility Report	July 2023	Southern Weekly
21st Century Vitality ESG Green Development Case	August 2023	21st Century Business Herald
2023 ESG Value Report of China's Food Industry	September 2023	China International Fair for Trade in Services (CIFTIS)
China Alcoholic Drinks Industry ESG 2022 Excellent Cases in Environmental Governance	November 2023	China Alcoholic Drinks Association (CADA)
The 1st China Reform Cup ESG Golden Bull Award Carbon Neutral Top 50	November 2023	China Securities Journal
2023 Best ESG Practices of Listed Companies	November 2023	China Association for Public Companies (CAPCO)
2023 Crystal Ball Awards for Listed Companies – Best Listed Company in Investor Relations Management	December 2023	Securities Market Weekly
2023 Corporate ESG Excellent Environmental Practices	December 2023	China Enterprise Reform and Development Society
2023 Zhenshan Awards – Business for Good of the Year	December 2023	Jiemian.com
2023 High-quality Development Contribution Award	December 2023	newssc.org
2023 Leading Enterprises in Green Low-carbon Innovation	December 2023	Nanfang Metropolis Daily
The 18th People's CSR Award Enterprise of the Year	December 2023	People's Daily
2023 CAIJING Evergreen Award for Innovation for Sustainable Development	December 2023	CAIJING
2023 ESG Practical Cases ESG Strategic Practice	December 2023	ESG & Sustainable Development Summit
2023 CLS Zhiyuan Award ESG Pioneer Award	December 2023	cls.cn
2023 Sichuan Best Practices in the Protection and Inheritance of Intangible Cultural Heritage	December 2023	Sichuan Provincial Department of Culture and Tourism

Materiality analysis and stakeholder communication

We’ve updated the material issues for 2023 and prioritised them based on the assessment from internal and external stakeholders, so as to better respond to their expectations and provide reference for the Company’s priorities in ESG management.

Importance analysis of material issues

Materiality identification:

Based on the Company’s business practices and overall development strategy, we have identified 34 material and strategic issues conducive to creating shared value, through benchmarking analysis and research on international standards, macro and industry policies, peer practices, stakeholder concerns, and media and public opinions.

Stakeholder participation:

We’ve collected more than 300 questionnaires from 13 categories of internal and external stakeholders including the Company’s management, employees, consumers, distributors, and media, to have a thorough understanding of the key ESG-related concerns of all parties.

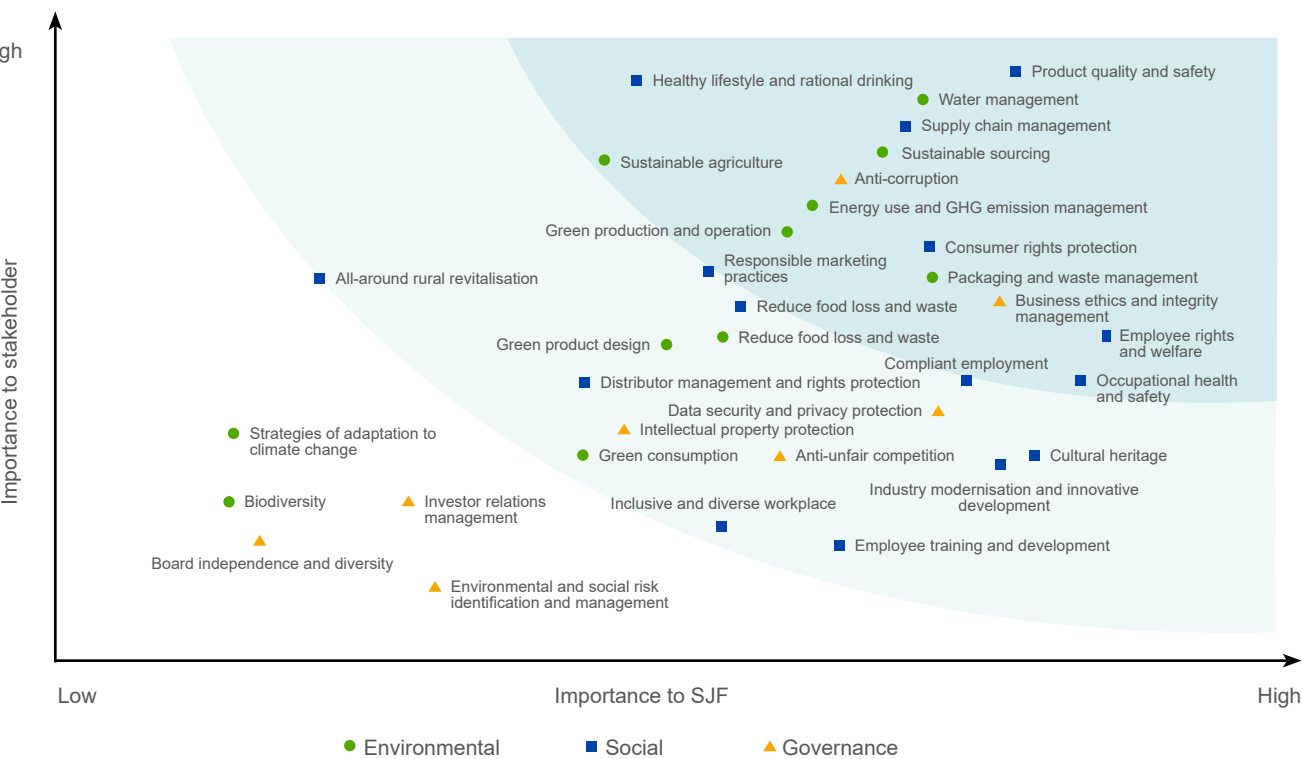
Confirmation and disclosure:

The results of the materiality analysis were submitted to the ESG Steering Committee of Shuijingfang for confirmation. Issues with high and moderate importance were selected as the key topics to be disclosed in this ESG Report. The essentials and boundaries of the Report are determined by data availability.

Importance assessment:

We’ve summarised the responses from the stakeholder survey and ranked the issues from two dimensions – ‘importance to Shuijingfang’ and ‘importance to stakeholders’ to produce a materiality matrix.

SJF 2023 Materiality Matrix



Key issues of concern by stakeholders and means of communication

Stakeholders	Key issues of concern	Means of communication
 Consumers and clients	<ul style="list-style-type: none">Product quality and safetyHealthy lifestyle and rational drinkingConsumer rights protectionGreen product designResponsible marketing practices	<ul style="list-style-type: none">Shuijingfang official websiteService hotlineOnline customer services on WeChat public accountOfficial Weibo AccountSocial mediaOnline customer services on e-commerce platformsMember clubs (Yue Fang Hui, Shi Wang Hui, Aesthetic Museum, tennis club, etc.)Consumer events such as tasting and branding activities
 Governments, regulators, and industry associations	<ul style="list-style-type: none">All-around rural revitalisationEnergy use and GHG emission managementGreen production and operationWater managementBusiness ethics and integrity managementSustainable agriculture	<ul style="list-style-type: none">Visits and communicationInformation disclosureWritten reportsConferences and forumsParticipation in industry policy research and inputs
 Shareholders and investors	<ul style="list-style-type: none">Board independence and diversityEnvironmental and social risk identification and managementBusiness ethics and integrity managementAnti-corruptionInvestor relations management	<ul style="list-style-type: none">General meetings of shareholders, investor briefingsRoadshows and analyst meetingsAnnual reports, interim reports and other announcementsTelephone calls, meetings and visitsDirector Office Email
 Partners, suppliers and distributors	<ul style="list-style-type: none">Product quality and safetyBusiness ethics and integrity managementPackaging and waste managementSupply chain managementSustainable sourcingSustainable agriculture	<ul style="list-style-type: none">Supplier trainingDistributors’ conferences
 Employees	<ul style="list-style-type: none">Employee rights and welfareOccupational health and safetyEmployee training and developmentCompliant employmentInclusive and diverse workplace	<ul style="list-style-type: none">Employees’ congress‘Your Voice’ surveysEmployee trainingWeChat public accountDaily communication and feedback
 The public and media	<ul style="list-style-type: none">Product quality and safetyWater managementHealthy lifestyle and rational drinkingPackaging and waste managementResponsible marketing practices	<ul style="list-style-type: none">Shuijingfang official websiteSocial engagement activitiesMedia events and meetingsField visits on factory open daysVisits to the museum

Special report: Climate-related risks and opportunities analysis

Environmental and climate risks are threatening the stability of business operations. According to the ‘Global Risks Report 2023’ released by the World Economic Forum (WEF), six out of the top ten global risks over the next 10 years are related to the environment¹. With reference to the framework for climate-related information disclosure suggested by the International Sustainability Standards Board (ISSB)², Shuijingfang incorporates climate change-related issues into its corporate governance and strategic framework to strengthens climate change risk management, formulates effective mitigation and adaptation measures, verifies and discloses climate change-related information, and reviews the effectiveness of climate strategies and the achievement of carbon reduction measures in a timely manner, so as contributes the strength of Shuijingfang to achieve the "dual carbon goals" for China.



- Governance**
The organisation’s governance around climate-related risks and opportunities
- Strategy**
The actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material
- Risk Management**
How the organisation identifies, assesses, and manages climate-related risks
- Metrics & Targets**
The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Governance

Shuijingfang has included climate change in the supervisory scope of the Company’s highest governing body. The Company has established an ESG Steering Committee which is supervised by the Board of Directors and engages the senior management in decision-making. The ESG Steering Committee, chaired by the CEO, works under the coordination by the Secretariat of ESG Steering Committee. The Committee is fully responsible for setting Shuijingfang’s climate-related targets, strategy and course of action, and regularly reports to the Board of Directors on progress in climate-related activities.

Board of Directors

The Board of Directors is responsible for supervising climate-related governance, including advising on carbon emission targets and strategy development and giving advice on adjustments. The Chairman of the Board participates in the assessment of climate-related risks, and facilitates and supervises the development and execution of the Company’s climate management strategy and policy.

ESG Steering Committee

The ESG Steering Committee is composed of the CEO and senior managers of related key departments, responsible for establishing the daily work management mechanisms in response to climate change, evaluating the investment plans required in the implementation of climate goals, and urging key departments to promote the achievement of goals:

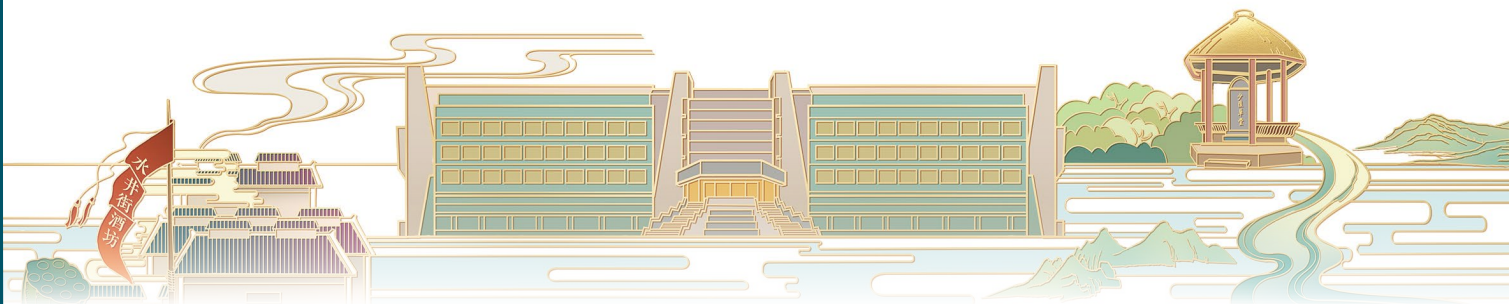
Chief Executive Officer (CEO)

is the Chair of the ESG Steering Committee, responsible for final decisions on the Company’s climate-related overarching goals, strategy, priorities and daily routine.

Chief Financial Officer (CFO)

responsible for financial analyses on climate-related risks and opportunities, and financial budgeting of climate change-related projects.

¹ <https://cn.weforum.org/publications/global-risks-report-2023/>
² <https://www.ifrs.org/news-and-events/news/2023/07/foundation-welcomes-tcfd-responsibilities-from-2024/>



Strategy

Based on its analyses of climate-related risks and opportunities, Shuijingfang keeps adjusting its business development strategy and resource allocation to manage possible risks posed by climate change, seize opportunities for low-carbon development and transition, and pursue green development of the Company and the wider society. In light of the Shared Socioeconomic Pathways (SSPs) assumed by the Intergovernmental Panel on Climate Change (IPCC), we analysed climate scenarios following two pathways (SSP1-2.6 and SSP3-7.0) against changes in the external environment in which the Company operates.

Macro environment forecast under different climate change scenarios²

SSP1-2.6 Low emissions scenario with strict policy interventions in climate change	SSP3-7.0 High emissions scenario without policy interventions in climate change
Natural environment ⁴	
<p>Mean temperature: In 2023, the annual mean temperature was 1.45±0.12°C above pre-industrial levels⁵. Under the projected scenario, the average temperature will be 1.6°C , 2.0°C and 2.1°C above pre-industrial levels respectively during the periods 2021-2040, 2041-2060 and 2081-2100.</p> <p>Extreme weather: Will increase to a certain extent in frequency and intensity. The mean number of days with a temperature higher than 35°C during the 2021-2040 and 2041-2060 periods will increase by 2.7 and 4.4 days compared with pre-industrial levels⁴; under the 1.5 °C and 2 °C scenarios, the frequency of heatwaves will increase by 4.1 and 5.6 times⁶;</p> <p>Precipitation: The number of consecutive dry days in East Asia will decrease, while total precipitation will be on the rise from 2040 onwards⁴.</p>	<p>Mean temperature: The average temperature will be 1.4°C , 2.2°C and 4.1°C above pre-industrial levels respectively during the periods 2021-2040, 2041-2060 and 2081-2100; in the high emissions path, the global temperature rise might reach the 1.5°C threshold sooner (in between 2018 and 2037)⁶;</p> <p>Extreme weather: Will increase substantially in frequency and intensity. Under the 4°C scenario, the frequency of heatwaves will increase by 9.4 times³;</p> <p>Precipitation: The number of consecutive dry days in East Asia will increase by 1.3, 1.5 and 1.9 days compared with pre-industrial levels respectively during the periods 2021-2040, 2041-2060 and 2081-2100; total precipitation will decrease in the near term (2021-2040) but increase in the long term (2081-2100)⁴.</p>

³ Unless otherwise specified, the 1850-1900 baseline is used and the data covers East Asia.
⁴ https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf
⁵ https://www.cma.gov.cn/2011xwzx/2011xmtjj/202403/t20240320_6139996.html
⁶ <https://wri.org.cn/insights/2023-ipcc-ar6-synthesis-report-climate-change-findings>

SSP1-2.6 Low emissions scenario with strict policy interventions in climate change	SSP3-7.0 High emissions scenario without policy interventions in climate change
Socioeconomic environment	
<p>International climate policy: Major countries and regions announce net-zero emissions targets and pathways (including China’s carbon peaking and carbon neutrality targets) and strictly implement emission reduction plans against such targets;</p> <p>International business model: Global economic growth will shift from fossil fuel-driven toward renewables-driven, and global renewables triple and energy efficiency doubles by 2030⁷;</p> <p>Global GHG emissions: Have to reduce by 43% by 2030 and by 60% by 2035 from the 2019 level⁸, and meet the net-zero emissions target by 2050, to be able to limit global warming to 1.5°C or slightly exceeds this limit;</p> <p>Domestic GHG emissions: During the 15th Five-Year Plan period China will increase the share of non-fossil fuels in primary energy consumption to around 25% by 2030, lower its carbon emissions per unit of GDP by over 65% from the 2005 level, and strive to carbon peaking before 2030⁹. The share of non-fossil fuels in energy consumption will substantially increase from the 2030 level by 2035⁹;</p> <p>Domestic new energy development: The forest stock volume will increase by 6 billion cubic meters by 2030 from the 2005 level, which will bring China’s total installed capacity of wind and solar power increase to over 1.2 billion kW by 2030¹⁰ and pure electric vehicles (EVs) to become the mainstream of new vehicles sold by 2035¹¹. Also, under the scenario of net-zero emissions by 2050, investment in clean energy and infrastructure projects will be at least triple in the next decade (2021 as baseline)¹².</p> <p>Domestic consumer attitudes: The market share of green and low-carbon products will substantially increase by 2025. Green consumption will go mainstream faster by 2030 as the public voluntarily choose green, low-carbon products¹³.</p>	<p>International climate policy: Some countries and regions lack carbon neutrality goals and detailed action plan and targets for the near term;</p> <p>International business model: A profit-driven business model fails to properly factor in environmental and societal impacts, and the demand for renewables will be weak, while the demand for fossil fuels remains strong;</p> <p>Global GHG emissions: Under the high emissions scenario, global GHG emissions might double by 2100⁴;</p> <p>Domestic GHG emissions: China’s carbon emissions are expected to peak at about 12.2 billion tons around 2027¹⁴, which is unable to drive the fundamental shift of development pattern.</p> <p>Domestic new energy development: Forest stock volume and total installed capacity of wind and solar power record no obvious increases by 2030 from the 2023 levels;</p> <p>Domestic consumer attitudes: Limited market space for green and low-carbon products due to consumers’ low awareness and preference of sustainable consumption.</p>



⁷ http://paper.people.com.cn/zgnyb/html/2023-12/11/content_26032175.htm
⁸ <https://www.mee.gov.cn/ywgz/ydqhbh/qhbhl/202211/W020221111763716523691.pdf>
⁹ <https://www.gov.cn/zhengce/zhengceku/2022-03/23/5680759/files/c3c7dfca8f24880a80af12755558f4a.pdf>
¹⁰ https://www.gov.cn/zhengce/2021-10/27/content_5646697.htm
¹¹ https://www.gov.cn/zhengce/2020-11/03/content_5557050.htm
¹² <https://www.iea.org/news/world-energy-outlook-2021-shows-a-new-energy-economy-is-emerging-but-not-yet-quickly-enough-to-reach-net-zero-by-2050?language=zh>
¹³ <https://www.gov.cn/zhengce/zhengceku/2022-01/21/5669785/files/e10c0605ff484d4e89bc236aaaf494c4.pdf>
¹⁴ <https://baijiahao.baidu.com/s?id=1728980167075745359&wfr=spider&for=pc>

The 'Global Risks Report 2023'¹¹ shows that the top 3 global short term risks are cost-of-living crisis, natural disasters and extreme weather events, and geoeconomic confrontation; while the top 3 long term risks are failure to mitigate climate change, failure of climate-change adaptation, and natural disasters and extreme weather events.

Shuijingfang has identified and assessed the impacts of climate change on its operating and financial conditions in the short (S, within 2 years), medium (M, 2-5 years) and long term (L, more than 5 years) from two dimensions (physical and transition risks) with reference to research on climate, macro environment, industrial policy and other areas and in light of its own business circumstances.

Risk analysis under SSP3 (high emissions scenario without policy interventions in climate change)

Value chain dimension	Physical risks identified	Risk dimension	Risk description and financial impacts	Cycle of impact
Raw materials sourcing	High temperatures, droughts, and floods	Income decrease caused by lower productivity	According to research, global warming is expected to increase food prices by 0.6%-3.2% per year by 2060 ¹⁶ . Droughts and floods caused by climate change might affect the growth of crops or devastate crops, causing the failures or supply disruptions of relevant upstream crops, which would in turn fuel rising prices of raw materials and increase purchasing costs.	M, L
Production and operation	Heavy precipitation Floods	Write-offs, impairments or early disposals due to reduced value or shorter useful life of assets	Heavy precipitation might cause damage to products and raw materials in warehouses and equipment on production lines and therefore affecting operational stability. It can also cause the disuse or replacement and re-brewing of raw materials and liquor in fermentation, the early scrapping of damaged production equipment, and ultimately direct property loss and fixed asset impairment.	S
	Increasingly frequent extreme weather events	Operational stability to be affected	Extreme weather events caused by climate change will affect the power generation effectiveness of photovoltaic panels and might lead to unmet power demand at Shuijingfang, thus affecting the power supply from new energy sources and the day-to-day operations of the Company. Under this scenario, the Company needs to purchase energy to maintain its energy consumption for production purposes, which would further increase energy costs.	L
	Droughts	Operational stability to be affected and increase in indirect operating costs	At present, Chengdu, Sichuan Province, where the Company's plants are located, primarily relies on hydropower supply. Reduced rainfall and prolonged high temperatures might affect the area's water and power supply, and might even disrupt production in severe cases. Thus, the Company has to purchase extra sources to maintain production as usual in such cases, which would lead to extra operating costs.	S, M, L
	High temperatures	Increase in indirect operating costs caused by threats to employee health	High temperatures have potential impacts on employees' working efficiency, health and safety, and might increase the risk of the spread of infectious diseases and even threaten the health of suppliers, customers or business partners, thus affecting the Company's operating stability. This might lead to human capital loss and increases in medical costs, high-temperature allowance and other expenses on the part of Shuijingfang.	S, M
Distributors/ logistics	Droughts, floods, and increasingly frequent extreme weather events	Increase in indirect operating costs caused by lower supply chain efficiency	More frequent or prolonged droughts or floods would damage transport infrastructure, affecting supply chain efficiency, thus leading to rising logistics costs and affecting Shuijingfang's contract performance credit and customer satisfaction.	M, L
Brand/ consumers	Droughts, floods, and increasingly frequent extreme weather events	Declined revenue caused by lower demand for products and services	Climate change can affect the microbiology of crop growth and the liquor-making process ¹⁷ which might pose potential challenges to Shuijingfang's product quality and safety, affecting customer satisfaction.	L

¹⁵ <https://cn.weforum.org/publications/global-risks-report-2023/>

¹⁶ https://mbd.baidu.com/newspage/data/landingsuper?id=1771222923976211203&wfr=spider&for=pc&third=baijiahao&baijiahao_id=1771222923976211203&c_score=0.999000&c_source=&p_tk=3416j3eyLQXWm%2BYEtA0tKN%2FxiRVt%2F58pkDOr50THAv6kWcR87M%2B9Us5q3NTH3qZQEoM3nwaSusxMYQnPyzewTT9ARyby4cpYLnZinV%2ByT4FiuHobHbWqiy7T8Fsfb9n%2BVLsE4tJ3uwEJAAOPqitx3YNVKhx%2F%2F%2BpTAFJfNt0tBAKEQE%3D&p_timestamp=1714115109&p_sign=4336b827938d6b3e91875a376cbde06a&p_signature=943d1e0b0f8e3b3ff5dbc90edf2749d&__ccp2s_ab=3416j3eyLQXWm%2BYEtA0tKN%2FxiRVt%2F58pkDOr50THAv6kWcR87M%2B9Us5q3NTH3qZQEoM3nwaSusxMYQnPyzewTT9ARyby4cpYLnZinV%2ByT4FiuHobHbWqiy7T8Fsfb9n%2BVLsE4tJ3uwEJAAOPqitx3YNVKhx%2F%2F%2BpTAFJfNt0tBAKEQE%3D17141151091943d1e0b0f8e3b3ff5dbc90edf2749d44336b827938d6b3e91875a376cbde06a

¹⁷ Shukun Y ,Huadong Z ,Xiaowei Y , et al.Fungal biogeographical patterns are key drivers shaping the regional flavor profiles of Chinese strong-flavor Baijiu.[J].Food Bioscience,2023, 55Bioscience,2023,55

Risk analysis under SSP1 (low emissions scenario with strict policy interventions in climate change)

Potential impacts of transition risks on Shuijingfang's business and financial conditions under the low emissions scenario (SSP1)

Value chain dimension	Transition risks identified	Risk dimension	Risk description and financial impacts	Cycle of impact
Raw materials sourcing	Technical risk	Transition to low emissions technologies	To boost agricultural productivity and its resilience to climate, Shuijingfang needs to push for the transition of the upstream to regenerative agriculture by providing adequate support in farmer education and machinery investment. This process might require more funding from Shuijingfang, leading to increased financial costs.	L
Packaging	Policy and regulation risks	Packaging compliance and R&D	The country increasingly tightens its control of excessive packaging ¹⁸ and plastic pollution ¹⁹ . If Shuijingfang's packaging fails to comply with relevant regulatory requirements, it might face regulatory and compliance risks. Besides, to meet relevant requirements, Shuijingfang's design team has to work out more eco-friendly bottling and packaging solutions while guaranteeing product quality and transport safety, which would increase the team's time and funding inputs.	S
Production and operation	Technical risk	Failure to invest in new technologies	In a dry, high-temperature environment, to ensure the stable quality of Baijiu, Shuijingfang might have to invest more in its techniques and processes to keep brewing and fermenting processes stable and manageable. If Shuijingfang fails to effectively assess the input-output benefits of its R&D, it might risk financial loss and lose first-mover advantage in green transformation, which would pose the risk of declines in future revenues.	M, L
		Transition to low emissions technologie	To cope with climate change while staying ahead of market competition, Shuijingfang would have to increase its operating costs, including but not limited to expenditures on clean energy, the development of carbon abatement technologies, and the R&D and acquisition of low-carbon infrastructure.	
	Policy and regulation risks	Carbon tax policy and packaging transition requirements	International policies on circular economy ²⁰ and the Carbon Border Adjustment Mechanism (CBAM) ²¹ also have impacts on the low-carbon transition of the Company's export products. If the Company fails to pursue product transition in a timely manner, it might lose part of the international market. Shuijingfang would also face increasing investment demand in product transition and low-carbon product certification.	M, L
Supply chain/ logistics	Policy and regulation risks	Increasingly strict laws governing green supply chains	Relevant laws and regulations the country has rolled out might increase the green transition costs of the Company's transport service providers, including the early scrapping of conventional vehicles and the purchase of new energy vehicles (NEVs). At the same time, Shuijingfang might have to increase its costs in strengthening management as the Company's effort to drive logistics and transport transition draws attention from the government, investors and consumers.	S
Brand/consumers	Market risk	Changes in consumer preference and behaviour	A shift in consumer preference would drive up the demand for green products. If Shuijingfang fails to grasp the opportunity presented by this market shift, it might miss out on the opportunity for market growth. Meanwhile, the Company's green product input and R&D might lead to higher costs arising from changes in production techniques, processes, facilities and other aspects, or from rising costs of raw materials.	M, L
Investment and financing	Policy and regulation risks, market risk, and reputational risk	Fewer financing opportunities	Investors are paying growing attention to climate-related risks. If a business fails to manage climate-related risks properly, it would have fewer financing opportunities. Given its funding requirements, Shuijingfang will pursue low-carbon transition as required by its investors.	
		Increase in operating costs	The impacts of climate-related risks on business stability and the development of green investing and financing all require that Shuijingfang tighten its control of climate-related risks, which would increase the Company's overall risk management costs. Moreover, the possible lack of relevant countermeasures might cause stakeholders' concerns over and negative feedback on the Company's business stability.	M

¹⁸ https://www.gov.cn/zhengce/content/2022-09/08/content_5708858.htm

¹⁹ https://www.gov.cn/zhengce/zhengceku/2021-09/16/content_5637606.htm

²⁰ <http://eu.mofcom.gov.cn/article/jmxw/202004/20200402952455.shtml>

²¹ https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

Analysis of opportunities under SSP1 (low emissions scenario with strict policy interventions in climate change)

Value chain dimension	Opportunity	Description	Cycle of impact
Upstream	Adaptability	To better manage the impacts of climate change on its products and services, the Company is developing a corporate commitment to sustainable agricultural development while planning to offer knowledge and technical training on sustainable agriculture to farmers. Moreover, on the front of raw material sustainability, we will adhere to sustainable sourcing, ensure product quality and safety to the greatest extent, and boost customer satisfaction.	L
		The Company is establishing climate-related management mechanisms to ensure stable supply of raw materials and beef up supply chain resilience.	L
Packaging	Resource efficiency	In the context of increasingly strict policies and standards for low-carbon packaging development, Shuijingfang is investing R&D resources in optimising packaging, phasing out non-recyclable packaging materials and promoting circular packaging, with a view to boosting resource efficiency and cutting packaging costs.	S
Production and operation	Energy mix optimisation	The costs of green power will gradually drop over time. So far, Shuijingfang has joined the Science Based Targets initiative (SBTi), put forward a scientific carbon target pledge, under which the Company will optimise the energy mix by building renewable energy facilities and directly purchasing renewable energy, which will to a certain extent reduce the Company's energy costs.	L
	Products and services	To better manage the impacts of extreme weather events caused by climate change on its production and operation, Shuijingfang will develop climate adaptation solutions to effectively prevent or reduce physical and property losses caused by risk events.	S
	Adaptability	By promoting energy transition at production and office sites through diversifying management indicators, Shuijingfang will be able to boost the adaptability to climate change and strengthen the resilience.	M, L
	Resource efficiency	By improving water use efficiency and promoting water reuse,Shuijingfang could achieve lower water cost per unit product.	L
	Market	The government has introduced a series of financial and tax subsidies and incentivises focusing on energy conservation, emission reduction, and green development ^{22,23,24,25} . Shuijingfang might receive relevant subsidies or rewards in the process of taking energy transition actions.	S, M
Supply chain/ logistics	Energy mix optimisation	In the product transport process, Shuijingfang encourages the use of NEV by downstream third-party carriers to promote green transition and boost its resilience in product transportation.	L
Brand/ consumers	Products and services	As the concept of green consumption gradually takes root in the public, green and low-carbon products will be a voluntary choice of more consumers. Shuijingfang will be able to get the market opportunity by developing low-emission products and services.	L
Investors	Increasing financing opportunities	As investors are increasingly concerned of company's coping capacity for climate-related risks, Shuijingfang's effort to identify and manage those risks, and the regular disclose on related information can increase investors' confidence in the Company's long-term development, thus enhancing its financing capacity and market competitiveness.	L

Risk management

Shuijingfang identifies, assesses and monitors climate-related risks and opportunities through the following steps:



²² <https://zhuanlan.zhihu.com/p/612493196>
²³ https://www.gov.cn/zhengce/zhengceku/2020-02/05/content_5474795.htm
²⁴ https://jjs.mof.gov.cn/zxzyzf/jnjpbzzj/202304/t20230428_3881947.htm
²⁵ https://www.gov.cn/zhengce/2022-06/09/content_5694752.htm

Metrics and Targets

Based on the identification and assessment of climate-related risks and opportunities, Shuijingfang has fully understood the impacts on its own operations and has selected a range of management metrics to boost the Company’s climate resilience over time. Going forward, we will continue to implement energy conservation and emission reduction at the Company levle while leveraging our influence to drive green, low-carbon development of the industry’s value chain.

Targets

Shuijingfang has signed and joined the Science Based Targets initiative (SBTi), in a bid to contribute to the efforts to ‘limit the temperature increase to 1.5°C above pre-industrial levels’ in the Paris Agreement.

Metrics

At present, under the leadership of the ESG Steering Committee, the relevant business departments have fully participated in the feasibility study of carbon emission reduction pathways, analyzed the emission reduction potential and future technology development trends, and formulated detailed management indicators for the comprehensive implementation in all departments.

Value chain dimension	Level 1 indicator	Level 2 indicator	Description
Procurement	Supplier management	Supplier screening and access	Continue to improve the criteria for supplier screening and access, certify the qualifications of new suppliers, and regularly conduct spot checks on qualified suppliers to ensure that suppliers meet the access criteria.
		Supplier supervision	Continue to improve the supplier review and monitoring system, encourage suppliers to conduct carbon inventory, and track their effectiveness on carbon emission redcuton and resource conservation on a regular basis.
	Supplier empowerment	Supplier training	Provide trainings, guidance, technology supports, and relevant tools and expertise to help suppliers reduce carbon emission and the use of raw materials.
	Raw grain sourcing	Sustainable sourcing of raw materials	Dedicated to the sourcing of raw materials involving no deforestation risk and certified as environmentally friendly or low-carbon.
	Information transparency	Establishment of a traceability system	Conduct the whole-process quality tracking management for products from sourcing to production, to ensure the pre-inspection and traceability of raw grain.
Production	Packaging procurement	Sustainable sourcing of packaging materials	Dedicated to abandoning non-biodegradable plastic packing bags, plastic tapes, disposable plastic woven bags, among other materials, and using regenerated plastics, bio-based plastics and other low-carbon materials instead; adopt environmentally friendly ink for printing.
	Facilities	Reduce energy consumption in production	Continue to upgrade and adopt energy-efficient equipment with low carbon emission and material consumption.
		Establish energy management system	Continue to improve energy and carbon measurement system to monitor and record energy consumption and carbon emissions in the production process; regularly analyse the data to identify the potential in ECER and develop ECER plans.
	Resources and energy	Reduce energy consumption per unit product	Develop low-carbon agricultural technologies and nature-based solutions to reduce carbon emissions of raw materials.
		Increase resource efficiency	Promote packaging reuse; fully boost water use efficiency of the production process.
Logistics	Logistics network optimisation	Better energy mix	Continue to make good use of waste heat and pressure, and increase the use of renewables energy by applying photovoltaic power generation facility and purchasing green electricity.
		Introduction of an intelligent monitoring and scheduling system	Plan to employ a fuel consumption monitoring system to identify the carbon emission data of vehicles; adopt the intelligent scheduling system to optimise transport routes and reduce idling and vacancies.
	Energy mix optimisation	Increase coverage of NEVs	Continue to increase the use of NEVs to reduce the use of fossil fuels and carbon emissions.
	Communication of low-carbon consumption information	Use of environmentally friendly/ low-carbon labels	Promote the use of verified environmental labelling in products.
	Increase consumers' awareness of low-carbon consumption	Low-carbon marketing campaigns	Dedicated to promoting low-carbon consumption by conducting consumer education on sustainable consumption concept and environmental impacts, etc.

Chapter I

Cheers for the high-efficient governance

Shuijingfang continuously improves its business ethics and compliance system and enhances compliance risk management to achieve more efficient corporate governance. The Company makes good use of the role of Party organisations as the political core to drive ideological education and co-construction at the primary level to the greatest extent. We have always emphasised the responsibility of the Board of Directors. While continuously improving the governance capacity of the Board, we balance diversity, ensure independence, make sure that our operations comply with laws, regulations and code of ethics, actively fulfil our information disclosure obligations, including disclosing the Company's financial position, business results and material matters to investors and the public in a timely manner, and take information security and protection very seriously. Shuijingfang has put in place sound risk management and internal control systems, taken anti-corruption and anti-unfair competition seriously, and kept an eye on information security, striving to promote the long-term stability and sustainable development of the Company.

- Solid Party building
- Continuously improving governance
- Sound internal control compliance and risk management
- Anti-corruption and anti-unfair competition regime
- Information security
- Key performance indicators

Responding to the UN Sustainable Development Goals (SDGs)



Solid Party building

Our Party Committee, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, has enforced the general principles expounded at the 20th CPC National Congress, kept building stronger Party organisations, made full use of the vanguard and exemplary role of Party members, and written Party building into the Articles of Association of the Company, providing robust political safeguards for the Company’s high-quality development.

Ideological education and learning

In 2023, our Party Committee continued to promote Party members’ ideological education and learning in various ways as required by the higher-level Party committee.

Specifically, 162 Party members learned on xuexi.cn, accounting for 90.0% of all Party members at Shuijingfang. In terms of participation, we ranked third among 28 Party organisations at the same level. In terms of daily per capita points, we scored 10.706 points and ranked fifth among 28 Party organisations at the same level. A total of 280 Party members participated in the learning activities on Chengdu’s e-learning platform for pioneer Party members, with a participation rate of 100%, and all of them passed the assessment.

Participation rate of Shuijingfang Party members on xuexi.cn

90%

Participation rate of Shuijingfang Party members on Chengdu’s e-learning platform

100%

Strengthening Party organisations

We strictly practised such systems as the ‘three meetings and one lecture’ (Party branch general meetings, meetings of the Party branch committee, Party group meetings, and Party lectures) and the democratic assessment of Party members to improve the institutions and standards of Party branch activities and boost the cohesiveness and effectiveness of Party organisations. In terms of organisational structure, the Company’s Party Committee has nine Party branches (five of them at workshops and marketing frontline) with 285-strong membership equipped with 11 part-time Party officials (members of the Party Committee and secretaries of Party branches), who constitute a reasonable echelon in age and knowledge composition. The Company makes good use of the vanguard and exemplary role of Party members to effect active engagement of Party members in corporate building by combining ‘Strive for Excellence’ activities within the Party with in-house corporate reform, production and operation. In 2023, Shuijingfang saw the transfer of eight Party members into the Party Committee, the joining of a Party member in the Supply Chain Party Branch, active efforts made by Party branches to talk to and develop activists who want to join the Party, the careful execution of Party member development and observation procedures, the recommendation and selection of several prospective Party members. Such efforts paved the way for developing Party members in 2024.

Area-specific Party building

Shuijingfang takes the improvement of corporate culture and Party conduct seriously. We carried out diverse Party building activities to promote core socialist values and increase employees’ sense of belonging and identify. Our Party Committee funded a wide range of Party building activities, including irregularly scheduled collective meetings independently organised by nine Party branches, general meetings of Party members, Party group meetings, Party lectures, meetings of the Party Committee and Party branch meetings.

On 6 June 2023, the Party committee of Jiancao Community, Xihua Subdistrict, Chengdu and the Shuijingfang Party Committee co-organised a series of themed activities celebrating the 102nd anniversary of the founding of the Communist Party of China to promote the Party’s great founding spirit and activate a sense of responsibility for the new era. These activities themed on the study and practice of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. On 20 June 2023, before the Duanwu Festival, also known as Dragon Boat Festival, Shuijingfang organised its Party members to stage the ‘Embrace the FISU Games with a Civilized Image – Qionglai City “Red Ode to the Party at Duanwu Festival & Inheritance of Civilization Celebrating the Anniversary of the CPC”’ demonstration event together with Qionglai City’s New Era Civilization Practice Centre, Public Security Bureau and New Era Civilization Practice Sub-centre of Wenjun Subdistrict, in order to promote traditional culture and pool spiritual strengths for embarking on a new journey of endeavour.

Organisational care

In response to the call of higher-level Party committees, our Party Committee adhered to an employee-oriented approach, under which we helped employees solve practical problems and provided assistance to employees in need. Throughout 2023, the Company’s Party Committee offered hardship (disease) subsidies to 31 employees, paid 23 visits to hospitalised employees, and distributed study-aid grants to 38 employees’ children.

Offered hardship subsidies to

31 employees

Distributed study-aid grants to

38 employees’ children

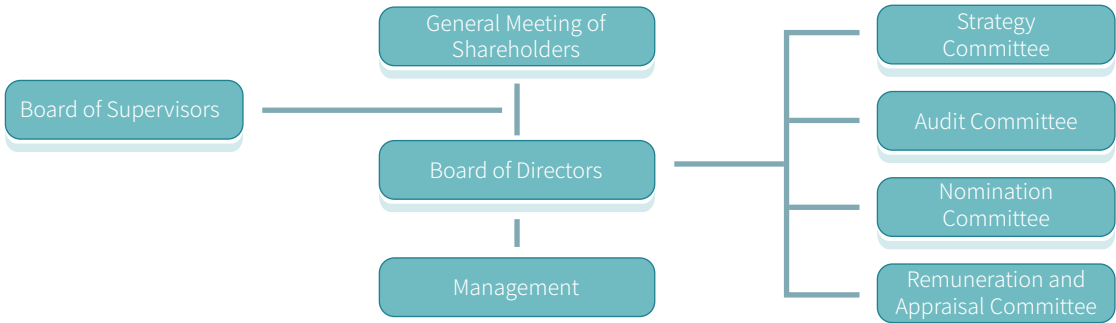
Continuously improving governance

Shuijingfang’s Board of Directors has always been committed to safeguarding the legitimate rights and interests of the Company and its shareholders, fully fulfilled its management responsibility and kept boosting its own independence and diversity. The Board of Directors also actively communicated with investors and participated in investor relations management, promoted more standardised information disclosures, and boosted investor confidence, trying to fulfil the vision of shared growth with investors.

Improving governance structure

Shuijingfang has established a sound corporate governance structure and a shareholder rights protection system in strict compliance with the ‘Company Law’, the ‘Securities Law’, the ‘Corporate Governance Guideline for Listed Companies’, the ‘Rules Governing the Listing of Stocks on Shanghai Stock Exchange’ and other applicable regulations.

The General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the management at Shuijingfang have well-defined powers and responsibilities and work under checks and balances with each other. There are special committees set under the Board of Directors, and each special committee operates as per applicable rules and regulations on corporate governance and internal control, to properly protect the rights and interests of shareholders and the Company’s compliant growth.



Corporate governance structure

Ensuring information transparency

Shuijingfang actively fulfils its information disclosure obligations by disclosing its financial position, business results and material matters to investors and the public in a timely manner, communicating with investors via multiple channels at multiple levels, and rewarding its shareholders under an optimised dividend policy, in order to effectively protect the legitimate rights and interests of investors and boost investors’ confidence in the Company.

The persons in charge are organised to study the ‘Regulations on Internal Reporting of Material Information’ and the ‘Management Regulations on Information Insider Registration’, so that the Company can disclose relevant information in a timely, accurate and complete manner in the event of significant incidents. Before disclosing such information as material matters, periodic reports and interim reports, the Board of Directors’ Office would ask relevant persons in charge to fill out the ‘Information Insider Profile’, requiring that they keep such information secret and promise that they will not use insider information for trading. In 2023, the Board of Directors’ Office carried out two compliance campaigns among the employees on information insider management and internal reporting of material information via computer screensavers and corporate WeChat pushes to ensure that employees comply with legal and regulatory requirements for listed companies.

Through the formulation and publicity of information disclosure regulations, we have effectively raised the information disclosure awareness of Shuijingfang’s directors, supervisors, senior management and other relevant personnel, and enhanced information disclosure and transparency at Shuijingfang. In 2023, we compiled and published a total of 48 periodic reports and interim announcements, and prepared and submitted a total of 48 documents to the Shanghai Stock Exchange for filing. In 2023, Shuijingfang received a "B" grade in the 2022-2023 information disclosure evaluation of the Shanghai Stock Exchange.

Highly concerned with the interests of shareholders, the Board of Directors at Shuijingfang proactively manages investor relations and communicates with investors through multiple channels and levels, to answer questions from investors regarding corporate governance, development strategies, sales markets, and overseas investment. Throughout 2023, the Board of Directors’ Office answered 288 phone calls from shareholders, answered 41 questions on sns.sseinfo.com - a communication platform operated by the Shanghai Stock Exchange, answered 84 questions from investors via the Office’s mailbox, held one General Meetings of Shareholders, received 71 institutional investors, individual shareholders and financial media representatives, and answered 56 questions from them. The Company held a total of six regular reporting and communication teleconferences for investors in the year, with a total of 1,112 investors attending the meetings online. Shuijingfang’s General Manager, CFO and Secretary of the Board of Directors were also present at the meetings and answered 249 questions from investors, and received 10 survey visits by institutional investors.

Shuijingfang investor communication meetings in 2023			
Date	Meeting	Number of participants	Number of Q&As
April 29th	Shuijingfang Investor Communication Meeting on 2022 Annual Report and Q1 2023 Report	288	75
June 13th	Shuijingfang Performance Briefing for 2022 and Q1 2023	-	14
July 31st	Shuijingfang Investor Communication Meeting on 2023 Semi-Annual Report	379	61
August 31st	Shuijingfang Semi-Annual Performance Briefing for 2023	-	17
October 31st	Shuijingfang Investor Communication Meeting for Q3 2023	445	113
November 15th	Shuijingfang Performance Briefing for Q3 2023	-	9
	Total	1,112	249

Shuijingfang has always upheld the principles of business integrity and rewarding shareholders, and has proactively put in place a reasonable dividend policy. The Company generates a steady stream of revenue for its shareholders, and shares the Company’s business results with shareholders through periodic dividend distributions.

Dividend distribution for last three years			
Year of dividend distribution	Dividend per 10 shares (RMB) (tax inclusive)	Cash dividend (RMB '00 million) (tax inclusive)	Share of dividends in the net profit attributable to common shareholders of the listed company in the consolidated statement (%)
2023	7.5	3.65	30.07
2022	7.5	3.66	30.49
2021	12	5.86	80.13

Empowering managers

The Board of Directors at Shuijingfang, a professional team with extensive experience and expertise in the industry, proactively participates in decision-making, performs its due management responsibilities, and provides invaluable input and guidance for the Company’s strategic decisions. The Company also keeps strengthening the management capabilities of the Board of Directors by delivering regular training to further improve corporate governance. In November 2023, the Board of Directors was awarded the ‘Excellent Practice of Board of Directors of Listed Companies’ issued by the China Association of Public Companies.

In 2023, Shuijingfang held a total of 9 meetings of the Board of Directors and 4 meetings of the Board of Supervisors to drive active engagement of the Board in corporate governance. Details of the meetings are shown in the table below:

Internal meetings held by Shuijingfang’s Board of Directors in 2023							
meetings Number of	General Meeting of Shareholders	Board of Directors	Board of Supervisors	Strategy Committee	Nomination Committee	Remuneration Committee	Audit Committee
Onsite	0	0	0	2	0	0	0
Online	0	7	3	0	1	1	4
Onsite + online	2	2	1	0	2	2	2
Total	2	9	4	2	3	3	6

In 2023, Shuijingfang held

9 meetings of the Board of Directors

4 meetings of the Board of Supervisors

In 2023, the Board of Directors’ Office organised the Company’s directors, supervisors and senior management to attend five training sessions provided by China Association for Public Companies and the Listed Company Association of Sichuan on the reform of the independent director system, key personnel training, the interpretation of the registration-based IPO system and information disclosure. We made sure that all directors, supervisors, and senior executives had studied and understood up-to-date laws and regulations governing listed companies for them to better manage corporate operations and make informed decisions.

Training received by directors, supervisors and executives at Shuijingfang in 2023

Date of training	Training institution	Theme of training	Number of participants
27 February	China Association for Public Companies (CAPCO)	Special Training on Information Disclosure	2
3 March	Listed Company Association of Sichuan	Decoding the Rules and Opportunities under the Across-the-board Registration-based IPO System	1
28 July	Listed Company Association of Sichuan	Independent Director System and Corporate Governance for Controlling Shareholders, Actual Controllers, Directors, Supervisors and Executives of Listed Companies in Sichuan	11
10 November	Listed Company Association of Sichuan	Measures for the Administration of Independent Directors of Listed Companies	4
18 December	China Association for Public Companies (CAPCO)	Reform of the Independent Director System	3

The efficient operation of the Board of Directors requires the assistance and cooperation from the Board Secretary. The Secretary of the Board of Directors at Shuijingfang takes an important role in improving the governance standards of the ‘three meetings’, information disclosure and equity management, among other things, while actively conveying corporate value to external parties and bridging the Company and capital markets. In 2023, the Secretary of the Board won several awards:

Awards	Awarded by
China’s Top 100 Outstanding Board Secretaries Award	Forum of China’s Top 100 Listed Companies
‘4A’ in Performance Evaluation of the Secretary of the Board of listed companies	China Association for Public Companies
‘Golden Sycamore’ Best Board Secretary	China Industrial Cooperation Association & JiAnJinxin & TMTPost Media Group
Outstanding Board Secretary of Listed Companies	National Business Daily
Annual Outstanding Board Secretary	Stock Star
The 17th Sunshine Secretary of the Board of China's Listed Companies	Security Times

Strengthening independence and diversity

Shuijingfang guarantees the independence of the Board of Directors in strict accordance with laws and regulations from three aspects: the election of Board members, the composition of Board members, and the operation of the Board.

Independent election of Board members

☑ The election of all Board members is subject to review at the General Meeting of Shareholders, with an approval percentage greater than 92% of the voting shares held by shareholders present at the meeting. In specific, non-independent directors are elected or replaced at the General Meeting of Shareholders; regarding independent directors, the listed company’s Board of Directors or Board of Supervisors, or shareholders who individually or jointly hold more than 1% of the issued shares of the listed company may nominate candidates for independent directors, who will then be voted on at the General Meeting of Shareholders. The power of the Board of Directors is authorised by the vast majority of shareholders, rather than any single shareholder. The cumulative voting system shall apply to the election of two or more directors.

Independent composition of Board members

Independent directors account for 3/8 of Board members. Among the special committees under the Board of Directors, independent directors account for the majority of the members of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. There are also independent directors in the Strategy Committee. The Company’s three independent directors are professionals in finance, law and investment, respectively. Harnessing their professional expertise, they put forward reasonable suggestions for the Company’s operations and development and offer independent opinions on relevant matters reviewed by the Board of Directors, to guard the legitimate rights and interests of the Company and all shareholders.

Independent operation of the Board

☑ The Company’s major shareholders and actual controllers handle their relationship with listed companies in strict compliance with the code of conduct in the ‘Guideline for the Conduct of Controlling Shareholders and Actual Controllers of Listed Companies’. They keep themselves separated from listed companies’ personnel, assets, and finance, and ensure the independence of departments and their operations. At the same time, the Board of Directors, the Board of Supervisors and internal departments are allowed to operate independently.

In terms of diversity, Shuijingfang considers a comprehensive range of factors, including gender, age, cultural and education backgrounds, race, professional experience and know-how, when setting the mix of Board members.

Performance incentives

In 2021, to better commit the senior management team to the Company’s medium and long-term strategic goals, as well as the Company’s sustainable and healthy development, Shuijingfang launched the ‘2021 Employee Stock Ownership Plan’ and the ‘Management Measures for the 2021 Employee Stock Ownership Plan’. On 25 May 2023, the first lock-up period of Shuijingfang’s ESOP expired and the unlocking goal was met, with 50% or 347,850 of the total shares under the ESOP unlocked. After the unlocking conditions were met, the Board of Directors’ Office completed subsequent ESOP activities, including unlocking the shares, convening the ‘three meetings’ for deliberation and disclosing unlocking announcements to external parties.

ESG management structure

In 2021, Shuijingfang established an ESG Steering Committee, chaired by the CEO and composed of senior managers of all departments. As the pivot of the Company’s ESG management structure, the ESG Steering Committee presides over the setting of overarching ESG strategies and goals and ensures that the ESG element is factored in the Company’s major decisions and routine management affairs.

Since the launch of ‘SJF 2035 Sustainability Targets’ in 2023, the ESG Steering Committee has strengthened its planning and management of ESG progress at business units, developed a quarterly meeting mechanism, tasked the Secretariat of the ESG Steering Committee with the convening of relevant business units to report their milestones in meeting the targets, and discussed and decided on key issues at such meetings to ensure the orderly advance toward the targets.

Sound internal control compliance and risk management

Shuijingfang has established sound risk management and internal control compliance systems, and put in place ‘three lines of defence’ – the Business Management Department, the Internal Control and Legal Department, and the Internal Audit Department and the Audit Committee – to assess and monitor relevant risks and take corresponding actions to prevent or mitigate such risks, effectively ensuring the Company’s asset security and compliance operation. Moreover, the Company takes the advocacy of compliance policies seriously by training employees on compliance and developing its compliance culture.

Strengthening the compliance system

Dedicated to compliant operation, Shuijingfang pays ongoing attention to and strictly complies with the ‘Law Against Unfair Competition’, the ‘Anti-Monopoly Law’, the ‘Personal Information Protection Law’, the ‘Trademark Law’, the ‘Advertising Law’, the ‘Law on Work Safety’, the ‘Food Safety Law’, the ‘Data Security Law’, the ‘Company Law’ and the ‘Securities Law’, among other legislations. Under these laws and regulations, we keep strengthening our internal systems for proactive management of potential risks.

The Company reviews and updates key supporting policies governing compliance every year, including the ‘Code of Business Conduct’, the ‘Regulations on Internal Reporting of Material Information’, the ‘Personal Information Protection Regulations’, the ‘Anti-bribery Policy’, the ‘Implementation Measures for Violations Reporting and Investigation’, and the ‘Policy on Services Provided by External Auditors’. These rules and regulations cover personal information protection, intellectual property management, anti-bribery, anti-money laundering, anti-unfair competition, and anti-monopoly. In 2023, we reviewed and updated 13 policies, including the ‘Code of Business Conduct’.

Internal control procedure

- [Ex-ante] Employees are trained to be more aware of risks associated with business ethics compliance. Planning and application for activities are subject to the Company’s compliance polices. Business, finance, legal and other departments evaluate the rationality, effectiveness and potential risks of advertising and promotion expenses, slotting fees and other investments when performing Pre ME.
- [Interim] All business operations are constantly monitored to ensure that they align with the established plans.
- [Ex-post] The Department of Compliance, Control and Risk Management randomly checks ethical concerns related to business activities through internal control testing, as well as regular and irregular unannounced inspections. The Internal Audit Department audits key risk areas in accordance with the internal audit plan.

Joining the international pledge to prevent compliance risk

In September 2023, Shuijingfang joined the UN Global Compact and undertook to perform the Ten Principles of the UN Global Compact, based on a UN convention and covering Human Rights, Labour, Environment and Anti-Corruption. The Company has proactively contributed to global sustainable development and social justice while further regulating its own operating activities and preventing compliance risk by executing these principles.



Fostering a compliance culture

Shuijingfang continuously advocates business ethics compliance. In 2023, the Company pushed four newsletters about risk control compliance to all its employees, nine compliance publicity posts on WeCom. Following the onboarding of new employees, we would train them on compliance in online and offline forms. Such training sessions cover the three lines of defence for corporate risk governance, compliance consultation, complaint and reporting channels, and ‘Code of Business Conduct’, among other areas, and employees are subject to tests and reviews after training. As for external parties, Shuijingfang provided compliance training to more than 100 key third-party partners in 2023.

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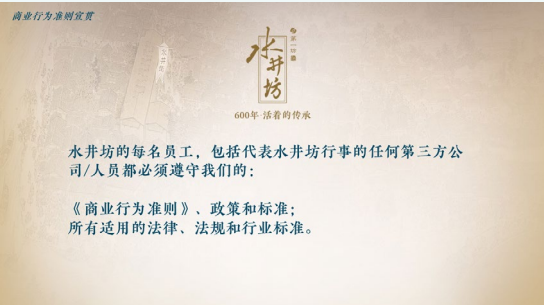
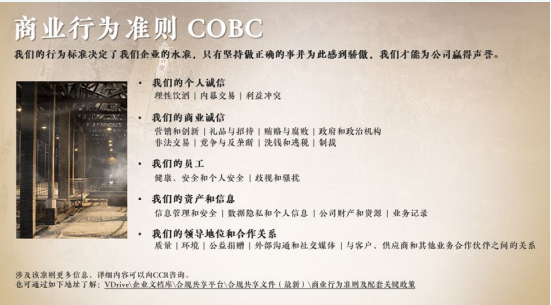
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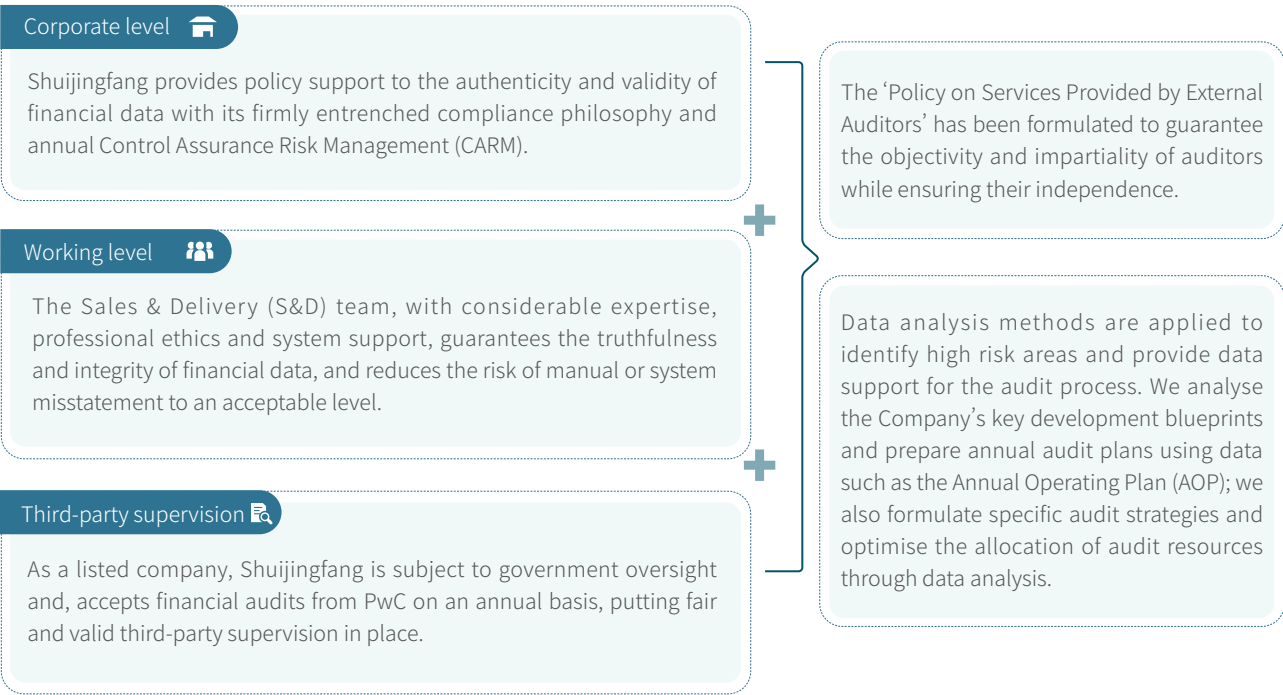
Case

‘Shuijingfang Code of Business Conduct’ push notifications



Authentic and valid internal audit management

Shuijingfang develops its annual audit plans under a risk-oriented approach, and controls risks at an acceptable through audit-driven internal controls, thus boosting operational efficiency and ensuring long-term sound operation. In 2023, the Internal Audit Department issued six audit reports, and reported its auditing progress and next steps to the Audit Committee on a quarterly basis.



Ensuring tax compliance

Shuijingfang complies with tax laws and regulations and fulfils its duty to pay taxes according to China's tax-related legal, regulatory and policy requirements, and prevents reputational risk, legal risk and other problems caused by tax issues. In 2023, Shuijingfang and its subsidiaries paid a total of RMB 1,627,204,802.91 in taxes and fees.

Four tax principles of Shuijingfang

- We manage tax affairs in an effective, balanced and proactive manner in order to advance business strategies and create sustainable value for shareholders;
- We pursue open and transparent cooperation with all tax authorities and abide by the policy of disclosing all tax issues to competent tax authorities;
- We do business as per sound commercial principles and act with consideration of all associated costs, including taxes;
- All connected transactions are on an arm's length basis.

Anti-corruption and anti-unfair competition regime

In strict compliance with national laws and regulations, Shuijingfang has established an internal anti-corruption and anti-unfair competition system which is reviewed and updated regularly, and provides the related policy training.

Anti-bribery policy

We have drafted the 'Anti-bribery Policy of Sichuan Shuijingfang Co., Ltd.' as per the 'Criminal Law', the 'Law Against Unfair Competition', the 'Opinions on Several Issues Concerning the Application of Laws in Handling Commercial Bribery Criminal Cases' and many other legislations, ministerial regulations, and judicial interpretations, as well as the Company's 'Code of Business Conduct'. This policy applies to Shuijingfang and its subsidiaries and all employees thereof, with specific provisions on 'accepting gifts and hospitality', 'providing gifts and hospitality', 'interacting with government officials', 'charitable donations', 'recording and bookkeeping norms', and 'policy consultation'.

Key terms in the 'Anti-bribery Policy of Sichuan Shuijingfang Co., Ltd.'

- The Company and its employees are prohibited from offering or accepting bribes, either directly or indirectly.
- Neither the Company nor its employees may directly or indirectly provide, offer or promise to provide any cash and its equivalents or other property-like benefits to a third party for the purpose of obtaining or retaining any commercial benefits or advantages for the Company.
- The Company and its employees may not directly or indirectly induce or encourage others to violate this policy.
- The Company and its employees may not solicit or accept cash, its equivalents and other property-like benefits from others in the name of the business.

Anti-money laundering (AML) policy

In no cases shall the Company and its employees participate in or carry out any money laundering activities. Before reaching formal partnership, the Company will make identity authentication to business partners and avoid receiving suspicious payments. Meanwhile, the Company in principle does not accept payments from non-partners or large cash payments. In practice, all partners are required to go through due diligence; for partners found with potential risks, we will make further verification to eliminate risks or take appropriate risk control measures.

How the Company handles AML-related violations:

Possible violation	Possible disciplinary action	Suggested questions to be considered when determining an aggravated or mitigated punishment against the violator
Failure to properly retain customer information and failure to follow through the 'Know Your Customer' (KYC) process	Minor infraction	Has the employee received training on the AML policy? Is there any inaction that makes Shuijingfang an accomplice of money launderers? Is the employee unfamiliar with Shuijingfang's AML procedures?
The total amount of cash payments from a customer exceeds the limit stipulated under the 'Anti-Money Laundering Policy'	Moderate infraction	Has the employee involved received training on the AML policy?
Any violation against the 'Anti-Money Laundering Policy' that gets Shuijingfang involved in money laundering activities and that is determined by the competent government authority as money laundering	Severe infraction	Which procedures has the Company put in place to prevent the acceptance of cash payments exceeding the approved limit?

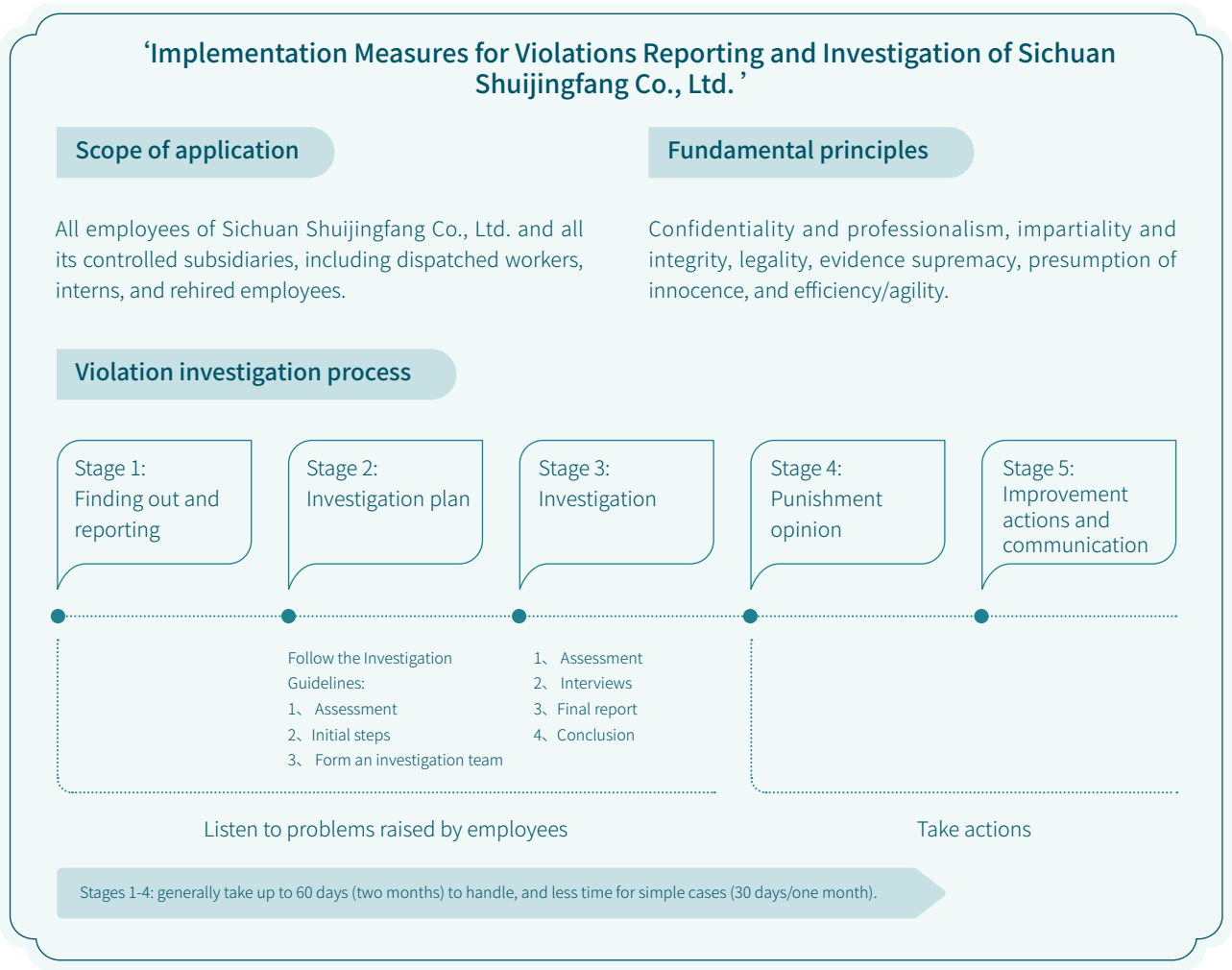
Shuijingfang’s code of business conduct

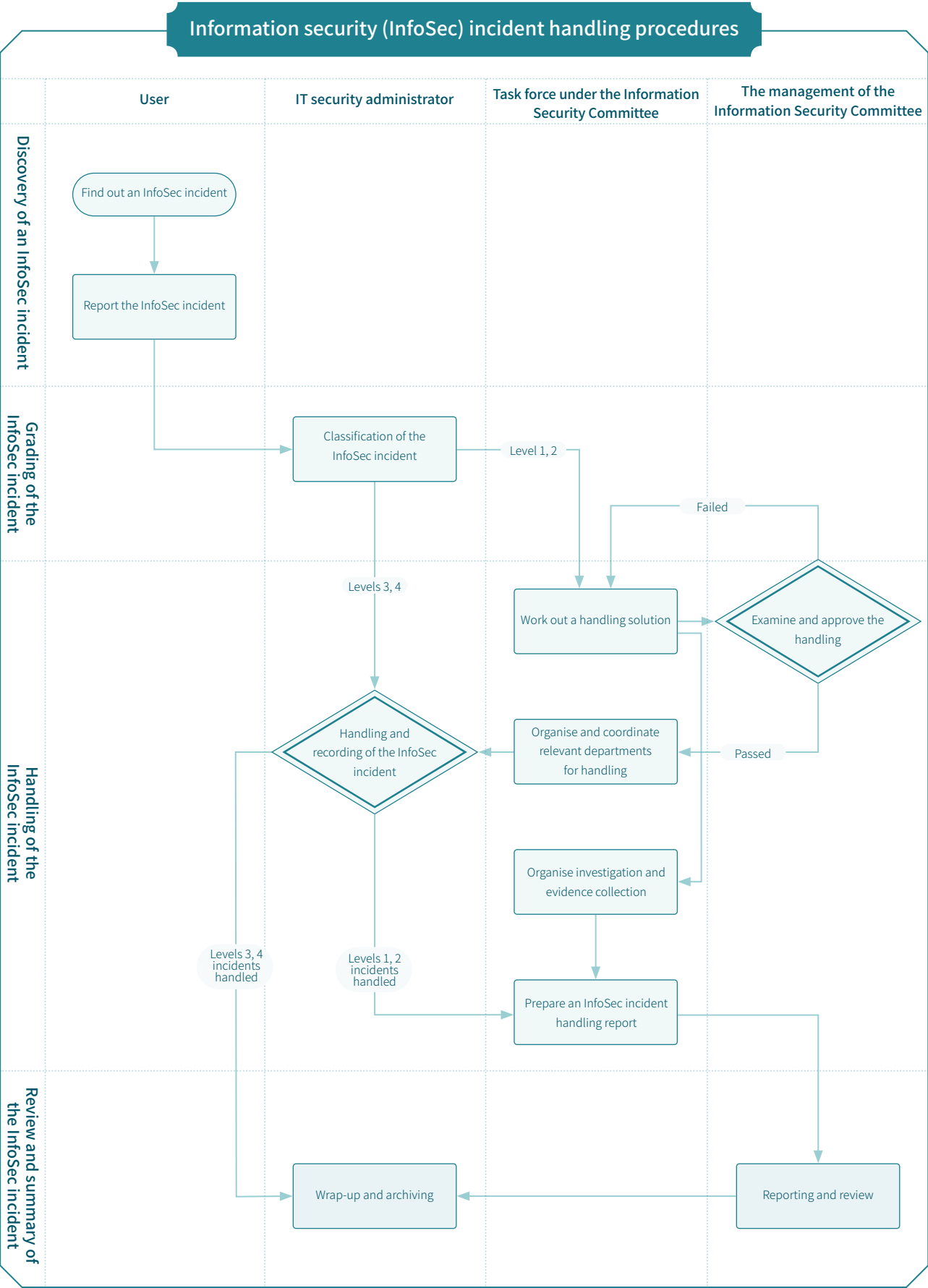
Following its principle of doing business in a lawful and ethical way, the Company has developed the ‘Shuijingfang Code of Business Conduct’, and requires that the Company’s leadership, all employees and third-party personnel acting on behalf of Shuijingfang strictly follow this code.

Shuijingfang’s suppliers must undertake to comply with all legal and regulatory requirements regarding anti-bribery, anti-corruption and AML, and follow applicable principles and standards stipulated by the ‘Shuijingfang Code of Business Conduct’ in their partnerships with Shuijingfang. For example, our suppliers may not offer any remuneration, kickback or facilitation fee to relevant government agencies or their officials, officials’ relatives, other stakeholders, or the employees, representatives or intermediaries of their competitors for the purpose of obtaining any undue business interests.

Violation handling policy

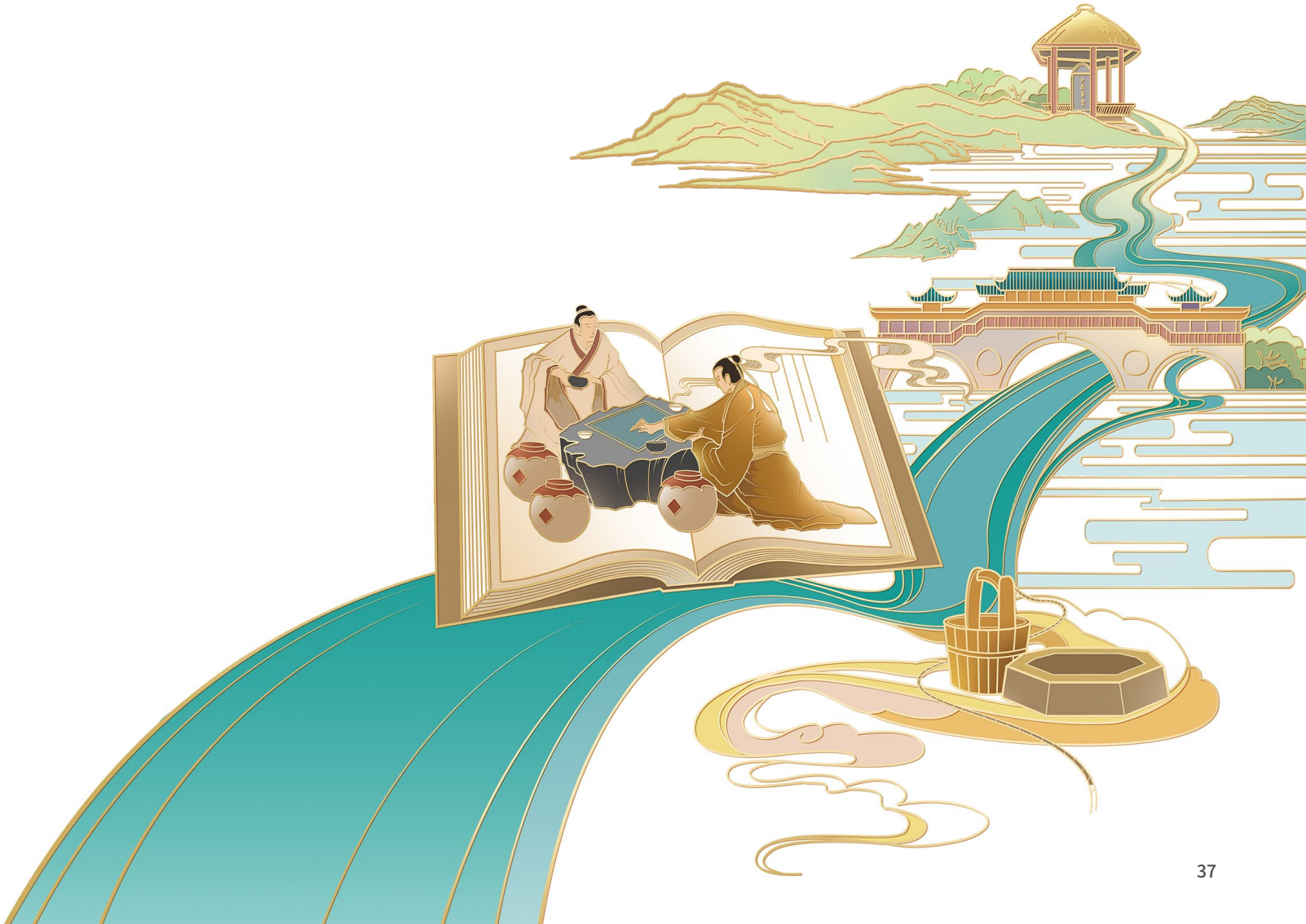
Adhering to Shuijingfang’s culture of ‘compliance, legality and rationality’, the Company has established and enforced an effective violation supervision mechanism, and developed the ‘Implementation Measures for Violations Reporting and Investigation of Sichuan Shuijingfang Co., Ltd.’. We encourage our employees to report potential or actual violations to the Company. The Company will seriously deal with any violations, once found, according to relevant policies by promptly stopping such violations and eliminating compliance risk.





Key performance indicators

Indicators (unit)	Data in 2023	Data in 2022
Percentage (%) of employees who have received anti-corruption training	100	100
Number of lawsuits involving anti-unfair competition, antitrust and anti-monopoly practices, and corruption	0	0
Number of lawsuits in which the Company or employees are involved in corruption	0	0
Number of corruption cases filed and investigated	0	0
Number of incidents by which employees were fired or disciplined for corruption	0	0
Number of fines arising from the Company's violation of environmental, social and economic laws and regulations, as well as product-related violation	0	0
Amount (RMB 10,000) of fines arising from the Company's violation of environmental, social and economic laws and regulations, as well as product-related violation	0	0
Percentage (%) of employees who have received training on cyber and information security	100	/



Chapter II

Cheers for the fulfilled life

Quality is at the core of a brand. To an alcoholic beverage manufacturer, in particular, product quality is closely associated with consumer health. Shuijingfang is committed to providing consumers with premium products and services and meeting consumers' needs for a quality life by strictly controlling the quality of raw materials and continuously exploring product R&D and innovation. As a well-known Chinese Baijiu brand, Shuijingfang also shoulders the mission of advocating responsible drinking, and protects consumers' legitimate rights and interests through responsible marketing practices. Shuijingfang believes that the inheritance of traditional techniques is a major cornerstone of the Baijiu industry. The Company protects and inherits the unique techniques of Chinese Baijiu, and on this basis, keeps driving the innovative, higher-quality development of the industry.

- Premium products and services
- Supplier quality management
- Responsibility for consumers
- Digital innovation
- Responsibility for the industry
- Key performance indicators

Responding to the UN Sustainable Development Goals (SDGs)



Premium products and services

Shuijingfang adheres to the tenet of product quality and safety first. The Company is committed to continuously strengthening food quality and safety across the value chain, from sourcing to production and final delivery to customers and consumers, in a bid to provide consumers with products of the highest quality standards.

Product quality and safety management regulations

The Company stays updated on and strictly complies with the ‘Law on Work Safety’, the ‘Food Safety Law’ and the ‘Product Quality Law’, among other legislations, and has put in place the ‘Quality Policy of Sichuan Shuijingfang Co., Ltd.’ Moreover, the Company fully enforces the Order No. 60 of the State Administration for Market Regulation – the ‘Measures for Enterprises to Take Primary Responsibility for Food Safety and Its Supervision and Management’. This document calls for efforts to: establish a sound food safety management system and enforce a food safety responsibility system; specify the responsibilities of the executives of an enterprise, the food safety director, the food safety officer, and other positions; establish a dynamic management mechanism based on food safety risk prevention and control, produce a food safety risk control list, and establish a proper working system and mechanism for daily control, weekly screening, and monthly scheduling.

Quality Policy of Sichuan Shuijingfang Co., Ltd.

This policy has imposed specific requirements for quality improvement in all aspects from suppliers to consumers, from product design to production, in a bid to fulfil our quality goals – maintaining compliance, meeting customer needs and consumer expectations, and protecting brand reputation.

- **Brand and reputation:** We use packaging materials, packaging designs and Baijiu formulations in line with brand value and reputation and insist that quality precedes gross profit.
- **Quality of packaging materials:** Packaging materials are required to be safe and properly tested to ensure that they are compatible with liquid components and their functional properties are suitable for the supply chain journey.
- **Food safety and compliance:** We ensure the shelf life is labelled in a compliant and accurate manner; assess the safety risk of products each year and attach tracking codes to them and strictly select manufacturers that are certified by internationally recognised food safety standards.
- **Production and distribution:** We make sure that all raw materials, processing aids and packaging materials are sourced from reputable and approved suppliers; we use safe production equipment that is compatible with raw materials and products; we set key quality indicators and parameters for all production sites and equipment; we control the release and disposal of non-compliant products; we properly package and protect products to ensure their intactness during transport and storage.
- **Response to customers’ product quality inquiries:** We have set up a communication and response mechanism with customers to timely respond to all parties’ concerns and expectations on product quality.
- **Design quality and product change control:** Design quality must conform to global standards, procedures and principles. Any significant change to products (raw materials, ingredients or finished products) must be documented and authorised using the Gates process²⁶. The level of authorisation should be aligned with the potential risk in terms of the likelihood of failure and the extent of potential business impacts.

In addition, Shuijingfang has developed and strictly enforced the ‘Product Recall Process of Sichuan Shuijingfang Co., Ltd.’, which serves as an institutional guarantee for the handling of food safety-related crises, according to the ‘Regulation on the Implementation of the Food Safety Law’ and the ‘Administrative Measures for Food Recalls’, among other laws and regulations, in order to tighten oversight over food safety at Shuijingfang, eliminate and reduce the hazards posed by unsafe food, and protect consumer health. Shuijingfang had no product recalls in 2023.

²⁶The Gates process is a project management technique by which a project is divided into distinct stages, separated by decision points. It can help the company decide whether to pursue a project, prioritise and screen potential ones, and allocate limited resources to the most desirable project. The Gates process includes three main issues: quality of execution, business rationale and action plan.

Product quality and safety management system

Shuijingfang manages its quality and safety test approaches and labelling in strict accordance with national standards on food safety and product quality, including GB/T 19001 and GB/T 27341, as well as relevant provisions under the ‘GBT10781.1-2021 Quality Requirements for Baijiu – Nongxiangxing Baijiu’ introduced in April 2022. In 2023, the Company was certified by the HACCP and ISO9001 systems and was honoured the ‘Advanced Organisation in Food Safety’.

In 2023, the Company upgraded the testing centre that covers raw materials, packaging materials and production processes, and continued to enhance its research strength to boost product quality. The testing centre has been certified by China National Accreditation Service for Conformity Assessment (CNAS).

Strengthening the product quality and safety culture

In 2023, Shuijingfang continued to refine the quality management and food safety training matrix to provide training to in-house employees, including food directors, food safety officers and chief executives, at key nodes across the whole value chain. The training topics cover food safety policies, quality tools, and food safety management, among others. In 2023, Shuijingfang provided quality training to 1,462 employees, with a total of 1,150.9 training hours.

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Rigorous raw grain sourcing control

Raw grain sourcing is an upstream element of the Baijiu production and value chain. The quality control of raw grain production, as well as the sustainability and compliance of the procurement process, are crucial to the quality and safety of Baijiu. Shuijingfang requires that suppliers’ farming process must comply with local laws and regulations, including standards on pesticide selection, water use and grain delivery. To maintain the quality and steady supply of raw grain, the Company has been exploring a feasible path toward grain traceability. In 2023, we established a ‘Contract Farming Quality Control Programme’ which uses a traceability system to capture the growth data of raw grain at production bases in real time, allowing whole-process data traceability from sowing to delivery while greatly boosting the effectiveness of production base management.

Case

Contract Farming Quality Control Programme

Fiscal year 2023-2025 is the first phase of the programme, primarily focusing on exploring the contract farming model to shape a model and process suitable to Shuijingfang and pull off the shift of the procurement mode for sorghum and glutinous rice from trading toward contract farming, while piloting the ‘Green Food Production and Farming Certification’. As of November 2023, Shuijingfang had purchased and accepted 5,000 tons of sorghum and 3,000 tons of glutinous rice. Such grains, according to the plan, would go into the factory for production in January 2024 and are expected to be completely delivered by June 2024.



Supplier quality management

Shuijingfang is committed to strengthening its total quality management (TQM) system for suppliers to ensure quality control over key processes, including incoming material inspection, in-process inspection and pre-delivery inspection.

Supplier quality management regulations

Prior to formal partnership with Shuijingfang, all major suppliers of key product categories are subject to be evaluated and audited by the Quality and Safety Department, the Environmental, Health and Safety (EHS) Department and the Procurement Department against applicable standards. In addition to conventional audits, the Company also conducts SEDEX assessments for its suppliers to ensure that suppliers effectively fulfil their social responsibility. Specific assessment and coaching processes are entrusted to a third-party auditing agency accredited by SEDEX. Shuijingfang plans to include ESG performance in the screening and entry criteria for new suppliers in 2025, and will further increase the weight of suppliers’ ESG performance evaluation.

Supplier quality and safety training

To empower suppliers to boost their overall quality, we hire third-party consulting agencies to deliver lean production training to our main packaging material suppliers, and provide targeted coaching in light of quality complaints against suppliers every year, in a bid to ensure that all links of the supply chain can meet high standards of quality and safety, and avoid potential risks in a timely manner. In 2023, Shuijingfang invited relevant experts to deliver a series of training sessions on Good Manufacturing Practice (GMP) controls to suppliers, which helped effectively maintain the high quality of the Company’s products.

Responsibility for consumers

To protect consumer health in all aspects, we encourage rational drinking, comply with responsible marketing norms, and object to misconducts such as alcohol abuse, drunk driving, and underage drinking. We have launched novel consumer activities to enhance consumer experience and strengthen the value bond between consumers and our brand. In the meantime, we protect consumers’ privacy and legitimate rights and interests in strict compliance with all relevant laws and regulations.

Sticking to responsible marketing

Shuijingfang scrupulously abide by the provisions and rules under the ‘Marketing Code’ in all marketing campaigns it participates in or organises to ensure that these marketing campaigns operate within the framework of relevant laws, regulations and ethics.



Our marketing activities must target adults only. We do not design or conceive marketing strategies in a way that targets individuals under the legal drinking age. We refuse to use any images, symbols, words, gestures, music, cartoon characters or other elements that primarily lure individuals under the legal drinking age. The Company ensures that the performers in our advertisements (hard-sell) must be and appear to be above 25 years old, and play roles aged at least 25 in such ads. We only place ads on communication media or at events when we can reasonably expect that the vast majority of the audience are above the legal drinking age. We never place ads at any fixed locations outdoors within a radius of 150 meters from a school...



In marketing campaigns, we avoid implying any functional or performance benefits of our products in the health, disease treatment, or diets, describing alcohol’s role in improving social interactions and sexual appeal, or encouraging drunk driving and other unlawful and anti-social behaviours. We also consider the social and cultural impacts of our marketing campaigns and prohibit any discriminatory content against gender, religion, ethnicity, race, nationality and disability groups in marketing activities.



We adopt a strict review and approval procedure for marketing campaigns. Any criticism against the Company’s marketing activities is immediately reported to the Marketing Director, and if necessary, we will take remedial actions to maintain our commitment to responsible marketing and self-discipline.



We provide truthful and neutral information on alcohol content on packages or through other channels as possible to the extent permitted by law.



Our marketing materials must incorporate responsible drinking advocacy and may not describe, condone or encourage the abuse of alcoholic beverages or alcoholism, nor may it allude to the consequences of intoxication in any favourable light. To promote responsible drinking by consumers, we incorporate in our display pages and videos such reminders as ‘Responsible drinking. No alcoholism. Do not sell to consumers under the age of 18’, and slogans like ‘Please do not forward this content to minors’. As for the design of outdoor promotional materials, we incorporate drinking reminders or initiatives in all sponsored events, communications, promotions, and tasting activities, as well as product packages.

Case

2023 National Responsible Drinking Awareness Week

On 24 November to 1 December 2023, Shuijingfang actively responded to the ‘Drink Moderately and Live a Happy Life – 2023 National Responsible Drinking Awareness Week’, organised by China Alcoholic Drinks Association, by assembling 525 stores to participate in the event. At the event, the Company advocated responsible drinking by posting posters and handing out flyers, among other means, to fulfil its CSR as an alcoholic beverage manufacturer.



To ensure the effective implementation of our ‘Marketing Code’, the Company organises periodic employee training sessions and tests. We also provide training courses on responsible marketing through our core management departments to the Company’s external partners. When working with third-party partners on marketing, Shuijingfang requires that such partners include provisions on the compliance with our ‘Marketing Code’ in project contracts.

Striving to enhance consumer experience

Rooted in its historical and cultural depth, Shuijingfang is committed to creating products with greater brand value, and carries out novel cultural activities to provide a better consumer experience and create a better life together with the people.

Case

Baijiu Workshop

To better facilitate the inheritance and development of Chinese Baijiu culture, Shuijingfang has launched the Baijiu Workshop, a programme designed to ‘popularise Baijiu knowledge’, which by creating an immersive experience enables participants from different sectors to improve their understanding and taste of Baijiu and helps enhance industry transparency, thus promoting healthier Baijiu consumption. In 2023, the Shuijingfang Baijiu Workshop hosted 537 sessions attended by 15,000 participants from 19 provinces and municipalities, including Guangdong, Sichuan and Zhejiang provinces.



Case

Conveying liquor aesthetics

As the No. 1 Baijiu Distillery in China, Shuijingfang always fulfils its mission of inheriting liquor aesthetics based on its long history and the profound traditional Chinese aesthetics. In 2023, Shuijingfang held four aesthetic events offline. In particular, the Company co-commissioned the ‘Intoxicating Brocade’ aesthetics show with China Oriental Performing Arts Group, a national art troupe. This event, featuring Jingtai liquor aesthetics, touched the gene and mental core of traditional Chinese culture by interpreting Chinese arts and aesthetics culture.



Case

Aesthetics Museum

Since the launch of the Culture and Aesthetics Museum project in 2022, the Company has been promoting Shuijingfang Museum’s architectural aesthetics and the 600-year-old living legacy, trying to fuse our brand history, culture, origin and product quality, in order to deliver a more diversified experience. As of the end of December 2023, Shuijingfang had launched 17 culture and aesthetics museums and 86 experience museums, covering approximately 20 provinces. Such aesthetics museums not only showcase Shuijingfang’s history, culture and liquor-making techniques, but also provide an interactive platform that enables consumers to have a better understanding of brewing techniques, taste a variety of wines, and attend lectures on liquor culture, among other activities, ultimately boosting consumers’ recognition of and loyalty to the Shuijingfang brand and energising the brand’s long-term development.



Fully protecting consumer rights and interests

Shuijingfang continues to improve its product authentication and quality complaint process, as part of its ongoing efforts to enhance the efficiency and experience of after-sales services.

Shuijingfang’s product authentication and quality complaint process		
Step	Position/Department	Description
1	Customer Service Team	Collect consumer appeals and related information, generate an authentication work order, and pass it on to the Brand Protection Team
2	Brand Protection Team	Preliminarily assess the authenticity of the product based on the information provided by the consumer, and inform the Customer Service Team of the authentication result via the work order
3	Customer Service Team	Transfer the work order to the Quality and Safety Department, and meanwhile inform the consumer to send the product back to the Company for physical authentication
4	Quality and Safety Department	The Quality and Safety Department and the Brand Protection Team authenticate the physical product together before giving an opinion on whether there is a quality problem Yes : Communicate with the consumer on compensation No : Send the product back without compensation
5	Customer Service Team	Customer Service Specialist informs the consumer of the assessment result and compensation plan by phone

Protecting consumer privacy

Shuijingfang strictly complies with the ‘Personal Information Protection Law’ and other applicable national laws and regulations and has developed and enforced the ‘Regulations on Personal Information Protection’. We follow personal data security guidelines and avoid collecting private data unless it is necessary.

Shuijingfang Regulations on Personal Information Protection

- Personal information shall be processed following the principles of legality, justification, necessity, and good faith, and it is not allowed to process personal information by means of misleading, deceiving, or coercing.
- The processing of personal information must be restricted by an express and reasonable purpose that is directly related to the purpose of processing, and personal information shall be treated in a way that has the least impact on the rights and interests of individuals.
- The collection of personal information shall be limited to the bare minimum required to achieve the processing goal, and excessive collection of personal information is forbidden.
- Personal information must be processed in accordance with the principles of openness and transparency. The rules for processing personal information must be disclosed, as well as the purpose, method and scope of processing.
- The personal information to be processed should be of adequate quality to avoid negative impacts on personal rights and interests caused by inaccurate and incomplete personal information.
- The Company shall be responsible for its processing of personal information and take necessary measures to keep the personal information processed secure.
- Do not unlawfully acquire, use, process, or transmit others’ personal information; do not illegally buy, sell, provide or disclose others’ personal information; do not engage in personal information processing activities that jeopardise national security and public interests.

On the CRM end, Shuijingfang takes rigorous measures to protect the privacy and data security of its members and online consumers. When consumers visits our online platforms, we would ask them to sign the ‘Personal Information and Privacy Protection Policy of Sichuan Shuijingfang Co., Ltd.’, which truthfully informs each customer of the collection scope, purpose, retention period and erasability of data, and collect data only after obtaining the customer’s consent and authorisation. We have strict rules for the retention period of private data and the data can be deleted at the request of users. In 2023, there were no personal information leakage or information security incidents occurred.

In 2023, the Company updated its digital systems by requiring uniform logins upon identity authentication and continuing to grant only necessary permissions to users following the principle of least privilege, to limit access to and operation of sensitive data and systems by users. Besides, the Company continued to strengthen the monitoring and response mechanism for data security incidents to effectively protect customers’ data security and confidentiality.

Digital innovation

Under its overall digital strategy, Shuijingfang has built a reliable basic hardware, network architecture and security system, and developed an information security strategy as required by laws and regulations, digitalising the entire end-to-end business process from incoming material production to warehousing, logistics, channels, distribution and consumption.

Digital operations

In 2023, the Company fully launched an online resource platform which, together with the P2P platform, automates the whole chain of resource inputs. This resource platform covers allocation plans at different levels from project approval to budgeting: a whole chain comprising the release, application for use, approval, execution and verification of resources. This move helps reduce the time cycles at different links, boost marketing efficiency, make all resource usages traceable and trackable, improve the investment mix and enhance productivity.

Resource allocation and release

By setting rules for activities, the resource platform automatically releases resources to beneficiaries, including terminals, in light of sales volume, which gives a big boost to marketing efficiency.

Resource application and execution

The application for, approval of and execution of sales or terminal resources all use a WeCom mini program for a quick submission and approval flow, thus shortening the process cycle and boosting execution efficiency.

Evidence collection and verification

The resource platform allows the uploading of physical evidence collected on the spot, which allows a shorter verification cycle, improved verification efficiency and greater customer satisfaction.

Digital marketing

Shuijingfang leverages digital marketing tools, including social media, e-commerce and big data analytics, to effect targeted marketing and boot sales.

- Use big data to collect and analyse consumer behaviour data and improve product and marketing strategies
- Use big data technologies to achieve targeted pushes and personalised recommendations
- Push for the intelligent transformation and digital empowerment of physical stores to offer better consumer shopping experience

In 2023, Shuijingfang’s resource platform realised outlay and marketing digitalisation across the board, a real leap from zero to one, allowing cost management and allocation, activity execution tracking, approval and decision-making, cost verification from offline to online across the chain, facilitating more standardised investment management, and boosting marketing execution efficiency. Moreover, the platform incorporates the publication and use, execution tracking and data analysis of resource input reports, laying a solid foundation for prompt, reasonable and cost-effective investments.



Responsibility for the industry

Shuijingfang insists on inheriting traditional brewing techniques while making efforts to build a professional research team that pursues continuous technological innovation and exploration and the upgrading of production technology and product quality, with a view to staying competitive over the long run.

Research and industry innovation

In 2023, Shuijingfang took further its partnership with the team led by Professor Fengyan Bai, Deputy Director of the State Key Laboratory of Microbial Resources (SKLMR) at IMCAS. The two parties co-conducted the Phase II study of the unique No. 1 Microflora at Shuijingfang:



Employing the second and third-generation (long-read) metagenome sequencing methods, the research team identified more than 250,000 functional genes and found nearly 4,000 microorganisms, including heat-loving, caproic acid-producing, butyric acid and acetic acid bacteria known to be critical to the quality of wine body and flavouring. The team also discovered 103 potential new microorganisms that had 37 unique flavouring and metabolic pathways, which is important to the liquor flavour and quality of Shuijingfang.



The study shows that Archaeobacteria are critical to improving the flavour substances of strong-flavour Baijiu, and that the Archaeobacteria found in the ancient cellars at Shuijingfang, in particular, not only facilitate the reproduction and capabilities of flavouring bacteria, but also improve the microbial ecology in the solid state fermentation process, making the liquor body mellower and the quality better.

Preserving the living Baijiu culture

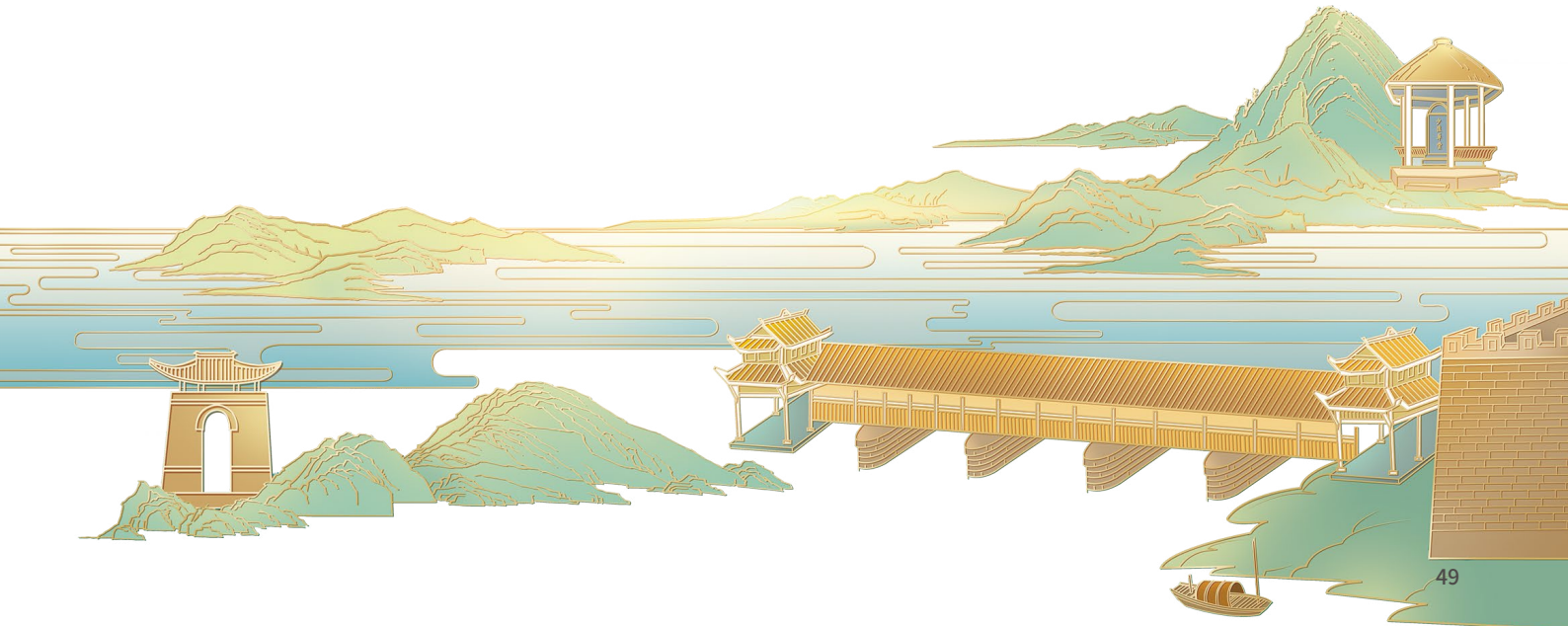
Case

The ‘600-year Living Legacy and Its Future Development’ conference held on 1 September 2023 released the latest milestone results of the Shuijingfang No. 1 Microflora project and the ‘Shuijingfang Specification for Protective Production at Ancient Cellars’. This Specification, the first detailed standard on protective production at ancient cellars released by a Chinese Baijiu manufacturer, was compiled by experts and academics specialising in brewing production, cultural heritage protection and scientific research. Covering four dimensions, i.e., cellar management, staff management, production protection and development and utilisation, the Specification highlights Shuijingfang’s experience in guarding the ‘living value incubator’ for microorganisms, representing a positive attempt in developing and protecting the living culture of Chinese Baijiu, especially strong-flavour Baijiu. After the Specification was released, Dong Lin, Traditional Technique Director and the eighth-generation inheritor of traditional brewing techniques at Shuijingfang, led the Company’s brewing and research representatives to take an oath and called for a concerted effort by industry peers to promote the living culture. This move showed Shuijingfang’s sense of responsibility for inheriting and preserving the living culture of the Baijiu industry.



Key performance indicators

Indicators (unit)	Data in 2023	Data in 2022
Number of consumer personal information leakage or information security incidents (pcs)	0	/
Number of incidents in which fines, penalties, and warnings were imposed due to violations of laws and regulations concerning product safety and health	0	0
Number of incidents in which fines, penalties, and warnings were imposed due to violations of product service information and labelling regulations	0	/
Customer Favorable Rate (%)	JD: 99 Suning: 100 Jiuxian: 100 TMall: 88.24	JD: 99 Jiuxian: 100 TMall: 99.41
Number of products to be recalled due to safety and health concerns throughout the year	0	0
Percentage (%) of the quantity of recalled products to the quantity of all products sold throughout the year	0	0
Value of products to be recalled due to safety and health concerns throughout the year (RMB 10,000)	0	0
Percentage (%) of the value of recalled products to the value of all products sold throughout the year	0	0
Percentage (%) of customer complaints handled (including but not limited to response rate, response time, and resolution rate)	JD: 100 Suning: 100 Jiuxian: 100 TMall: 100, Rate of responding in 3 mins: 100	JD: 100 TMall: 98.3



Chapter III

Cheers for the rewarding partnership

The engagement of in-house employees and supply chain partners is key to the sustainable development of Shuijingfang. On the front of human resource management, we focus on creating a positive, sound working environment for our employees, take seriously employees' personal and career development, and provide ample training and promotion opportunities. We proactively listen to each of our employees, and increase their sense of belonging and corporate cohesion by organising a variety of cultural and recreational activities for our employees. On the front of supply chain management, Shuijingfang has established a rigorous supplier access, review and appraisal system, and worked on boosting supply chain efficiency and driving the creation of long-term shared value through continuous empowerment training and digital technologies.

Human resource management

- Compliant employment: duties and responsibilities
- To be a trusted employer through equality and inclusivity
- Protecting occupational health and safety (OHS)
- Employee development and empowerment
- Employee compensation and benefits system
- Key performance indicators

Supply chain management

- Supplier compliance management
- Distributor management and empowerment
- Key performance indicators

Responding to the UN Sustainable Development Goals (SDGs)



Human resource management

Shuijingfang always upholds the idea that a high-quality workforce is the core competitiveness of a business. For this reason, the Company makes efforts to establish an efficient human resource organisational structure and improve its organisational capabilities to meet increasing business needs; continues to recruit high-calibre professionals and improve its compensation system, in order to attract, motivate and retain professionals and provide a strong workforce safeguard for the Company’s sound development; and continuously carries out various types of training to develop employees’ business skills and managers’ leadership skills, as well as creates a positive corporate culture to boost employee engagement and cohesion.

Compliant employment: duties and responsibilities

Shuijingfang strictly follows the ‘Labour Law’, the ‘Labour Contract Law’, the ‘Trade Unions Law’ and other laws and regulations in order to ensure the legality and compliance of its employment. As of the end of 2023, the Company had 2,080 employees, including 127 part-time workers. In 2023, the Company recruited 433 employees, including 246 blue-collar employees. The Company had 215 blue-collar employees who worked at the Qionglai plant, offering more jobs to local and surrounding areas and even the wider Central and Western China regions, stimulating the activity and capacity of the labour market, and tangibly benefiting and supporting local development and employment.

In 2023, we also kept a closer eye on the employment of young professionals by organising a Shuijingfang college talent development programme, under which the Company arranged a campus recruitment campaign at Sichuan University of Science and Engineering, providing high-quality jobs to college students majoring in Baijiu-related programs. Moreover, the Company provided valuable internships to soon-to-be college graduates to help them have an early hands-on experience at workplaces where they could acquire relevant occupational skills and get prepared for future jobs earlier.

Shuijingfang also values diversity and inclusion in recruitment and employment processes. All departments at the Company adhere to the consensus of ‘non-discriminatory treatment regardless of age or gender’, and our recruitment advertisements ban such words as ‘males/females only’, ‘up to the age of XX’ and ‘married with children’.

As of the end of 2023,

the Company had

2,080 employees

including

127 part-time workers

In 2023,

the Company recruited

433 employees

including

246 blue-collar employees



To be a trusted employer through equality and inclusivity

Creating a people-oriented workplace

Shuijingfang has put in place human resource-related policies including the ‘Employee Discipline Policy’, the ‘Guideline for Preventing Conflict of Interest’ and the ‘Employee Protection Policy’ to ensure that all employees are treated fairly in line with legal requirements and the Company’s values. The Company encourages employees to participate in democratic decision-making, management and supervision. In 2023, the Company held 10 workers’ congresses to discuss the formulation and revision of policies of employees’ vital interests, as part of an ongoing effort to improve employee management policies.

In 2023, the Company continued to implement the detailed rules of the ‘Employee Protection Policy’, as a way to respect equality and differences, and create a safe and friendly working environment where all employees are treated equally, with dignity and respect.

Shuijingfang Employee Protection Policy		
No.	Coverage of the ‘Employee Protection Policy’	Key content
I	Valuing each other and respecting human rights	Shuijingfang will act in line with relevant UN guidelines for business and human rights, including the ‘ILO Declaration on Fundamental Principles and Rights at Work’ and the ‘Employment Promotion Law of the People’s Republic of China’.
II	Workplace dignity – non-discriminatory treatment and harassment prevention	We treat our employees based on their competence against corresponding job requirements and criteria in every aspect of labour relations. The Company will put in place supervisory procedures to identify deficiencies in managing any form of harassment, bullying or abuse, ensure that relevant policies are enforced, and work out effective solutions to such problems.
III	Work-life balance	We encourage employees to properly handle the relationship between work and life and respect their will to assume other responsibilities after working hours.
IV	Unlocking employee potential	We will support employees’ continuous growth by learning and reinforcing their skills closely related to their jobs.
V	Pays – wages and hours	We comply with all national and local laws and regulations on wages and working hours, including the ‘Interim Provisions on Wage Payment’ and statutory provisions for minimum wage, working hours and overtime work.
VI	People-oriented – no child or forced labour	The Company and its partners will protect underage workers in compliance with the ‘Special Provisions on the Protection of Underage Workers’ promulgated by the Ministry of Human Resources and Social Security.
VII	Employees’ right to unionise	We respect our employees’ right to join a union and to resort to collective bargaining in defence of shared legitimate interests.
VIII	Health and safety	We ensure the health, safety and well-being of our employees in work or the Company’s course of business, and ensure that every employee knows relevant in-house safety procedures and OHS rules and regulations, including the ‘Occupational Health and Safety Policy’.
IX	Communities	We believe that we can fulfil these social responsibilities in the best possible way and bring about positive changes by virtue of our positive attitude and our care for local communities where we operate.

Listening to employees’ voices and improving employee satisfaction

Shuijingfang conducts an annual ‘Your Voice’ survey to get a full picture of employees’ Net Promoter Score (NPS) of products and brands, employee engagement index and inclusion & diversity index, among other key indicators. In 2023, about 2,000 employees at Shuijingfang participated in the survey, accounting for 99% of the Company’s workforce. The results of the four dimensions of the survey were: employee engagement index at 86%, inclusion and diversity index at 87%, company NPS at 34²⁷ and product NPS at 62. The inclusion and diversity index, in particular, rose by 6% from the score of the previous year.

Following the survey, the Company took active actions to improve satisfaction in different dimensions based on employees’ feedback and advice, including:

- Preparation of a systematic, detailed survey analysis report;
- Organisation of improvement workshops by the HR Department, along with a template given to business units for reference;
- Interpretation of the report by HRBP at departments to further push for the implementation of improvement plans;
- Organisation of multiple employee activities to boost employee engagement and satisfaction.

Cultural Star Election

Case

In 2023, a total of 192 quarterly cultural stars, 51 individual awards of annual cultural stars, and 6 outstanding cultural teams of the year were elected.

In 2023, the Company held a number of cultural and employee activities, such as Dragon Boat Festival activities, Mid-Autumn Festival activities, Christmas activities, etc., covering more than half of the employees receiving more than 4,000 likes from the employees’ WeChat Moment, which have improved employee satisfaction and enhanced the employer brand image of Shuijingfang.

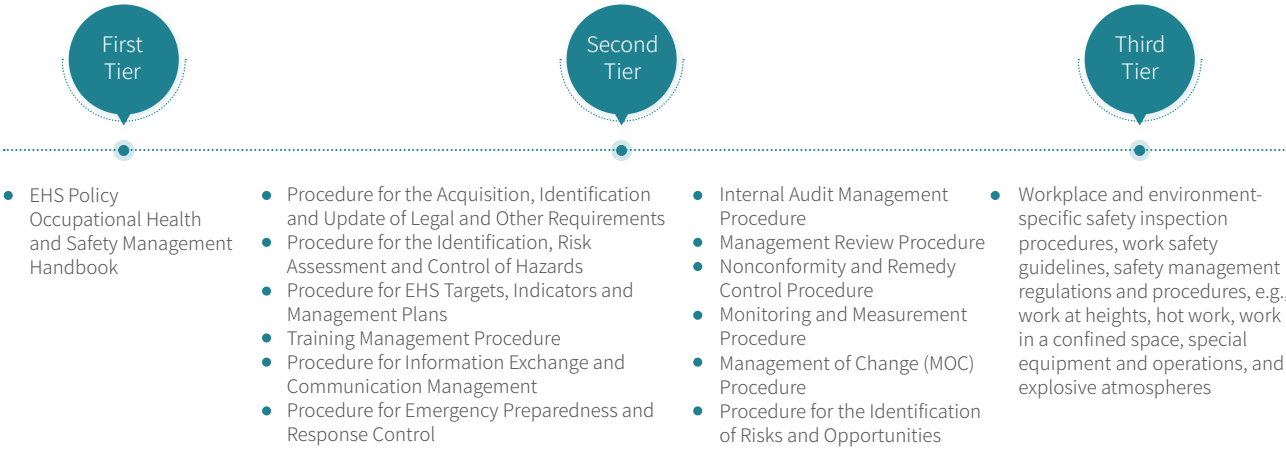


Protecting occupational health and safety (OHS)

Well-established OHS policies and management system

To improve OHS management, Shuijingfang has established an EHS management structure composed of the CEO, the Chief Production and Operation Officer, responsible persons of functional modules, the EHS Management Department and employees. Indicators such as work-related injuries are incorporated into the assessment scope of EHS management and control objectives. These indicators also serve as a basis for employees’ annual KPI appraisal, with direct impact on their salary adjustment and year-end bonus.

In 2023, the Company strengthened its EHS management system by improving the three-tier EHS documentation system that covers all regular and outsourced employees and addresses multiple operating scenarios, providing strong support to OHS protection.



The three-tier documentation system of the EHS management system

Rigorous OHS certification auditing

To enhance OHS management, Shuijingfang commissioned China Quality Mark Certification Group (CQM), organises one certification audit for its Tuqiao factory every year, with the scope of audit covering ISO45001: 2018, ISO14001: 2015, ISO9001: 2015 and HACCP systems. The audit examines the planning and implementation of EHS management standards, the planning and implementation of quality management system standards, and the implementation of food safety hazard analysis and control. The Qionglai plant completed phases 1 and 2 audits for ISO14001 and ISO45001 certification in 2023, and obtained ISO14001 and ISO45001 certificates in February 2024.



Comprehensive OHS safeguards

Shuijingfang takes all kinds of measures to ensure employees’ OHS from varied dimensions. These measures include effective risk monitoring, identification and reduction; emergency response management; adequate investment in safety safeguards; close employee health tracking; fine logistics support and all-round safety culture development.

²⁷The definition of Net Promoter Score is as follows: 0-10 are scored as ‘good’; 10-30 are scored as ‘excellent’; more than 30 points are scored as ‘outstanding’.

Effective risk monitoring, identification and reduction

Shuijingfang emphasises the importance of identifying and avoiding potential risks, as well as reducing risks at the source. To eliminate safety risks across the Company, our EHS Management Department organises employee safety representatives to conduct safety inspections every month, and follow up on the corrective measures to resolve the problems found during the inspections. A team of ‘safety experts’ has also been formed up to track key safety issues in the Company through a high risk prevention project. By responding to problems once they arise, we have enhanced our ability to defend against severe risks.

Sound emergency management

Shuijingfang takes seriously the prompt response to and effective handling of emergencies by developing work safety emergency response plans and organising drills to ensure full support to employee safety in cases of emergency. To enhance all employees’ awareness of fire safety, enable them to master response and escape skills in cases of fire emergency and increase the Company’s cooperation with local fire rescue forces, Shuijingfang organised several emergency drills at Tuqiao and Qionglai plants in 2023, including drills against fire, emergency evacuation, confined space, alcohol leakage, boiler explosion and being trapped in an elevator.

Adequate investment in safety safeguards

Shuijingfang continued to invest more funds in work safety, refine first-aid measures and improve indoor working environments. In 2023, the Tuqiao plant took the following actions to ensure safety: identified pinch points and moving parts in the Packaging Workshop, developed corresponding improvement plans, and completed 34 mechanical protection improvements; assessed the risks associated with the electrical system of the Qujiu Workshop, developed a corresponding electrical safety standard and completed the electrical system upgrading project; assessed the risks associated with the state of Lockout-Tagout (LOTO), reengineered existing pain points of lockout identified and realised the ‘one person, one lock’ management of repair and maintenance and exception handling; and improved the stability of the fire system and reduced fire safety risks through fire safety phase VIII and explosion-proof renovations. On the front of emergency equipment investment, in 2023, the Qionglai plant purchased 203 pieces of equipment under 32 categories against public safety emergencies, including fire, flood and earthquake. Specific pieces of equipment included explosion-proof fans, fire axes, fire-proof suits, absorption cotton and self-contained breathing apparatus (SCBA). The plant was equipped with six automated external defibrillators (AEDs) across major areas, including the fire brigade, canteen, production workshops and the high-voltage switch room, to ensure emergency rescue.

Close employee health condition tracking

Besides pre-job, in-the-job, off-job and emergency medical check-ups, Shuijingfang also keeps an employee occupational health record to follow up on employees’ health conditions. In 2023, we launched a company-wide employee check-up exercise covering employees at the Chengdu head office, employees at the Qionglai plant and all the rest of the staff. Our 2023 medical check-up programme set out basic physical check-up items, and added optional health check-up packages for employees to pick and match in light of their own needs. Following the check-up exercise, the Company engaged specialist doctors for one-to-one interpretation of health check-up reports for employees to help them get a full idea of their health conditions and make possible adjustments in a timely manner.

Fine logistics support

Shuijingfang manages its security work following the principle of putting prevention first and combining prevention with control, trying to ensure in-house security and stability at all times. In 2023, the Company’s security situation remained stable without any major safety accident.

Security staffing

To ensure effective security work, we properly staff security guards in light of the Company’s size and actual needs. Our current security team are well qualified in general and capable of responding to emergencies. In our day-to-day operations, we take seriously the training and appraisal of security guards and keep enhancing their professional skills and emergency response capabilities.

Execution of security regulations

We have developed and improved a series of security regulations on access control, patrolling and outsider registration, among other things, to be strictly executed by security personnel. Such regulations-based management has further regulated the conduct of security personnel in work and improved the efficiency and quality of security activities. We also periodically carry out risk assessments on the Company’s state of security and make corresponding adjustments to adapt to changes in in-house security situation.

Monitoring system operation

The monitoring system is an important means of security work. We have reasonably arranged monitoring devices to realise full coverage of key areas. The Company had 1,060 monitoring devices across the premises and hired a professional maintenance company for such devices, which ensured the stable operation of the monitoring system and provided strong support for discovering and addressing problems in a timely manner.

Handling of security emergencies

We have established a rapid response mechanism against possible emergencies. We also organise training sessions and drills according to the annual training plan to help team members improve their ability to handle emergencies and ensure the security of employees’ life and property.

Safety training for the security staff

We carry out various forms of safety education activities to raise security staff’s awareness of safety and their ability to protect themselves. The scope of such education covers security situation analysis, interpretation of security regulations and improvement of fire skills, among other topics.

Collaboration with public security authorities

We actively forge closer ties and collaboration with public security authorities, and cooperate with the police in relevant activities. We have established a sound mechanism for joint action together with surrounding police stations and the municipal public security authority to maintain the security order of the surroundings. Our close cooperation with public security authorities has improved the organisation’s overall security work.

Comprehensive safety culture development

Shuijingfang strives to forge a more comprehensive safety culture and make OHS a consensus shared by employees. In 2023, the Company organised a range of EHS-themed activities, including the ‘Safety Month’, the ‘Fire Safety Month’ and the ‘Safety Quiz’, which combined were attended by 1,200 participants. The Company also organised in-depth discussions by employees over such topics as the EHS system, OH&E, contractor management, emergency management, safety culture and employee engagement, high-risk operations and safety culture building, as well as identified opportunities for improvement of thematic modules for 2024. Besides, the Company continued to carry out Behaviour Based on Quality and Safety (BBQS) observation, and encouraged all employees in the front line of production to offer their input for improvements in routine safety hazard management and actively participate in the Company’s OHS development. In 2023, the Tuqiao plant received 1,764 pieces of advice on safety hazards and safety improvement.

In 2023,
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OHS training for employees

Front-line employees are required to receive OHS training at Shuijingfang. To effectively improve employees’ OHS capacity and awareness, the training is divided into three stages: induction training, on-the-job training and job transfer and work resumption training, which are supported by differentiated training strategies. Each year, the EHS Management Department organises updated training and assessment for hazard identification, which is participated by employee representatives from all departments. The problems identified will be addressed through engineering or managerial remediation in hopes of enhancing the company-wide safety risk response.

In 2023, the Qionglai plant recorded 3,602 participants in the Company’s OHS training sessions, and the scope of training covered brewing workshop safety, cleaning operation safety in the brewing workshop, nighttime emergency response, LOTO, commute safety, and job-specific occupational health risk identification notification, among others. During the year 2023, Tuqiao factory saw the addition of two external training courses, i.e., electrical safety and EHS risk identification, as well as an in-house training course on safety watch for high-risk operations, which combined were attended by 2,485 participants.

In 2023, the Qionglai plant recorded
3,602 participants
in the Company’s OHS training sessions

External and in-house training courses were added, with a total of
2,485 participants
throughout the year

Case

Employee development and empowerment

Holistic training system

Centred on corporate strategies and business needs, we provide employees in different positions and at different stages of career with scientific growth solutions and investments, including new hire orientation, general skills and leadership training, and professional skills training, for all-round employee growth. In 2023, Shuijingfang provided offline and online training sessions totalling 20,654.7 hours to its employees (including trainees at the Company but excluding third-party employees).

Type of training	Number of participants	Total hours
New employee orientation	433	2,791.1 (including online programmes 828.1 hrs and offline programmes 1,963 hrs)
Leadership and general skills training	300	2,249.1
Professional skills training	2,341	15,614.5
Total	3,074	20,654.7

Case

New employee orientation

In 2023, to enhance the onboarding experience and stimulate the effectiveness of new hires, Shuijingfang renewed its new employee orientation programme by training and empowering new hires online and offline under the theme of ‘Welcome to Shuijingfang’. This move was intended to help new employees get familiar with the Company and its products, culture, work safety, compliance policy and benefit policy closely related to new hires as fast as possible, so that new employees could quickly get into their job roles. Throughout 2023, a total of 433 new hires (including interns) joined Shuijingfang and went through ‘new employee orientation’, contributing to the Company’s business development.



Case

Professional skills training

In 2023, Shuijingfang provided 15,614.5 hours of professional skills training covering 2,341 participants.

Business skills training

The Company launched business empowerment programmes, including ‘I Am a Branding Officer’ and ‘Top Sales (Junior & Senior)’, to help business teams, distributors and stores of the Company improve their selling skills. The ‘I Am a Branding Officer L1’ programme, which unfolded at the Core Product and High-End Product business units beginning in June 2023, staged quarterly and annual wrap-ups in August and September. This programme was attended by more than 1,800 salespersons (including those of distributors and stores, similarly hereinafter), of which more than 1,000 uploaded ‘competition for training’ practice videos on Fang Xue Tang. Finally, 60 colleagues were certified as ‘branding officers’ by virtue of their competent product knowledge and selling skills.



To facilitate technological exchanges and innovation in Sichuan’s Baijiu industry, move faster in training skilled professionals and build a stronger provincial Baijiu jury, the Liquor Golden Triangle association of Sichuan organised a provincial jury reshuffle appraisal in August 2023 according to the needs of the jury reshuffle and in light of the actual conditions of Sichuan’s Baijiu industry. For this purpose, Shuijingfang organised a two-day intensive training programme and post-training daily two-hour training clock-ins, which were attended by 100% of the participants. Upon appraisal, Shuijingfang had 26 provincial Baijiu judges.

Production system training



Case

Leadership and general skills training

In 2023, Shuijingfang delivered 2,249.1 hours of leadership and general skills training sessions covering 300 participants.



Executive development training

In 2023, the Company leveraged domestic and foreign resources to further empower executive upskilling through ‘Insights Discovery’, ‘Executive Coaching’ and EMBA training programmes, in light of the Company’s development strategy and personal development stages of executives.



Leadership and general skills upgrade training

In 2023, to empower effective employee performance management by new managers coaching employees, the Company organised ‘Performance Talk Skills’ training for these managers, and conducted ‘The 7 Habits of Highly Effective People’ and RAPID workshops to help participants fully activate their personal and working effectiveness.



Production system internal trainer training

In 2023, the Company continued to strengthen internal trainer development, which facilitated the development of a learning organisation while providing employees with more opportunities for career development. Throughout 2023, the Company had 30 employees who completed the internal trainer training programme and obtained a certificate, contributing to learning and development efforts of their departments.

In terms of training forms, Shuijingfang continued to build a better mobile learning platform for its employees by actively carrying out digital online training activities and using advanced technical means to break the limits of space and time and provide employees with more convenient and flexible access to learning. Besides, by operating diverse, digital training programmes, the Company kept improving training efficiency, which effectively helped reduce training consumables and business trips. In 2023, Fang Xue Tang, Shuijingfang’s online training platform, recorded 2,087 active users, accounting for 99.85% of total users (active rate = number of active users/number of activated users), and 2,736,202 minutes of online learning time, or 7,496.44 minutes per day and 1,311.07 minutes per user. Various departments at Shuijingfang published 570 online learning courses, 254 tests and 105 questionnaires on Fang Xue Tang, with a total of 18,023 participants.

Mobile learning	Number of online learners (employees at Shuijingfang)
2023 Shuijingfang Rising Star training programme	128
ACC compliance training	1,063
Anti-bribery policy publicity	803
F24 quality policy & GMP training	579
Job skills and process operation training at the Qionglai plant	991
Qujiu Workshop reopening safety training	239
Company-wide OHS training (plant-level safety training)	626
EHS incident management procedures	450

Employee compensation and benefits system

In 2023, to better support and facilitate business development and attract and retain professionals for sustainable development of the Company, Shuijingfang assessed the job grades of important positions, and continued to benchmark with external markets by keeping an eye on market changes and adjusting compensation benchmarking strategies in a timely manner. This effort boosted the external competitiveness while balancing the internal equity of Company’s compensation system.

In 2023, the Company updated its internal referral and internal competitive employment policies, providing internal employees with career development opportunities while boosting staff stability. The Company also designed and implemented procedures and assessment tools for internal competitive employment to help business managers better assess the competence of internal applicants. The Company organised quarterly Stars of Culture contests, which paid attention to both employees’ job performance and all-round development, and helped enhance employees’ sense of identity and belonging at the organisation.

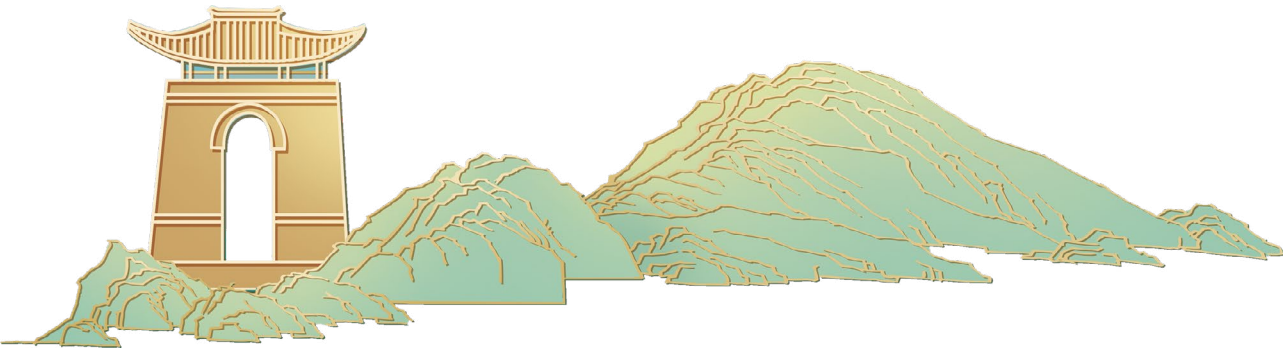
On top of the existing compensation and benefits system, in 2023, Shuijingfang provided its employees with an extra ‘One-Million-Yuan Medical Insurance’ benefit that complements with core insurance plans. The amount insured and wide coverage provided more comprehensive insurance against medical expenses arising from hospitalisation and critical illness. The Company also extended the coverage of the supplementary medical insurance to family members and opened an employee commercial insurance self-selection platform to allow employees to independently choose commercial insurance plans for their family members.

Case

Highlights of employee commercial insurance plans in 2023

- On top of the core insurance coverage, Shuijingfang provides employees with adequate large-amount medical insurance that complements with core insurance plans.
- The Company would still provide employees’ children under the age of 18 (one child for each employee) with commercial medical insurance.
- The Company added group deductible optional plans, including children’s main coverage and spouse’s all-risks coverage, in order to convey this loving care to each employee’s family members.

In cases of accidental death or chronic critical illness of employees, the Company will provide their families with needy family grants, depending on their family circumstances, as a gesture of loving care. In 2023, a total of 31 employees received the Company’s hardship (disease) grants.



Key performance indicators

Indicators (unit)		Data in 2023	Data in 2022
Total number of employees		2,080	1,988
Full-time employees	Number of full-time employees	1,953	1,877
	Male/Female ratio (%)	71:29	70:30
	Under 30/30-50/Above 50 ratio (%)	11:74:15	11:75:14
Part-time employees		127	111
The management	Male/Female ratio (%)	66:34	67:33
	Under 30/30-50/Above 50 ratio (%)	0:87:13	0:85:15
New employees	Number of new employees	433	724
	Male/Female ratio (%)	80:20	/
	Under 30/30-50/Above 50 ratio (%)	26.1:73.44:0.46	/
Departing employees	Male/Female ratio (%)	72:28	/
	Under 30/30-50/Above 50 ratio (%)	17:73:10	/
Employee turnover rate (%)		17	16.8
Percentage of employee voluntary turnover (%)		13	/
Percentage (%) of employees who received regular performance and career development appraisal		100	100
Employee satisfaction rate (%)		86	89
Number of employees engaged in scientific research		88	68
Percentage (%) of employees engaged in scientific research		4.2	3.62
Gender distribution of managers and professionals (male: female)	Indicators (unit)	61:39	62:38
	Senior managers (%)	66:34	67:33
	Managers of revenue-related functional departments (%)	75:25	74:26
	STEM professionals (%)	64:36	62:38
Employee benefits	Average paid annual leave (hour)	90.1	87
	Maternity leave (hour)	27,296	16,856
	Childcare leave (hour)	6,620	8,392

Supply chain management

The sound development of Shuijingfang requires compliance management for strengthening the supply chain. Therefore, the Company strives to reduce supply chain risks by establishing a sound management system to ensure the healthy, stable development of the Company. Making good use of its influence along the value chain, the Company proactively addresses diverse environmental and social issues, such as climate change, biodiversity, regional economic development, and livelihood improvement, together with its partners. With concerted efforts by partners, the Company has established a win-win value chain ecosystem.

Supplier compliance management

Supplier admission and management

To ensure a stable supply chain, Shuijingfang has set up a rigid supplier admission and management mechanism. The Company employs classified management based on a comprehensive evaluation of suppliers' capabilities. Shuijingfang has enforced a supplier selection system to ensure compliance with suppliers. The system is divided into two parts: supplier background investigation and onsite assessment.

Background investigation

Each new supplier must provide its basic information as stipulated by Shuijingfang's policies, including but not limited to company name, basic financial status, equipment and capacity, quality systems, safety and occupational health systems. It is also required to present its business license and sign a 'Confidentiality Commitment Letter'. Before the entry of the supplier's information into the SAP Enterprise Resource Planning (ERP) system, the Procurement Department will also initiate the Know Your Business Partner (KYBP) procedure to learn more about its business nature and actual controllers, ensuring that Shuijingfang's cooperation with the supplier is within the compliant scope.

Onsite assessment

Prior to the formal partnership with suppliers of packaging materials and raw and auxiliary materials, a cross-departmental team will be formed by members from the Procurement Department, the Quality and Safety Department, the Environmental, Health and Safety Department (EHS) and the Technology Department to perform an onsite audit on the quality control system, EHS system and general capability, among other aspects. Only suppliers with audit scores equal to or higher than the qualification score will be included into the 'List of Qualified Suppliers'.

Assessment on quality

quality system, quality procedures, production process monitoring and control, finished product management, chemical residue and pollution control, product traceability, production process change control, new product introduction and engineering technology capability analysis

Assessment on EHS

licences under regulatory requirements, management system, and EHS-related onsite management checkpoints

Assessment on general capability

financial evaluation, investment willingness, social responsibility, cost control, logistics capability, contract review, planning model, order delivery, and R&D capability

Supplier compliance review

Highly concerned with the compliance and operation of suppliers, Shuijingfang enforces comprehensive compliance management over them and takes remedial measures to tackle potential risks. In the commercial contracts signed with suppliers, Shuijingfang requires them to observe national laws and regulations against bribery, corruption, and money laundering, Shuijingfang's 'Code of Business Conduct', and anti-assisted tax evasion clauses. We will terminate the cooperation with suppliers with violations as agreed in the contracts, and hold them accountable according to law for any losses incurred thereby. In 2023, Shuijingfang found no serious violations on the part of suppliers, and there was no termination of cooperation with suppliers due to such violations.

Managing suppliers' comprehensive performance

Shuijingfang has prepared an annual performance management plan for suppliers in order to manage them in a more efficient and scientific manner and maintain the stability of its supply chain. The plan has specified performance targets and assessment criteria for key suppliers – particularly those of packaging materials and raw and auxiliary materials – regarding quality, delivery, technology, and laws and regulations. With inspection results, Shuijingfang conducts classified management over key suppliers, and holds regular review meetings. Inspection results will also be returned to suppliers in real time, urging them to make continuous improvements. Suppliers with good performance are regularly rewarded, while those with poor performance and no improvement will be eliminated. After contracts are signed, we will conduct incoming inspection over each batch of goods from suppliers according to the terms of service and technical indicators agreed by both parties, and the deliveries will be received only after passing the inspection. If any product delivered by a supplier fails to meet the agreed technical indicators, Shuijingfang will reject it, and the supplier is required to make an exchange or refund.

In addition to conventional appraisal for supplier performance, Shuijingfang continues to use the SEDEX self-assessment tool to implement social responsibility related assessment of suppliers. For suppliers who fail to pass the self-assessment, Shuijingfang entrusts a third-party audit agency certified by SEDEX for follow-up counseling and assessment process. In 2023, we launched a new round of key supplier identification and carried out the SEDEX audit process for all 70 key suppliers to ensure they meet relevant ethical standards and social responsibility requirements.

Supplier empowerment and development

Shuijingfang constantly improves the product quality and managerial capability of suppliers by providing suppliers with a complete training system, with a view to boosting product quality and productivity. For win-win results, we train key suppliers on quality and lean production according to their respective needs for improvement. In 2023, Shuijingfang provided compliance training to more than 100 key partners on anti-commercial bribery, anti-money laundering and compliant marketing, among other areas.

Digital management of the supply chain

Shuijingfang has launched the Ariba procurement system, as part of the digital procurement project completed in 2022, and realised the systematic management of the full-range procurement process in July 2023. To help users quickly adapt to the new process, the Company provided 12 comprehensive training sessions on 'Procurement Policy plus procurement process plus system operation' to users of the e-procurement system, and organised 11 company-wide training sessions on procurement policy and process, which contributed more standardized execution of the procurement process.

Distributor management and empowerment

Strict admission system

Before signing a contract with a distributor and becoming its business partner, Shuijingfang will follow the steps specified in the KYBP program to collect and filter customer information. This helps ensure that the distributor complies with our Code of Business Conduct and that the distributor is qualified for compliant operation. Only after we have confirmed that a distributor meets these requirements will we cooperate with the distributor, thereby reducing potential risks, and establish a long-term, stable partnership with the distributor.

Assisting distributors’ legal and compliant operations

Shuijingfang closely monitors distributors’ operational compliance and state of business. All outlets must sign an annual cooperation agreement with us, as a way to make sure that the partnership is lawful and in line with the Company’s compliance policy. Meanwhile, all stores will be sent a notice before any event kicks off, so that all customers can have a clear understanding of their rights and interests in the event. This practice not only helps facilitate smooth cooperation with distributors, better manage and oversee their sales networks and ensure the lawful sales of products and sound development of the brand, but also protects consumer rights and interests.

Mature distributor management system

Shuijingfang has established a mature management system, under which the Company periodically conducts distributor satisfaction surveys and develops and implements improvement plans based on survey results, ultimately boosting customer satisfaction.

Contract management

Our supply and marketing contract stipulates each distributor’s distribution territory and channel, the items to be distributed, as well as annual sales target, product pricing and other information. It also includes provisions on the termination and cancellation of the contract, the liability for breach of contract, confidentiality clauses, and management requirements and procedures outlined in the code of business conduct. The contract also explicitly stipulates the deposit refund policy to tighten restrictions against irrational selling behaviour. Moreover, the contract defines distributors’ healthy inventory more clearly, which helps facilitate the sound, sustainable development of partnerships with distributors.

Assessment and incentive mechanism

Shuijingfang pays attention to the process management and target management of distributors, and formulates the annual assessment system in the distributor incentive policy, requiring them to achieve the store development or group purchase goals while meeting the sales targets. At the same time, the company will give incentives to distributors with outstanding performance at the national distributor conference and regional distributor communication meeting, so as to establish a good benchmark and promote the establishment of long-term and stable cooperative relations.

Breach management

A stable, sound value chain is a key safeguard for vendor interests and win-win results. Shuijingfang’s business team strictly carries out cross-territory inspection and management activities to maintain value chain stability, and maintains supply chain order through BC linked remote QR code tracking and value chain data collection to support healthy business development.

Distributor communication mechanism

In addition to daily communication and market visits, in order to achieve closer communication with distributors, we hold regular meetings in major provinces across the country before the sales season, and discuss the key strategies for market development with major core and high-end product distributors, so as to better help the rapid growth of key markets.

Distributor empowerment and development

Shuijingfang takes the empowerment and development of distributors very seriously. Distributors are indispensable partners in our sales system, so their competence and performance directly affects the promotion and sales of our products. For this reason, we work closely with our distributors to devise market development strategies for win-win results, apart from providing training and support to them.

Online training for distributor support specialists

After joining the Company, distributor support specialists should take the online orientation course for newcomers on Fang Xue Tang and complete an exam. The course, covering product knowledge, commonly used systems, sales policy and other aspects, is designed to help these employees work better subsequently. The Company also regularly provides online business training sessions to its salespersons and distributor support specialists. In 2023, the Company provided 22 training sessions for the Core Product Business Unit covering 571 participants across the country and 15 sessions for the High-End Product Business Unit covering 87 participants.

Business skills training

The Company launched business empowerment programmes, including ‘I Am a Branding Officer’ and ‘Top Sales (Junior & Senior)’, to provide continuous support to business teams, distributors and stores of the Company, with a view to establishing sound partnerships with distributors.

Case

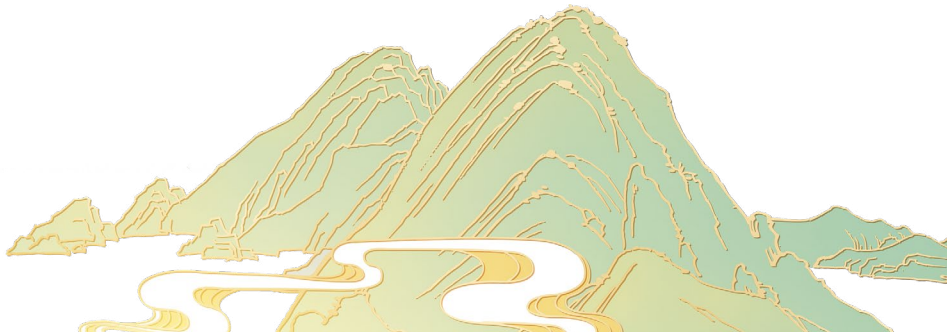
The ‘I Am a Branding Officer’ business skills training

The ‘I Am a Branding Officer L1’ programme unfolded at the Core Product and High-End Product business units beginning in June 2023, and staged quarterly and annual wrap-ups in August and September. This programme was attended by more than 1,800 salespersons (including those of distributors and stores), of which more than 1,000 uploaded ‘competition for training’ practice videos on Fang Xue Tang. Finally, 60 colleagues were certified as ‘branding officers’ by virtue of their competent product knowledge and selling skills.



Key performance indicators

Indicators (unit)	Data in 2023	Data in 2022
Number of suppliers that have gone through SEDEX assessments	70	54
Number of operation sites and suppliers using child labour or with material negative environmental and social impacts	0	0
Number of compliance training sessions for suppliers	1	1
Number of suppliers participating in compliance training on the Code of Business Conduct	108 ²⁸	152
Number of procurement policy training sessions for internal staff	22	5



²⁸ The data for FY2023 is the number of suppliers participating in compliance training related to the Code of Business Conduct.

Case

Gold Medal T1 Incubation Project

The Gold Medal T1 incubation project aims to help new clients quickly adapt the business by providing them with comprehensive support for operation, marketing, finance, etc., and helping them solving pain points and difficulties during business development. In addition, the project offers activities such as museums visiting Baijiu Academy to help clients, gain an in-depth understanding of the brand’s history and Baijiu culture.



Chapter IV

Cheers for the inclusive society

As a leading enterprise in the Baijiu industry, Shuijingfang is active in fulfilling its social responsibilities. We harness our advantages to engage in social welfare, responding to the call of the state on rural revitalisation; we are concerned with people's livelihood, pursuing a better life; we embrace the spirit of sports, endeavouring for the wellness of all the people; we maintain good neighbourly relations, empowering community development; and we are dedicated to talent training, contributing to the industry's ongoing and healthy development.

- Public welfare philosophy and management
- Volunteer culture and spirit
- Diverse public welfare programmes
- Community development empowered by the Friendly Neighbour Programme
- Promoting high-quality development of the industry
- Key performance indicators

Responding to the UN Sustainable Development Goals (SDGs)

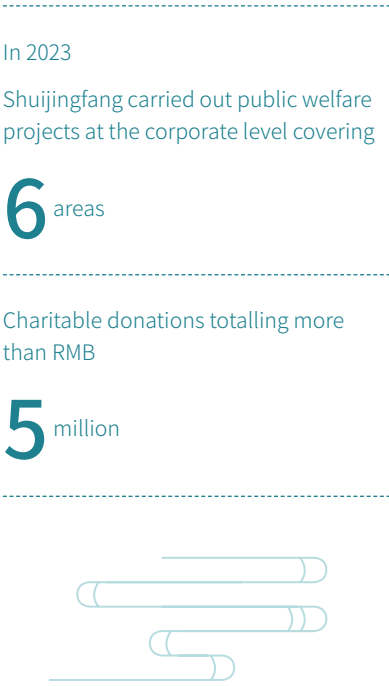


Public welfare philosophy and management

While pursuing robust growth, Shuijingfang is also concerned with giving back to the society and fulfilling corporate social responsibilities. We are constantly committed to diverse public welfare, community relations and industry empowerment programmes in rural revitalisation, community integration, disaster relief, education, sports and wellbeing, and many other social undertakings by leveraging our core resources and capabilities, as well as our advantages in platform and value chain. By doing so, we intend to cater to critical social needs and co-create social value.

To further regulate its external public welfare donation, and strengthen the oversight of external donations, Shuijingfang formulated and published the ‘Management Regulations on External Donations’ on 8 February 2024 in accordance with the ‘Charity Law’, the ‘Law on Donations for Public Welfare’, the ‘Company Law’, among other laws and regulations, as well as relevant provisions under the Articles of Association of the Company. These Regulations are designed to help the Company better participate in social welfare and charity undertakings and actively fulfil its corporate social responsibility.

In 2023, Shuijingfang carried out public welfare projects at the corporate level covering six areas, i.e., the Friendly Neighbour Programme, rural revitalisation, social responsibility research, earthquake disaster relief, intangible cultural heritage protection and inheritance, and sports public welfare, with charitable donations totalling more than RMB 5 million.



Programme	Donated to	Donation (RMB)
Friendly Neighbour Programme	Chengdu Wuhou Foundation for Community Development	600,000
Material donation under the rural revitalisation programme	Red Cross Society, Jinniu District, Chengdu	49,341.72
Support programme such as ‘Walking for Charity’	Chengdu Charity Federation	980,000
Gansu earthquake rescue	Chinese Red Cross Foundation	2,000,000
Research on CSR and sustainable development (the third year)	CEIBS Education Foundation	1,000,000
Shuijingfang Charity Fund	Chengdu Charity Federation	600,000
Total		5,229,342

Volunteer culture and spirit

To embed the mission of a corporate citizen into our corporate culture and fully raise our employees’ awareness of social responsibility, we established the ‘SJF Charity Day’, set up the Volunteers Group, and published the Employee Volunteering Initiative and the volunteer logo on 5 December 2023, the International Volunteer Day. The move to establish the ‘SJF Charity Day’ was a solid step toward the SJF 2035 Sustainability Targets. By facilitating the development of the SJF volunteer platform and diversifying public welfare activities, among other means, the Company further strengthened its CSR system and stimulated the inner drive to firmly fulfil its CSR.

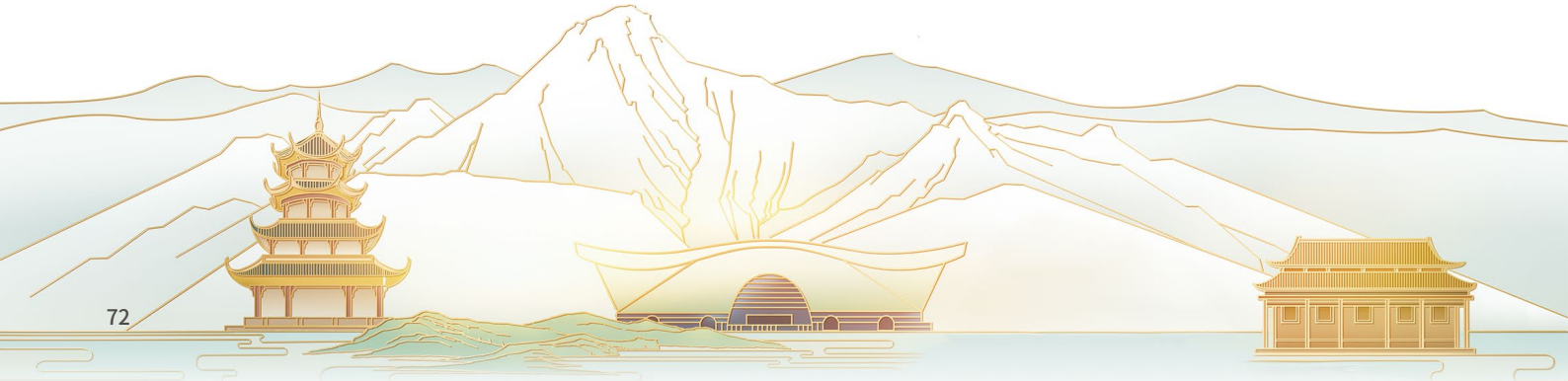


Diverse public welfare programmes

Shuijingfang leverages its own advantages and capabilities to actively carry out diverse public welfare programmes that respond to key challenges facing the industry, tackle hot-button social needs, and reinforce the recognition of Shuijingfang as a responsible brand.

Contributing to rural revitalisation

The ‘Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting the Key Work of Rural Revitalisation in 2023’ pointed out that priorities including rural development, rural construction and rural governance should be solidly advanced in order to accelerate the pace of building a beautiful and harmonious countryside that is desirable to live and work. In response to the calls by the central and local governments, Shuijingfang has actively contributed its part to the national rural revitalisation strategy, striving to boost both the economic benefits and social value of the Company.



Case

Paired Assistance Project in Changshaganma Township, Shiqu County

For years, Shuijingfang has sincerely cared for and provided assistance to plateau areas. In light of the most practical, urgent needs of the countryside, the Company has actively fulfilled its CSR by providing material help, offering intellectual support and other means, bringing a tangible sense of fulfilment and happiness to local residents in Changshaganma Township, Shiqu County, a recipient of paired assistance of the Company. In June 2023, according to the needs of local Tibetan residents, the Company donated laptop computers and office equipment worth about RMB 50,000 to Changshaganma, which indirectly benefited 1,393 residents from 288 households in Qumai Village.



Supporting post-disaster relief and reconstruction

On 18 December 2023, a 6.2-magnitude earthquake hit Jishishan County, Linxia Hui Autonomous Prefecture, Gansu Province, causing more than 100 casualties and damage to part of the infrastructure, including water, electricity, transport and telecommunications. Hearing the news, Shuijingfang promptly initiated its disaster relief and emergency donation procedures by donating RMB 2 million to the quake-affected areas via Chinese Red Cross Foundation to be used for humanitarian assistance to the affected people and for post-disaster reconstruction. The Company will closely watch progress in post-disaster relief and give full support to local relief work, helping the affected people get over it.

Donated RMB

2 million

to the quake-affected areas via Chinese Red Cross Foundation

Case

Friendly Neighbour Programme for Rural Revitalisation Theme Event

On 23 October 2023, Shuijingfang co-organised the ‘Love and Respect for the Elderly at the Chongyang Festival to Transform Qionglai with More Civilized Social Traditions & the Friendly Neighbour Programme for Rural Revitalisation’ theme event together with Qionglai City’s New Era Civilization Practice Centre, Qionglai Foundation for Community Development, the New Era Civilization Practice Sub-centre of Wenjun Subdistrict and the New Era Civilization Practice Station of Qiudianzi Village, among other organisations. At the event, the Company donated sporting facilities including table tennis tables to Qiudianzi and distributed greeting supplies, as part of its effort to fulfil CSR.



Protection and inheritance of the ‘double heritage’

As a leading Baijiu brand with two legacies – the Shuijing Street Distillery Site and the Shuijingfang Traditional Baijiu Distillation Technique, Shuijingfang shoulders the important mission of protecting and inheriting traditional Chinese cultural heritage, and continuously strives to bring fresh energy to such cultural heritage.



Protection of the Shuijing Street Distillery Site

For the Shuijingfang Museum, a Major Cultural Site Protected at the National Level, the systematic display of tangible cultural heritage in its original appearance in place and the ‘live’ showcase of state-level intangible cultural heritage are the primary approach to managing the former and presenting the latter. To ensure its compliance and healthy operation, the Museum has established the ‘Regulations on the Administration of the Protection of Shuijing Street Distillery Site’ and the ‘Shuijingfang Museum Collection Management Regulations’, mainly in accordance with the ‘Law on Protection of Cultural Relics’, the ‘Regulations on the Administration of Cultural Relics Protection’, the ‘Administrative Measures for Cultural Relics Protection Projects’, the ‘Regulations on the Administration of Cultural Relics Protection of Chengdu’, the ‘Administrative Measures for Cultural Relics Protection of Sichuan Province’, the ‘Regulations on the Administration of Great Sites Protection of Chengdu’, the ‘Museum Regulations’, the ‘Administrative Measures for Private Museums of Chengdu’, the ‘Administrative Measures for Museum Collections’ and other laws and regulations.

The Shuijingfang Museum has set up positions dedicated to the protection of the cultural relics and assigned staff to be responsible for its daily management. The protection of cultural heritage is subject to the supervision of competent government departments, and cultural heritage protection projects are submitted to the cultural administrations of Jinjiang District, Chengdu, and Sichuan Province, and finally reviewed and approved by the National Cultural Heritage Administration. In 2023, the Museum organised one compliance training session per month and continued to conduct compliance talks between line supervisors and their subordinates, with the compliance policy training covering 100% of the employees and a pass rate of 100%. In 2023, the Shuijingfang Museum opened for 351 days, receiving a total of 67,000 visitors, received zero complaints from visitors.

By virtue of its long-standing historical and cultural legacy, the Shuijingfang Museum has become an important landmark for conveying the urban culture of Chengdu city, providing a venue and conditions for historical research and the protection, presentation and utilisation of cultural heritage. In 2023, the Museum was recommended as a ‘Major Site for Foreign Affairs Visits’ by the Directorate of Culture, Sports and Tourism of Jinjiang district, and recognised as an ‘Intangible Cultural Heritage Experience Base of the 8th International Festival of the Intangible Cultural Heritage, Chengdu, China’ by the Sichuan Provincial Department of Culture and Tourism.

The Shuijingfang Museum focused on the protection of surface heritage structures and the site itself in 2023. The Company filed a project proposal with the National Cultural Heritage Administration (NCHA) for the protection of the site in May 2023, which was approved by the NCHA in September. In October 2023, Shuijingfang finished the preparation of the ‘Proposal for the Protection and Maintenance of Surface Heritage Structures at Shuijing Street Distillery Site’, which was approved by Sichuan Provincial Cultural Heritage Administration, and the project was to be implemented in the first half of 2024 according to the plan. During the reporting period, Shuijingfang Museum also carried out a range of activities, including disease monitoring for the site itself and trial trench backfilling in areas close to cellars, and worked with Chengdu Institute of Archaeology and Tongji University on ‘A Study of Diseases in Masonry Cultural Relics at Industrial Heritage Sites and Corresponding Protection Measures’.

Moreover, the Shuijingfang Museum serves as a medium for cultural education. In 2023, the Shuijingfang Museum organised 25 cultural and educational advocacy activities covering 2,675 participants. The museum guides play an important role in passing on the cultural legacy. In 2023, several staff received awards for outstanding guides:

Awards and recognitions received by guides at Shuijingfang Museum in 2023

In March

One guide received the Excellence Award at the ‘Chengdu Popular Science Interpretation Contest’ in March 2023.

In June

One guide received the first prize at the ‘Guide Talent Contest of Jinjiang District’ in June 2023.

In September

Two guides received the Category I excellence awards at the ‘Guide Contest of the Chengdu Labour and Skills Competition for One Million Workers’ in September 2023.

In December

Two guides participated in the ‘Chengdu Short-video Contest for Guides at Patriotism Education Bases’, with the ‘Outstanding Guide’ title received by one guide, and the ‘Award for Works of Excellence in Network Communication’ by the other, in December 2023.

Case

Protection of the Shuijingfang Traditional Baijiu Distillation Technique

A system for intangible cultural heritage (ICH) management policies

The Company’s Intangible Cultural Heritage Protection Office (‘ICH Office’), formulated an array of rules and regulations including the ‘Responsibilities of the Cultural Heritage Protection Committee of Sichuan Shuijingfang Co., Ltd.’, the ‘Management and Application and Approval Process for the Use of Intangible Cultural Heritage Fund’, and the ‘Commitment Letter from Representative Inheritors of the Shuijingfang Traditional Baijiu Distillation Technique’, in line with the ‘Law on the Protection of Intangible Cultural Heritage’, the ‘Regulations on the Protection of Intangible Cultural Heritage of Sichuan Province’ and other applicable laws and regulations, with a view to establishing a sound compliance system. In October 2023, Sichuan Shuijingfang Co., Ltd. was qualified as the protection organisation for the Shuijingfang Traditional Baijiu Distillation Technique according to the ‘Notice of the Ministry of Culture and Tourism on Releasing the List of Protection Organisations for Representative State-level Intangible Cultural Heritage Items’.

A strategy for ICH protection and inheritance

Shuijingfang has formulated a well-defined and farsighted strategy for the protection and inheritance of intangible cultural heritage, to ensure the long-term, healthy, rational, well-organised and effective development of ICH techniques in multiple dimensions:

- Build a platform for communication with the government (on ICH), maintain a favourable external environment for ICH protection, and ensure smooth external communication channels for ICH.
- Perform ICH protection duties, stress the protection and inheritance of ICH, and increase incentives for the protection of ICH techniques.
- Strengthen the presentation and promotion of ICH, and facilitate the protection and inheritance of ICH techniques through effective communication via multiple channels and from multiple dimensions.
- Make more efforts to collect and organise historical documents and information to consolidate the historical foundation of the Shuijingfang Traditional Baijiu Distillation Technique and promote the sound integrated development of ICH.

Long-term goal and plan for ICH protection

Specialised ICH protection supporting the Company’s operation and development enables the Company to reinvent and develop the Shuijingfang Traditional Baijiu Distillation Technique while inheriting it, boost the Company’s core competitiveness, and maintain its good reputation in ICH, Baijiu and listed company domains.

In 2023, Shuijingfang received the following honours in ICH protection

In February

Chen Yong and Zhu Liang, ninth-generation inheritors of the Shuijingfang Traditional Baijiu Distillation Technique, were included in the seventh batch of Chengdu municipal-level representative inheritors.

In April

At the Liquor Body Design Contest sponsored by Sichuan Provincial Department of Economics and Information Technology and undertaken by Sichuan Liquor Research Institute, Chen Yong and He Hang, ninth-generation inheritors of the Shuijingfang Traditional Baijiu Distillation Technique, won the first prize and the third prize respectively.

In April

Zhuo Biao, an eighth-generation inheritor of the Shuijingfang Traditional Baijiu Distillation Technique, was honoured a ‘Chengdu Craftsman’.

In June

Sichuan Shuijingfang Co., Ltd., as the protection organisation for the Shuijingfang Traditional Baijiu Distillation Technique, a state-level ICH item, passed the review of the Ministry of Culture and Tourism.

In October

The Shuijingfang Museum, the institute for the Shuijingfang Traditional Baijiu Distillation Technique, was honoured an ‘Experience Base of the 8th International Festival of the Intangible Cultural Heritage, Chengdu’.

In December

The Shuijingfang Traditional Baijiu Distillation Technique was named one of the ‘2023 Intangible Cultural Heritage & Best Practices’.

Promoting sportsmanship

Responding to the national advocacy for fitness-for-all and the policy of building China a strong sports nation, Shuijingfang promotes a healthy lifestyle, and embeds sportsmanship into the brand’s cultural gene. By conveying the fitness-for-all concept to the public and sports fans, the Company inspires tenacity and endeavour in sports activities and brings sports events to a higher level.

Case

Shuijingfang & The World Table Tennis (WTT)

The year 2023 marked the second year of the strategic partnership between Shuijingfang and the World Table Tennis (WTT). As WTT’s global designated celebration alcohol and global premier partner, Shuijingfang continued to support the hosting of WTT events in 21 cities across 17 countries. At the same time, the ‘SJF Strongest Ping Pong Team China Amateur Ping Pong Team Tournament’ ushered in the finals in March 2023, when elite amateurs from eight major cities gathered in Chengdu for matches and Shuijingfang ingeniously staged an immersive offline ping-pong experience in light of the event, creating a ‘ping-pong for all’ sporting atmosphere.



Case

The Shuijingfang Cup City Tennis Tournament

In June 2023, the Shuijingfang Cup City Tennis Tournament concluded in Chengdu. The event attracted the engagement of more than 1,600 tennis enthusiasts, reached more than 100 KOLs and covered an audience of more than 100,000. In October 2023, the ATP Tour Shanghai Masters returned, at which Shuijingfang made an appearance as a sponsor with its ultimate liquor aesthetics at Qizhong Tennis Centre. In 2024 and 2025, Shuijingfang, as a Prestige Sponsor, will work with this highest-level ATP event in the Asia-Pacific region to promote the development of the sport of tennis in China and the wider Asia-Pacific region.



Case

Shuijingfang & The 31st FISU Summer World University Games

On 28 July 2023, the 31st FISU Summer World University Games officially opened in Chengdu. During the event, the Shuijingfang Museum, as an official provider in the city’s specialty culture category for Chengdu FISU Games, curated a Treasures of Chengdu exhibition themed ‘When the 60-year-old FISU Games Meets a Museum with a 600-year-old Legacy’. This exhibition combined Shuijingfang’s Baijiu distillation technique with individual sports of the Games and pavilion information to reveal the spiritual and intrinsic relationships between the Games and the Shuijingfang Museum. During the Chengdu leg of the torch relay, Wang Gang, Chief Cultural Heritage Officer at Shuijingfang and Curator of the Shuijingfang Museum, and Chen Yong, a ninth-generation inheritor of the Shuijingfang Traditional Baijiu Distillation Technique, served as torchbearers for Chengdu FISU Games on behalf of the Museum, conveying the ‘living legacy’ to the world.



Case

Shuijingfang Friendly Neighbour Track

In December 2023, Shuijingfang and Chengdu Charity Federation co-established the ‘Shuijingfang Friendly Neighbour Track’ in Chengdu Fuhe Photography Park. This move to combine sports with charity was intended to facilitate the implementation of the ‘Walking for Charity: Go for Love’ public welfare programme and the ‘Friendly Neighbour Programme’. At the event, Wang Jianwen, Chief Production and Operation Officer at Shuijingfang, offered to donate RMB 980,000 on behalf of the Company to contribute to advances in Chengdu’s charitable causes.



Community development empowered by the Friendly Neighbour Programme

Since 2021, Shuijingfang has actively planned public welfare projects under the Friendly Neighbour Programme, following the core principles of trust, participation, co-existence and co-construction. This effort is intended to enhance the interactions with our neighbours, convey our sense of social responsibility and volunteerism, and provide local residents with a platform for community participation and co-construction, thus promoting co-existence and co-prosperity with the rest of communities.

Case

Community events

- On 15 January 2023, Shuijingfang staged the ‘Blessings in Ink for Loving Neighbours’ Chinese New Year greetings event in Xingwa Community.
- On 2 February 2023, Shuijingfang carried out the ‘Myriads of Lamps and Blessings for a Happy Lantern Festival’ event in Jiancao Community.



- In April 2023, in the lead-up to Chengdu FISU Games, to create a clean, neat living environment for community neighbours, Shuijingfang partnered with Xinanjie Community, Fuqin Subdistrict, Jinniu District, Chengdu to stage the ‘Love Chengdu and Welcome the FISU Games – Community Volunteering Service under the Friendly Neighbour Programme’.



In June 2023, to promote traditional culture and enhance neighbourly relations between the Qionglai plant and the local community, Shuijingfang staged a community co-construction event under the Friendly Neighbour Programme under the theme of ‘Red Ode to the Party at Duanwu Festival & Inheritance of Civilization Celebrating the Anniversary of the CPC’ together with the Publicity Department of Qionglai City CPC Committee, Qionglai City’s New Era Civilization Practice Centre, the New Era Civilization Practice Sub-centre of Wenjun Subdistrict, the Public Security Bureau of Qionglai City, the New Era Civilization Practice Station of Wenbishan Village, Wenjun Subdistrict, Qionglai City Volunteer Service Federation, and Zhuli Social Service Centre before the arrival of the Duanwu Festival. The Company also held five ‘Scents of Sticky Rice Dumplings and Shuijingfang Baijiu for the Duanwu Festival’ – community events under the ‘Shuijingfang Friendly Neighbour Programme’, in five communities in Jinniu District, i.e., Fuhe Xinju, Jiancao, Xingwa, Jinniu and Yuejin communities, which were attended by more than 8,000 residents.



- In July 2023, to facilitate effective community-business co-construction and volunteer public welfare services, Shuijingfang partnered with Jiancao Community, Xihua Subdistrict to stage the ‘Unstoppable against All Odds – Jiancao-Shuijingfang Friendly Neighbour Programme Basketball Competition for Public Welfare’, which was attended by leading officials, staff members and residents of Jiancao Community, as well as more than 60 volunteers from Shuijingfang.



- From 17 October through 9 November 2023, to raise community residents’ awareness against various telecommunications frauds and reduce such frauds, Shuijingfang joined hands with Jiancao Community to stage an online anti-fraud publicity campaign, which recorded 88 participants and 1,938 hits.

- On 23 October 2023, Shuijingfang co-organised the ‘Love and Respect for the Elderly at the Chongyang Festival to Transform Qionglai with More Civilized Social Traditions & the Friendly Neighbour Programme for Rural Revitalisation’ theme event together with Qionglai City’s New Era Civilization Practice Centre, Qionglai Foundation for Community Development, the New Era Civilization Practice Sub-centre of Wenjun Subdistrict and the New Era Civilization Practice Station of Qiudianzi Village, among other organisations. At the event, the Company sent greetings to elders aged 80 and above and retired officials and donated table tennis tables to Qiudianzi.



Case

The Open Day event at the Tuqiao plant

In 2023, Shuijingfang organised three Plant Open Day events, at which community residents were invited to visit the Company’s plant, have a tour of the production environment of the Company’s frontline workers, and get to know the specific procedures and key links of Baijiu production. Such events enabled community residents to grasp the changes and vicissitudes of this land on which Shuijingfang stands. In the process of such visits, Shuijingfang actively interacted with community residents to have a better understanding of urgent problems facing and expectations of surrounding communities, which helped bring communities, the Company and local residents closer.



Promoting high-quality development of the industry

Industry ESG professionals training and expertise sharing

Shuijingfang has been a strategic partner of China Europe International Business School (CEIBS), a world-class business school, under a three-year public welfare donation agreement that supports research on CSR topics and other projects, since September 2021. In 2023, Shuijingfang donated RMB 1 million for the third year to CEIBS Education Foundation to support the researches on CSR and ESG related topics of listed companies.

Participating in the formulation of relevant ESG standards

Shuijingfang firmly believes that the success of a business is closely associated with industry prosperity. To drive high-quality development of the Baijiu industry, Shuijingfang actively participated in the development of industry standards as a main participant in 2023, including the drafting of ‘Greenhouse gas accounting methods and reporting standards for the Baijiu corporate’ and ‘Product Carbon Footprint Evaluation Standards for Chinese Baijiu’ initiated by China Alcoholic Drinks Association (CADA), as well as key input to industry standards like ‘Guidance for Alcoholic Beverage Enterprise ESG Disclosure’, ‘ESG Evaluation Guidance for Alcoholic Beverage Enterprises in China’, ‘Zero-Carbon Model Factories of Chinese Alcoholic Beverage Industry’ and ‘Green Supply Chain Management in Liquor Industry’.

As of 2023, the industry associations, alliances, and the national or international organizations that Shuijingfang has joined are as follows:

China Association of Circular Economy (CACE)	Sichuan Intangible Cultural Heritage Protection Association
China Intangible Cultural Heritage Protection Association	Sichuan Trademark Association
China Association of Enterprises with Foreign Investment	Liquor Golden Triangle
China Association of Small and Medium-sized Commercial Enterprises	Alcoholic Drinks Association of Sichuan Province
China National Food Industry Association	Chengdu Intangible Cultural Heritage Protection Association
China Alcoholic Drinks Association (CADA)	Chengdu Enterprise Confederation
Sichuan Association of Circular Economy	UN Global Compact (joined in 2023)

Key performance indicators

Indicators (unit)	Data in 2023	Data in 2022
Charity donations by the Company (RMB)	5,180,000.00	5,020,000.00
In-kind donations, e.g., products or services (value in cash) (RMB)	49,342.00	49,305.43
Number of public welfare programmes	6	6
Number of beneficiaries reached in rural revitalisation	1,393	2,000
Number of Volunteers	75	/
Number of employee volunteering hours	175.7	/
Number of employee volunteering hours during paid working hours	150.7	/

Chapter V

Cheers for the green planet

Well aware of the importance of environmental protection, Shuijingfang actively responds to national carbon peaking and neutrality goals and relevant laws and regulations, and fully incorporates green development into the corporate business strategy. On the production front, the Company takes environmental compliance seriously, and has developed a range of in-house management measures in line with national and local regulations and policies. The Company has established a mature control system for improving water management, boosting energy efficiency and managing waste water, waste gas, solid waste and ambient noise. Apart from practising green production, Shuijingfang also takes seriously the screening and assessment of suppliers to ensure that all links along the value chain meet environmental quality targets.

- Environmental compliance management
- Green production
- Green supply chain
- Green office and operations
- Green consumption advocacy
- Key performance indicators

Responding to the UN Sustainable Development Goals (SDGs)



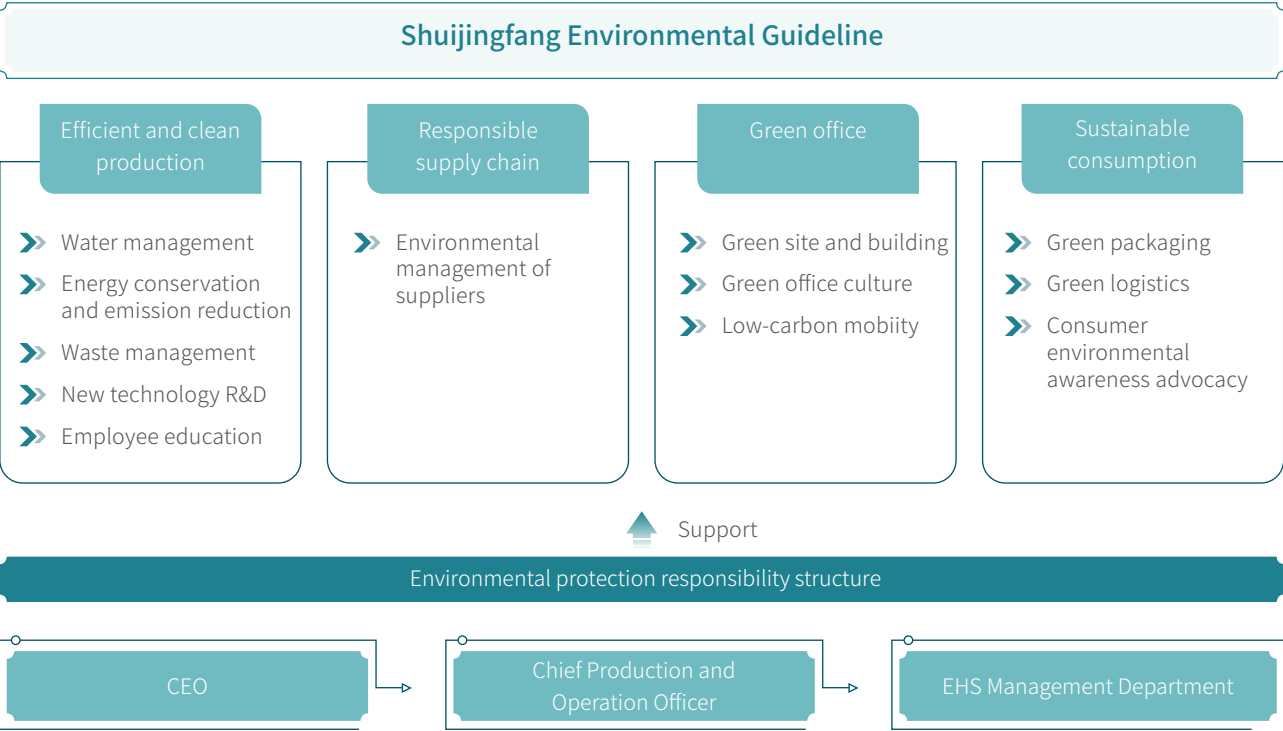
Environmental compliance management

Strict compliance with environmental laws and regulations

Shuijingfang carries out production, construction and operation activities in strict compliance with the ‘Environmental Protection Law’, the ‘Environmental Impact Assessment Law’, the ‘Water Law’, the ‘Law on the Prevention and Control of Water Pollution’, the ‘Law on the Prevention and Control of Air Pollution’, the ‘Environmental Protection Regulations of Sichuan Province’, the ‘Measures for the Disclosure of Environmental Information by Enterprises and Public Institutions’, the ‘Administrative Measures for the Post-Evaluation of Environmental Impact of Construction Projects’, and the ‘Sichuan Emission Control Standard for Volatile Organic Compounds’, among other applicable laws and regulations. We ensure that pollution control facilities are functioning properly, all indicators of wastewater, waste gas and noise conform to applicable national and local emission standards, and solid waste is disposed of as required, so that all stages of production and operation are environmentally friendly. There were no unexpected environmental risk events, environmental violations or administrative penalties recorded at Shuijingfang in 2023.

Environmental management system and responsibility mechanism

At Shuijingfang, ‘one environmental guideline and a three-tier governance structure’ function as the foundation for sustainable environmental development and governance, and provide well-defined enforcement principles and operational supports for all parts of business operations. Shuijingfang has established an environmental protection responsibility structure headed by CEO to ensure the effective implementation of environmental strategies and regulations, and strengthen environmental protection and its management. Led by CEO, Chief Production and Operation Officer is in charge of the EHS Management Department and responsible for environmental protection matters. In addition, monthly EHS meetings are organised by the EHS Management Department to communicate and report on environmental matters and indicators of the month, discover and address problems in a timely manner and optimise environmental management by developing improvement plans.



Environmental risk identification and assessment

Shuijingfang gives special attention to environmental risks in overall corporate risk management, and develops corresponding action plans against and continuously tracks such risks. In 2023, to manage the risk of the supply chain being affected by power brownouts and extreme weather events, Shuijingfang used its new diesel generator set for emergency power generation in extreme weather events, and included power brownouts in Business Continuity Management Risk Assessment, with prompt, effective countermeasures taken:

①

Planned the load distribution of the generator set to ensure power supply to fire equipment, security facilities, sewage stations, and other facilities.

②

Developed a blackout emergency plan and carried out drills as required; the plan is subject to review every three years.

③

Established diesel purchasing channels and a diesel repository to ensure effective power generation during blackouts.

In addition, biodiversity loss is also considered one of the fastest-deteriorating global risks in the next 10 years. In light of this, Shuijingfang actively takes on the mission of protecting biodiversity, and has made a commitment to biodiversity covering all parts of the value chain to reduce the risk.

Commitment to biodiversity

As promised in the ‘Shuijingfang Environmental Guideline’, we do not cause lasting harm to species, habitats, biodiversity or climate. In terms of biodiversity conservation, we comply with all related laws and regulations, and support international initiatives such as the Global Biodiversity Framework, the United Nations Sustainable Development Goals, and the ‘Convention on International Trade in Endangered Species of Wild Fauna and Flora’ (CITES). We pledge to continuously reduce our ecological footprints across the entire value chain, including raw material sourcing, production and operations, committed to ‘no net loss’ (NNL). We pledge to zero net deforestation by not engaging in the development of statutory nature reserves or exploiting regions of great ecological value and their surrounding areas for production and operations. We avoid negative impacts on threatened and protected species and ban trade in endangered wildlife (including but not limited to CITES-listed species), all while safeguarding local inhabitants’ freedom to choose and prior informed consent in areas to be developed. Potential impacts on biodiversity during production and operations must be examined and addressed using the ‘mitigation hierarchy approach’, namely, ‘Avoid, Minimise, Restore and Offset’.

(The aforementioned commitment, which applies to Shuijingfang’s operations, is supervised and managed by the Shuijingfang ESG Steering Committee, and executed and tracked by production and operation departments.)

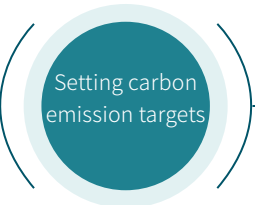
Green production

In active response to the national pledge to reach carbon emissions peak by 2030 and carbon neutrality by 2060, Shuijingfang incorporates green development in its corporate business strategy across the board. The Company pursues its own green transformation while actively promoting the overall sustainability of the supply chain and sustainable consumption at the end of the chain.

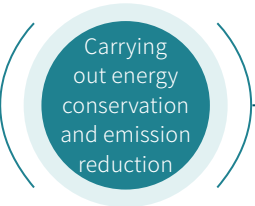
In the production process, Shuijingfang strictly analyses and manages the use of electricity, energy, raw materials and water, among other resources, and has put in place a mature system for managing ‘three wastes’ and ambient noise, with a view to facilitating clean, efficient production. In day-to-day operations, Shuijingfang has developed a range of environmental management procedures for different aspects of operations in line with applicable laws and regulations and the ‘Shuijingfang Environmental Guideline’. These procedures include the ‘Resources and Energy Management Procedure’, the ‘Pollutants and Noise Management Procedure’, the ‘Waste Management Regulations’, the ‘Chemicals Management Procedure’, and the ‘EHS Management Procedure for Contractors’. In 2023, Qionglai site was named a ‘Trustworthy Organisation in Environmental Credit’ in Chengdu’s environmental credit evaluation exercise.

GHG emissions management

Shuijingfang makes tackling climate change one of the major anchors of the Company’s sustainable development, and actively studies globally leading methodologies for setting carbon targets. In our day-to-day operations, we also push for green transformation of the production process across the board by continuously improving the energy mix, carrying out energy conservation and emission reduction, and boosting energy efficiency, among other means.



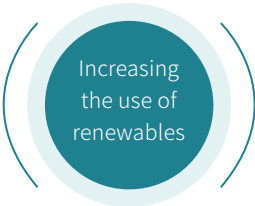
Shuijingfang submitted the commitment letter for the Science Based Targets initiative (SBTi) in April 2023, and planned to complete target-setting in the next two years, in a bid to contribute to the efforts to ‘limit the temperature increase to 1.5°C above pre-industrial levels’ under the Paris Agreement. Led by the ESG Steering Committee, all business departments are fully engaged in the feasibility study of Shuijingfang’s carbon emission reduction, with the emission reduction potential and expected technological advances of different links thoroughly analysed, laying the groundwork for setting scientific, feasible and industry-leading carbon control targets.



Shuijingfang has developed and enforced the ‘Resources and Energy Management Procedure’ to effectively manage and track energy consumption in the production process, thus facilitating energy conservation and emission reduction.

Power consumption: Power consumption at production workshops should be subject to quota-based management. New energy-consuming equipment must comply with national energy efficiency requirements, with a preference for efficient equipment with low energy consumption. The Management Department should create a statistical ledger for main energy-consuming equipment, and workshops should also create their own ledgers for such equipment.

Operational management for energy consumption: The EHS Management Department is responsible for preparing annual resource and energy consumption quotas, and breaking down and distributing the quotas to relevant departments/workshops for management; and uses a resource and energy consumption measuring network to collect and summarise consumption data of water, electricity, gas and fuel, among other resources and energy sources.



Shuijingfang offsets regular power consumption by purchasing the International Renewable Energy Certificate (I-REC) every year. During the period from 1 July 2022 to 30 June 2023, the Tuqiao plant purchased 6,877 MWh of green power, and the Qionglai plant purchased 10,886 MWh.

The Tuqiao plant purchased

6,877 MWh
of green power

The Qionglai plant purchased

10,886 MWh
of green power



Improving the efficiency of water use

Shuijingfang follows the prescribed water intake and discharge restrictions at national and regional levels in day-to-day operations, establishes strict management regulations, and performs water balance tests on a regular basis. Water-saving measures and technologies are applied to improve the efficiency of water use.

In terms of regulations

With reference to the ‘General Principle for Equipping and Managing of the Measuring Instrument of Energy in Organisation of Energy Using (GB 17167-2006)’, the ‘Standard Examination Methods for Drinking Water (GB/T 5750-2006)’ and the ‘Sanitary Standard for Drinking Water Plant’, and combining with the Company’s practical situation, Shuijingfang has established the ‘Company Water Management Regulations’, aiming to strengthen the management of water consumption, eliminate waste, rationally use water resources, guarantee normal water supply for production and living in the factory area, and meet the national laws and regulations on energy conservation. These Regulations apply to the supervision and management of water use by all departments, drainage networks maintenance, water quality inspection and management, and tap water management, together with explicit management responsibilities of each department, and statistical tables to record and analyse details on the use of production and domestic water.

In terms of practices

- Continue to monitor the Company’s water balance, and control the difference between the metres at first and second levels below 5%.
- Promote water conservation from time to time to raise employees’ awareness.
- Monitor the Company’s primary water metre at different times every day, and detect irregularities and track maintenance in time to avoid major leakage events.
- Conduct water use inspection and consumption analysis on a monthly basis to eliminate waste.
- Provide an illustration of the sewage and rain-water pipe network, regularly inspect and maintain the drainage pipe network in the factory area, use water-saving technologies to increase the reuse rate, and establish a closed loop of production water recycling.
- Use reclaimed water for toilet flushing and greenery watering on the campus, and apply water-saving sprinklers for watering.

In 2023, the Tuqiao factory reused the wastewater from bottle washing for such processes as fog cannon truck spraying, sewage plant dosing and cleaning, with about 28 tons of such wastewater reused per day.

Pollution and waste control

Shuijingfang develops detailed environmental monitoring plans and enforces the in-house ‘Waste Management Regulations’ strictly in line with national and local environmental discharge standards and requirements. In 2023, the Company’s environmental protection and pollution treatment facilities functioned well, with waste water, waste gas and noise discharge indicators up to relevant national and local discharge standards, and solid waste treatment meeting relevant disposal requirements.

Wastewater disposal and monitoring

Shuijingfang’s wastewaters primarily are wastewater from the Baijiu production process, and office and domestic wastewaters, including bottom pot water, wastewater from bran steaming, vinasse leachate, equipment and floor washing water, boiler blowdown, water drained from the purified water station, cooling water discharged, experiment wastewater, and domestic water. The sewage treatment station at the Qionglai plant adopts a treatment process that includes pretreatment, anaerobic reaction, chemical phosphorous removal, two-stage A/O, and advanced treatment, with a designed capacity of 1,200 m³/d. The effluent treated is discharged into the No. 4 Wastewater Treatment Plant of Qionglai City via the municipal sewage network after meeting the indirect discharge standard specified in Table 2 in the ‘Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry (GB 27631- 2011)’. The sewage treatment station at the Tuqiao plant, with a capacity of 320 m³/d, serves the Company’s Qujiu production workshop and day-to-day office needs. The treated wastewater is discharged into the municipal sewage network after meeting the indirect discharge standard specified in Table 1 in the ‘Discharge Standard of Water Pollutants for Fermentation Alcohol and Distilled Spirits Industry (GB 27631- 2011)’. The excess sludge generated in the biological sewage treatment process is dewatered by a screw press filter and then shipped out for disposal.

Waste gas disposal and monitoring

Shuijingfang has completed technical renovations on grain crushing workshops, natural gas boilers, and sewage stations, to classify and control the pollutants generated. The Company has installed bag filters for the process stages that generate dust, such as feeding, screening, and grinding, in the grain crushing workshops, and the emission of dust and exhaust gas after treatment conforms to the ‘Integrated Emission Standard of Air Pollutants (GB16297-1996)’. The natural gas boilers adopt low NOx combustion technologies to realise ultra-low NOx emissions, with the exhaust gas from boilers meeting the ‘Emission Standard of Air Pollutants for Boilers in Chengdu’ (DB51/2672-2020). The odorous gas generated by structures at the sewage treatment station was collected in an airtight, capped manner, and treated with alkaline cleaning plus active carbon adsorption, with foul gas emissions in line with Grade 2 standard in Table 1 in the ‘Emission Standards for Odor Pollutants’ (GB14554-93). The laboratory waste gas at the Qionglai plant is collected through a fume hood gas gathering system into two sets of active carbon absorbers before being discharged from vent stacks on the roof. The organic waste gas emissions can meet the standard in Table 1 in the ‘Sichuan Emission Control Standard for Volatile Organic Compounds’ (DB51/2377-2017), and the acid fog emissions can meet the standard in Table 2 in the ‘Integrated Emission Standard of Air Pollutants’ (GB16297-1996). In 2023, Shuijingfang conducted a boundary disordered exhaust gas emissions monitoring exercise every half a year, with all the monitoring results up to standard.

Solid waste disposal

Shuijingfang has established collection and temporary storage facilities and ledgers for different types of waste. General solid waste, including domestic waste, industrial solid waste (i.e. distillers’ grains, sewage sludge and packaging waste) and construction waste, are consigned to a third party for disposal and reuse. Hazardous waste, including waste test liquid, waste chemicals and its packaging, waste oil from electromechanical maintenance, waste ink and its packaging, is harmlessly disposed of by a third party with a hazardous waste business licence.

Noise emissions monitoring

In strict accordance with the Class 3 standard in the ‘Emission Standard for Industrial Enterprises’ Noise at Boundary’ (GB12348-2008), Shuijingfang has established eight industrial enterprises’ boundary ambient noise monitoring points, including the old storage tank area, the office area and the brewing workshop at the Qionglai plant, and four monitoring points at the Tuqiao plant, i.e., the Packaging Workshop, the Grinding Workshop, the sewage station/boiler room, and the Qujiu Workshop. In 2023, the Company entrusted Sichuan Zhonghuan Baoyuan Technology, Co., Ltd., a third-party testing agency, with conducting pollution monitoring and issuing a testing report, with the testing results meeting national/local/industry emissions standards.

Green supply chain

Shuijingfang pursues the eco-friendliness of its own production activities, while striving for a green and sustainable supply chain. The core principles outlined in our environmental guideline involve the environmental management of the supply chain, and the same internal policies in this regard also apply to our supply chain partners such as contractors and transport service providers.

Assessing and handling suppliers’ environmental and social impact

Shuijingfang strictly assesses the environmental and social impacts of suppliers. During onsite audits, Shuijingfang will review suppliers’ licences and environmental assessment results, and take comprehensive account of their performance in social responsibility, chemical residue and pollution control, EHS compliance and management, and EHS-related checkpoints. With suppliers who are qualified upon assessment, Shuijingfang will maintain existing partnerships with them. Moreover, in subsequent cooperation, the Company inspects and reports on suppliers’ environmental and social responsibility performance on a regular basis, urging them to correct problems and encouraging them to proactively organise environmental management activities. As for suppliers who are disqualified due to environmental compliance problems found, Shuijingfang will terminate cooperation with them.

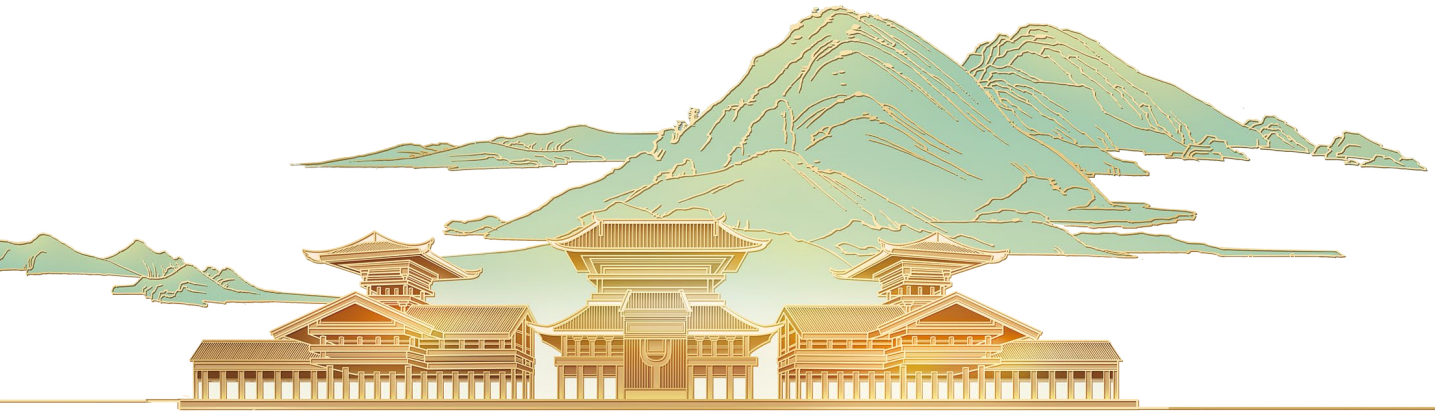
Green office and operations

Green building

The brewing workshop, testing center, and restaurant in Qionglai Whole Industry Chain Base Project (Phase I) have obtained LEED Gold certification. All certified buildings were constructed using up to 100% recyclable steel bars and concrete added with 3% recyclable components, and all construction wastes generated are recycled by entrusted professional recycling companies.

Green data centres

Shuijingfang takes seriously the development of green data centres. The Company optimises the energy efficiency of data centres by investing in advanced green technologies, including IT equipment, the power supply system, the refrigerating system, and the monitoring system.



- The adoption of virtual technologies for resource load adjustments in light of actual business use effectively reduces investment in physical servers while allowing space savings.
- The separation of hot and cold aisles effectively reduces cold energy leakages, avoids the mix of cold and hot winds, and boosts the energy efficiency of data centres.
- Intelligent power environment management and monitoring systems are adopted to monitor the energy use of data centres in real time.
- The adoption of energy-efficient servers, storage and network equipment effectively reduces energy consumption.

Green consumption advocacy

Green packaging

As a manufacturer of consumer products, especially an alcoholic beverage producer, packaging has always been a key issue concerning sustainability that cannot be ignored. In active response to the mandatory ‘Requirements of Restricting Excessive Package—Foods and Cosmetics’ (GB 23350-2021) promulgated at the national level, Shuijingfang has made packaging an important part of environmental management, and is committed to reduce the use of packaging materials through better packaging designs. In 2023, the company promoted the packaging material expert project, with the participation of design and technical engineers, to improve the packaging pass rate for the design and manufacturing process to reduce the consumption of packaging materials. At the same time, we optimised the finishing procedures for gift boxes, and canceled bagging for packaging materials. In order to ensure the effective implementation of packaging management, Shuijingfang included the loss rate of packaging materials in the management performance evaluation, and set up an incentive mechanism to encourage team to improve the environmental benefits of packaging.

Key performance indicators

Item		Indicators (unit)	Data in 2023 ²⁹	Data in 2022 ³⁰
Scope 1 GHG emissions	Stationary combustion	Natural gas for boiler use (CO ₂ equivalent, kg)	24,001,647.63	4,229,238.58
	Mobile combustion	Diesel for vehicle use (CO ₂ equivalent, kg)	7,031.13	9,830.53
		Gasoline for vehicle use (CO ₂ equivalent, kg)	86,739.96	58,819.32
	Purchased electricity	Electricity for production use (CO ₂ equivalent, kg)	10,470,764.45	2,113,280.60
		Electricity for office use (CO ₂ equivalent, kg)	1,139,591.72	1,000,546.49
Green power	Purchased quantity	kWh	7,963,000.00 ³¹	6,335,000.00 ³²
	Emission reduction	CO ₂ equivalent, kg	10,130,238.9	3,680,635.00
Water consumption		Water for production use ³³ (ton)	701,111.00	161,723.00

²⁸The 2023 data includes the Tuqiao plant and the Qionglai plant, and the data of the Qionglai plant is the energy consumption generated by the phased production and commissioning.

²⁹The 2022 data includes only Tuqiao Plant

³⁰Purchased between July 1, 2022 and June 30, 2023

³¹Purchased between July 1, 2021 and June 30, 2022

³²Total water used for base liquor, finished liquor and other production and auxiliary facilities.

Appendices

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Index of ‘Guidelines on Self-Regulation of Listed Companies – Sustainability Report (Trial) of the People's Republic of China’

On 12 April 2024, the Shanghai Stock Exchange (SSE) issued the ‘Guidelines on Self-Regulation of Listed Companies – Sustainability Report (Trial)’, which will become effective from 1 May 2024, applying to annual periods ending 31 December 2025. Shuijingfang conducted a trial benchmarking in this year’s report, and will continue to improve the collection and disclosure of information related to sustainable development in accordance with the disclosure requirements in the future.

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Guidance for Alcoholic Beverage Enterprise ESG Disclosure Index³⁴

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		Environmental risk prevention and control & emergency response	Environmental violations	37, 86, 90-91
			Environmental emergency response plan	56, 87
			Environmental risk monitoring and assessment mechanism	18-19, 87
	Resource consumption	Energy	Comprehensive energy consumption intensity, comprehensive energy saving rate and renewable energy consumption ratio	/
			Energy consumption by source	88-90
			Use of renewables	89
			Energy saving management	88-89, 92-93
		Water resource	Water consumption intensity, reuse rate and water saving ratio	/
			Water use management and unconventional water utilisation	90-91
			Access to and use of fresh water	90, 93
			Water conservation management	90
		Raw materials	Utilisation of raw materials: grain consumption of 11% ABV standard beer (beer)	N/A
			Utilisation of raw materials: alcohol yield of starch (baijiu)	/
		Waste	Reuse/disposal rate (beer) (brewer's spent grains, waste yeast, disposed diatomite, and slag)	N/A
			Reuse rate (baijiu) (yellow slurry, cooling water, solid-state distillers' grains, and slag)	/
			Reuse/disposal rate (wine) (grape pomace and fermented pomace, cooling water, disposed diatomite, and tartar sediment)	N/A
		Packaging materials	Consumption of packaging materials (glass, porcelain, metal, carton, and plastics), recovery rate and reduction rate	/
			Green packaging management	93
		Wastewater	Compliance rate of wastewater discharge	91
			Discharge intensity (wastewater and wastewater pollutants) and volume (wastewater, CODcr, ammoniacal nitrogen, total phosphorus, and total nitrogen)	/
			Wastewater treatment and management	91

Dimension	Level-1 indicator	Level-2 indicator	Level-3 indicator	Pages
Environmental (E)	Pollution prevention and control	Solid waste	Discharge intensity (baijiu) (solid waste, distillers' grains and hazardous solid waste)	/
			Discharge intensity of brewer's spent grains/rice wine distiller's grains/grape pomace and fermented pomace	N/A
			Compliant disposal rate of hazardous solid waste	/
			Hazardous waste treatment and management	91
		Noise pollution	Noise detection	91
			Noise management	91
		Odour pollution	Odour detection	91
			Odour management	91
	Climate change	Climate risk control	Identification of climate-related risks and opportunities	14-21
			Sources and types of greenhouse gases (GHGs)	93
		GHG emissions	Scope 1 GHG emissions	93
			Scope 2 GHG emissions	93
			GHG emission intensity	/
			Investment in GHG emission reduction	89
		Low-carbon development	GHG emission reduction	89, 93
			GHG emission reduction intensity	/
			Carbon reduction management	21, 88-89
	Ecological conservation	Land use	Land conservation and resource management, land expansion and development and ratio of non-development land	/
			Commitment to biodiversity	87
		Biodiversity	Major impacts of practical activities on biodiversity and detection and research on biodiversity	/
			Biodiversity conservation	87

³⁴Refer to 'Guidance for Alcoholic Beverage Enterprise ESG Disclosure' issued by CADA

Dimension	Level-1 indicator	Level-2 indicator	Level-3 indicator	Pages
Social (S)	Product liability	GMP	Good manufacturing practice (GMP) management policy and actions	54-56
			Production licence	/
		Product quality and safety	Product quality testing and quality management certification mechanism	40-42
			Qualified rate (outgoing products, sampling inspection) and coverage of lot-by-lot inspection	/
			Product traceability and security system management	45
			Product withdrawals and recalls	40
		Responsible marketing	Advertising and publicity practices	42-43
			Actions to advocate rational drinking	42-43
			Policy and actions to prevent underage drinking	42-43
			Information disclosure of alcoholic beverage products	42-43
			Coverage of responsible marketing training	43
		Customer service and interests	Customer service system development	45
			Number of customer complaints	45, 49, 76
			Rate of customer complaints addressed	49
			Rate of positive customer reviews	49
	Supply chain management	Supplier management	Number, distribution and annual audit ratio of suppliers	/
			Supplier selection and entry criteria	64
			Supplier ESG strategies	42
			Ratio of suppliers trained	42, 65, 69
		Supply chain link management	Procurement and channel management	41-42, 65-65
			Major risks and impacts	64-65, 69
			Order fulfilment rate and total compliance rate of purchased materials	/
	Employee rights and benefits	Recruitment and employment	Employee gender ratio	63
			Employee turnover	63
			Ratio of needy workers and rate of employees who signed a labour contract	/
		Employee benefits and security	Employee compensation and welfare system	62
			Working hours, ratio of employees insured, average salary growth rate, and rate of labour disputes settled	/
			Employee democratic management	53

Dimension	Level-1 indicator	Level-2 indicator	Level-3 indicator	Pages
Social (S)	Employee rights and benefits	Employee safety and health	Employee occupational health and safety (OHS) management	54-58
			Employee health check coverage, rate of safety hazards identified/rectified and incidence rate of work-related injuries/deaths	/
			OHS management system certification	55
			Safety training	57-58
			Investment in work safety and number of safety accidents	/
	Supply chain management	Employee development	Coverage of employee know-how training	59-61
			Employee motivation and promotion policy	62
	Social impacts	Social responsibility	Response to national strategies	12, 14-21, 24, 72-83, 86-93
			Engagement in public welfare activities	72-83
			Charitable donations	72, 83
			Public crisis response	75
		Community development	Engagement in community governance and development	73-74, 80-82
			Engagement in community volunteering	74-74, 80-82
			Investment in community development	83
	Governance structure	Party organisations	Governance of Party organisations	24-25
		Shareholders' (general) meeting	Composition of shareholders	/
			Operation of shareholders' (general) meetings	25-29
		Board of Directors	Composition of the Board of Directors	25, 29
			Operation of the Board of Directors	28-29
		Board of Supervisors	Composition of the Board of Supervisors	/
			Operation of the Board of Supervisors	25, 27-29
	Governance mechanisms	Senior management	Composition of senior management	63
		Compliance management	Compliance risk identification and response	30-35
			Litigations and penalties	33-37
		Risk management	Risk management system & identification and prevention of material risks	30-35

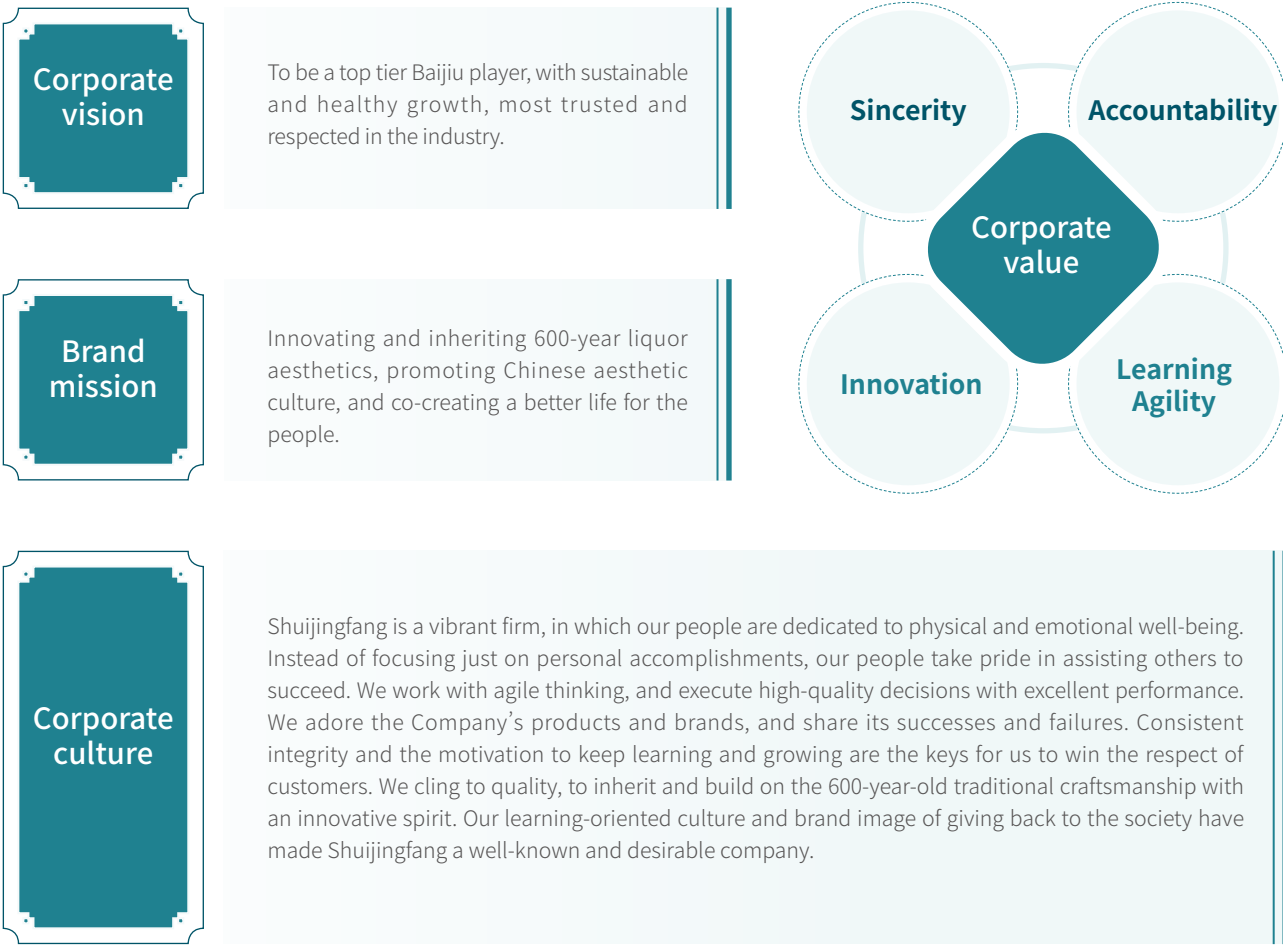
Dimension	Level-1 indicator	Level-2 indicator	Level-3 indicator	Pages
Governance (G)	Governance structure	Supervision management	Audit system and its implementation	32
			Complaint, reporting systems and their implementation	33-35
		Information disclosure	Information disclosure system and its implementation	26-27
		Executive incentives	Executive appointment and remuneration policies	29
		Business ethics	Code of business ethics	34
			Actions to avoid violations against business ethics	33-35
	Governance effectiveness	Innovative development	Digital transformation	47
			R&D investment	41, 110
			Innovation achievements	48
		Sustainable development	Integration of ESG into corporate strategy	6-7, 14-21
			Integration of ESG into business management	7, 54, 65, 93
			Integration of ESG into investment decision-making	20, 33

About Shuijingfang

Sichuan Shuijingfang Co., Ltd. is a company principally engaged in the manufacturing and sales of Chinese Baijiu, including signature products such as Shuijingfang Zhenniang VIII, Shuijingfang Jingtai, Shuijingfang Diancang and Shuijingfang Jingcui. The Company began floating shares on the Shanghai Stock Exchange in 1996 with the stock code ‘600779’. It is headquartered in Jinniu District of Chengdu, with subsidiaries located in Chengdu’s Jinjiang District, Jinniu District, Pidu District and Qionglai City, alongside branches in Beijing and Shanghai.

The Shuijing Street Distillery Site built in the late Yuan and early Ming dynasties is a vital production asset and brand foundation unique to the Company, as well as irreproducible and invaluable historical and cultural heritage and a ‘living cultural relic’ with high value in use. The Site was listed among China’s Top 10 New Archaeological Discoveries of China in 1999 by the National Cultural Heritage Administration (NCHA), known as the No. 1 Baijiu Distillery in China, approved by the State Council as a Major Cultural Site Protected at the National Level, and included three times by the NCHA in the Tentative List of China’s World Cultural Heritage. The Shuijingfang Traditional Baijiu Distillation Technique was selected into the List of Intangible Cultural Heritage under National Protection by the State Council. And the trademark ‘Shuijingfang’ was certified as a China Famous Trademark by the State Administration for Industry and Commerce (SAIC).

The Company upholds the vision of ‘to be a top tier Baijiu player, with sustainable and healthy growth, most trusted and respected in the industry’. Shouldering the brand mission of ‘innovating and inheriting 600-year liquor aesthetics, promoting Chinese aesthetic culture, and co-creating a better life for the people’. Shuijingfang is a premium brand that makes ‘every cup of Baijiu a 600-year-old living legacy’. It is constantly innovating and keep progressing with the times, seeking the momentum that revives traditional culture and aligns legacy with the times.



Milestones

- About 600 years ago in the late Yuan and early Ming dynasties, Shuijing Street Distillery opened in the Dongmen region of Chengdu, becoming a pioneer in distilled Baijiu.
- In February 2000, the trademark ‘Shuijingfang’ was officially registered, giving birth to the Shuijingfang brand.
- In August 2000, Shuijingfang Baijiu was launched in Guangzhou.
- In August 2001, Shuijingfang Baijiu was marketed in Shanghai.
- In 2001, the Shuijing Street Distillery Site was rated among the fifth batch of Major Cultural Sites Protected at the National Level, making it the first strong aromatic Baijiu in China to receive geographical indications (GI) protection.
- In 2002, Shuijingfang was honoured China’s Renowned Historical and Cultural Liquor by the China National Food Industry Association, becoming the first liquor and alcoholic beverage producer in China to receive the honour.
- In August 2002, the new product ‘Tianhao Chen’ was introduced in Harbin, Heilongjiang.
- In July 2005, ‘Shuijingfang Diancang’ was launched.
- At the beginning of 2007, the Company established the partnership with Diageo, a Fortune Global 500 company and the world’s largest producer of spirits.
- In 2008, Shuijingfang’s Traditional Baijiu Distillation Technique was selected into the ‘List of Intangible Cultural Heritage under National Protection’ by the State Council.
- From 2000 to 2012, Shuijingfang was the exclusive title sponsor of the ‘Shuijingfang Cup’ amateur tennis team competition in large cities in China for 13 consecutive years, making it the first Baijiu brand to promote the development of tennis.
- In 2011-2012, Shuijingfang was appointed the platinum sponsor of the ‘China Open’, with Shuijingfang Diancang designated as the event’s exclusive official Baijiu.
- In 2012, Shuijingfang made it into the ‘Tentative List of China’s World Cultural Heritage’.
- In 2017-2018, Shuijingfang was the first Baijiu brand to hold an event at the Imperial Ancestral Temple in Beijing, paying tribute to Chinese traditional culture.
- In 2018, Shuijingfang established the industry’s first fund designed to protect intangible cultural heritage.
- In August 2018, Shuijingfang and the Qionglai Municipal Government signed the ‘Investment Agreement on Shuijingfang Qionglai Whole Industry Chain Base (Phase I) Project’.
- In 2019, the Shuijing Street Distillery Site was rated as a State-level Industrial Heritage site by the Ministry of Industry and Information Technology.
- In May 2020, the Shuijingfang Qionglai Whole Industry Chain Base (Phase I) Project commenced construction.
- In 2021, Shuijingfang and the IMCAS launched the Shuijingfang No. 1 Microflora research project.
- In 2021, Shuijingfang participated in the Quality Month organised by the China Association for Quality Inspection, and won the titles of ‘National Trustworthy Enterprise in Quality’ and ‘China’s Top 100 Trustworthy Enterprise in Quality Inspection’.
- In May 2021, Shuijingfang became the honorary sponsor of Shanghai Masters.
- In July 2021, Shuijingfang Museum became the official urban culture supplier of Chengdu Universiade.
- On 9 September 2021, Shuijingfang released its premium, strategic product – ‘New Diancang’ in Chengdu.
- In 2022, Shuijingfang announced its ESG strategy of ‘SJF – Cheers for the Future’, established the ESG Steering Committee that is supervised by the Board of Directors and chaired by the CEO, and published the first ESG report.
- In 2022, Shuijingfang Test Center and R&D Center were awarded the ‘Sichuan Enterprise Technology Center’.
- In 2022, the Shuijingfang Culture and Aesthetics Museum was launched to disseminate Shuijingfang’s product and brand values.
- In 2022, Shuijingfang became WTT’s global premier partner and global designated celebration alcohol.
- On 11 April 2022, the ‘New Jingtai’ was launched; in October, the ‘Tianhao Chen’ was marketed.
- In September 2022, Shuijingfang and Qionglai municipal government signed the ‘Investment agreement on Shuijingfang Qionglai whole industrial chain base (Phase II) project’.
- In March 2023, Shuijingfang jointed hands with CADA and Yuankun Education Institution to launch the Baijiu experience course ‘Baijiu Workshop’.
- In April 2023, Shuijingfang unveiled its 2035 Sustainability Targets.
- In April 2023, Shuijingfang submitted the commitment letter for the Science Based Targets initiative (SBTi).
- In May 2023, the new high-end brand ‘No.1 Fang’ was launched.
- In 2023, the archaeological discovery of ‘Shuijingfang Distillery Site’ celebrated the 25th anniversary. In September, Shuijingfang released the latest stage research results of the ‘Shuijingfang Microflora No. 1’ scientific research and the ‘Shuijingfang Specification for Protective Production at Ancient Cellars’.
- In September 2023, Shuijingfang officially joined the UN Global Compact.
- In December 2023, Shuijingfang established the ‘Shuijingfang Charity Day’.
- In 2023, the main construction of Qionglai whole industrial chain base (Phase II) has been completed and started stage production, and has been officially put into operation in 2024.

Third-party audit



ASSURANCE STATEMENT

SGS-CSTC’S REPORT ON SUSTAINABILITY ACTIVITIES IN THE SICHUAN SHUIJINGFANG CO.,LTD.’S 2023 ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

NATURE OF THE ASSURANCE/VERIFICATION
SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD. (hereinafter referred to as SGS) was commissioned by Sichuan Shuijingfang Co., Ltd. (hereinafter referred to as “Shuijingfang”) to conduct an independent assurance of the Chinese version of the Shuijingfang 2023 Environment, Social and Governance (ESG) Report (hereinafter referred to as the Report).

INTENDED USERS OF THIS ASSURANCE STATEMENT
This Assurance Statement is provided with the intention of informing all Shuijingfang’s Stakeholders.

RESPONSIBILITIES
The information in the Report and its presentation are the responsibility of the board of directors and the management of Shuijingfang. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all Shuijingfang's stakeholders.

- ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE**
The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognised assurance guidance and standards, including:
- The principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) as:
 - GRI 1: Foundation 2021, for report quality
 - GRI 2: General Disclosure 2021, for organization's reporting practices and other organizational detail
 - GRI 3: Material Topics 2021, for organization's process of determining material topics, its list of material topics and how to manages each topic
 - and the guidance on levels of assurance contained within the AA1000 series of standards and ISAE3000.

The assurance of this Report has been conducted according to the following Assurance Standards:

Assurance Standard Options	Level of Assurance
SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)	Moderate

SCOPE OF ASSURANCE AND REPORTING CRITERIA
The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

- GRI Standards 2021 (Reference)

SPECIFIED PERFORMANCE INFORMATION AND DISCLOSURES INCLUDED IN SCOPE
1) Corporate governance related performance data disclosed on page 37 of the Report
2) Social related performance data disclosed on pages 49, 63, 69, 83 of the Report
3) Environment related performance data disclosed on page 93 of the Report

ASSURANCE METHODOLOGY
The assurance comprised a combination of pre-assurance research, interviews with relevant employees on - site at headquarter,located in No.9 Quanning Road,Jinniu District, Chengdu,Sichuan, P.R. China , and online review and validation of documentation and records with relevant personnel of Shuijingfang's affiliates where relevant.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

The data related to carbon emissions in the Report was self-accounted by Shuijingfang, and the carbon data audit was conducted on the sampling basis during the assurance process.

Data tracing was conducted at Shuijingfang headquarter level, with the original data of all subsidiaries not included.

The assurance process only involved interviews with the heads of relevant departments and certain employees at the headquarter, and review of relevant documents. No external stakeholder was involved in this process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in multiple countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from Shuijingfang, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with CCAA registered ISO 9001, ISO 14001, ISO 45001, ISO37001, ISO37301 auditor and SGS recognized CSR/ESG lead auditor with knowledge of GRI, AA1000 etc.

FINDINGS AND CONCLUSIONS

ASSURANCE/VERIFICATION OPINION

On the basis of the methodology described and the verification work performed, the specified performance information included in the scope of assurance is accurate and reliable.

QUALITY AND RELIABILITY OF SPECIFIED PERFORMANCE INFORMATION

On the basis of verification work performed, the corporate governance related performance data, social performance data and environmental performance data contained in the Shuijingfang 2023 Environment, Social and Governance (ESG) Report are accurate and reliable.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The assurance team believes that the Shuijingfang 2023 Environment, Social, and Governance (ESG) Report was prepared with reference to the GRI Standards 2021.

PRINCIPLES

Accuracy

Shuijingfang's information in the Report was accurate and included both qualitative and quantitative information on multiple performance indicators for stakeholders.

Balance

Shuijingfang followed the balance principle and truthfully made sustainability disclosures as expected by stakeholders.

Clarity

Shuijingfang was presented in different formats, including text, figures, graphics and pictures, and contained case studies to make it easily understandable for stakeholders.

Comparability

Shuijingfang disclosed performance indicators in 2023, including historical data for some indicators. Such data allows stakeholders to develop an intuitive and comparative understanding of Shuijingfang's sustainability performance year by year.

Completeness

Shuijingfang covered the identified material topics and boundaries that reflect significant economic, environmental, and social impacts to enable stakeholders to assess the organization's performance during the reporting period.

Sustainability Context

Shuijingfang presented its sustainability efforts related to economic, environmental, and social aspects and demonstrated its overall performance in the broader sustainability context.

Timeliness

Assurance showed that the reported data and information was timely and effective within the reporting period. Shuijingfang has disclosed its ESG report since 2021, which indicates the data is kept up-to-date.

Verifiability

The data and information in the Report can be traced and verified.

Management Approach

The Report disclosed the management approach of identified material topics.

General Disclosures

Shuijingfang's report disclosed part of performance in accordance with GRI 2: General Disclosure 2021.

Topic-specific Disclosures

Shuijingfang's topic-specific disclosures related to the material topics in environmental, social and governance areas were made in accordance with GRI Standards 2021.

Findings and Recommendations

Good practices and recommendations for the ESG report and management processes were described in the internal management report which has been submitted to Shuijingfang's management for continuous improvement.

Signed:



For and on behalf of SGS-CSTC

David Xin
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May, 28th, 2024
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