

2022

Environmental, Social and Governance (ESG) Report



► About this report

Organisation scope

This report covers the environmental, social and governance (ESG) performance of Sichuan Shuijingfang Co., Ltd. and its subsidiaries.

Reporting methodology

The material issues of Shuijingfang are identified through the benchmarking of the United Nations Sustainable Development Goals (SDGs), the Sustainability Reporting Guidelines (GRI Standards) by the Global Reporting Initiative, and the 'Guideline for Self-Regulation of Listed Companies' by the Shanghai Stock Exchange, national and industrial laws, policies and regulations and industry best practices, as well as incorporated with the core expectations of internal and external stakeholders. The ESG strategic framework of Shuijingfang was established and the priorities disclosed in the report were clarified based on the benchmarking result.

Time range

Unless otherwise specified, the time range of the data and content disclosed herein spanned from 1 January 2022 to 31 December 2022 (part of the content may extend beyond the above time range).

Publication cycle

This is an annual report and the second 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', 'the 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 the CEO

In 2022, the 20th National Congress of the Communist Party of China (CPC) came to a successful conclusion. It guided us to fully and faithfully apply the new development philosophy on all fronts, with an emphasis on promoting high-quality development, which became the fundamental subject of economic and social development in the new era. Apart from conventional hazards, numerous non-financial risks associated with stable business operations are increasingly significant. According to the World Economic Forum's Global Risks Report 2023, natural disasters and extreme weather, climate change crisis, and biodiversity loss are considered the major risks facing the world in the next 2-10 years. Therefore, strengthening collaboration with stakeholders and taking constructive actions to drive sustainable transformation are expected to be the key to an enterprise's long-term success in the new age. The Baijiu sector in which Shuijingfang operates encompasses the primary, secondary and tertiary industries, spanning the entire industrial chain from crop planting, industrial production, to consumer goods distribution. This requires us to consider how to organically integrate high-quality and sustainable development concepts across the entire value chain.

Shuijingfang has always faced up to the external environment where opportunities and challenges coexist by consistently



internalizing its environmental, social, and governance (ESG) strategy in operations and management. In 2022, our first ESG report was published, in which we announced the ESG strategy of 'SJF – Cheers for the Future'. Starting with this overarching principle, we have improved our ESG governance system over the past year and we are pleased to present today our sustainability targets for 2035, which cover all the key management areas relevant to the sustainable and healthy development of the Baijiu industry and serve as a navigator for the Company's medium and long-term sustainable development. The matrix includes 26 targets in ten key fields – energy and carbon emissions, packaging and waste, water management, product quality and safety, supply chain resilience, occupational health and safety, raw material sourcing, rational drinking and responsible marketing, business ethics and compliance, and community development. These goals represent our active response to stakeholders' expectations, and also come in line with China's 14th Five-Year Plan and Long-Range Objectives Through the Year 2035 in terms of the time span. Driven by them, we are committed to contributing Shuijingfang's power to the sustainable growth of China's economy and society.

Assuring product and service quality, for the fulfilled life

We believe that high-quality products and services are at the heart of our growth. 2022 witnessed our ongoing efforts to maintain high-quality standards throughout our workflow and value chain, and to increase investment in innovation and R&D. A strict quality control system for raw grain sourcing was established, with 100% of raw grains available for pre-inspection in granaries at the origin or in transit warehouses. We proceeded to collaborate with scientific research institutions, with the study of No. 1 Microflora underway and huge progress made in the analysis of flavour composition in Shuijingfang products. We invested in upgrading our testing centre and R&D centre laboratory, empowering product quality with continuously growing research capacity. By doing so, we aspire to go beyond consumers' expectations and provide them with exceptional Baijiu.

It is also our goal to improve the quality of consumer services and deliver consumers superior service experience both online and offline. We launched the Shuijingfang Culture and Aesthetics Museum in 2022 to disseminate our product and brand values. Moreover, we kept advocating rational drinking among consumers by adhering to the 'Marketing Code', including rational drinking reminders in all marketing content, and continuously participating in the National Rational Drinking Publicity Week to spread healthy lifestyle concepts.

Stressing supply chain management and talent development, for the rewarding partnership

Shuijingfang keeps on strengthening collaboration with supply chain partners for shared growth and success. Through background investigation and onsite assessment, we thoroughly inspect suppliers' operational conditions, compliance and environmental and social risks during the process of supplier admission management. In the meantime, we also recognise the importance of supplier empowerment and development. In 2022, we organised online and offline training for key suppliers, and delivered compliance training to 152 advertising & promotion suppliers.

Talent is regarded as a vital driving engine for development at Shuijingfang. Therefore, while strictly abiding by applicable regulations and policies, we have developed a sound internal management system to safeguard employees' legitimate rights and interests, ensure a safe and healthy workplace and a complete set of benefits, and fuel their career development. In 2022, we continued fostering a safety and health culture by means of risk monitoring in the working environment, occupational safety training, emergency drills, safety culture development, and logistical support. Also, we are devoted to a learning-oriented corporate culture. Our extensive training system and considerate career development planning allow every employee for the opportunity to attain self-worth and professional advancement.

Supporting rural revitalisation and public welfare, for the inclusive society

Being a responsible corporate, we never forget to try our best to give back to the society while seeking business success. In 2022, we continued to engage in rural revitalisation, community development, disaster relief, education, cultural heritage protection, and sports and wellbeing to deliver broader social values. Through our partner assistance to Changsha-Ganma Township, Shiqu County, Ganzi Prefecture in Sichuan, we learned more about the most realistic and urgent needs of the grassroots, as part of our efforts to support rural revitalisation. We also donated RMB 2 million to Luding, Sichuan, which was stricken by an earthquake, and other disaster-affected areas to aid in emergency relief and local reconstruction. In 2022, our Friendly Neighbour Programme brought substantial benefits to local residents through community recruitment of returning migrant workers, donation for community road repairs and other projects. In the meantime, we continue to preserve and

rejuvenate cultural heritage via the Shuijingfang Museum, the Shuijingfang Cultural Heritage Protection Committee, the Intangible Cultural Heritage Protection Office, and the Intangible Cultural Heritage Revival Fund.

Strengthening green development objectives, for the green planet

With green defined as the background hue for Shuijingfang's sustainable development, the green development philosophy has long been deep rooted in our culture and development strategy. We began energy and carbon emission management across the board in 2022 and submitted the Science Based Targets initiative (SBTi) commitment letter in April 2023 to help advance China's goals on peak carbon emissions and carbon neutrality, as well as the Paris Agreement's goal to limit the temperature increase to 1.5 °C above pre-industrial levels. At the same time, we have set specific, measurable and traceable ESG goals in environmental fields such as water management, packaging and waste management, ushering in a new phase of environmental governance. Furthermore, we continue with our stringent management and active innovation in energy conservation and emission reduction, new energy use, water management, pollutant and waste treatment, green supply chain, green office and operations, and sustainable consumption, so as to improve our environmental performance.

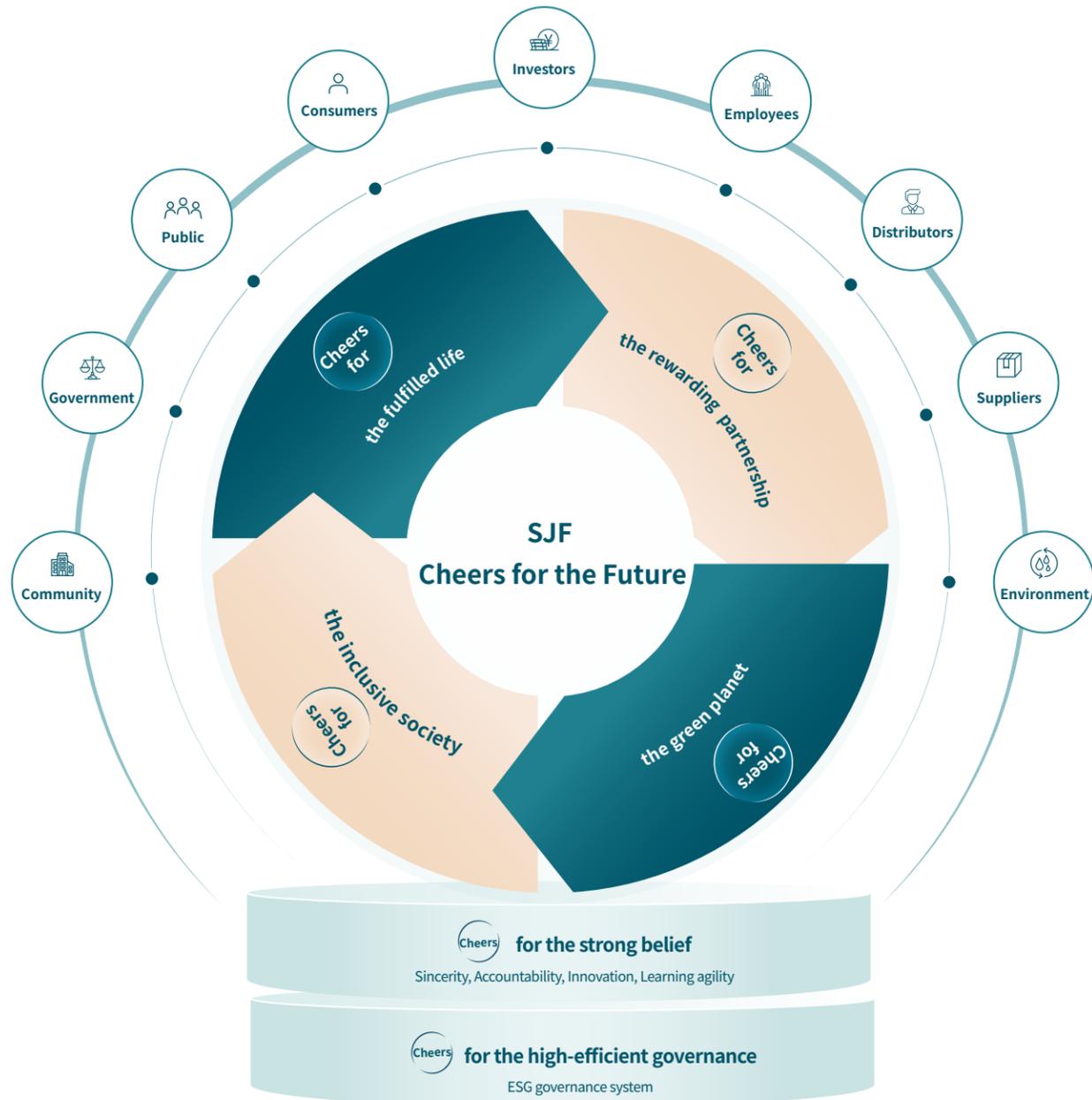
Shuijingfang has made steady and consistent steps throughout its ESG journey, from establishing the ESG strategy of 'SJF – Cheers for the Future' to announcing the 26 goals in the ten key ESG governance areas. We will take a step further in 2023 by initiating a dynamic assessment of economic, environmental, and social risks that may have long-term implications for the Company's sustainable development. This will allow us to take action today in order to address any change tomorrow. While pursuing the healthy, steady and high-quality development of Shuijingfang, we are prepared to cheer for the future with all stakeholders!

Acting General Manager of Sichuan Shuijingfang Co., Ltd.

Mark Edwards

► ESG strategy

Since 2022, Shuijingfang has been fully deploying and implementing the ‘SJF – Cheers for the Future’ ESG strategy, and joining 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 governance 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 governance 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



Centering around the 'SJF – Cheers for the Future' ESG strategy, Shuijingfang set 26 targets for 2035 in ten key ESG management areas including business ethics and compliance, product quality and safety, responsible drinking, occupational health and safety, supply chain management, sustainable sourcing, community development, water management, packaging and waste management, and energy and carbon emissions management, to respond to the expectations of multiple stakeholders and guide the direction for company's medium and long-term sustainable development.

We will **improve our business ethics and compliance management** to achieve a higher efficient corporate governance together with our employees and partners.



Must-do area: Business ethics and compliance

- Join the UN Global Compact.
- Continue to improve the business ethics and compliance risk management system, and review, evaluate and update Shuijingfang's Code of Business Conduct and related supporting policies year by year.
- The business ethics and compliance risk management continue to cover all employees and key third-party partners.



We will **strengthen the quality management** for whole value chain, **provide consumers with higher quality products**, and **actively promote responsible drinking**, to create a better life.

Must-do area: Product quality and safety

- Continuously empower the inheritor development and improve the inheritance system.
- Establish a certified, state-level R&D centre.
- Obtain relevant certificates at home and abroad, including but not limited to the China Green Food and the China Good Agricultural Practice (China GAP), for major raw grain bases.
- Increase the research funding year by year.
- Raw grain quality control system meets with both Chinese and international standards, and with 100% of raw grains under pre-inspection and control, scientific breeding will be gradually explored to improve the quality of raw grain.

Must-do area: Responsible drinking

- Reach 100 million people on responsible drinking advocacy and education.
- Invest every year in responsible marketing that is dedicated to positive drinking.
- By 2025, 100% of product labels, online and offline marketing materials, official websites and sales platforms should feature explicit reminders of responsible drinking or age verification procedures.
- Marketing training related to responsible drinking covers 100% of employees.



We are committed to **incorporate environmental protection into all of our business and operational activities**, **promote environmental sustainability**, and preserve the beauty of the planet.

Must-do area: Energy and GHG emission management

- Join the Science Based Targets initiative (SBTi).

Must-do area: Packaging and waste management

- Keep the interspace ratio of packaging within 20% (according to the calculation methodology specified in the national standard GB23350-2021).
- 100% use of reusable injection moulded pallets for supplier transportation and on our own packaging lines (excluding special-shaped bottles).

Must-do area: Water management

- By 2030, achieve 30% improvement in water efficiency compared with 2020.
- By 2030, establish sustainable water management system based on best practices for all self-operated production sites.
- Sign the WASH Pledge before 2030.

We will be **rooted in the communities** where we operate and leverage our core capabilities to build a more inclusive and diverse society with our neighbours.



Must-do area: Community development

- Establish 'Shuijingfang Public Welfare Day' to engage all employees in public welfare activities every year.



We will be dedicated to **creating a healthy and safe workplace for our employees, and empowering our suppliers** to achieve the win-win future.

Must-do area: Occupational health and safety

- By 2025, establish the digital system for corporate security and occupational health management, as well as accident and event information management.
- Occupational health and safety training covers all employees and extend to all contractors.
- Mental health care services cover 100% of full-time employees.

Must-do area: Supply chain management

- Starting in 2025, new suppliers' ESG performance will be factored into selection and admission criteria, with the weight of ESG performance continuously growing in supplier evaluation.
- All key suppliers receive relevant certificates at home and abroad and pass the third-party audits, including but not limited to EcoVadis and SEDEX.

Must-do area: Sustainable sourcing

- Develop and publish a corporate commitment to sustainable agricultural development.
- Conduct sustainable agriculture knowledge and technology trainings for farmers.

► 2022 Key performance overview

Ensuring governance compliance and strengthening investor communication

- In 2022, **100%** of our employees received anti-corruption training.
- In 2022, the Board of Directors took the lead in information disclosure, with a total of **94** periodic reports and interim announcements compiled and published, and a total of **55** files drafted and submitted to the Shanghai Stock Exchange for filing.
- In 2022, the Company held a total of **6** regular reporting and communication teleconferences for investors throughout the year, with a total of **1,223** investors attending the meetings online.

Enhancing product quality and safety, and promoting consumer experience

- **100%** of raw grains are available for pre-inspection in granaries at the origin or in transit warehouses according to Shuijingfang's quality standards.
- In 2022, **2,274** employees received quality training, with a total of **1,909** training hours.
- In 2022 National Responsible Drinking Week, Shuijingfang gathered **470** stores to participate.
- In 2022, **100%** of our employees participated the training of 'Marketing Code'.
- In 2022, Shuijingfang was granted **5** new patents and applied for **12** new trademarks. So far, Shuijingfang has obtained **56** patents, and applied for **2,883** trademarks and 3 software copyrights.

Improving the supply chain management and empowering supplier development

- In 2022, **54** key suppliers of Shuijingfang underwent the Supplier Ethical Data Exchange (SEDEX¹) audit to ensure their performance is in compliance with ethical standards.
- In 2022, Shuijingfang delivered supplier compliance training session to **152** key suppliers in the Advertising & Promotion (A&P) category, and organised a total of **1** offline training session and **3** online coaching sessions relating to quality and safety among selected key suppliers.
- In 2022, **80%** of packaging materials and raw materials were procured from local suppliers in Sichuan, calculated based on the purchase amount.

¹SEDEX is a global platform for responsible business, and supplier ethics information exchange. SEDEX helps companies manage and improve potential risks in their supply chains by providing a range of tools, services, guides and training. Accredited audit firms can use SEDEX's audit tools to assess companies' performance of labour rights, health and safety, environment and business ethics, to furthermore drive improvements in companies' value chains.

Becoming an ideal employer

- The satisfaction rate of Shuijingfang employees recorded **89%** in 2022.
- In 2022, Shuijingfang started providing an extra childcare leave for employees with children under the age of three. The average number of days of the childcare leave per person was **8.32** in the year. In addition, Shuijingfang expanded commercial insurance coverage to employees' children. In 2022, **596** employees' children were covered, accounting for **30%** of the total.
- In 2022, the Company's Party Committee offered hardship (disease) subsidies to **61** employees, and distributed study-aid grants to **27** employees' children.
- In 2022, catering to the needs of employees in different positions and ranks, Shuijingfang provided trainings with a total of **40,807.35** hours, covering **3,693** full-time and part-time employees.
- In 2022, the rate of occupational health checks was **100%**, with no occupational disease cases found.

Improving environmental performance and facilitating resource circulation

- By the end of 2022, the percentage of distribution by new energy vehicles in Chengdu was around **10%**.
- From 1 July 2021 to 30 June 2022, Shuijingfang purchased a total of **6,335** MWh of power from clean resources through the International Renewable Energy Certificate (I-REC).
- By reusing the wastewater from bottle washing for the factory boundary water spray system, it is estimated to save about **2,900** cubic meters of tap water throughout the year.
- The reclaimed water system installed at the sewage plant of Qionglai Phase I is expected to reduce wastewater/save tap water of about **27,000** tons each year, by turning the wastewater into up-to-standard reclaimed water.
- On December 14, 2022, the brewing workshop, experiment building, and restaurant of Qionglai Phase I obtained **LEED Gold**.

Delivering social value and caring about the people's livelihood

- In 2022, **6** social engagement programs were launched across the Company, with a total of over RMB **5** million in donations. In which, **2** million was donated to the earthquake-stricken areas in Luding, Garze Tibetan Autonomous Prefecture in Sichuan via the China Red Cross Foundation; **1** million was donated to China Europe International Business School (CEIBS) to advance the academic research on corporate social responsibility; **2** million was donated to the China Sports Foundation to launch the management training camp project of Shuijingfang – China Ski Resort.
- In 2022, Shuijingfang helped around **2,000** people through public welfare programmes related to rural revitalisation.
- Up to now, there are **1** national representative inheritor, **3** provincial representative inheritors and **7** municipal representative inheritors of the Shuijingfang Traditional Baijiu Distillation Technique. The intangible cultural heritage has now welcomed its **9th** generation of inheritors. The clearly-defined inheritance system has ensured orderly handover and effective protection.

► Rating performance, honours and social recognitions in 2022

ESG Rating Performance



65%

Shuijingfang outperformed 65% of the global participants in the same industry in the 2022 S&P Global Corporate Sustainability Assessment.

C

Shuijingfang received a C score for CDP Climate Change Questionnaire in 2022.

A

Shuijingfang was rated A in the 2022 Wind ESG Rating of A-share listed companies in China.

Honours and social recognitions



Awarded by	Award	Awarded in
Chengdu Municipal CPC Committee Chengdu Municipal People's Government	Chengdu Patriotism Education Base	March 2022
China Association for Quality	Shuijingfang Baijiu – Consistently Qualified Product in National Quality Inspection	March 2022
China Association for Quality	Shuijingfang Baijiu – National Integrity Demonstration Enterprise for Product and Service Quality	March 2022
Chengdu Municipal Bureau of Economy and Information Technology	Leading Listed Companies in Key Industries of Chengdu in 2022	June 2022
Sichuan Provincial Economic and Information Department Chongqing Municipal Economic and Information Commission	Sichuan-Chongqing Industrial Culture Education Practice Base	July 2022

Awarded by	Award	Awarded in
China Intangible Cultural Heritage Protection Association	Member of Baijiu Distillation Committee of China Intangible Cultural Heritage Protection Association	July 2022
China Association for Quality	Shuijingfang Baijiu – Brand with Leading Quality in China's Baijiu Industry	August 2022
	Shuijingfang Baijiu – Enterprise with Leading Quality in China's Baijiu Industry	August 2022
	Shuijingfang Baijiu – Consistently Qualified Product in National Quality Inspection	August 2022
	Shuijingfang Baijiu – National Trustworthy Enterprise in Quality	September 2022
National Business Daily	Special ESG Award of 2022	September 2022
Chengdu Emergency Management Bureau	Safety Standardisation L3 Enterprise	November 2022
Sichuan Provincial Economic and Information Department	Enterprise Technology Centre of Sichuan	November 2022
Jiemian.com	2022 Zhenshan Awards – Business for Good of the Year	December 2022
Thecover.cn	2022 Sichuan Top 100 Enterprises with Social Responsibility	December 2022
West China City Daily	2022 Corporate Responsibility Governance Pioneer in Sichuan	December 2022



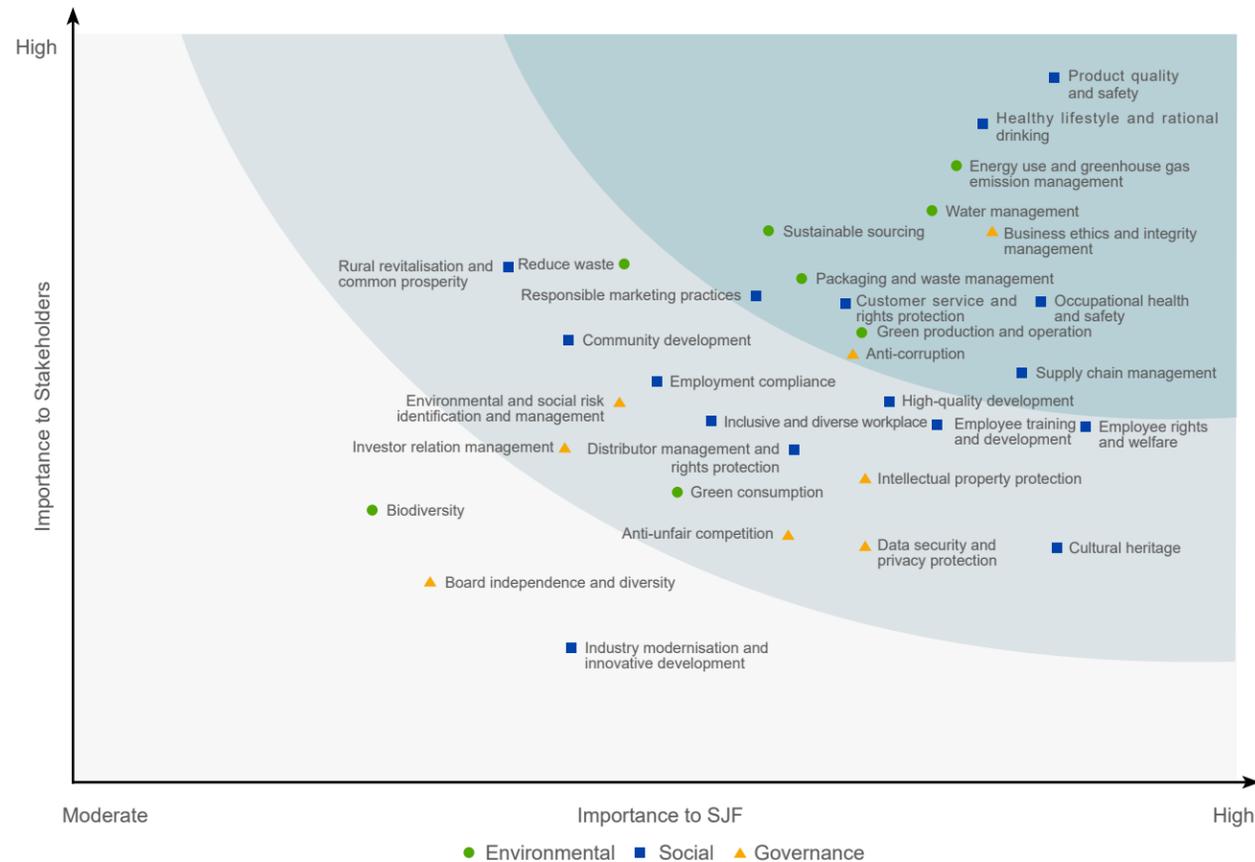
► Materiality Analysis

We've updated the material issues for 2022 and prioritised them based on the assessment from internal and external stakeholders, so as to better respond to their expectations and provide reference for priorities in ESG governance.

Importance analysis of material issues

1	Materiality identification	Based on the Company's overall development strategy, we have identified 32 material and strategic issues conducive to create shared values, through benchmarking analysis and research on international standards, macro and industry policies, peer practices, stakeholder concerns, and media and public opinions.
2	Stakeholder participation	We've collected more than 400 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 ESG-related concerns of all parties.
3	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.
4	Confirmation and disclosure	The results of the materiality analysis were submitted to the ESG Steering Committee of Shuijingfang for confirmation. Issues with high and medium importance are selected as the key topics to be disclosed in this ESG Report. The essentials and boundaries of the Report are determined by data availability.

SJF 2022 Materiality Matrix



► Key issues of concern by stakeholders and means of communication

Stakeholders	Key issues of concern	Means of communication
<p>Consumers and clients</p>	<ul style="list-style-type: none"> Product quality and safety Water management Healthy lifestyle and rational drinking Customer service and rights protection Sustainable sourcing 	<ul style="list-style-type: none"> Shuijingfang official website Service hotline Online customer services on WeChat public account Social media Online customer services on e-commerce platforms Member clubs (Yue Fang Hui, Shi Wang Hui, Aesthetic Museum, tennis club, etc.) Consumer events such as tasting and branding activities
<p>Governments, regulators, and industry associations</p>	<ul style="list-style-type: none"> Rural revitalisation and common prosperity High-quality development Green production and operation Business ethics and integrity management 	<ul style="list-style-type: none"> Visits and communication Information disclosure Written reports Conferences and forums Participation in industry policy research and inputs
<p>Shareholders and investors</p>	<ul style="list-style-type: none"> Board independence and diversity Environmental and social risk identification and management Business ethics and integrity management Anti-corruption Investor relation management 	<ul style="list-style-type: none"> General meetings of shareholders, investor briefings, roadshows, and analyst meetings Annual reports, interim reports and other announcements Telephone calls, meetings and visits
<p>Partners and supply chains</p>	<ul style="list-style-type: none"> Product quality and safety Business ethics and integrity management Packaging and waste management Supply chain management Sustainable sourcing 	<ul style="list-style-type: none"> Supplier training Distributors' conferences
<p>Employees</p>	<ul style="list-style-type: none"> Employee rights and benefits Occupational health and safety Employee training and development Employment compliance Inclusive and diverse workplace 	<ul style="list-style-type: none"> Employees' congress 'YourVoice' surveys Employee training WeChat public account Daily communication and feedback
<p>The public and media</p>	<ul style="list-style-type: none"> Product quality and safety Water management Healthy lifestyle and rational drinking Packaging and waste management Responsible marketing practices 	<ul style="list-style-type: none"> Shuijingfang official website Social engagement activities Media events and meetings Media communication Field visits on factory/museum open days

Special report

Writing a new chapter of high-quality development in tribute to the 20th CPC National Congress

With the successful convening of the 20th National Congress of the Communist Party of China in 2022, China has embarked on a new journey to build itself into a modern socialist country in all aspects and advance toward the Second Centenary Goal. The Chinese path to modernisation points out a way for corporates to fulfil their social responsibilities. Shuijingfang extensively studies and puts into practice the principles expounded at the 20th CPC National Congress. We drive industrial innovation, rural revitalisation, and coordinated regional development with the concept of high-quality development; improve people’s wellbeing by advocating a healthy lifestyle; increase confidence in our culture by promoting the inheritance of intangible cultural heritage; and support green development with more environmental protection initiatives. Shuijingfang blends the macro strategies of the Party and the country with its sustainable growth and translates such effort into its ESG strategy and social responsibility philosophy, comprehensively bringing the national economy and social development to new heights.



▶ Driving industrial innovation, rural revitalisation and coordinated regional development with the concept of high-quality development

According to the 20th CPC National Congress, Chinese modernisation refers to the modernisation of common prosperity for all, the modernisation of material and cultural-ethical advancement, and the modernisation of harmony between humanity and nature. Pursuing high-quality development is the first priority for building a modern socialist country in all respects. We shall advance rural revitalisation across the board by consolidating and expanding our achievements in poverty alleviation and help areas and people that have just shaken off poverty build their own momentum for growth. We shall promote coordinated regional development by making further progress in the large-scale development of the western region, and driving forward the development of the Chengdu-Chongqing economic zone. We shall modernise the industrial system by promoting the further integration of modern services with advanced manufacturing and modern agriculture, as well as the digital economy with the real economy. Shuijingfang makes the concept of high-quality development an integral part of its operations and strategies. Through a variety of initiatives such as the ‘pairing assistance’ program aimed at West China, the Qionglai project, investment in scientific research, and the establishment of a digital management system, we help advance rural revitalisation, drive regional economic development and stimulate industrial innovation, injecting a steady stream of new vigor into Chinese modernisation.

Pairing assistance to drive rural revitalisation

In 2022, Shuijingfang proactively fulfilled its responsibility for pairing assistance in West China by donating daily necessities worth RMB 50,000 together with its employees to its paired townships and towns in Shiqu County, Ganzi Prefecture. It is planned that in the following three years, we will continue to offer supplies and human resource support in response to the substantive needs of the villages experiencing difficulty, so as to consolidate the achievements in poverty alleviation, and contribute to rural revitalisation and common prosperity.

Developing modern agriculture to boost regional growth

Shuijingfang’s whole industry chain base located in Qionglai project (Phase II) is designed with a distillation base, a bottled liquor packaging centre, a warehousing and logistics base, a national laboratory, and a new product R&D centre. After it becomes operational, the base’s annual purchase of raw materials will drive the local planting industry, buoy the upstream and downstream industries of the value chain, and significantly increase the per capita disposable income of local farmers. This is expected to revitalise local finance, and empower local economic development. The Qionglai site, as a successful example of the deep integration of modern services with advanced manufacturing and modern agriculture, is anticipated to contribute to the high-quality development of the Baijiu production area in Chengdu, as well as the thriving of Sichuan Baijiu.

Fueling of biological research and the digital economy

Shuijingfang continues to work with top-notch research institutes such as the Institute of Microbiology of the Chinese Academy of Sciences, and the Chinese Academy of Agricultural Sciences on fundamental biological research. In 2022, huge progress was made in both the study of No. 1 Microflora and the flavour composition in Shuijingfang Baijiu, which facilitated the commercialisation of several new products. Meanwhile, we started researching the fermentation properties of the No. 1 Microflora and drafted a distillery construction and maintenance plan for the new Qionglai plant. Concerning applied research, Shuijingfang pioneered an online quality inspection procedure for Qujiu production and established a testing centre, ensuring its products to execute both national standards and international distilled liquor standards.

As part of its digital strategy, Shuijingfang has integrated digital technology into day-to-day operations with a complete set of basic hardware, network architecture and security system, precisely targeting consumers via digital marketing. In this way, we have digitalised the whole operating process from front-end production to consumption.

► Improving people's wellbeing by advocating a healthy lifestyle

The 20th National Congress noted that we must ensure and improve the people's wellbeing in the course of pursuing development and encourage everyone to work hard together to meet the people's aspirations for a better life. We must implement the employment-first strategy by improving related mechanisms to promote high-quality and full employment. Also, we must advance the Healthy China Initiative and patriotic health campaigns and promote sound, healthy lifestyles. In active response to national policies, Shuijingfang includes employment promotion and enhanced vocational skills training into its strategy to help tackle structural unemployment. Furthermore, great efforts are made to advocate rational drinking as a means of caring for public health. In the sphere of sports and health, we play an active role in public fitness initiatives to contribute to Healthy China goals.

Supporting local employment through Neighborhood Project

In 2022, Shuijingfang organised a community recruiting event for returning migrant workers, as part of its Friendly Neighbour Programme. About 380 job opportunities were provided, which included both technical roles appropriate for those with a junior college degree or above and front-line positions. While resolving the unemployment of college graduates, the project has also enhanced fundamental employment aid for the disadvantaged groups, facilitating high-quality employment.

Promoting healthy lifestyle

Advocating rational drinking has long been a topic of concern for Shuijingfang. 'Responsible drinking. No alcoholism. Do not sell to consumers under the age of 18' is clearly indicated on all product labels and related communication materials. We also deliver special training on responsible drinking to distributors regularly. Meanwhile, we are continuously engaged in promotion activities under the 'National Responsible Drinking Week' to raise consumers' awareness of rational drinking and a healthy lifestyle.

Shuijingfang also encourages public involvement in the nationwide fitness-for-all campaign, and promotes a healthy lifestyle. We continue to sponsor the 'Shuijingfang Cup' city tennis tournament to popularise tennis culture. During the 56th ITTF World Table Tennis Team Championships Finals in 2022, we walked into the community and teamed up with residents to cheer for players, sparing every effort to make table tennis a sport enjoyed by all Chinese people.



► Increasing cultural confidence by promoting the inheritance of intangible cultural heritage

The 20th National Congress calls for efforts to build cultural confidence and strength and secure new success in developing socialist culture. To build a modern socialist country in all respects, we must develop a socialist culture with Chinese characteristics and be more confident in our culture. It requires us to put more effort into protecting cultural artefacts and heritage, and better protect and preserve historical and cultural heritage in the course of urban and rural development. Shuijingfang has long been committed to the inheritance of tangible cultural heritage and the preservation of intangible cultural heritage. We continue to build and strengthen our inheritor team and develop innovative museum exhibition activities, as we find it our long-term mission to protect, carry forward and inject new vibes into Chinese traditional cultural heritage.

In 2013, we opened the Shuijingfang Museum, which is built on the Shuijing Street Distillery Site, a major cultural site protected at the national level. The Museum is both the cradle of Shuijingfang culture and a vivid representation of the 600-year-old legacy. It is a 'living' museum that flawlessly integrates manufacturing and display, showing the manufacturing prowess of strong-flavour Baijiu in a real-life production scene. In 2022, the Shuijingfang Museum was recognised as the Sichuan-Chongqing Industrial Culture Education Practice Base, and assisted the local government in building Jinjiang District into a Famous Tourist County in Chengdu with its cultural heritage. A variety of innovative cultural activities are available at the Shuijingfang Museum, including ceramic art exhibitions, immersive theatre, and the Baijiu Workshop, bringing cultural relics to life. Visitors are thus allowed to experience, learn about and savour Shuijingfang's cultural appeal.

The Shuijingfang Traditional Baijiu Distillation Technique was selected into the second 'List of Intangible Cultural Heritage under National Protection' by the State Council in June 2008. The set of distilling skills is preserved and inherited in the category of traditional skills. The technique dates back to the late Yuan and early Ming dynasties, and has been passed down through nine generations for more than 600 years. An organised, complete, and dependable inheritance system has emerged through three pathways: familial inheritance, apprenticeship, and societal inheritance. To lay a robust talent foundation for the inheritance and development of intangible cultural heritage skills, we have launched a Training Programme for Representative Inheritors of Intangible Cultural Heritage and established a talent pool for intangible cultural heritage skills.

► Supporting green development with more environmental protection initiatives

As requested by the 20th National Congress, we should advance the Beautiful China Initiative, carry out coordinated industrial restructuring, pollution control, ecological conservation, and climate response, promote concerted efforts to cut carbon emissions, reduce pollution, expand green development and pursue economic growth, prioritise ecological protection, conserve resources and use them efficiently, and pursue green and low-carbon development. This includes efforts to accelerate the transition to a model of green development by implementing a comprehensive conservation strategy, conserving resources of all types and using them efficiently, and moving faster to put in place a system for recycling waste and used materials. Furthermore, we must work actively and prudently toward the goals of reaching peak carbon emissions and carbon neutrality by promoting clean, low-carbon, and high-efficiency energy use and pushing forward the clean and low-carbon transition in industry, construction, transportation, and other sectors. Shuijingfang regards green as the dominant colour of its business strategy and production and operation in a bid to embrace the national goals on peak carbon emissions and carbon neutrality, as well as the notion of ecological conservation.

In 2022, Shuijingfang began energy and carbon emission management across the board. We have submitted the commitment letter to the Science Based Targets initiative (SBTi) in April, 2023, to help achieve the Paris Agreement's goal to limit the temperature increase to 1.5°C above pre-industrial levels.

Shuijingfang works hard to continuously improve energy efficiency through efforts to reduce GHG emissions, optimise water management, and curb 'three wastes' (wastewater, waste gases, solid waste) and noise pollution during the production process. A sophisticated management and control system has been put in place to assure the environmental compliance and green production of ourselves and throughout the supply chain. The concept of green development has also been integrated into our day-to-day office operations. We reduce energy consumption and emissions in daily production and office operations by designing eco-friendly buildings, promoting green office culture, and encouraging low-carbon travel. Shuijingfang places a high value on green and sustainable consumption. Ongoing efforts are made to improve packaging design and production technology for packaging minimisation and recyclability, as well as resource conservation and reuse. Our spray-paint-free design has reduced the emission of volatile organic compounds and hazardous wastes. Moreover, we are also organising environmental protection activities among consumers to promote sustainable consumption with joint forces.

Chapter I

The high-efficient governance

Shuijingfang spares constant efforts in improving its corporate governance system and capabilities. The Company's Party Committee advances ideological education and co-construction at the primary level, and insists on leading the Company's high-quality development with Party building activities, as required by superior authorities. With the responsibility of the Board of Directors continuously underlined, we seek to improve its governance structure and facilitate information disclosure and investor communication. The Board is required to pursue diversity and independence while strengthening its governance capabilities. In the meantime, Shuijingfang strictly abides by all laws and regulations, with special and ongoing attention paid to internal control and compliance, risk management, anti-corruption and anti-unfair competition, as well as information security, thus empowering its healthy, robust and sustainable growth.

- Party building
- Improving corporate governance capabilities for sustainable and steady growth
- Internal control, compliance and risk management
- Anti-corruption and anti-unfair competition regime
- Information security
- Key performance indicators



► Party building

2022 marks the successful conclusion of the 20th National Congress of the Communist Party of China. Our Party Committee, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, enforces the general principles expounded at the 20th National Congress and gives play to the leading role of Party building in corporate governance, as well as production and operation. Through solid ideological education, co-construction at the primary level, and organisational care, it advances the Company's high-quality development across the board, with the purpose of building a new development pattern.

Ideological education and learning

In 2022, our Party Committee continued to promote Party members' ideological education and learning in various ways as required by the higher-level Party committee. A total of 159 Party members learned on xuexi.cn, accounting for 97% of all Party members at Shuijingfang. In terms of participation, we ranked sixth among 27 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. They received 1,799.5 hours of online training and 9,961 hours of offline training, totalling 11,760.5 hours.

1,799.5
hours of online training

9,961
hours of offline training received by Party members

Co-construction at the primary level

In active response to the call of the CPC Central Committee, we regard it as our mission to advance the rural revitalisation strategy and concentrate the efforts of Party building at the primary level on 'gathering the public's forces, promoting development, and achieving long-term results.' Meanwhile, we hope to fulfil our corporate responsibility for strengthening the partnership between project management departments and owners and surrounding communities. On 24 June 2022, Shuijingfang, together with the Sichuan Branch of China Construction Fourth Engineering Division Installation Engineering Co., Ltd., and the Jiuyuan Community Committee of Kongming Subdistrict of Qionglai CPC Committee, launched a themed day in celebration of the CPC Founding Day. Activities featured on the day included a launching ceremony for the village road repair project in Jiuyuan Community, signing of a joint construction agreement by the three parties, thematic lectures on outstanding deeds, awarding of outstanding Party members in Jiuyuan Community, review of the CPC Admission Oath, and gifting of books on Party history.



Organisational care

Our Party Committee insists on addressing actual difficulties of the majority of employees, and consistently provides support for employees in need, in response to the call of CPC Committees at all levels. During 2022, the Party Committee offered hardship (disease) subsidies to 61 employees, visited hospitalised employees for 27 person-times, and distributed study-aid grants to 27 employees' children.

the Party Committee

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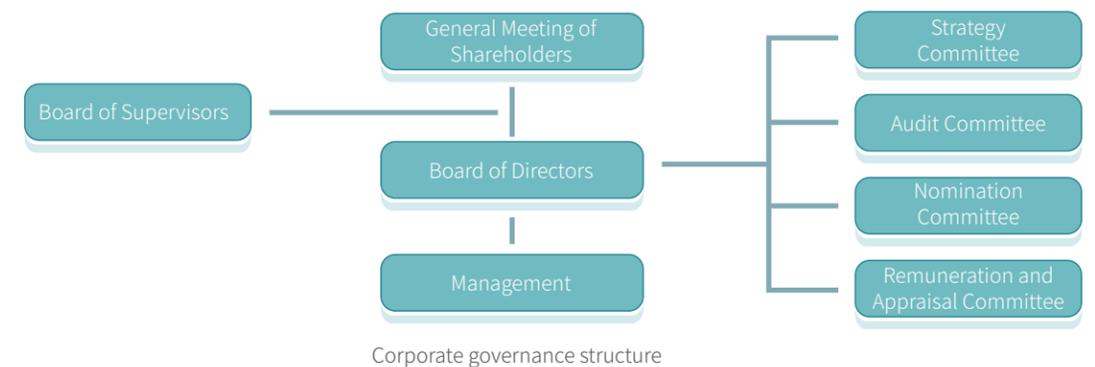
► Improving corporate governance capabilities for sustainable and steady growth

The Board of Directors of Shuijingfang has been long committed to safeguarding the legitimate rights and interests of the Company and all shareholders. Taking the initiative to perform management duties, it makes ongoing efforts to improve corporate governance capabilities and grow into a more diversified and independent organisation. Besides compliant information disclosure, the Board also has frequent dialogues with investors and engages in investor relations management.

Well-established 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.



Active information disclosure and investor communication

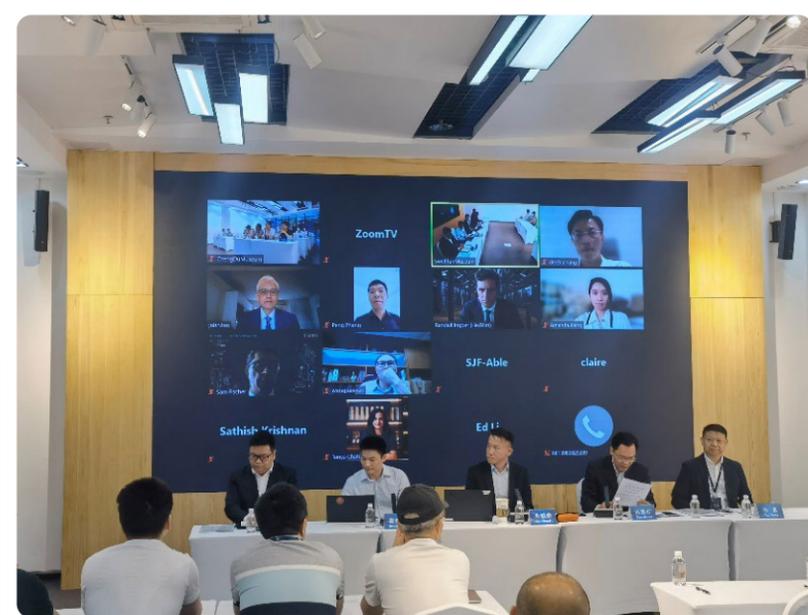
The Board of Directors at Shuijingfang is actively engaged in information disclosure and investor relations management, communicates with investors through multiple channels and levels, optimises the dividend system to reward shareholders, so as to properly protect the legitimate rights and interests of investors.

The persons in charge are organised to study the 'Regulations on Internal Reporting of Material Information', the 'Internal Reporting Procedure for 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. 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 2021, we compiled and published a total of 94 periodic reports and interim announcements, and prepared and submitted a total of 55 documents to the Shanghai Stock Exchange for filing.

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 2022, the Board of Directors' office answered 485 phone calls from investors, answered 121 questions on sns.sseinfo.com - a communication platform operated by the Shanghai Stock Exchange, held three General Meetings of Shareholders, received 78 institutional investors, individual shareholders and financial media representatives, and answered 35 questions from them. The Company held a total of 6 regular reporting and communication teleconferences for investors in the year, with a total of 1,223 investors attending the meetings online. Shuijingfang's Vice Chairman & General Manager, CFO and Secretary of the Board of Directors were also present at the meetings and answered questions from investors.

Investor communication meetings in 2022				
Time	Platform	Meeting	Number of participants	Number of Q&A
23 April	Tencent Meeting	Investor Communication Meeting for 2021 and 2022 Q1	376	41
30 May	SEE Roadshow	Shuijingfang Performance Briefing for 2021	-	15
27 July	Tencent Meeting	Semi-Annual Investor Communication Meeting for 2022	575	59
26 September	SEE Roadshow	Shuijingfang Semi-Annual Performance Briefing for 2022	-	15
31 October	Tencent Meeting	Investor Communication Meeting for Q3	272	55
30 November	SEE Roadshow	Shuijingfang Performance Briefing for 2022 Q3	-	17
	Total	6	1,223	202



Shuijingfang's General Meeting of Shareholders on 8 June 2022

Participating in corporate governance and enhancing management capabilities

Board of Directors pays great attention to corporate governance. It proactively participates in decision making, and performs its due management responsibilities. Meanwhile, Shuijingfang also develops the management capabilities of the Board of Directors by delivering regular training to further improve corporate governance.

In 2022, Shuijingfang held a total of 10 meetings of the Board of Directors and 5 meetings of the Board of Supervisors.

Meeting Channels	Meeting of the Board of Directors	Meeting of the Board of Supervisors	Meeting of the Strategy Committee	Meeting of the Nomination Committee	Meeting of the Remuneration Committee	Meeting of the Audit Meeting
Onsite meetings	0	0	0	0	0	0
Online meetings	9	4	0	2	2	0
Onsite + online meetings	1	1	4	0	2	4
Total	10	5	4	2	4	4

Breakdown of internal meetings held by Shuijingfang's Board of Directors in 2022

The Board of Directors values the development of its own management capabilities. It regularly organises themed training for the Company's management. In 2022, the Board of Directors' office delivered 11 training sessions on the spot or via email to all directors, supervisors, and senior executives, as well as employees from the Finance Department, compliance ambassadors and new recruits.

The Board of Directors and the management are also actively engaged in professional training outside the Company. In 2022, all or some members of the Board of Directors and the management attended the following external training activities: the 'Training of Reminders for Risk of Concern in 2021 Annual Report for Independent Directors of Listed Companies' by the China Association for Public Companies, the 'Specialised Training on 2021 Performance Briefing of Listed Companies' by the Shanghai Stock Exchange, the 'Annual Report Disclosure Training' by the Listed Company Association of Sichuan, and law lectures titled 'Response and Handling of Investigations by China's Securities Regulators' by Grandall Law Firm.

Independence and diversity

Shuijingfang attaches importance to the independence of the Board of Directors. We guarantee 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 1/3 of on the Board of directors. Each professional committee under the Board of Directors includes independent directors and all the board meetings are participated by independent directors. 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.

Performance incentive program

To inspire the long-term performance of directors, senior executives and key employees, we published the '2019 Restricted Stock Units (Draft)' in 2019.

On 2 June 2022, a total of 57,900 shares held by 9 individuals, including Chairman Fan Xiangfu and other key employees in charge of technology (operations) management, went public.

In 2021, we launched the employee stock ownership plan after benchmarking with the external market. The scope of participants in the new plan has been expanded from that specified in the 2019 equity incentive scheme, to better commit the senior management team to the Company's medium and long-term strategic goals, as well as sustainable and healthy development, maximise value for the Company and shareholders, while attracting and retaining outstanding talents.

On 19 November 2021, the employee stock ownership plan granted 695,700 shares to 65 eligible individuals at a price of RMB 55.00 per share. These shares were the Company's RMB-denominated common shares repurchased from the secondary market. During the reporting period, the company's 2021 employee stock ownership plan was still within the restricted period.



ESG Steering Committee

In 2021, Shuijingfang established an ESG Steering Committee, chaired by the CEO and composed of senior managers of all departments. In 2022, a bimonthly meeting mechanism was set up for the Committee to review the previous stage's outcomes, determine the tasks of the next stage, synchronise work progress, and collect the opinions and suggestions of all parties on ESG work for thorough discussion. This has resulted in the seamless and efficient progression of ESG work at Shuijingfang.

To determine the 'SJF 2035 Sustainability Targets', the ESG Steering Committee has directly participated in the discussion, analysis and decision-making related to target-setting methodology, macro policy and industry benchmarking study, identification of key areas of target, target year setting, inventory study, feasibility analysis, target confirmation, task assignment and work scheduling. It has also referred to the feedback and advice of the ESG Task Force and the ESG Expert Panel to ensure that the targets established are strategic and industry-leading, in addition to scientific, sensible, and substantive.

Internal control, compliance and risk management

Shuijingfang follows all laws and regulations, continues to improve its internal control and management procedure, and makes sure all risks are well controlled in a timely manner through 'three defensive walls' – the Business Management Department, the Internal Control and Legal Department, and the Internal Audit Department and the Audit Committee. Guided by the principle of 'doing right things from the start', we promote and train employees on the Company's Code of Business Conduct and support compliance policies both offline and online, with an aim to continuously raise compliance awareness and enhance compliance culture.

Observing laws and regulations

Dedicated to operations compliance, Shuijingfang pays ongoing attention to national laws and regulations as well as internal regulation development, actively promotes rule enforcement, operates in strict compliance with the law and carries out internal review and processing.

The Company monitors the latest developments related to 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 design our internal management system and maintain it up to date in order to manage potential risks in a more proactive manner.

Internal regulation establishment and training

Shuijingfang values internal compliance, and has hence prepared the 'Code of Business Conduct', as well as critical supporting policies including the 'Regulations on Internal Reporting of Material Information', the 'Personal Information Protection Regulations', the 'Anti-bribery Policy', the 'Implementation Measures for Reporting and Investigation of Violations', and the 'Policy on Service Provision by External Auditors'. These rules and regulations on personal information protection, intellectual property management, anti-bribery, anti-money laundering, anti-unfair competition, anti-monopoly, and many other aspects are reviewed and updated every year.

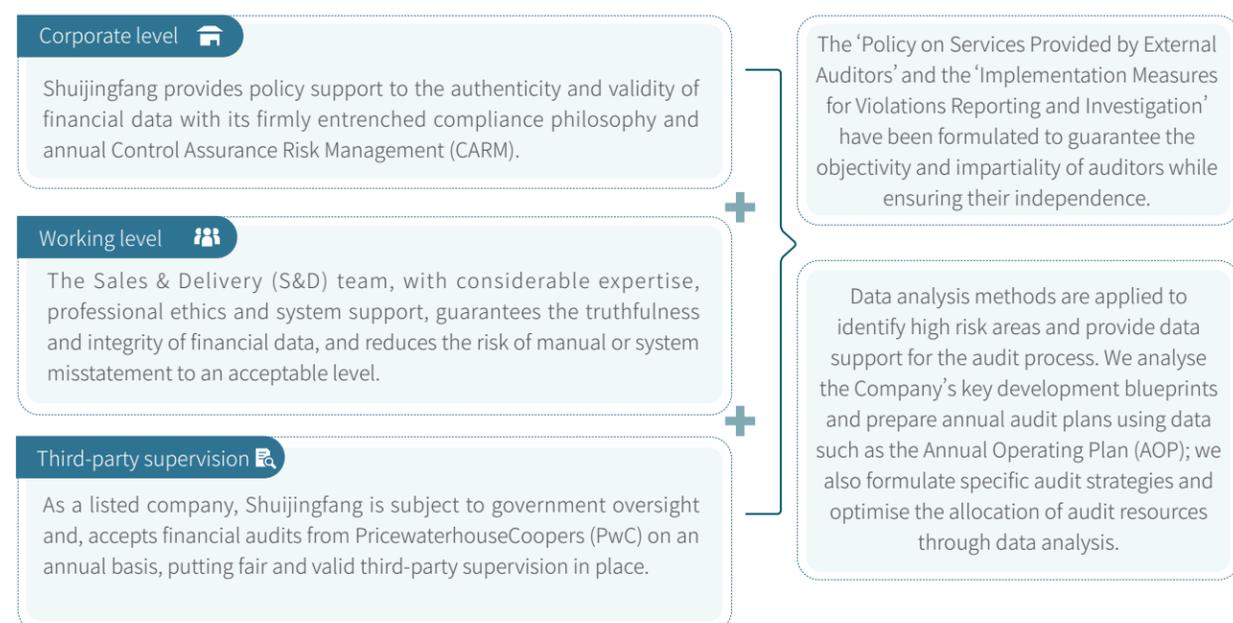
Internal control procedure

- **[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.

Shuijingfang delivers compliance training to new hires on a regular basis. In 2022, we organised a half-year compliance policy training for frontline business departments. A FY2023 Compliance Certification Program was also launched to train, test and certify all employees at L6 and above. In addition, we held an entertaining and educational Compliance and Ethics Day in hopes of enhancing the Company's compliance culture.

Authentic and valid internal audit management

Internal audit procedure is extremely important to Shuijingfang. Through strict system building and active system training, we adhere to the audit principles and strive for the authenticity and validity of audit results.



Tax compliance

Throughout all operational sites, Shuijingfang and its subsidiaries pay all kinds of taxes and fees in accordance with laws and regulations. In 2022, Shuijingfang and its subsidiaries paid a total of RMB 1,666,225,047.7 in taxes and fees.

We champion four tax principles:

- Shuijingfang and its subsidiaries are committed to managing tax affairs in an effective, balanced and proactive manner in order to advance their business strategies and create sustainable value for shareholders;
- Shuijingfang and its subsidiaries pursue an open and transparent working relationship with all tax authorities – and as part of the effort, abide by the policy of disclosing all tax issues to competent tax authorities;
- Shuijingfang and its subsidiaries do business as per sound commercial principles and act with consideration of all associated costs, including taxes;
- All connected transactions between Shuijingfang and its subsidiaries 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. We have also set up internal and external monitoring and reporting channels as a supplement to the Company's anti-corruption and anti-unfair competition system.

We have drafted the 'Anti-bribery Policy of Sichuan Shuijingfang Co., Ltd.' as per the 'Criminal Law', the 'Law Against Unfair Competition', the 'Opinions of the Supreme People's Court and the Supreme People's Procuratorate 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'. The 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'.

Shuijingfang's anti-bribery policy stipulates

- 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.

In practice, the Company has strict management procedures in place to ensure that itself and its employees behave compliantly. Violations, once found, will be dealt with seriously in accordance with applicable policies.

Shuijingfang's anti-money laundering policy stipulates

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.

'Implementation Measures for Violations Reporting and Investigation of Shuijingfang'

Encouraging whistleblowing

Adhering to Shuijingfang's culture of 'compliance, legality and rationality', the Company has established and enforced an effective corporate compliance supervision mechanism. Line managers, the Human Resource Department, the Department of Compliance, Control and Risk Management, the Legal Department, the Internal Audit Department, the independent third-party whistleblowing hotline and the independent whistleblowing mailbox, among other channels, are set up to encourage employees to report in writing any concerns, questions, potential or de facto violations at work.

Protecting whistleblowers and whistleblowers

In the process of whistleblowing and investigation, the Company keeps all sensitive information such as whistleblowers, investigators, interviewees, witnesses, contents of the case, investigation procedures, and information documents strictly confidential and share them on a 'have-to-know' basis. Also, we ensure that decisions are made with the help of the right leadership experience and expertise, and that whistleblowers are properly protected from retaliation.

At the same time, we follow the principle of "presumption of innocence" before the investigation is concluded. Investigators and related persons may not disclose any information related to the investigation and shall control the scope of information access and circulation, so as to protect the basic rights such as equality, esteem, and dignity of the persons under investigation.

Improving the handling procedures for material violations and crimes

Where an employee is finally found with violations, which may involve a serious crime such as bribery, corruption, money laundering, unfair competition, monopoly, or insider trading, the investigation team shall submit the 'Investigation Report' to the Internal Audit Department, which will report to the Board of Directors or the Board of Supervisors. Then decisions are made or emergency measures are taken in accordance with laws and regulations.

Fundamental principles

Confidentiality and professionalism, impartiality and integrity, legality, evidence supremacy, presumption of innocence, and efficiency/agility.

Scope of application

All employees of Sichuan Shuijingfang Co., Ltd. and all its holding subsidiaries, including dispatched workers, interns, and rehired employees.



Information security

Information security is inextricably linked to the stability, competitiveness and reputation of Shuijingfang's commercial operations. It is critical that the confidential information of both Shuijingfang and its business partners be appropriately protected and managed. Our 'Code of Business Conduct' stresses the necessity to:

Use strong passwords and keep those passwords and your user identity secure and private.

Classify all Shuijingfang's non-public information as 'General, Confidential or Top Secret' as stipulated in the Company's 'Information Management Regulations'.

Discuss confidential information only with those who need it to perform their job responsibilities, grant the access to such information only to them, and ensure that appropriate access controls are in place for all confidential information or top secrets.

Avoid handling any potentially confidential information and use a legitimate Wi-Fi access point if there is a risk of unintended disclosure of information in a public place (e.g., a cafe, airport or train station).

Take extra precautions to ensure that their information access is appropriately granted, changed or removed when employees are recruited, transferred or dismissed.

Key performance indicators

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



Chapter II

The fulfilled life

Baijiu has emerged as a key segment in the food and beverage industry, with its quality and safety intimately tied to consumers' quality life. Alongside market recovery, the resilience of the Baijiu industry persists, as does the trend of consumption upgrading: consumers now have new expectations for more consistent product quality, more comfortable consumer experiences, and more thorough information protection.

Shuijingfang places a high value on safety and compliance of the manufacturing process. We aspire to deliver premium products and services to consumers while maintaining product quality and safety. We always be responsible to our consumers, advocate rational drinking and protect their legitimate rights and information security. Driven by digital operation innovation, Shuijingfang leverages its strong impact on consumers, markets and channels to upgrade user experience, and continue to promote the inheritance of traditional skills, as well as innovations to baijiu industry.

- Superior products and services
- Responsibility for consumers
- Digital innovation
- Responsibility for the industry
- Key performance indicators



► Superior products and services

Legality and compliance

In terms of product and service compliance, Shuijingfang assures compliant operations by strictly complying with all laws, regulations and rules. Besides the ‘Civil Code’, we stay updated on and strictly comply with the ‘Law on Work Safety’, the ‘Food Safety Law’ and the ‘Product Quality Law’ to fulfil our product liability. As for consumers, we follow the ‘Law on the Protection of Consumer Rights and Interests’, the ‘E-Commerce Law’, the ‘Advertising Law’, the ‘Electronic Signature Law’, the ‘Personal Information Protection Law’ and the ‘Data Security Law’. Regarding to the industrial accountability, we abide by the ‘Law Against Unfair Competition’, the ‘Anti-Monopoly Law’, the ‘Anti-Commercial Bribery Law’, as well as the ‘Trademark Law’, the ‘Patent Law’ and other intellectual property regulations.

Product quality and safety management

From raw material sourcing and production to the final product delivery to customers, Shuijingfang is committed to maintaining high-quality standards throughout the whole process and value chain to safeguard and grow our brand reputation, while also protecting customers’ interests. This is the key to Shuijingfang’s continued success, as well as a shared responsibility of every employee.

Championing the tenet of quality and food safety first, the Company continuously strengthens the efforts in quality and food safety to provide customers with products applying the highest quality standards in the industry. While adhering to the traditional production process, Shuijingfang employs modern technology to establish a quality control system and aligns with the international standards for quality and safety. In 2022, the Company continuously invested capital to improve product quality testing capacity by further upgrading the fully functional Shuijingfang testing centre, which covered raw materials, packaging materials and production processes. Besides, Shuijingfang had invented online quality inspection for Baijiu production, ensuring products adopting both Chinese and international distilled spirits standards, as well as continuously enhancing scientific research capabilities to empower product quality.

Sophisticated product quality and safety regulations

Shuijingfang abides by the ‘Quality Policy of Sichuan Shuijingfang Co., Ltd.’, the ‘Intellectual Property Management Regulations of Sichuan Shuijingfang Co., Ltd.’, the ‘Information Management Regulations’ and other internal policies of Sichuan Shuijingfang Co., Ltd.’, together with whole-process traceability management and an effective crisis management procedure in force.

In November 2022, the Company started enforcing 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’. The document calls efforts to: establish a sound food safety management system and enforce a food safety responsibility system; specify the job responsibilities of the executives of the enterprise, the food safety director, the food safety officer, and others; 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 investigation, and monthly scheduling.

‘Quality Policy of Sichuan Shuijingfang Co., Ltd.’

Shuijingfang understands that quality is the core of a brand and is hence committed to delivering customers with the greatest quality, services, and value in the industry. The ‘Quality Policy of Sichuan Shuijingfang Co., Ltd.’ 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 design and Baijiu formulation 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 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 Gates2 process. The level of authorisation should be aligned with the potential risk in terms of likelihood of failure and potential business impact.
- **Crisis management:** We have set up an effective crisis management procedure and established a complete ‘Product Recall Process’ and related measures.

²The Gates process is a project management technique in 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.

Well-established quality and safety certification and management system

We have established a quality and food safety management system as per GB/T 19001, GB/T 27341 and other standards. As part of our efforts to comply with state-level food safety and product quality standards, we have put our testing methods and labeling under rigorous management as required by the ‘GBT10781.1-2021 Quality Requirements for Baijiu – Nongxiangxing Baijiu’ introduced in April 2022.

Shuijingfang has achieved the following progress and awards in product quality and safety compliance in 2022:

- 

In August 2022, the Tuqiao factory successfully obtained the renewal of its food production license.
- 

In November 2022, the Qionglai site obtained its first food production license.
- 

In June 2022, the Company was certified by the quality management system (ISO9001) and the Hazard Analysis and Critical Control Points (HACCP) system.

Comprehensive staff training and product quality and safety culture development

The Company has established a solid quality management and food safety training matrix to provide specialised training for employees at key nodes across the whole value chain. The matrix covers the following themes: quality/HACCP system, Good Manufacturing Practices (GMP), food contact materials and products safety, packaging/Qujiu quality control program, finished Baijiu quality standards, raw and auxiliary material standards, packaging material standards (caps, containers, gift boxes), laboratory safety, testing equipment LC-MS and ion chromatograph operation, uncertainty assessment, internal auditor for HACCP system, supplier quality management, seven Quality Control (QC) tools, etc. In 2022, 2,274 employees received quality training at Shuijingfang, totalling 1,909 training hours.

In 2022, **2,274** employees received quality training at Shuijingfang totalling **1,909** training hours.

Shuijingfang has promoted the 'BT 15109-2021 Terminology of Baijiu Industry' and the 'GB/T17204-2021 Terminology and Classification of Alcoholic Beverages', which came into force in June 2022, to raise the food safety awareness among employees. During the Food Safety Month themed on 'Join Hands for Food Safety', we organised team quizzes to strengthen employees' understanding of product quality, thereby enhancing food safety culture.

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. While maintaining the quality and steady supply of raw materials, the Company has been exploring a feasible path toward grain traceability.

Stringent control over raw grain sourcing

Shuijingfang applies strict food safety and hygiene standards, including but not limited to the GB 2715 Hygienic Standard for Grains, the GB 2761 National Food Safety Standard - Limits for Mycotoxins in Food, the GB 2762 National Food Safety Standard - Limits for Contaminants in Food, the GB 2763 National Food Safety Standard - Maximum Residue Limits for Pesticides in Food, and the GB 5491 Inspection of Grain and Oilseeds - Methods for Sampling and Sample Reduction. In 2022, 100% of raw grains were released after passing the pre-inspection and batch-by-batch incoming inspection. 100% of raw grains are now available for pre-inspection in granaries at the origin or in transit warehouses according to Shuijingfang's quality standards.

100% of raw grains released after passing inspections

Supplier quality management

Recognising that procurement and supply chain management has become increasingly vital to product quality and safety, Shuijingfang stresses the establishment of a Total Quality Management (TQM) system for suppliers. The TQM addresses key quality control scenarios such as incoming material inspection, in-process inspection and pre-delivery inspection, which raises the traceability of supplied materials and finished products.

Quality and Safety certification

Prior to formal partnership with Shuijingfang, all major suppliers of key product categories are subject to evaluation and auditing by the Quality and Safety Department, the Environmental, Health and Safety (EHS) Department and the Procurement Department under applicable standards.

Quality and Safety training

Shuijingfang has introduced a product quality and safety training policy for suppliers. Our suppliers will be given product quality and safety training and product standards training. Every year, we hire third-party consulting agencies to deliver lean production training to some of our main packaging material suppliers in order to improve the quality and safety of their products during the collaboration process. Meanwhile, the Quality and Safety Department coaches suppliers every year based on supplier quality complaints to avoid potential risks in time.



► Responsibility for consumers

Shuijingfang aspires to protect the legitimate rights and interests of consumers in all aspects. As a Baijiu manufacturer, we're highly concerned about public health, encourage rational drinking, and object to misconducts such as alcohol abuse, drunk driving, and underage drinking. A variety of consumer activities are launched to enhance consumer experience and strengthen brand bond. In the meantime, we protect consumer privacy and practise responsible marketing in strict compliance with all laws and regulations.

Responsible marketing

Shuijingfang's 'Marketing Code' specifies the terms and limitations that must be abided by in all the marketing activities that Shuijingfang participates in or organises, including but not limited to compliance with laws and regulations, adult solely targeted and responsible drinking. It serves as a strong support for the brand to minimise all penitential risks in marketing and further strengthen our identity as a responsible brand.

Encouraging responsible drinking

According to our 'Marketing Code', Shuijingfang should incorporate responsible drinking advocacy in its marketing 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.

'Responsible drinking. No alcoholism. Do not sell to consumers under the age of 18' is clearly incorporated in both the advertising and packaging of our products. The Company's 'Marketing Code' requires the Sales Department to deliver rational drinking training to distributors every month. All sponsored events, communications, promotions, and tasting activities feature our rational drinking reminders or initiatives, and we provide chauffeur service for guests participating in liquor tasting. In addition, all online marketing scripts must be reviewed by the Company's Legal Department and Department of Compliance, Control and Risk Management to ensure conformity to specifications, regulations and laws.

Case

'No Underage Drinking' –2022 National Rational Drinking Publicity Week

From December 26th, 2022 to January 2nd, 2023, the China Alcoholic Drinks Association launched a large public welfare campaign – 2022 National Rational Drinking Publicity Week with the theme of 'No Underage Drinking'. Shuijingfang's themed event during the week gathered 470 participants, including 459 stores and 11 aesthetics museums/experience museums. They took an active part in the event by spreading concept, videos, posters, and leaflets, so that more consumers may comprehend the significance of 'No Underage Drinking'.

Case

Reminders for rational drinking in online marketing materials



Compliance of marketing content

Shuijingfang's alcohol marketing respects those who choose to quit drinking, and solely targets adults. Individuals under the legal drinking age are never our customers. We require that the actual and visual age of both the performers and characters featured in the

Company's advertisements be over 25-year-old, avoid using elements that may induce minors in advertisements, and avoid placing offline advertisements near schools and other inappropriate locations. Also, media communication platforms and third-party online marketing platforms are carefully selected to prevent alcohol marketing from reaching underage populations to the maximum extent possible.

We provide explicit, truthful and neutral information on alcohol content to the extent permitted by law. 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 impact of our marketing and prohibit any discriminatory content against gender, religion, ethnicity, race, nationality and disability groups in marketing.

Compliance of marketing campaigns

We adopt a review and approval procedure for marketing campaigns and examine related materials under the 'Marketing Code'. Any criticism against the Company's marketing activities is immediately reported to Marketing Director, and if necessary, we will take remedial action to maintain our commitment to responsible marketing and self-discipline.

Shuijingfang puts great efforts into the publicity and training of its 'Marketing Code'. Online learning courses and quizzes of the Code are available for internal employees, while our core management departments are required to provide relevant training courses to external partners. When working with third-party partners on marketing, we will provide the partners with the 'Marketing Code' and require them to observe the Code in collaborative projects. Compliance with the 'Marketing Code' is also written into our contracts with marketing vendors. The training participation rate of internal employees reached 100% in 2022.

100%

Training participation rate of internal employees

Compliance control over e-commerce platforms

Shuijingfang's e-commerce team observes the 'E-Commerce Law', follows the principles of voluntariness, equality, fairness, and integrity, and respects laws and business ethics. While participating in market competition on a fair basis, we fulfil our obligations for protecting consumer rights, the environment, intellectual property rights, as well as cybersecurity and personal information, assume responsibility for product and service quality, and accept government and social supervision. During main shopping festivals such as November 11th and December 12th and other important events, we work hard to regulate the price behaviour of platform operators and the platform operating environment through effective management by strengthening market research and supervision.



100%

of clients covered by compliance training

Shuijingfang has improved its system for channel customer service standards and policies. Every year, we organise third-party compliance training that includes the following topics: the 'Marketing Code', four-anti policies (anti-bribery, anti-money laundering, anti-unfair competition, and anti-monopoly), personal information, intellectual property, and IT information management. Each training session lasts more than 1 hour. 100% of our customers, including distributors and core store staff (store managers, operational teams, and customer service teams) have participated in our training. We also train customers on brand & product, compliance and code of business conduct every year to ensure standard, compliant and legal day-to-day operations. Compliance training is conducted for third parties every year, ensuring 100% coverage of training for clients.

Improving consumer experience and creating brand value

Shuijingfang is dedicated to strengthening brand value and creating a better and more cost-effective consumer experience. In 2022, we continued advancing the three strategies for high-end products – ‘brand premiumisation, product upgrade, commercial and marketing innovations,’ in a bid to accurately serve target consumers and develop their long-term brand loyalty.

With its high quality and brand influence, Shuijingfang has won numerous awards in Baijiu industry. In September 2022, Shuijingfang was listed in the ‘2022 China Listed Liquor Companies Brand Value Ranking Top 30’ compiled by Tsinghua University in collaboration with National Business Daily (NBD), NBD Think Tank, and NBD Brand Value Research Institute. Shuijingfang also won the ‘China’s Liquor Industry Innovation Case’ and ‘China’s Liquor Industry Most Promising Brand Award’ at the 7th China Liquor Industry Capital Forum and China’s Liquor Industry Golden Goblet Awards, as recognition of its efforts in innovation, enhancing product and brand value, and connecting with consumers.

In November 2022, the 4th (2022) Sohu Wine Industry Summit and Famous Baijiu Tasting Event were successfully held in Chengdu. Shuijingfang - Dian Cang, with its high-quality products crafted through unique dual-aroma and triple-processing techniques, became the designated tasting liquor at the event. In December 2022, Shuijingfang was honoured with the title of ‘Most Popular Consumer Brand’ in the 2022 ‘Good Life’ List by Chengdu Daily. As a representative enterprise of Chengdu’s Baijiu production area, Shuijingfang continues to lead and promote the high-quality development of the Baijiu production area, resonating with Chengdu and in harmony with a better life.

Case

Shuijingfang Culture and Aesthetics Museum

Empowering new marketing with aesthetics and pursuing aesthetic value is the philosophy and goal that Shuijingfang has cherished since the brand was born. In 2022, the Company launched the Culture and Aesthetics Museum project to spread warmth and aesthetics through architecture and convey quality and value via appreciation. Centred on consumer experience, we seek the fusion of our brand history, culture, origin and product quality by means of brand culture communication, product showcase and appreciation, brand stories, and brand value sharing, in order to deliver a more diversified experience. By December 12th, 2022, a total of 12 aesthetics museums and 21 experience museums put into operation, covering in over 10 provinces nationwide. In the future, we plan to gradually establish 10 more aesthetics museums in different locations.

Shuijingfang Aesthetics Experience Museum delivers an immersive sensory experience that stimulates consumers’ vision, smell, and taste through diverse education forms and experience activities. The cultural and aesthetic elements featured in the experience museum also make Shuijingfang’s brand value more impressive and closer-to-life, thereby effectively engaging consumers.



Shuijingfang Aesthetics Museum internal view

Protecting consumer rights and interests and enhancing after-sales service quality

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.

Step	Position/ Department	Description
1	Customer service team	Collect consumer appeals and related information, generate an authentication work order, and pass on to brand protection team.
2	Brand protection team	Preliminarily assess the authenticity of the product based on photos.
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	Quality and Safety Department gives an opinion on whether there is a quality problem. <ul style="list-style-type: none"> • 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.

Shuijingfang’s product authentication and quality complaint process

In 2022, the Shuijingfang Call Centre answered a total of 7,213 calls, handled 89,116 online inquiries and completed 7,359 follow-up calls. We received 130 work orders for product authentication, 40 quality complaints, 37 of which were about leakage, 2 about foreign matters in bottles, and 1 about cap falling off. Upon assessment, the Quality and Safety Department found the causes, including leakage from bottle caps, long-time storage, wet storage environment, suspected reverse placement, poor cleanness of caps and bottles, foreign matters in bottles, and suggested 1:1 replacement of the same product. Through communication and coordination between customer service staff and consumers, consensuses were finally reached, and all complaints were handled.

To better improve product quality based on consumer feedback, in 2022 Shuijingfang conducted a monthly key account survey during the launch of the new Jingtai range to collect consumers’ comments on product quality and market feedback. 1,182 stores participated in the survey.

Shuijingfang has established communication channels and response mechanisms for customer enquiries, complaints, returns & exchanges and recalls on e-commerce platforms such as JD.com, Tiktok, Tmall, with the goal of improving after-sales service and protecting consumers’ rights and interests.



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. When it is necessary to collect customers’ private data, we truthfully inform each customer of the collection scope, purpose, retention period and erasability of data under the ‘Personal Information and Privacy Protection Policy of Sichuan Shuijingfang Co., Ltd.’, 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.

Principles of ‘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, and 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.

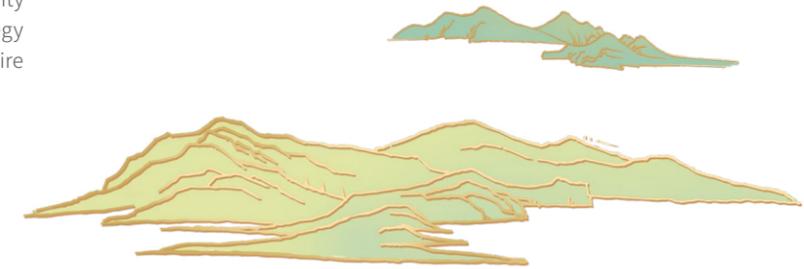
Shuijingfang take rigorous measures to protect the privacy and data security of members and online consumers. When joining Shuijingfang’s brand membership, users are required to sign the ‘Shuijingfang Consumer Privacy Protection Term’, and each membership agreement is subject to our internal review. Furthermore, Shuijingfang trains dealers on consumer privacy, urging them to strengthen consumer privacy management.

Customer privacy management is more stringent on Tmall. The platform’s IT Department has developed a programme that bans the use of certain terms, which applies to all Tmall store customer service teams. It is required that all the computers used by customer service specialists be equipped with the software. The software will automatically intercept any leakage of customer privacy. Also, security training is delivered to all customer service staff on a monthly basis to raise their security awareness.



► Digital innovation

Under its overall digital strategy, Shuijingfang has built reliable basic hardware, network architecture and security system, and developed an information security strategy as required by laws and regulations, digitalising the entire service process from production to consumption.



Digital operations

Our Information Service and Digitisation Department closely monitors the digital requirements of other departments and cultivates the digital thinking and capabilities of employees in various ways. It also offers applications, systems and a convenient workplace to support business operations. In 2022, the Company optimised its management information system and digital tools for higher productivity.

- **System integration** Shuijingfang launched the ‘EC Pro’ system in July 2022. Through the integration of systems for each business unit, the new platform is designed to back up the daily work of sales and improve sales execution.
- **Reporting system** Shuijingfang’s ‘Mobile Reporting’ application went live in May 2022. The application has connected the data from several systems. It allows the functional departments to receive data and information via mobile phone, so that they can rapidly gain a full grasp of the business and gain insight into market trends.

Digital marketing

In August 2022, Shuijingfang established the E-Commerce Department as an independent business division. Adopting a consumer-centred strategy, we develop differentiated and efficient consumer operating programs. Online, precise marketing is applied to enhance efficiency. During the Mid-Autumn Festival and the November 11th Shopping Gala, our sales turnover rate surged by 97% and 133% year-on-year, respectively. Looking ahead, Shuijingfang will use the strategy of product differentiation and channel differentiation to drive business growth and increase consumer engagement via the e-commerce channel.

In 2022, Shuijingfang launched innovative digital marketing with the help of digital tools. Covering 100% participating stores, the digital initiatives have not only made full use of marketing resources but also brought us closer to consumers.

100%

of participating stores implemented innovative digital marketing

► Responsibility for the industry

Shuijingfang insists on inheriting traditional brewing techniques to establish a solid quality foundation; also, our scientific research team continues to explore technological innovation and promote the upgrading of production technology and product quality to build greater competitiveness.

Inheriting traditional expertise

The traditional making techniques of Shuijingfang’s Baijiu have been passed down from master to apprentice, upholding the spirit of craftsmanship and carrying forward the core skills in producing strong-aroma Baijiu. In 2022, we selected multiple ninth-generation inheritors of the intangible cultural heritage through the inheritor training program.

Research and industry innovation

In 2022, Shuijingfang continued its partnership with top-notch research institutes such as the Institute of Microbiology of the Chinese Academy of Sciences, and the Chinese Academy of Agricultural Sciences, with huge progress made in both the study of No. 1 Microflora and the flavour composition in Shuijingfang Baijiu. With a talent pool built and a new R&D centre established, we started researching the fermentation properties of the No. 1 Microflora and drafted a distillery construction and maintenance plan for the new Qionglai plant. Also, a systematic research was initiated on the flavour compounds of Shuijingfang baijiu, which facilitated the launch of our new Jingtai range and Tianhao Chen.

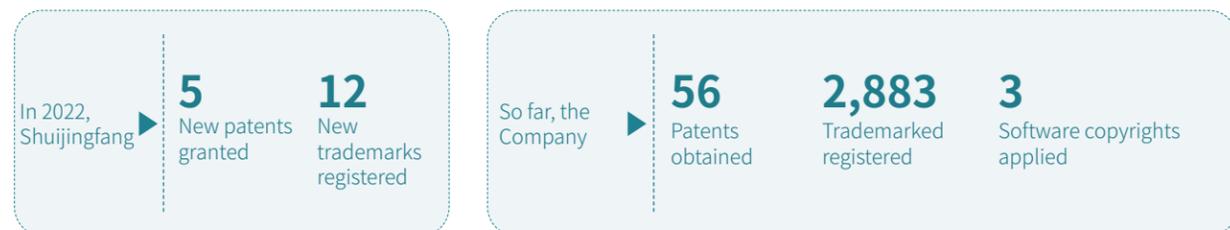
In September 2021, Shuijingfang partnered with Professor Fengyan Bai’s team from the Institute of Microbiology of the Chinese Academy of Sciences to conduct research on the No. 1 Microflora. In July 2022, the results of the first phase of the study showed that: Firstly, the No. 1 Microflora is a beneficial microbial treasure trove for brewing, with a rich variety of strains, a large quantity, and strong activity. Secondly, the microbial composition in the No. 1 Microflora is close to the ‘golden ratio’. Thirdly, 18 unique microbial groups and nearly 20 new strains that are discovered for the first time, which may be the key to the unique flavor of Shuijingfang’s products.

To further explore the unknown microbial characteristics within the No. 1 Microflora and its correlation with the quality of Baijiu, we plan to collaborate with the Institute of Microbiology of the Chinese Academy of Sciences for the second phase of research on the No. 1 Microflora to continuously enhance the product quality.

Thanks to independent R&D and cooperation with external forces, Shuijingfang was certified as Sichuan Provincial Enterprise Technology Centre in 2022. It illustrates the Company’s outstanding achievements in industrial technology R&D, innovative talent attraction and training, and whole-process technological innovation. The China National Accreditation Service for Conformity Assessment (CNAS) certification project, which kicked off in 2022, is also expected to bring Shuijingfang the first national accredited laboratory. We aim to satisfy all state-level certification criteria by 2035 through talent team building, external expert recruitment and strengthened funding.

Intellectual property protection

Shuijingfang respects and safeguards intellectual property rights. We emphasise the application, development and use of independent intellectual property rights, and are interested in employing trademarks and patents to empower our business and boost our core competitiveness. In 2022, Shuijingfang was granted 5 new patents and applied for 12 new trademarks. So far, the Company has obtained 56 patents, and applied for 2,883 trademarks and 3 software copyrights.



Case

Shuijingfang joins Alliance of Sichuan Baijiu Industry for Intellectual Property Rights Protection by Procuratorial Authorities

On 8 November 2022, the inaugural ceremony of the Alliance of Sichuan Baijiu Industry for Intellectual Property Rights Protection by Procuratorial Authorities took place in the Tianfu Central Legal Services District. Shuijingfang listened to other enterprises’ requests for intellectual property protection and came to a consensus: the Company will better play its role as a bridge between the procuratorate and liquor producers in Sichuan. The purpose is to ensure precise procuratorial services for intellectual property, increase protection, and eradicate malicious infringement, repetitive infringement, and cross-regional infringement across the entire chain through comprehensive governance.

Empowering industrial innovation and leading regional development

As a leading enterprise in Chengdu, one of the four largest production areas of Sichuan Baijiu, Shuijingfang has always been actively driving the production area’s innovation and development, as well as fostering a Chengdu Baijiu industry cluster. In June 2022, Shuijingfang made the list of the Leading Listed Companies in Key Industries of Chengdu in the third consecutive year, becoming an indispensable growth pole and a new driving engine to help Chengdu propel high-quality development across the country. It also marks the Company’s concrete actions to contribute to the country’s decisive mission of ‘empowering Sichuan’.

Case

Joining hands with the industry to discuss the path of growth

On 9 November 2022, the ‘Summit on High-quality Development of Baijiu Production Area of Chengdu’ took place in Chengdu. The event was instructed by the China Alcoholic Drinks Association, supported by the Sichuan Provincial Department of Economics and Information Technology, hosted by the Liquor Golden Triangle and organised by Shuijingfang. Shuijingfang, as a business representative, presented new initiatives to drive the growth of the production area, such as building an industrial platform, creating cultural icons, establishing a cultural centre, and opening a Baijiu workshop.

Chu Chun Ho, then CEO of Shuijingfang, noted that superior production areas are crucial assets to the global food and beverage industry, as they bestow products with irreproducible quality and cultural genes. Shuijingfang is a representative business in the Chengdu production area, as well as is a participant and beneficiary of the area’s high-quality development. In recent years, we have continuously increased investment in Chengdu to contribute to its development and help it grow into the best Baijiu production area among all the spirits production areas worldwide.



Chu Chun Ho, then CEO of Shuijingfang at the Summit on High-quality Development of Baijiu Production Area of Chengdu

► Key performance indicators

Indicators (unit)	Data in 2022
Number of incidents in which fines, penalties, and warnings were imposed due to violations of laws and regulations concerning product safety and health	0
Number of incidents in which fines, penalties, and warnings were imposed due to violations of product service information and labeling regulations	0
Number of substantiated complaints related to violations of customer privacy – from regulators	0
Number of substantiated complaints related to violations of customer privacy – from other external parties	0
Number of pieces of customer data confirmed to be compromised, stolen or lost	0
Number of incidents in which fines, penalties, and warnings were imposed due to violations of product service information and labeling regulations	0
Number of incidents in which fines, penalties, and warnings were imposed due to violations of laws and regulations on marketing and promotion (including advertising, promotion, and sponsorship)	0
Number of substantiated complaints related to violations of customer privacy	0
Total number of pieces of customer data confirmed to be compromised, stolen or lost	0
Number of incidents in which customer-oriented products and services were found in violation of health and safety regulations	0
Number of new patents obtained in 2022	5
Number of new trademarks applied in 2022	12
Number of new software copyrights applied in 2022	0
Total number of patents obtained	56
Total number of trademarks applied	2,883
Total number of software copyrights applied	3

Customer satisfaction (%)	JD.com: 99% TikTok: 85.57% Pinduoduo: not surveyed Tmall: 99.41% Jiuxian.com: 100%
Number of products to be recalled due to safety and health concerns throughout 2022	0
Percentage (%) of the quantity of recalled products to the quantity of all products sold throughout 2022	0
Value of products to be recalled due to safety and health concerns throughout 2022 (RMB 10,000)	0
Percentage (%) of the value of recalled products to the value of all products sold throughout 2022	0
Number of customer complaints about products and services	JD.com: 413 TikTok: 3 Pinduoduo: 2,171 returns; 47 moderate/negative reviews Tmall: 60 Jiuxian.com: 0
Percentage (%) of customer complaints handled (including but not limited to response rate, response time, and resolution rate)	JD.com: 100% TikTok: 100% Pinduoduo: 99.52% response rate within 3 minutes Tmall: 98.3% customer complaint handling rate Jiuxian.com: 0

Chapter III

The rewarding partnership

Shuijingfang considers its employees and supply chain partners as key drivers for the sustained growth of the Company's performance. In terms of employee management, we observe all laws and regulations and take tangible steps to defend each employee's lawful rights and interests. We embrace diversity in the workplace and pursue improved employee satisfaction by listening to their voices. At Shuijingfang, there is a thorough occupational safety management policy in place to protect every employee's health and safety, as well as a solid compensation management and benefits system to ensure our staff get paid for their work. Regarding supply chain management, the Company has enforced a stringent procedure for supplier and dealer review, management, training, and risk control. And we hope to work with them to increase supply chain efficiency and create shared value through continual training and digital technologies.

Human resource management

- Legal and compliant employment
- To be a trusted employer through equality and inclusivity
- Occupational health and safety
- Employee development and empowerment
- Employee compensation
- Key performance indicators

Supply chain management

- Supplier compliance management
- Supplier empowerment and development
- Distributor management and empowerment
- Establishment of a modern and more efficient supply chain
- Key performance indicators



Human resource management



Shuijingfang is unwavering in its commitment to providing fertile soil for talent development and promoting high-quality employment. Besides a decent job, occupational health, and proper compensation and benefits, our employees also enjoy a broader and more equal stage, as well as an inclusive and diverse workplace, where they can work decently and happily and create more value in their lives.

► Legal and compliant employment

Shuijingfang strictly follows the ‘Labour Law’, the ‘Labour Contract Law’, the ‘Special Rules on Labour Protection for Female Employees’, the ‘Trade Unions Law’ and other laws and regulations. Policies on human resources have also been drafted in accordance with the law, including but not limited to the ‘Employee Discipline Policy’, the ‘Guideline for Preventing Conflict of Interest’, the ‘Employee Protection Policy’ and the ‘Employee Drinking Policy’, as active efforts to build an equal and inclusive workplace. Shuijingfang prohibits the use of child labour, forced labour, and any behaviour that harms employees’ dignity in the workplace. Also, the Company enforces special protection for female employees pursuant to national regulations, never tolerates harassment or sexual harassment, and protects the legitimate rights and interests of employees according to the law.

Employment and recruitment

Shuijingfang had 1,988 employees by the end of 2022, including 111 part-time employees. In 2022, we recruited 724 new employees, an increase of 361 from 2021. We have expanded the demand for talent in the local and surrounding regions, and even across Central and Western China, and stimulated the activity and capacity of the labour market, powering regional development and employment.

Through a closer relationship with colleges and universities, Shuijingfang seeks to expand its own talent team while helping graduates get employed.

As of the end of 2022, our Spring Management Trainee Program had covered **53** schools, and our Spring and Autumn Production Department Freshmen Program had reached **42** schools in southwestern China, providing college graduates with excellent job opportunities.

Shuijingfang reaches deep into the local community to help local residents find jobs.

The automated factory newly built in Qionglai plans to recruit more than 500 employees after being put into operation, with over **200** already employed by the end of 2022 for positions related to operations, cranes and distilleries. We have also made contact with veterans affairs offices to provide work opportunities for veterans. To support their re-employment, we hired **15** veterans as firefighters and distillery workers at Shuijingfang by the end of 2022.

► To be a trusted employer through equality and inclusivity

Creating a people-oriented workplace

Shuijingfang encourages employees to participate in democratic decision-making, management and supervision. A total of 6 workers’ congresses were held throughout the year of 2022, where the formulation and revision of policies of employees’ vital interests were discussed, such as the ‘Code of Business Conduct’, the ‘Employee Handbook’, the ‘Holiday Policy’, the ‘Implementation Plan for Special Working Hours’ and more. Shuijingfang is committed to creating a people-oriented workplace and assure all employees are properly treated in line with laws, regulations and corporate values. In 2022, 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.

Listening to employees’ voices and improving employee satisfaction

Shuijingfang strives for improved employee satisfaction. Every year we launch a company-wide YourVoice survey, which involves the Net Promoter Score (NPS) of products and brands, employee training and career development, work culture and environment, business priorities, goals and keys to excellent performance. Survey results are made public across the Company, with action plans for improvement to be discussed in each department. The action plans will be followed up in real time, and adjustments will be made in a timely manner. Our employee satisfaction rate in 2022 was 89%.

89%

Employee satisfaction rate

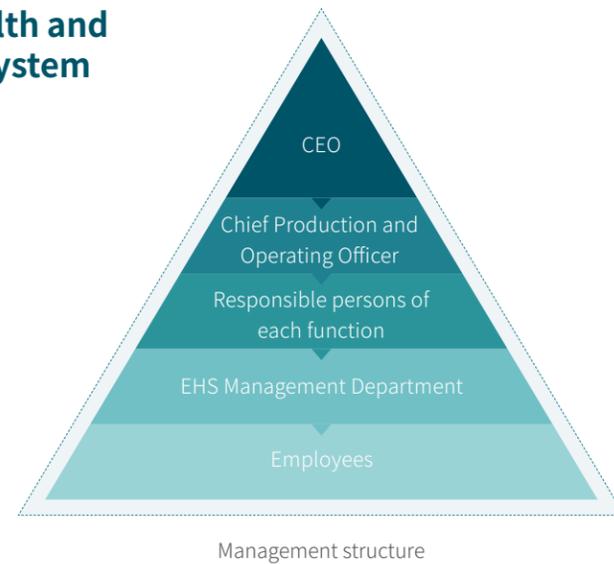
Apart from the annual YourVoice survey, the Company also values the development of corporate culture and the appreciation of cultural model employees. Every quarter, a cultural value survey is carried out to learn about employees’ understanding and recognition of Shuijingfang’s four values – Sincerity, Accountability, Innovation and Learning Agility – as well as their application of these values in the workplace. Based on the research findings, we organise specific discussions and workshops at the corporate, department and cross-department levels, where successful stories and best practices are recognised and publicised to encourage cross-departmental communication and collaboration. In this way, we aspire to work together and fulfil Shuijingfang’s vision of ‘to be a top tier strong flavour player, with sustainable and healthy growth, most trusted and respected in the industry’.



► Occupational health and safety

Well-established occupational health and safety policies and management system

To improve occupational health and safety management and provide a safe and secure workplace for employees, Shuijingfang has established an EHS management system with reference to national laws, regulations and standards. An organisational structure of management is also established, which is composed of CEO, Chief Production and Operating Officer, responsible persons of each functional module, 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.



Led by the management team, Shuijingfang has determined the responsibilities of all departments and prepared occupational health management and control regulations. They include, the 'Regulations on Occupational Hazard Notification', the 'Regulations on Occupational Hazard Training', the 'Management Regulations on the Recruitment, Dismissal and Transfer of Positions with Occupational Hazards', the 'Regulations on the Detection of Occupational Hazardous Factors', the 'Management Regulations on Personal Labour Protective Equipment', and the 'Guideline for the Recruitment, Dismissal and Transfer of Employees Involving Occupational Hazardous Factors'. These regulations constitute a system that covers all regular and outsourced employees and secures strong support for their occupational health and safety.

We collect and review applicable laws and regulations, as well as their updates, on a regular basis, and compare them to our actual operation and management in factories for compliance evaluation. So far, all of our plants' operations have been determined to be compliant. The Company has a well-established EHS management system, together with a three-tier documentation system.

Rigorous certification audit

To enhance occupational health and safety management, Shuijingfang, together with China Quality Mark Certification Group³, organises one certification audit every year to examine its own production system. After each audit is passed, a certificate will be granted or renewed:

- The certification systems include ISO 45001-2018, ISO 14001-2015, ISO 9001-2015, and HACCP system
- The audit scope includes the drafting and implementation of environmental and occupational health and safety control standards, the drafting and implementation of quality management system standards, and the implementation of food safety hazard analysis and control

³China Quality Mark Certification Group (CQM) evolved from the China Quality Mark Certification Committee approved by the former State Bureau of Technical Supervision. It is a global, group-based, comprehensive technical service organisation engaged in certification, training, research, policy study, standards development, and international cooperation.



Shuijingfang was certified as a Class 3 enterprise for safety standardisation in November 2022, after being reviewed by an expert panel from the Chengdu Emergency Management Bureau. This has further improved the Company's safety management capabilities.

Comprehensive safety and security

Shuijingfang continues to improve the safety of the working environment and takes all kinds of measures to ensure workplace safety from varied dimensions. These measures include risk monitoring, identification and reduction, training and capacity building, occupational health control and inspection, medical examination and health tracking, and safety culture cultivation.

Prudent 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 training and capacity building

Front-line employees are required to receive occupational safety training at Shuijingfang. To effectively improve employees' EHS 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 identified issues will be addressed through engineering or managerial remediation in hopes of enhancing the company-wide safety risk response.

Case

Staff training

In 2022, the EHS Management Department optimised the training matrix, as well as training courses and methods as required by employees. A total of 11 external training programs and 37 internal training programs were completed either online or offline, with 6,803 participants. In the meantime, occupational health and safety tips are sent to our staff via WeChat every week to raise their self-protection awareness.



Case

Fire/Environmental emergency drill in Tuqiao plant

The EHS Management Department of Shuijingfang organised major emergency drill in the Tuqiao plant on 15 June 2022 to raise the fire safety awareness of all employees, develop their response and escape skills in sudden fire accidents, and enhance the coordination with the local fire rescue force. Aside from that, the plant has also held several emergency drills in special scenarios, such as rescue in a confined space, alcohol leakage, boiler explosion and people trapped in an elevator.



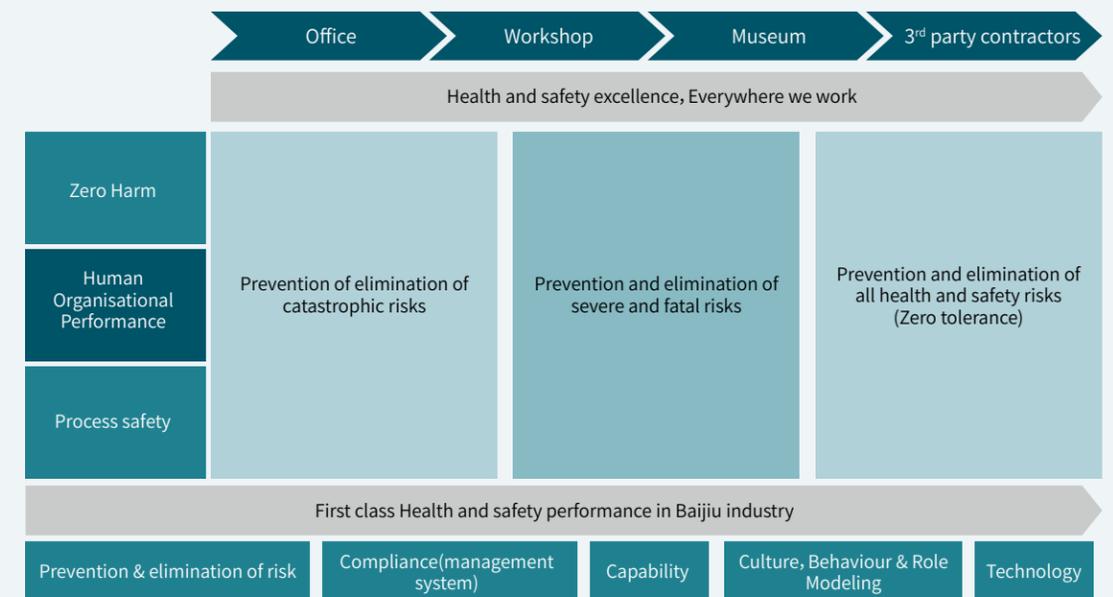
Ever-improving safety culture construction

Shuijingfang has created an occupational health and safety strategy for the years 2022-2025, as well as an EHS cultural journey to steer continuous EHS improvement.

Case

Health and safety strategy F22-F25

Health and Safety Excellence



Shuijingfang values the wellness of employees. In 2022, we launched a wide range of EHS activities, such as the Safety Month, the Fire Safety Month, and YourVocie survey, to help our staff embrace healthy work and life. Shuijingfang continues to carry out Quality and Safety Behaviour Observation (BBQS) to encourage frontline production staff to propose improvement suggestions for daily safety hazards, and actively participate in the company's occupational health and safety initiatives.



Case

Safety Month campaign

In June 2022, Shuijingfang held a Safety Month campaign with the theme of ‘Obeying Work Safety Law and Being Primary Responsible Person’. Four serial activities – safety quiz, safety leadership training, EHS WORKSHOP, and major emergency drill – were organised to improve safety management and employees’ safety awareness.



Case

Fire protection knowledge sharing

In November 2022, Shuijingfang launched a series of fire protection knowledge sharing activities themed on ‘Fire Safety and High-Quality Development’.

Employees were organised to participate in online fire protection knowledge learning and quizzes. New recruits, distillery operators, technical employees, and warehousing employees also took part in a drill in which they practised using fire fighting equipment and improved their fire emergency response skills.



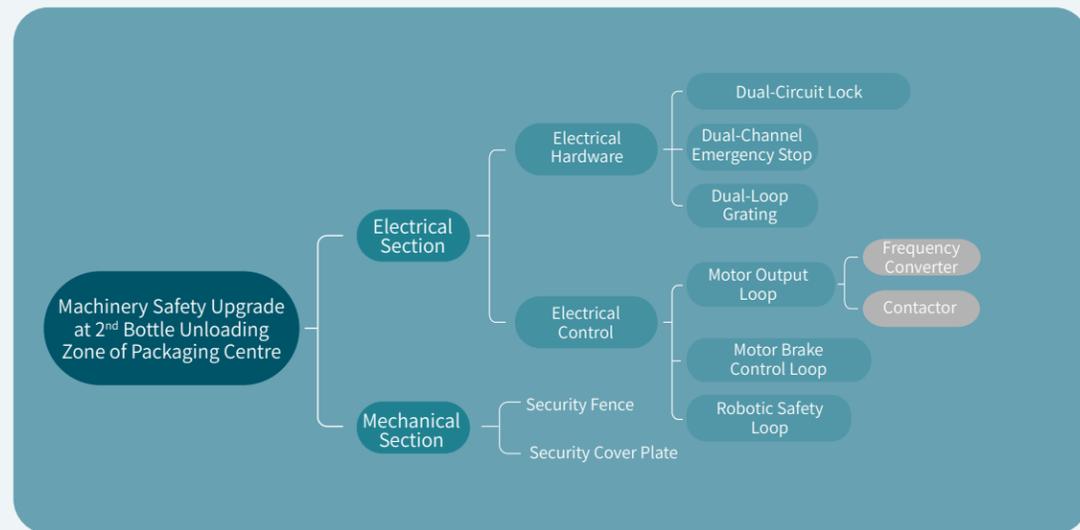
Constantly upgraded working conditions

A positive working atmosphere is crucial to improving employee satisfaction and affiliation, as well as business operational efficiency. To this end, Shuijingfang has significantly improved employee working conditions by increasing investment in work safety, perfecting first aid measures, and retrofitting the indoor working environment.

In 2022, the Company upgraded its automated equipment and machinery in the Packaging Centre, better protecting employees from harm. We also launched the sixth and seventh phases of our fire protection project to eliminate hidden fire hazards throughout the organisation and enhance the response to fire accidents. Through a Personal Protective Equipment (PPE) optimisation initiative, the Qujiu Centre was equipped with protective equipment such as belts and pressure relief insoles to mitigate the work fatigue of employees. In addition, we replaced the standard wheels of Qujiu delivery vehicles with labour-saving ones to reduce physical labour for operators, facilitating the prevention and reduction of work-related accidents.

Case

Revamping scheme for equipment and machinery in Packaging Centre



Case

Ergonomics improvement project

In 2022, Shuijingfang initiated an ergonomics improvement project in the Qujiu Workshop. The project replaced the old and laborious wheels of alcohol delivery carts with new super polyurethane alternatives, cutting manual thrust from 29.7kg to 11.0kg and greatly lessening employees' workload. Also, the Company introduced ergonomic suction cup spreaders to the manual handling area of the 3rd packaging zone. This allows employees to transfer goods using the spreaders, effectively reducing the labour intensity and safety risks associated with manual handling.



Case

Application of automated external defibrillator (AED)

Shuijingfang placed a number of AEDs in the office buildings, gyms, canteens and production areas of the Tuqiao plant and the Shuijingfang Museum in 2022 to ensure the effective rescue of cardiac arrest and show the Company's concern for people. Meanwhile, professional third-party organisations were invited to provide AED use training to our emergency response team (ERT) members and first aid specialists.



Case

Fire safety system upgrading

In 2022, the Company continued to upgrade its fire safety system in Tuqiao. The Tuqiao factory fire alarm system has now been completely advanced to the more sophisticated Notifier system.



Rigorous medical examination and health 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 2022, the Company organised occupational health examinations. 100% of our staff from the Technology Department, Qujiu Centre, supply chain, EHS and more have undergone occupational health examinations, with no occupational disease discovered.

100%
of relevant staff took the occupational health examination

Considerate logistical support

Temperature checks were performed on all employees throughout the year 2022, as required by the Company. In 2022, our security guards received 36 daily training sessions and 12 emergency training sessions. The Company organised one flood control drill and took part in two fire drills. 100% of the logistical force participated in the drills and completed the training. The factory area has only 247 fixed parking spaces, yet with more than 400 vehicles entering and exiting every day. For the smooth traffic in the factory area, we have taken the following measures: managing people and vehicles separately, limiting the driving speed, assigning a unique number to each freight vehicle for more precise management, and arranging staff to guard the areas with high logistics flow. There were no traffic accidents in the factory area last year.



In order to ensure a good office and production environment, as well as normal production and operation activities, our cleaning and sanitation efforts have never stopped. In 2022, we received 71 external visits or inspections, cleared and transported 1096.57 tons of domestic waste, and recycled 510 tons of packaging waste. While continuing to promote the 5S system (i.e. Sort, Straighten, Shine, Standardize, and Sustain) in public areas, we have enhanced the management of back office services, coordinated and communicated with vendors on the staffing of the fire safety duty office, and launched onsite safety and sanitation inspections at the Shuijingfang Museum.



Shuijingfang inspects the safety hazards of surveillance equipment in the Tuqiao plant, the Qionglai site, and the Museum on a regular basis for the sake of the public safety of the Company and the normal operation of surveillance systems. We completed the renovation and upgrading of the Museum's security system last year. By the end of 2022, we had installed 927 and 97 monitoring cameras in the Tuqiao plant and the Museum, respectively, with a video storage duration of 90 days – which complies with applicable laws and regulations.

We have revised our security regulations and improved our security system with reference to production and operation conditions, to ensure that there are no major or serious safety accidents, fire accidents, criminal cases endangering public security, or disasters throughout the year. As required by the Chengdu Public Security Bureau, we conduct regular safety inspections across the factory area. In the event of any hazard found, we immediately take corrective action, meticulously document it in a security work file, and follow up on the remediation progress until the hazard is eliminated. The Company has also worked to form up a specialised and efficient security team and refined the SOP for security services.

During the reporting period, there were no fires, explosions, traffic accidents, public security cases, canteen food safety incidents, or government punishments taking place at Shuijingfang. There were no lost-time injuries for employees.

Case

Fire station at Shuijingfang's Qionglai site

Shuijingfang Fire Station, located at the Qionglai site, is a fire rescue team established in accordance with the standards for national first-class fire stations. It handles danger and emergency rescue as commanded and deployed by the competent authority of the regional government. The station now has 11 firemen, including 1 captain, 3 drivers, and 7 firefighters, together with 15 volunteer firefighters; 2 trucks equipped with firefighting foam systems, 1 lighting truck, and 1 emergency rescue vehicle.

Since its founding nearly a year ago, the Shuijingfang Fire Station has been in charge of the daily fire inspection at the Qionglai site, with focus on the fire safety of key locations such as distillation workshops, raw material buildings, and alcohol storage areas. Aside from organising the 119 Fire Protection Day event, the station also delivers a fire safety presentation every month to raise the fire safety awareness among staff and ensure production safety in the factory.



► Employee development and empowerment

‘Our learning-oriented culture and brand image of giving back to the society have made Shuijingfang a well-known and desirable company.’ This is one of the cultural successes envisioned by Shuijingfang. Devoted to continuous learning, we champion a learning-oriented corporate culture, encouraging internal promotion and supporting employees’ growth and career development.

Holistic training system

Centred on corporate strategies and business needs, we seek talent with outstanding potential and explore their growth demand through the annual talent review mechanism. Apart from promotion channels, we also offer job rotation, coaching, and leadership development programmes and provide employees with scientific and reasonable learning programmes and funds. Employing a variety of methods, we hope to build a well-structured talent team, helping staff improve capabilities and pursue career development, and boosting sustainable performance in business.

Shuijingfang has formulated the ‘Education and Training Policy’ and the ‘Internal Trainer Policy’. Catering to the needs of employees in different positions and ranks, we provide individualised learning and development programmes through modules such as newcomer adaption, manager growth, expertise improvement, internal trainer training and the online learning platform (Fang Xue Tang). In 2022, Shuijingfang provided a total of 40,807.35 hours of training for both full-time and part-time employees, including 6,748.1 hours for new employee onboarding covering 1,020 person-time, 1,368.5 hours for general competency training covering 515 person-time, and 32,690.75 hours for leadership and professional skills training covering 8,423 person-time.

► In 2022, Shuijingfang provided a total of **40,807.35** hours of training for both full-time and part-time employees.

Shuijingfang is committed to establishing sound partnership with distributors and outlets simultaneously. We provide partners with key sales execution programmes, supporting them to improve their sales capabilities. The City Manager Training Camp, department-level courses for new hires and the online learning platform (Fang Xue Tang) are also made available to empower distributors and outlets.

New employee orientation

Shuijingfang has upgraded the new employee orientation to help them more rapidly become part of the Company through exciting content and experience both online and offline. From day 1 to day 60, it supports employees to succeed in their new positions and show high performance as soon as possible.

New employee orientation

Leadership programmes for management talent

Every year, Shuijingfang designs leadership programmes according to the Company’s operations and employees’ demand surveyed, in a bid to improve management efficiency.

● Junior Leadership – front-line manager programme

Shuijingfang expects front-line managers to have good self-awareness and a proper understanding of their job positions, be adaptive, be good at influencing and collaborating with others, and think and communicate in a structured way. They should establish and maintain good relationships with superiors/subordinates, colleagues and key stakeholders, and lead their teams to a continuous and effective growth. The programme consists of three modules: self-management, team management, and performance management. Practising, coaching, and theory are combined to encourage front-line managers to apply what they have learned.

Case

Junior Leadership – front-line manager programme

The Junior Leadership programme has so far covered 90 first-line managers at Shuijingfang. Through phased learning courses, skill exercises, practical projects, coaching from teachers and line managers, the students have shifted their role to a manager. While continuously improving their own managerial skills, they are anticipated to inspire the growth of their teams.

Junior Leadership – front-line manager training

The schedule for Shuijingfang’s various training programmes in 2022 is as follows

No.	Programmes	Number of participants	Number of training sessions	Length (in hours) <small>Calculation method: sum of the total training hours of each session (the duration of the session * number of participants in the session)</small>
1	Junior Leadership programme (front-line managers involved in job shadowing)	90	16	2,921.5
2	Lean Six Sigma Green Belt programme	20	11	1,710
3	TRACC System programme	12	1	78
4	Baijiu Workshop programme	12	2	480
5	City Manager Training Camp	116	2	1,856
6	Premiumisation & Execution Improvement Workshop	265	12	1,824
7	Aesthetics improvement programme	29	4	193.5
8	Capacity improvement programme for museum guides	8	12	192

Senior management development programme

Shuijingfang offers coaching, EMBA and other learning and growth opportunities according to the personal growth stage of each senior manager. They are also expected to lead the business growth of what they are responsible for, while accelerating their own personal growth.

Promoting the comprehensive development of talent

We seek and include external resources into our learning programmes, when internal expert guidance, coaching, training or practising is inadequate to address the problems employees have at work. The Lean Six Sigma Green Belt and Black Belt learning programme for the supply and production system, the TRACC System learning programme, the aesthetics improvement programme for the Marketing Department, the Baijiu Workshop programme for the Consumer Cultivation Department and the presentation skills improvement for guides in the Shuijingfang Museum are among our examples.

Nurturing young talent and improving business competitiveness

Considering the fierce competition in the external market and the rapid development of the organisation, we introduce and nurture young talent through the Young Power Management Trainee programme, identify and develop key talent of the year, fully tap into their potential and gifts, and ensure the sufficient supply of various talent required by organisational development to maintain the competitiveness of the Company.

Case

Young Power Management Trainee programme

In 2022, 18 ‘Young Power’ from various colleges joined Shuijingfang and became the first group of management trainees in the Company after going through audition, assessment, AI and final interview. The Young Power Management Trainee programme is a talent development project tailor-made for fresh graduates with great potential, as well as a project that accelerates the ability development of young high-potential talent. Its goal is to train and reserve future managers for Shuijingfang’s rapid business growth in the long run.

Through a roadmap of job rotation + practical project + fixed-post working, the programme assists management trainees in gaining a thorough understanding of business operations and essentials while continuously accumulating experience and improving their own vision and professionalism. At the same time, the students are also supported by a professional team comprised of mentors + line managers + business partners + HR – who provide them with career development advice, work instructions, job assistance, and training and development support for better learning and growth. In addition, the regular goal setting, presentation, debriefing and assessment mechanism allows management trainees to make real-time reviews and summaries and continuously improve themselves, laying a solid foundation for them to grow into qualified managers and business leaders.



Young Power Management Trainee programme

Employee compensation



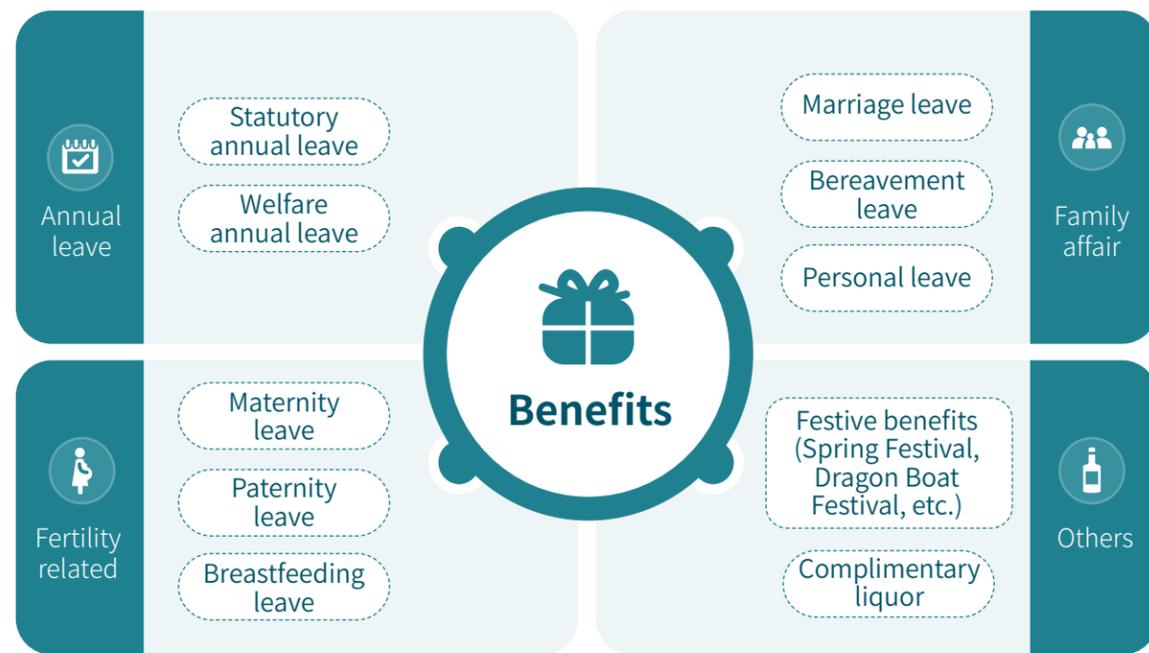
Competitive salary and benefits

In 2022, to drive business transformation, Shuijingfang continued to benchmark against the external market, keep abreast of market changes, and timely adjust its compensation strategy to maintain its market competitiveness as well as better attract and retain various key talents required for corporate transition and development.

To motivate employees and stimulate their work passion, Shuijingfang has introduced an equity incentive scheme for middle and senior managers. According to Shuijingfang’s ‘2021 Employee Stock Ownership Plan’, the maximum amount of funds raised by the Plan is RMB 39.81 million, which will be unlocked in two phases. The unlocking times are 18 months and 30 months, respectively, after the Company announces the transfer of the last underlying equity to the Plan, with the longest lock-up period being 30 months. The percentages of the underlying stocks to be unlocked in the two phases is 50% and 50%. The yearly proportion and quantity of unlocked stocks are determined by the Company’s performance indicators and the holders’ personal appraisal results.

Shuijingfang offers its employees an attractive set of benefits in addition to base pay and performance bonus. We work hard to establish a desirable welfare system, in order to create a harmonious workplace, promote work and life balance and strengthen employees' bond with the Company. Our benefits are roughly divided into cash benefits and non-cash benefits:

- **Cash benefits** They include but are not limited to transportation allowance, communication allowance, meal allowance and other allowances for employees' daily commuting and work.
- **Non-cash benefits** They include the benefits beyond the scope stipulated by law, including but not limited to holidays, festive benefits, birthday benefits, hardship subsidies and supplementary commercial insurances, which serve as a solid support for employees.



Holidays and festive benefits at Shuijingfang



All-round supplementary commercial insurance

Shuijingfang provides welfare benefits for both employees and their children. Starting in 2022, employees with children under the age of three are entitled to a new childcare leave, which allows them to be more involved in their children's growth. The average number of days of the childcare leave per person was 8.32 in 2022.

At the same time, the coverage of commercial insurance has also been expanded to employees' children, demonstrating Shuijingfang's care for the wellness of employees and their kids. In 2022, a total of 596 employees' children were covered by commercial insurance, accounting for 30% of the total.

▶ Key performance indicators

Indicators (unit)		Data in 2022
Total number of employees		1,988
Full-time employees	Number of full-time employees	1,877
	Male/Female ratio (%)	70:30
	Under 30/30-50/Above 50 ratio (%)	11:75:14
	Number of disabled employees	1
Part-time employees	Number of part-time employees	111
	Male/Female ratio (%)	21:79
	Under 30/30-50/Above 50 ratio (%)	21:77:2
The management	Male/Female ratio (%)	67:33
	Under 30/30-50/Above 50 ratio (%)	0:85:15
Number of new employees		724
Employee turnover rate (%)		16.8
Percentage (%) of employees who receive regular performance and career development appraisal		100
Percentage (%) of employees undergoing medical examination		100
Employee satisfaction rate (%)		89
Number of employees engaged in scientific research		68
Percentage (%) of employees engaged in scientific research		3.62

Item	Indicator (unit)	Data in 2022
Gender distribution of managers and professionals (male: female)	Junior managers	62:38
	Senior managers	67:33
	Managers of revenue-related functional departments	74:26
	STEM professionals	62:38
Employee benefits	Average paid annual leave (hour)	87
	Maternity leave (hour)	16,856
	Childcare leave (hour)	8,392

Supply chain management



Reinforced compliance management of the supply chain serves as a cornerstone for the healthy and robust development of Shuijingfang. Therefore, we have established a sound management system to continually reduce supply chain risks. And with its influence along the value chain, the Company encourages partners to join forces and address together diverse environmental and social issues such as climate change, biodiversity, regional economic development, and livelihood improvement, contributing to a win-win value chain ecosystem.

► Supplier compliance management

Supplier admission and management

Shuijingfang has set up a rigid supplier admission and management mechanism to evaluate the comprehensive capabilities of suppliers. It regularly reviews suppliers' environmental and social risks, compliance performance and operating status, and employs classified management to maintain the resilience of its supply chain.

Supplier selection

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, and more. 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 and 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, supply system and social responsibility system. 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

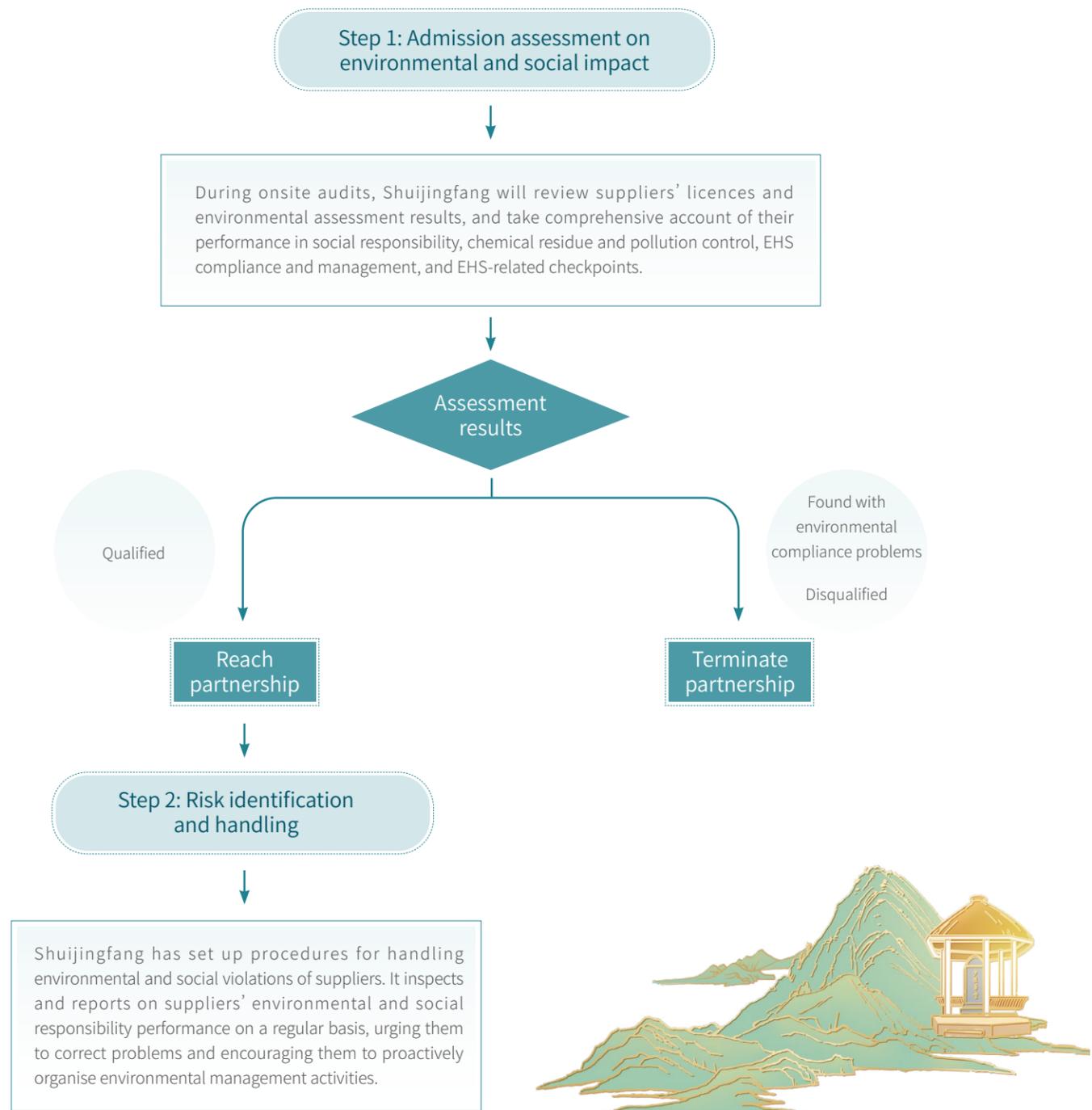
financial evaluation, investment willingness, social responsibility, cost control, logistics capability, contract review, planning model, order delivery, and R&D capability

Onsite supplier assessment

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. By the end of 2022, Shuijingfang identified two suppliers with violations of the aforementioned rules and potential compliance risks, and has terminated its cooperation with them.

Assessing and handling suppliers' environmental and social impact



Shuijingfang audits via questionnaire suppliers' performance in labour rights, health and safety, environment, and business ethics as required by SEDEX. Medium/high-risk suppliers who fail the questionnaire audit will undergo SEDEX's onsite audit process. We will require the suppliers to prepare a correction plan for any nonconformities found in the audit, if the correction is completed afterwards, Shuijingfang will maintain partnership with the suppliers, otherwise termination of the cooperation will be considered.

As of the end of 2022, Shuijingfang conducted SEDEX questionnaire assessments for a total of 54 key suppliers, and based on the results, we conducted on-site SEDEX audits for 11 suppliers. After receiving audit feedback, the suppliers improved management measures for fire safety in the production environment, employees' occupational protection, and forced labour.

As of the end of 2022, Shuijingfang conducted SEDEX questionnaire assessments for a total of

54 key suppliers

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.

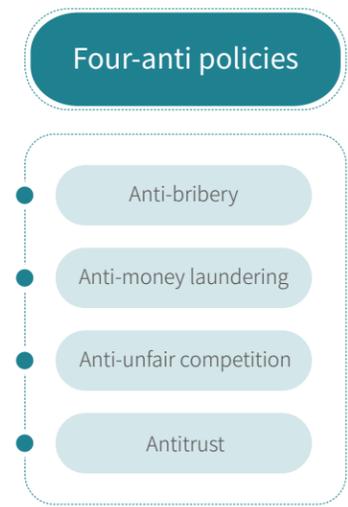
► Supplier empowerment and development

Shuijingfang constantly improves product quality and productivity through sustained efforts to enhance suppliers' quality and management skills, while leveraging its impact across the supply chain to develop local procurement and circular agriculture, empowering sustainable regional development.

Sophisticated training system

Shuijingfang delivers quality and management training to suppliers in a bid to continuously optimise their product quality and management capability. For win-win results, we train key suppliers on quality and lean production according to their respective demand. Training is delivered both online and offline. We hire lecturers from third-party consulting agencies to train suppliers offline, and offer follow-up online coaching according to the training outcomes. In 2022, Shuijingfang completed 1 offline training session and 3 online coaching sessions for selected key suppliers.

Every year, a compliance training session is organised by Shuijingfang's Procurement Department and related business departments for key suppliers in the Advertising & Promotion (A&P) category. The training covers personal information and intellectual property protection, four-anti policies (anti-bribery, anti-money laundering, anti-unfair competition, and antitrust), marketing rules and information security. In 2022, we delivered compliance training to a total of 152 A&P suppliers.



Regional empowerment and local procurement

Shuijingfang associates supply chain construction with regional development, using the influence of its supply chain to support the development of regional suppliers and industries. Following the principle of nearby procurement, it improves the flexibility and response agility of the supply chain, while offering commercial support to local businesses. In 2022, 80% of packaging materials and raw and auxiliary materials were procured from suppliers in Sichuan, calculated based on the purchase amount.

The Qionglai project under construction is expected to have a significant impact on the development of the local planting industry and create more jobs after being completed and put into production. It will not only increase the per capita income of local farmers, but also drive local fiscal revenue as well as the development of related industries, promoting the supply-side reform on agriculture with substantial social and economic benefits.

► 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 collaboration is founded on compliance.

Assisting distributors' legal and compliant operations

Shuijingfang closely monitors distributors' operational compliance. All outlets must sign an annual cooperation agreement with us, as a way to make sure that the partnership is in line with the Company's compliance and legal framework. 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.

Mature distributor management system

Shuijingfang has established a mature management system that includes distributor satisfaction surveys and satisfaction improvement plans.

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.

Incentives

Our distributor incentive strategy includes an annual rebate assessment policy, which inspires a distributor to accomplish the aim of developing valid outlet or group buying business after reaching the established sales target. The policy is centred on process and goal management.

Value chain management

We have established explicit rules for determining offline cross-territory distribution and agreed on penalties for such breach of contract. For a regular breach of contract, the distributor involved will be criticised in a circular, and be responsible for repurchasing the goods in question. In the event that the distributor commits a serious breach of contract, the following punishments will be imposed: receipt of a notice of criticism, repurchase and disposal of the goods in question, and deduction of its annual performance bond according to the number of serious breaches (a corresponding amount of deposit is deducted for the 1st/2nd violation, and for the 3rd violation, cooperation is terminated). Distributors at all levels and associated stores involved in a malicious breach of contract should be punished according to the standard escalated from the corresponding punishment standard for cross-territory distribution.

Management measures for cross-channel distribution

In order to maintain fair market competition, guarantee a healthy market environment and protect the legitimate interests of Shuijingfang, consumers and the public, we have established regulations prohibiting offline distributors from engaging in online distribution, i.e., cross-channel distribution, which is deemed a breach of contract. The management regulations were discussed in November 2022, and sent to all distributors on 23 November. We work hard to make sure that all distributors acknowledge and follow the regulations, so that all parties could join hands to maintain fair competition in the market.

Distributor empowerment and development

A sales force with strong execution is crucial for the Company to fulfil its performance goals and corporate vision. During the sales process, Shuijingfang's staff are responsible for decision-making, brand education and publicity, while distributors are in charge of branding strategy execution and market development. In 2022, we took a slew of measures to strengthen our talent pool:

- **Onboard training** All new recruits who will be in charge of selling Shuijingfang products are required to receive pre-job training. The training has now covered a total of more than 500 individuals. After joining the Company, distributor support specialists should take the online orientation course for newcomers on Fang Xue Tang and complete an exam. Designed to support employees' subsequent work, the course includes subjects such as product knowledge, commonly-used systems, and sales policies.
- **Group buying training** 78 members of the newly established group buying sales teams have been trained on group buying management and sales skills.

500

New recruits received pre-job training

Case

Group buying skills improvement course

To improve the sales force's professional group buying skills, in 2022 the Unit and the Business Capability Development Department worked together to develop a group buying skills improvement course. The training was offered offline to all the sales of the High-End Product Business Unit and distributors by region.



More than **10** offline Group Buying Workshops organized

The course was divided into two phases. The 'Phase I: Execution Workshop - Group Buying Distributor Attraction and Maintenance' took place in the first half of 2022, followed by the 'Phase II: Execution Workshop - Group Buying Business Opening, Development and Maintenance' in the second half of 2022. So far, more than 10 offline training sessions have been organised, encompassing all regions.

- **Top Seller training** A total of 318 salesmen who have completed their probationary period and showed good performance have received advanced training on sales skills.
- **Coaching skills training** A total of 84 newly promoted or recruited city supervisors/managers have been trained on coaching skills.

Continuously improving distributor satisfaction

Shuijingfang conducted a distributor satisfaction survey from 1 to 15 July 2022. The questionnaire collected distributors' opinions on our brand building, product satisfaction, marketing campaigns, value chain management, logistics and distribution, and salesperson services. And based on the feedback, a customer satisfaction improvement plan was drafted. The average score for the survey was 42.6 points (out of a possible 45 points), with 86 distributors awarding a full mark.

Average score for the distributor satisfaction survey:

42.6 points (out of a possible 45 points)

Number of full-marked distributors:

86

The survey shows that distributors were satisfied with Shuijingfang's marketing campaigns, product sales, sales force and logistics and distribution. And most of them were optimistic about the prospects of the Company. However, they anticipated improvements in value chain management and expenditure verification and payment. In response to the low verification and payment efficiency, we trained regional salesmen on related requirements in order to improve bill accuracy and reduce chargebacks. More professionals were hired, and the bill review volume was expanded at the same time. Furthermore, the value chain project team optimised the value chain management policy and rolled out a new value chain management procedure to comprehensively speed up verification and payment.

► Establishment of a modern and more efficient supply chain

Shuijingfang is committed to a high-quality and modern supply chain system, with ongoing efforts made to avoid potential risks in the supply chain while guaranteeing its quality and stability. Through the establishment of a digital system, we consistently improve the efficiency of the supply chain and speed up the modernisation of the Baijiu industry chain as a whole.

Comprehensive supply chain risk management

Placing a high value on supply risk assessment and management, Shuijingfang tracks all kinds of factors that affect market supply, improves continuous response to market demand, and reduces the share of exclusive suppliers to avoid supply risks. For instance, in 2022 Shuijingfang managed to find the alternative suppliers of cartons, leather boxes, non-woven fabrics, foam and other categories, lowering the proportion of exclusive suppliers. In addition, the Company has put in place a reliable public emergency response mechanism. Against the backdrop of limited power use in Sichuan in August, the mechanism identified resulting risks and initiated an emergency plan to secure raw material supply and overall supply chain stability.

Building a digital supply chain

Shuijingfang uses the digital supplier platform to continually strengthen the digital management of suppliers' ESG risks. The introduction of the e-procurement system Ariba is a highlight in the compliance management of the Procurement Department in 2022. After the new system went live, all requests for quotation, price comparisons and selections are moved and archived online, with the entire process being monitored in real time by authorised departments. The new digital solution has regulated procurement and brought compliance to a higher level.

Establishing a whole industrial chain base

Sichuan's 14th Five-Year Plan calls for the development and expansion of a world-class Baijiu industrial cluster as well as the cultivation of a world-class consumer goods industry cluster. As a leading Baijiu manufacturer in Chengdu and the owner of a green food chain, Shuijingfang is building a whole industry chain of Baijiu. In 2022, the construction of the Qionglai site (Phase I) was progressing as scheduled, and after completion, the Company is expected to have an additionally 20,000 tons of raw Baijiu production capacity and 60,000 tons of storage capacity. We also plan to expand the Qionglai site into a whole industrial chain base, as part of our efforts to revitalise Sichuan Baijiu.

Case

Shuijingfang inks agreement on Qionglai whole industrial chain base (Phase II)

Since its presence in Qionglai in 2010, Shuijingfang has made two additional investments to expand its operations in the city. Qionglai City and Shuijingfang signed an agreement on the latter's whole industrial chain base (Phase II) on 29 September 2022 in Chengdu. Following an initial investment of RMB 2.756 billion in Phase I, the Company plans to invest an additional RMB 4.048 billion in Qionglai, principally to build distillery bases, bottled Baijiu packaging centres, warehousing and logistics bases, national laboratories, and new product R&D centres. By now, the total investment of Shuijingfang's Qionglai whole industrial chain base project has reached RMB 6.804 billion. Upon Phase II completion, the project is expected to generate a raw Baijiu production capacity of 13,000 tons, a Jiuqu production capacity of 35,000 tons, a packaging capacity of 33,000 tons, and a tank storage capacity of 64,000 tons. Shuijingfang, as a chain owner who plays an active role in establishing ecosystems and strengthening chains in order to promote the high-quality development of Chengdu's Baijiu industry, is prepared to fuel the revitalisation and growth of the Baijiu production area in Chengdu and the Baijiu made in Sichuan.

Total investment of Shuijingfang's Qionglai whole industrial chain base project has reached RMB **6.804** billion

Raw Baijiu production capacity	Jiuqu production capacity	Packaging capacity	Tank storage capacity
13,000 tons	35,000 tons	33,000 tons	64,000 tons

Promotion of supply chain management and control

Shuijingfang invests great efforts in educating its employees on procurement policies. Through procurement policy training covering all employees, the Company ensures a reasonable and compliant internal procurement process, as well as sound supply chain management both internally and externally.

Shuijingfang trains all of its staff on procurement policies, covering category management, procurement process, comparison and selection principles, supplier selection methods other than comparison and selection, contract signing regulations, major forms of violation of procurement policies, procurement leaders and more. Besides quarterly training, additional training is available as required by each department. Training is delivered by email, on site, or through publicity assisted by compliance ambassadors, among other approaches. Throughout 2022, we organised 5 procurement policy training sessions for internal staff.

Throughout 2022, we organised

5 procurement policy training sessions for internal staff.

► Key performance indicators

Indicator (unit)	Data in 2022
Percentage (%) of amount of purchase from local (Sichuan) suppliers of packaging materials and raw and auxiliary materials	80
Number of suppliers that have gone through SEDEX assessments	54
Number of operation sites and suppliers using child labour or with material negative environmental and social impacts	0
Number of quality and lean production training sessions for suppliers ⁴	4
Number of compliance training sessions for suppliers	1
Number of suppliers participating in compliance training	152
Number of procurement policy training sessions for internal staff	5

⁴ It includes one offline session and three online sessions



Chapter IV

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're concerned with people's livelihood, pursuing a better life; we embrace the spirit of sports, endeavouring for the wellness of all the people; and we're dedicated to talent training, contributing to the industry's ongoing and healthy development.

- Public welfare philosophy and management structure
- Diverse public welfare programmes for greater commercial and social value
- Tighter bond with neighbours to support community development
- Industry empowerment and high-quality industry development
- Key performance indicators



► Public welfare philosophy and management structure

While pursuing robust growth, Shuijingfang is also concerned with giving back to the society and fulfilling corporate social responsibilities. We're 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 through 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 the 'Management Regulations on Donations for Public Welfare' in 2017, and amended it in 2019. The document has specified the types, scope, decision-making procedures and rules of external donations to ensure that our donations for public welfare comply with the Company's anti-bribery policies and help Shuijingfang better fulfil its mission as a corporate citizen without leading to any unfair market competition.

In 2022, the Company set up CSR-related roles that are fully responsible for the operation and management of the Company's social responsibility system, including the establishment and revision of CSR management policies, ESG management and information disclosure, and social engagement programme planning and implementation management, continuously expanding Shuijingfang's CSR influence.

In 2022, Shuijingfang launched six categories of public welfare programmes across the Company, totalling more than RMB 5 million in donations. Our donations and support are primarily given to the following public welfare programmes: the Friendly Neighbour Programme, supply donations to rural revitalisation, donations for post-earthquake reconstruction in Luding, Shuijingfang - China Ski Training Camp, the CSR research project with CEIBS Education Foundation, and Intangible Cultural Heritage in the Community projects.



Over RMB **5** million in donations for public welfare

► Diverse public welfare programmes for greater commercial and social value

Shuijingfang's diverse public welfare programmes consider the industry characteristics, core corporate capabilities and key challenges in the industry, with the goal of boosting both commercial and social value. Rural revitalisation, disaster relief, cultural heritage and intangible cultural heritage protection, sports and wellbeing and other issues are addressed in these programmes.

Rural revitalisation in response to the national call

Responding to the call of the state and governments at all levels, Shuijingfang is determined to make proper planning and connection in the stage of comprehensively advancing the rural revitalisation strategy. While contributing to rural revitalisation, we strive to boost both economic benefits and social value of the Company. In 2022, Shuijingfang helped 2,000 people in need through its rural revitalisation-themed programmes.

Supported **2,000** people through the rural revitalisation-themed programmes.

Case

Practising partner assistance between villages and enterprises

In 2021, Shuijingfang signed the 'Partner Assistance Agreement' with Jiancao Community of Xihua Subdistrict Office, Jinniu District, Chengdu, and Qumai Village, Changsha-Ganma Township, Shiqu County, Ganzi Prefecture, respectively. As agreed, Shuijingfang will address the most practical and urgent needs of the village and give supplies and intellectual aid to help it build on its achievements in poverty alleviation throughout a three-year period from 2022 to 2024.

Shuijingfang also encourages its employees to engage in targeted assistance to western China and actively perform its corporate social duties. On June 20th, 2022, we held a ceremony for donation in support of rural revitalisation at our headquarters in Jinniu District, Chengdu. Shuijingfang donated RMB 50,000 worth of jackets and daily necessities to Qumai Village, Changsha-Ganma Township, Shiqu County, Ganzi Prefecture in Sichuan, and was presented with a silk banner by beneficiaries in Tibetan areas.



The donation ceremony in Qumai Village, Changsha-Ganma Township, Shiqu County, Ganzi Prefecture

Disaster relief and rescue

Shuijingfang takes an active role in disaster aid. We responded quickly to a number of severe natural disasters with prompt assistance and donations totalling over RMB 20 million. In 2022, the Company made active donations to Luding, Ganzi Tibetan Autonomous Prefecture, Sichuan, which was stricken by an earthquake, and other disaster-affected areas to aid in local reconstruction. In the face of power cuts due to the heatwave in Sichuan, we surmounted challenges and ensured the resumption of business operation and production, as well as employees' regular work and living.

Over RMB **20** million in donations for natural disasters

Case

Earthquake relief in Luding County, Ganzi Tibetan Autonomous Prefecture, Sichuan

On 5 September 2022, a 6.8-magnitude earthquake struck Luding County, Ganzi Tibetan Autonomous Prefecture, Sichuan, resulting in heavy casualties and severely damaged infrastructure. Shuijingfang initiated its emergency donation procedure for disaster relief immediately after the earthquake to help the victims.

On 6 September 2022, the Company donated RMB 2 million to the disaster-stricken areas via the Chinese Red Cross Foundation. The funds are used for emergency relief, humanitarian assistance to the people affected, and post-disaster reconstruction.



Cultural promotion and intangible heritage inheritance

Shuijingfang, with two cultural legacies – the Shuijing Street Distillery Site and the Shuijingfang Traditional Baijiu Distillation Technique, finds it a long-term mission to protect, carry forward and inject new vibes into Chinese traditional cultural heritage.

The display of tangible cultural heritage in its original appearance and the ‘live’ showcase of state-level intangible cultural heritage are the key approach for the Shuijingfang Museum to promote and carry forward cultural legacies. In the meantime, the Museum continues its protection of cultural relics through measures such as conducting safety assessments of ancient buildings in the ruins site, installing monitoring equipment for biological diseases in ancient buildings, earthen ruins and their surrounding environment, and entrusting Sichuan Agricultural University for microbiological research on the site.



Standard museum operation and management

As the management organisation of the Shuijing Street Distillery Site protected at the national level, the Museum has set up positions dedicated to the protection of the site and assigned staff to be responsible for its daily management. The Museum also maintains regular communication with the Sichuan Provincial Cultural Heritage Administration, the Chengdu Cultural Heritage Administration, the Chengdu Cultural Relics and Archaeology Research Institute, and other government authorities. 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 City, and Sichuan Province, and finally reviewed and approved by the National Cultural Heritage Administration.

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 opened for 289 days throughout the year of 2022, receiving a total of over 40,000 visitors, received zero complaints from visitors.



A cultural landmark centred on the museum

A museum is a cultural landmark of a city. Making a museum a better venue for historical research, cultural relics preservation, display and utilisation, as well as a classroom that inherits outstanding traditional Chinese culture is an effective strategy to boost cultural confidence.

For its long-standing historical and cultural legacy, the Shuijingfang Museum is a frequenter at foreign cultural exchange activities organised by the government. Its cultural and creative product – the Shuijingfang Museum No.1 has been given to international dignitaries as a diplomatic gift. In 2022, the Shuijingfang Museum was recognised as the Sichuan-Chongqing Industrial Culture Education and Practice Base, and assisted the local government in building Jinjiang District into a Famous Tourist County in Chengdu with its cultural heritage.

Constant upgrade of exhibition approaches and artistic experience

The year 2022 witnessed the Shuijingfang Museum’s great efforts to protect cultural relics and upgrade exhibition approaches. A variety of cultural activities were presented at the Museum, including the ceramic art exhibition, immersive theatre, and the Baijiu Workshop, bringing cultural relics to life. Visitors are thus allowed to experience, learn about and savour Shuijingfang’s timeless cultural appeal spanning six centuries.

Case

Ceramic art exhibition

From May to October 2022, Shuijingfang launched a ceramic art exhibition, inviting visitors to learn about the unique aesthetic ideas of Shuijingfang through noted artists' ceramic works.



Ceramic art exhibition

Case

Immersive theatre

In June 2022, Shuijingfang presented an immersive theatrical event, where audiences were allowed to indulge in the Museum's brand charm and cultural legacy.



Immersive theatre

Case

Baijiu Workshop programme

In October 2022, Shuijingfang's Baijiu Workshop kicked off at the Museum. The programme invites consumers to Shuijingfang and explore Baijiu culture.



On March 2022, The Shuijingfang Museum has also been recognised as a Chengdu Patriotism Education Base by the Publicity Department of the Chengdu Municipal CPC Committee, continuously organising cultural and educational activities for the public and schools.

Case

The Shuijingfang Museum organised a total of 16 public cultural and educational activities in 2022, including:

- One free admission activity on 18 May International Museum Day, covering 439 people;
- One free admission activity on Cultural and Natural Heritage Day, covering 328 people;
- One free admission activity on the anniversary of the opening of the Museum, covering 372 people;
- Two Sichuan Culture Tours for the Graduate Students Union of Sichuan University, covering 80 people;
- One immersive experience activity, covering 296 people;
- Four community museum tours for Chengdu No. 7 Yucai Middle School, covering 120 people;
- Six 'Intangible Cultural Heritage Around Me' activities for the Jinguanyi Primary School, covering 80 people.



Case

Shuijingfang participated in the following seminars in 2022:

- Chengdu Industrial Culture Development Seminar in July 2022;
- Seminar on Chengdu Cultural Heritage Protection and Utilisation and Cultural Heritage Promotion Among Youth in October 2022;
- Expert Seminar of the Summit on High-quality Development of Baijiu Production Area of Chengdu in November 2022.

Dazzling intangible cultural heritage

Compliant and all-encompassing system for intangible cultural heritage management policies ▼

The Intangible Cultural Heritage Protection Office (hereinafter abbreviated as ‘the Office’), as the executing organisation of the Cultural Heritage Protection Committee, follows up on and observes 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. And subject to these legislations, an array of rules and regulations have been formulated as a complement to our perfect compliance system, 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 2022, the Intangible Cultural Heritage Protection Office noticed and collected the ‘Administrative Measures for National Intangible Cultural Heritage Protection Fund’, as well as the ‘Implementation Opinions on Further Strengthening the Protection of Intangible Cultural Heritage’ issued by the Provincial Department of Culture and Tourism together with 12 ministries and commissions. The policies were forwarded to the inheritors of the Shuijingfang Traditional Baijiu Distillation Technique at all levels for study and enforcement.

Furthermore, in 2022, the Office has recently prepared the ‘Application and Management Measures for Representative Inheritors of Intangible Cultural Heritage of Sichuan Shuijingfang Co., Ltd.’ and the ‘CR – Introduction to Government Affairs Relating to Intangible Cultural Heritage at the Headquarters’ to establish a mature management mechanism for the application and management of representative inheritors of intangible cultural heritage, thereby promoting its preservation and inheritance.

Well-defined and farsighted strategy for the protection and inheritance of intangible cultural heritage ▼

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 in multiple dimensions:

- **Build a platform for communication with the government (on intangible cultural heritage);** closely monitor policies on state-level intangible cultural heritage protection, and ensure smooth external communication channels. We invited guests to our intangible cultural heritage technique training institute 15 times. And at the request of government departments, we prepared materials regarding the Shuijingfang Traditional Baijiu Distillation Technique and completed 14 applications.
- **Stress the protection and inheritance of intangible cultural heritage, and increase incentives for heritage inheritance;** improve the inheritor system for the Shuijingfang Traditional Baijiu Distillation Technique, properly protect and serve the inheritors, continue to expand the team of inheritors, and document and preserve inheritors’ skills from multiple dimensions. We finished the application and utilisation of government subsidies for our representative intangible cultural heritage inheritors at all levels in 2022, attaining 100% compliance and satisfaction.
- **Strengthen the presentation and promotion of intangible cultural heritage,** and facilitate the protection and inheritance of intangible cultural heritage skills through multiple channels and dimensions; expand the influence of the Shuijingfang Traditional Baijiu Distillation Technique.
- **Spare more efforts to collect and organise historical documents** and information to consolidate the historical foundation of the Shuijingfang Traditional Baijiu Distillation Technique.



Case

The Intangible Cultural Heritage Protection Office organised the following inheritor protection activities in 2022:

- In March-June 2022, it assisted Chengdu Qixing Culture Co., Ltd. with the follow-up matters of the representative state-level intangible cultural heritage inheritors rescue and record programme;
- In July 2022, it joined the Baijiu Distillation Committee of China Intangible Cultural Heritage Protection Association as a key member;
- In April-July 2022, it assisted and instructed 9 representative inheritors of the Shuijingfang Traditional Baijiu Distillation Technique at the national, provincial and municipal levels to complete the annual summary and evaluation of their work on intangible cultural heritage inheritance, all of them were qualified;
- In March and July 2022, the Shuijingfang Traditional Baijiu Distillation Technique, as a key exhibit, was showcased at the Sichuan Outstanding Intangible Cultural Heritage Exhibition & the Sichuan Intangible Cultural Heritage in Yellow River Basin Exhibition hosted by the Publicity Department of the Provincial CPC Committee and the Provincial Department of Culture and Tourism, and organised by the Provincial Intangible Cultural Heritage Protection Centre and the Provincial Tourism Promotion Centre;
- In July-August 2022, it started and completed the application for the sixth batch of state-level representative inheritors of the Shuijingfang Traditional Baijiu Distillation Technique;
- In September-November 2022, it started and completed the application for the seventh batch of Chengdu municipal-level representative inheritors of the Shuijingfang Traditional Baijiu Distillation Technique;
- In June-October 2022, it went through the ‘Annual Evaluation of National Intangible Cultural Heritage Protection Organisations’ on the Ministry of Culture and Tourism’s management platform.

Tailored intangible cultural heritage protection measures

Shuijingfang has taken a series of measures that are tailored for both the characteristics and actual situation of the traditional distillation technique, to properly protect and inherit intangible cultural heritage assets:

- Launch scientific research projects on Shuijingfang’s distilleries, pit mud and functional microorganisms that are closely related to the traditional Baijiu making process, to facilitate product R&D;
- Set up an Intangible Cultural Heritage Showroom at the Shuijingfang Museum to continue promoting the traditional distillation technique;
- Set up a Cultural Heritage Protection Fund and specialised protection agencies such as the Shuijingfang Cultural Heritage Protection Committee and the Intangible Cultural Heritage Protection Office for the orderly management of intangible cultural heritage assets;
- Work hard on the protection, inheritance and practice-driven promotion of intangible cultural heritage as guided by the Company’s core philosophy, and promote the Shuijingfang Traditional Baijiu Distillation Technique and Chinese traditional culture.

We also protect the inheritors of the Shuijingfang Traditional Baijiu Distillation Technique. Inheritors are key to the traditional distillation technique, as well as the embodiment and advantage of our production capabilities. Therefore, a Training Programme for Representative Inheritors of Intangible Cultural Heritage has been launched and a talent pool for intangible cultural heritage skills has been established to lay a robust talent foundation for the inheritance and development of intangible cultural heritage skills. As of 2022, there was 1 national representative inheritor, 3 provincial representative inheritors and 7 municipal representative inheritors of the Shuijingfang Traditional Baijiu Distillation Technique. The intangible cultural heritage has now welcomed its ninth generation of inheritors. The clearly-defined inheritance system has ensured orderly handover and effective protection.

Case

2022 Jinjiang District ‘Intangible Cultural Heritage in the Community’ serial campaign sponsored by Shuijingfang Intangible Cultural Heritage Revival Fund

In 2018, leveraging years of experience in promoting traditional culture, Shuijingfang established the Baijiu industry’s first fund to protect intangible cultural heritage (Shuijingfang Intangible Cultural Heritage Revival Fund of the China Foundation for Cultural Heritage Conservation) together with other parties. Run under a more professional operation mechanism, the Fund is designed to support the inheritance and development of other intangible cultural heritage in China, the construction of an ecosystem for intangible cultural heritage innovation and protection, and the establishment of a new inheritance pattern.

The 2022 Jinjiang District ‘Intangible Cultural Heritage in the Community’ serial campaign sponsored by Shuijingfang Intangible Cultural Heritage Revival Fund included the following activities:

- Three interactive performances in combination with ‘Our Festival · Dragon Boat Festival’, ‘Building a Happy Home Together · The Future of Jinjiang’ children’s charity bazaar, and ‘Deep into the Grassroots’ cultural performance;
- Three youth-oriented training and experience activities themed on rubbing, shadow puppetry, and Sichuan Brocade, which were respectively held in Baodun Study, a community aesthetic space, Starry Sky Cafe, a cafe offering employment assistance to the disabled, and Embroidery Spirit, an institute promoting Sichuan Embroidery and Brocade;
- One performance of Chengdu Sugar Painting – a national intangible cultural heritage in Jinjiang District – in Shahe Subdistrict.

The 7 activities served more than 5,000 people, and was covered by over 30 media reports. The utilisation of the intangible cultural heritage conservation fund represents an active exploration made to support the inheritance and development of intangible cultural heritage, the construction of an ecosystem for intangible cultural heritage innovation and protection, the promotion of remarkable Chinese traditional culture, and the enhancement of the country’s cultural soft power.



Sportsmanship and the concept of fitness-for-all

Respond to the national advocacy for fitness-for-all and the policy of building China a strong sports nation, Shuijingfang embedded sportsmanship into the brand’s cultural gene, promote the healthy lifestyle among the public, inspire tenacity and endeavour in sports activities and bring sports events to a higher level.

In 2022, Shuijingfang established a three-year strategic partnership with World Table Tennis (WTT), becoming the latter’s global designated celebration alcohol and global premier partner. As part of the partnership, we sponsored the WTT Series in 11 cities across 9 countries. At the same time, Shuijingfang launched the independent sports intellectual property (IP) called ‘Shuijingfang Ping Le, Achieving a Better Life’, working with local table tennis associations to organise the ‘Strongest Ping Pong Team 2022 China Amateur

Ping Pong Team Tournament’ in eight major cities nationwide and held the ‘Table Gathering, Achieving a Better Life’ city forums in six cities. The program ‘Table Gathering’ was developed and broadcasted online, creating a two-way interaction between online and offline platforms and putting ‘nationwide sports’ into action.

In addition, Shuijingfang has supported the ‘Shuijingfang Cup’ city tennis tournament. In April 2022, the Shuijingfang Cup City Tennis Tournament took place in 16 cities across the country, attracting numerous tennis enthusiasts to participate the event. Other tennis events supported by Shuijingfang such as the China Public Tennis League and the National EMBA Tennis Tournament for prestigious universities were also active, and all the table tennis and tennis events have directly reached nearly 5,000 individuals across China and influenced roughly one million people. In the future, Shuijingfang plans to sponsor the ATP (Association of Tennis Professionals) Tour – Rolex Shanghai Masters for three consecutive years from 2023 to 2025.

► Tighter bond with neighbours to support community development

To enhance the interactions with our neighbours, we’ve launched the Friendly Neighbour Programme, following the principles of trust, participation, co-existing and co-construction. In 2022, Shuijingfang carried out a series of activities through the Programme, with an emphasis on local employment, community building, community culture building, and healthy lifestyles. These efforts have strengthened the neighbourly relationship in the community, advanced the joint construction and governance between the community and the Company, and promoted value sharing.

Case

‘Friendly Neighbour Programme – Home Coming’ community recruitment activity for returning migrant workers

From 28 January to 31 March 2022, Qionglai initiated the 2022 Spring Breeze Action serial activities that aimed to solve the employment problem of stranded migrant workers, rural labour force looking for a new job and returning migrant workers, especially those with a low income.

As part of the Spring Breeze Action, on 10 and 11 February 2022 Shuijingfang held the ‘Friendly Neighbour Programme – Home Coming’ community recruitment activity for returning migrant workers, which attracted many visitors. About 380 job opportunities were provided, which included both technical roles appropriate for those with a junior college degree or above and front-line positions.



Case

Shuijingfang Qionglai plant donates initial fund for village road repairs

On 24 June 2022, Shuijingfang held the 2022 Shuijingfang Friendly Neighbour Programme – Donation for Jiuyuan Community Road Repairs. On behalf of the Company, Jianding Lu, Senior Director of Production and Operation at Qionglai plant, donated RMB 20,000 as an initial fund for village road repairs to the community.



Shuijingfang Qionglai plant donates initial fund for village road repairs

Case

Friendly Neighbour Programme – Plant Open Day in celebration of 1 July CPC Founding Day

On 26 June 2022, the Plant Open Day in celebration of 1 July CPC Founding Day – the second event of the Friendly Neighbour Programme jointly organised by Xingwa Community and Shuijingfang came to a successful conclusion. Representatives and residents of Xingwa Community, as well as employees of Shuijingfang, participated in the activity.



Community representatives and residents visit Shuijingfang’s plant



Plant tour

The activity was divided into two parts. The first part was a plant tour, including an introduction to the activity, the connection between the Community and the Company, and the Company’s ESG practices related to environmental protection. Following that, representatives and residents of the Community were guided by Shuijingfang employees to visit the Qujiu production workshop and learn about the manufacturing techniques and entire production process of Baijiu. The second part consisted of community activities such as a science lecture, an interactive session, leaders’ speeches, and the awarding of ‘Friendly Neighbourhood Ambassadors’.

Case

Shuijingfang Friendly Neighbour Programme—Cheers for the World Table Tennis Championships with community

From September 30 to October 9, 2022, the 56th World Table Tennis Championships (Final) was held in Chengdu. Shuijingfang Friendly Neighbour Programme went into the community and joined hands with residents to cheer for the athletes and send blessings for the international competitions.



Shuijingfang Friendly Neighbour Programme—Cheers for the World Table Tennis Championships with community

Case

Friendly Neighbour Programme – ‘Care for Growth, No Alcohol for Minors’ rational drinking promotion in the community

To promote rational drinking and prevent underage drinking, on 12 December 2022, Shuijingfang organised the ‘Care for Growth, No Alcohol for Minors’ rational drinking promotion in the community, as part of its Friendly Neighbour Programme, at the Paikong Estate, Jinliang Community, Pidu District. The event, which took the form of an entertaining Q&A, allowed community residents to learn more about rational drinking and realise the negative consequences of underage drinking, laying a solid foundation for preventing underage drinking.



► Industry empowerment and high-quality industry development

Shuijingfang, firmly believing that an enterprise's success is inextricably linked to the prosperity of its industry, is constantly devoted to the high-quality development of the Baijiu industry by participating in the formulation of industry standards, training industry professionals, as well as initiating and participating in industry initiatives.

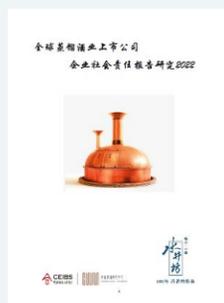
Industry professionals training and expertise sharing

Shuijingfang has been a strategic partner of China Europe International Business School (CEIBS), a world-class business school, since September 2021. In 2022, Shuijingfang donated RMB 1 million to CEIBS Education Foundation and continued its close partnership with CEIBS to advance academic research on corporate social responsibility. At the same time, Shuijingfang, as a teaching and research base of CEIBS, has organised a wide range of activities with the school, acting as a learning platform for future business leaders.

Case

Project in collaboration with CEIBS: Establishment of CSR Management Indicators for Global Distilled Liquor Manufacturers

On 20 May 2022, Shuijingfang and the CEIBS Centre for Wealth Management released the '2022 Study on CSR/ESG Reports of Listed Companies in the Global Distilled Liquor Industry'. The report offers a relatively comprehensive review of the performance and practice of corporate social responsibilities (CSR/ESG) by global listed distilled liquor manufacturers across three dimensions (environmental, social and corporate governance) and eight aspects (climate change management, natural resource management, pollution & emission management, human capital, product management, community service and contribution, ESG management, and internal governance), totalling 35 indicators. It is believed to well guide the information disclosure by more listed companies.



2022 Study on CSR/ESG Reports of Listed Companies in the Global Distilled Liquor Industry

Industry standard formulation

Besides being an active participant in the formulation of Baijiu industry standards, Shuijingfang also initiates or joins in industry initiatives, committed to the progress and development of the industry together with its industry partners. The industrial associations, societies, alliances, national or international organisations that Shuijingfang had joined by 2022 are as follows:



► Key performance indicators

Indicator (unit)	Data in 2022
Charity donations by the Company (RMB)	5,020,000
Number of corporate-level public welfare programmes	6
In-kind donations, e.g., products or services (value in cash)(RMB)	49,305.43

Detail of cash donation

Donated to	Donations in 2022 (RMB)
CEIBS Education Foundation	1,000,000
Chinese Red Cross Foundation	2,000,000
China Sports Foundation	2,000,000
Jiuyuan Community, Kongming Subdistrict of Qionglai City	20,000
Total	5,020,000

Chapter V

The green planet

Man and nature are intrinsically tied, as are business and nature. Environmental management aims not only to protect the environment, but also to enable a business to better identify and respond to environment-related risks and opportunities, and then seek healthy and sustainable growth. In 2022, while adhering to all environmental regulations and policies, Shuijingfang developed measurable mid- and long-term environmental management goals along its pathway to being a leading environment-friendly enterprise in the industry in tribute to a more splendid planet.

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



► Environmental compliance management

For environmental compliance management, Shuijingfang develops various internal policies, commitments and management objectives in line with national regulations and policies, and guarantees the consistent enforcement of all regulations during business operations through a systematic environmental management framework.

Strict compliance with environmental laws and regulations

Shuijingfang carries out production, construction and operation activities in strict compliance with environmental laws and regulations at the state, provincial and municipal levels. There were no unexpected environmental risk events, environmental violations or administrative penalties recorded at Shuijingfang in 2022.

Shuijingfang abides by 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.

Environmental governance framework

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 Operating Officer is in charge of the EHS Management Department and responsible for environmental protection matters. In the meantime, environmental compliance is included into the assessment scope of EHS management and control objectives, and serves as a basis for employees’ annual KPI appraisal, with direct impact on their salary adjustment and year-end bonus. 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.



Shuijingfang Environmental Guideline

Our commitment ▼

Environmental protection is critical to the healthy development of the Company. Our vision is to achieve environmental sustainability without causing severe long-term depletion of natural resources or lasting harm to species, habitats, biodiversity or climate. Environmental protection is covered among all of our operations, as well as the work of all functional departments. We’re all obligated to engage in and promote environmental protection and fulfil our long-term vision of environmental and sustainable development.

Our core principles ▼

- **Compliance** We comply with applicable environmental protection laws, regulations and standards, as well as the requirements of interested parties.
- **Environmental management** We establish and enforce a whole-process environmental management system, regulate environmental behaviour, regularly review and monitor performance, for the continuous improvement of environmental system and environmental behaviour.
- **Impact assessment** In response to internal and external changes and demand, we perform environmental risk assessment and develop effective prevention and control measures prior to necessary internal management or hardware changes.
- **Energy and greenhouse Gas** We take into account energy and environmental impacts in decision-making, continuously improve energy efficiency, and regularly evaluate and use cost-effective and reliable renewable resources.
- **Water resource management** We comply with local prescribed water abstraction and discharge limits, set factory service water and wastewater discharge targets, conduct regular water balance tests, and apply water conservation measures/technologies, to continuously improve water use efficiency.
- **Materials and solid waste** We gradually use renewable or recyclable materials in products and packaging to limit the adverse impact on the environment, abandon the landfill of production and consumer waste to accomplish the goal of zero production waste to landfill.
- **Hazardous substances** We periodically identify hazardous substances produced in production and business activities, develop and take reduction measures where feasible, and dispose of the hazardous substances in a harmless manner as per national and local laws and regulations and the requirements of interested parties.
- **Supply chain management** We inform suppliers of raw and auxiliary materials and services of our environmental requirements, regularly review the performance of their environmental policies, and encourage them to organise dependable environmental management activities.
- **R&D** We implement and support all technological R&D activities that reduce the environmental impact of all the Company’s production activities, including raw materials, products, and waste, and seek collaboration with the research institutes of our counterparts.
- **Employees’ awareness** We help employees recognise that they shoulder significant environmental responsibilities at work and in life through education, training and incentive programs.
- **Emergency response** We establish, maintain and enforce a sound environmental emergency plan and emergency measures, and organise regular drills.
- **Goal tracking** We establish annual environmental goals and indicators, and the management plans that support these goals, and make regular reviews to measure our sustainability performance.
- **Information disclosure** We regularly make public the environmental impacts and environmental behaviours arising from production and operation activities, and ensure that such information is authentic and reliable.

*This Guideline applies to employees at all levels, all production and office locations, and all aspects of operations of Sichuan Shuijingfang Co., Ltd. and its affiliated subsidiaries.

*The documents, records and data involved above are subject to the Company’s confidentiality policy. If you find any non-compliance with this Guideline, please report it to EHS or call our compliance hotline at 400-818-1011.

Environmental policies and commitments

Subject to applicable laws and regulations and the ‘Shuijingfang Environmental Guideline’, we have prepared an array of environmental management procedures for different aspects of our operations, which are constantly under update and optimisation. They include the ‘Resources and Energy Management Procedure’, the ‘Pollutants and Noise Management Procedure’, the ‘Waste Management Regulations’, the ‘Chemicals Management Procedure’, the ‘EHS Objectives, Indicators and Plans Management Procedure’, the ‘Company Water Management Regulations’, the ‘EHS Management Procedure for Contractors’, etc. Moreover, we have been certified by the ISO 14001 Environmental Management System, specified three ESG goals in the environmental domain – ‘energy and carbon emission management’, ‘water resource management’ and ‘packaging and waste management’, and established special funds for environmental protection against ‘three wastes’ (wastewater, waste gases, solid waste) and noise – all of which are sustained efforts to promote environmental compliance management.

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 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 footprint 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 choice 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

Shuijingfang has long been pursuing a greener and more sustainable production process. We are hence devoted to continually increasing energy efficiency, lowering GHG emissions, optimising water management, and regulating ‘three wastes’ and noise pollution to allow green manufacturing in all aspects.

Energy efficiency and GHG emissions management

We take into account the impact of energy use and GHG emissions on the environment in decision-making, and continue to enhance our performance in energy conservation and emission reduction through scientific management and technological upgrades.



Setting of energy and carbon emission management goals

In 2022, Shuijingfang began energy and carbon emission management across the board. We submitted the commitment letter for Science Based Targets initiative (SBTi) in April 2023 to help achieve the Paris Agreement’s goal ‘to limit the temperature increase to 1.5° C above pre-industrial levels’.

Led by the ESG Steering Committee, all business departments are fully engaged in setting Shuijingfang’s carbon emission management goals. Up to now, we have completed a comprehensive carbon emission baseline investigation and accounting throughout existing production sites and office facilities, as well as a thorough analysis of the emission reduction potential and forecasts for future technological improvement in all domains. This establishes the groundwork for setting scientific, feasible and industry-leading carbon control targets. Following that, Shuijingfang will make every effort to fulfil energy conservation and emission reduction targets as scheduled by consistently optimising manufacturing processes, improving the energy efficiency of production equipment, expanding the use of renewable energy, and purchasing green electricity and carbon sinks.

Biogas power generation project at Qionglai site

According to its planned capacity, the sewage treatment station at the Qionglai Phase I site is estimated to output a maximum of 400m³ of biogas per hour, so the project is also outfitted with an 800kW biogas generator set and a 2000m³ biogas bag. This is expected to offer an annual biogas power generating capacity of 2,764,800kW·h, accounting for about 15% of the Company’s annual electricity consumption.

Maximum biogas output per hour	Estimated annual biogas power generating capacity	Percentage accounted for company’s annual electricity consumption
400 m ³	2,764,800 kW·h	15%

Purchase of the International Renewable Energy Certificate

While taking systematic energy conservation and emission reduction measures, Shuijingfang also offsets its electricity consumption by purchasing the International Renewable Energy Certificate (I-REC) every year. From 1 July 2021 to 30 June 2022, we purchased a total of 6,335 MWh of power from clean resources.

From 1 July 2021 to 30 June 2022, purchased **6,335** MWh of power from clean resources



Water management

Shuijingfang follows the prescribed water intake and discharge restrictions at national and regional levels, establishes management regulations and targets for factory water and wastewater discharge, 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. The Regulations applies 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

Shuijingfang has made sustained efforts to water conservation as led by the Chengdu Office of Water Conservation and under the 'Sichuan Provincial People's Government's Implementation Opinions on Enforcing the Strictest Water Resources Management', the 'Chengdu Water Conservation Management Regulations' and other requirements. Our water conservation initiatives mainly include the following:

1. Continue to monitor the Company's water balance, and control the difference between the metres at first and second levels below 5%;
2. Promote water conservation from time to time to raise employees' awareness;
3. 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;
4. Conduct water use inspection and consumption analysis on a monthly basis to eliminate waste and find opportunities for energy saving;
5. Provide a drawing of the water distribution 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;
6. Use reclaimed water for toilet flushing and greenery watering on the campus, and apply water-saving sprinklers for watering.

Reuse of bottle washing water

Wastewater produced by bottle washing is reused for the factory boundary water spray system, which is estimated to save about 2,900m³ of tap water every year.



Water treatment system at Qionglai site

The sewage plant at our Qionglai Phase I site is designed with a reclaimed water system that can turn 100 tons of wastewater every day into up-to-standard reclaimed water. The reclaimed water is used to meet everyday living and office operation needs such as washing toilets and sinks. It reduces both the discharge of wastewater and the consumption of tap water. The project is expected to reduce wastewater/save tap water of about 27,000 tons each year (as per 270 working days per year).

Furthermore, subject to adequate water quality testing and inspection, the sewage plant sporadically utilises wastewater effluent as replenishment water for the nutrition tanks in the sewage treatment process. This is estimated to cut wastewater /save tap water by 180 tons per year.



Pollution and waste control

Shuijingfang disposes of the three wastes and noise in strict accordance with national standards, coupled with a detailed environmental monitoring plan. The discharge outlets of the three wastes and noise have been standardised and set with corresponding environmental protection signs.

In 2022, Shuijingfang entrusted a third-party testing agency to monitor its pollution sources and issue a testing report. The testing results were found compliant with national, local and industry emission standards.

Wastewater disposal and monitoring

Shuijingfang has built its own sewage treatment station with a designed capacity of 320m³/d, serving the Company's production and office wastewater treatment. The station treats sewage using biological processes (i.e., anaerobic reaction, two-stage A/O, and advanced treatment). The effluent treated is discharged into the municipal sewage network after meeting the indirect discharge standard specified 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. And there is also an accident pool to prevent accidental wastewater from being discharged.

The main sewage outlet is fitted with an online pollutant monitor to detect chemical oxygen demand (COD), ammonia nitrogen (NH₃-N), total nitrogen (TN), total phosphorus (TP), pH and other pollutants. The monitor is regularly maintained by a third party and connected to the Chengdu Environmental Protection Information Centre to upload the detection data in real time.

The sewage station at the Qionglai Phase I site employs cutting-edge sewage treatment technology, with a daily capacity of 1,200 tons. The disposed wastewater is discharged in line with GB27631-2011.

Waste gas disposal and monitoring

In terms of waste gas disposal, Shuijingfang has completed technical renovations on grain crushing workshops, natural gas boilers, and sewage stations, to classify and control the pollutants generated. At the same time, 8 sets of bag filters are installed in the process stages that generate dust, such as feeding, screening, and grinding, in the grain crushing workshops, and the emission of exhaust gas after treatment conforms to the 'Integrated Emission Standard of Air Pollutants (GB16297-1996)'. In addition, canteens are equipped with electrostatic fume purifiers to treat oil fume, gas for production and domestic use is supplied by 20t/h natural gas boilers, and the low- NOx combustion process is used for denitration.

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.

- Industrial solid waste

Type	Disposal quantity (ton)
General industrial solid waste	11,572.46
Hazardous waste	8.09



► Green supply chain

Shuijingfang is not only concerned with the eco-friendliness of its own production activities, but also pursues a green and sustainable supply chain. The core principles outlined in our environmental guideline involve the environmental management of the supply chain, and some of our related internal policies also apply to our supply chain partners such as contractors and transport service providers. We perform admission assessments on suppliers, as well as regular onsite inspections and audits of their environmental performance, urging them to take corrective measures for any nonconformities discovered. The Company has also introduced the supplier environmental violation handling procedures, as part of its holistic set of environmental management initiatives designed for the supply chain.

► Green office and operations

Shuijingfang continuously strengthens green operations, and is committed to energy saving and emission reduction at office. We integrate the philosophy of green development into our daily practices by designing environmentally friendly buildings, promoting green office culture, and encouraging low-carbon mobility.

Green building

Shuijingfang prioritises the green and sustainable design and construction of the campus and buildings in its Qionglai whole industrial chain base project. On December 14, 2022, the brewing workshop, experiment building, and restaurant in Qionglai Phase I obtained LEED Gold. All certified buildings are 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 office

Shuijingfang champions a green office culture, encourages employees to reduce waste through reminders for air conditioning temperature setting and paper saving slogans, and promote garbage classification through the placement of classified trash bins. In the meantime, we continue to advocate environmental protection concepts and environmental practices in the workplace via our public WeChat account.

Green deposit

In December 2022, Shuijingfang received a green certificate of deposit from HSBC Bank (China) Company Limited (HSBC China), with a deposit amount of RMB 10 million. The proceeds will be specially used for green credit and go towards financing eligible green and environmental protection projects in sectors such as renewable energy, efficient buildings, sustainable waste management, sustainable land use, sustainable water management, and climate change adaptation. Shuijingfang and HSBC China will continue to help shape a green and low-carbon society and build sustainable business through the green financial scheme, making joint efforts to support the national goals on peak carbon emissions and carbon neutrality, as well as high-quality, green and sustainable development.



Low-carbon mobility

Shuijingfang motivates employees to travel in a green and low carbon manner by providing convenient public transportation services and establishing complete green infrastructure.

- We place new energy vehicles in the factory area, and coordinate with the government to set up public transport stations near the gate of the factory to encourage employees to use public transport and reduce carbon emissions.
- Charging piles, dedicated parking spaces for new energy vehicles and bicycle sheds are set up on the campus to encourage employees to travel green and reduce vehicle exhaust emissions.

Remote work

Shuijingfang welcomes outstanding people from all over China. We have introduced various working amenities, such as Tencent Conference and Skype, to support employees to work remotely and improve their productivity.

► Sustainable consumption

Realising the importance of sustainability and environmental protection during the consumption process, Shuijingfang continues improving packaging processes and optimising transport methods, thus promoting sustainable consumption with innovative sustainable products.

📦 Packaging reduction

Shuijingfang continues to reduce the overall weight of packaging materials by optimising package design and manufacturing processes. We cut our use of packaging materials such as corrugated paper and plastic items in 2022. This allowed us to minimise resource consumption while achieving cost optimisation.

- In 2022, we optimised the finishing procedures for glass bottles and gift boxes, and canceled bagging for the two packaging materials. This measure reduced the use of plastics without compromising the quality of packaging materials, lowering both packaging and shipping costs. Meanwhile, with the time of bagging and debagging saved, productivity was boosted.



- We strictly follow the updated national standard for commodities' interspace ratio and its calculation methodology, attaining 100% compliance.

📦 Packaging recycling

The weight of recyclable packaging materials used at Shuijingfang showed a prominent increase by the end of 2022.

- Non-recyclable wooden bases have been replaced with recyclable ABS ones.
- We've extended green packaging practices to suppliers.

📦 Packaging spray-free

Shuijingfang works hard to reduce the production of VOCs and hazardous waste by abandoning the spraying process required for packaging. In 2022, we replaced the pearlescent spray painting for the base of the new Jingtai range with direct injection moulding, lessening the environmental pollution caused by ink spraying without changes to the exterior design.

🚚 New energy logistics

We continue to increase the share of new energy vehicles used for product transportation. Our third-party transport service providers are required to use new energy vehicles for intracity routes in Chengdu according to the loading capacity. By 2022 end, the percentage of distribution by new energy vehicles in Chengdu was around 10%.

Percentage of distribution by new energy vehicles in Chengdu was around **10%**

► Key performance indicators

Items		Indicator (unit)	Data in 2022
Water consumption		Water for production use (ton)	161,723
		Water for office use (ton)	16,918
GHG emissions	Stationary combustion source	Natural gas for boiler use (CO ₂ equivalent, kg)	4,229,238.58
		Diesel for fixed facility use (CO ₂ equivalent, kg)	38,238.23
	Mobile combustion source	Diesel for vehicle use (CO ₂ equivalent, kg)	9,830.53
		Gasoline for vehicle use (CO ₂ equivalent, kg)	58,819.32
	Power consumption	Power for production use (CO ₂ equivalent, kg)	2,113,280.60
		Power for office use (CO ₂ equivalent, kg)	1,000,546.49
Green electricity (From 1 July 2021 to 30 June 2022)	Purchase quantity	KWH	6,335,000
	Emission reduction	CO ₂ equivalent, kg	3,680,635

Appendices

► Index tables

GRI content index

Statement of use Shuijingfang has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 with reference to the GRI Standards.

GRI 1 used GRI 1: Foundation 2021

GRI Standard	Disclosure	Location
GRI 2: General Disclosures 2021	2-1 Organisational details	Improved corporate governance capabilities for sustainable and steady growth About Shuijingfang
	2-2 Entities included in the organisation's sustainability reporting	About this report
	2-3 Reporting period, frequency and contact point	Third-party audit About this report
	2-5 External assurance	Third-party audit
	2-6 Activities, value chain and other business relationships	Superior products and services Supplier compliance management Supplier empowerment and development Distributor management and empowerment Establishment of a modern and more efficient supply chain Supply chain management - Key performance indicators
	2-7 Employees	Legal and compliant employment To be a trusted employer through equality and inclusivity Human resource management - Key performance indicators
	2-9 Governance structure and composition	ESG governance structure Improved corporate governance capabilities for sustainable and steady growth
	2-10 Nomination and selection of the highest governance body	Improved corporate governance capabilities for sustainable and steady growth
	2-11 Chair of the highest governance body	ESG governance structure Improved corporate governance capabilities for sustainable and steady growth
	2-12 Role of the highest governance body in overseeing the management of impacts	Improved corporate governance capabilities for sustainable and steady growth

GRI 2: General Disclosures 2021	2-13 Delegation of responsibility for managing impacts	Improved corporate governance capabilities for sustainable and steady growth
	2-14 Role of the highest governance body in sustainability reporting	ESG governance structure
	2-15 Conflicts of interest	Improved corporate governance capabilities for sustainable and steady growth
	2-16 Communication of critical concerns	Improved corporate governance capabilities for sustainable and steady growth
	2-17 Collective knowledge of the highest governance body	Improved corporate governance capabilities for sustainable and steady growth Internal control, compliance and risk management
	2-18 Evaluation of the performance of the highest governance body	Improved corporate governance capabilities for sustainable and steady growth
	2-19 Remuneration policies	Improved corporate governance capabilities for sustainable and steady growth Employee compensation
	2-20 Process to determine remuneration	Improved corporate governance capabilities for sustainable and steady growth
	2-22 Statement on sustainable development strategy	ESG strategy
	2-23 Policy commitments	SJF 2035 Sustainability Targets
	2-24 Embedding policy commitments	SJF 2035 Sustainability Targets
	2-25 Processes to remediate negative impacts	Internal control, compliance and risk management Anti-corruption and anti-unfair competition regime
	2-26 Mechanisms for seeking advice and raising concerns	Internal control, compliance and risk management Anti-corruption and anti-unfair competition regime
	2-27 Compliance with laws and regulations	Internal control, compliance and risk management Anti-corruption and anti-unfair competition regime Information security
	2-29 Approach to stakeholder engagement	Key issues of concern by stakeholders and means of communication
2-30 Collective bargaining agreements	To be a trusted employer through equality and inclusivity	
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality analysis
	3-2 List of material topics	Materiality analysis
	3-3 Management of material topics	Materiality analysis
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Employee compensation
	201-3 Defined benefit plan obligations and other retirement plans	Employee compensation

GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Public welfare philosophy and management structure Diverse public welfare programmes for greater commercial and social value Tighter bond with neighbours to support community development The inclusive society - Key performance indicators
	203-2 Significant indirect economic impacts	Public welfare philosophy and management structure Diverse public welfare programmes for greater commercial and social value Industry empowerment and high-quality industry development The inclusive society - Key performance indicators
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Supplier empowerment and development Supply chain management - Key performance indicators
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Anti-corruption and anti-unfair competition regime The high-efficient governance - Key performance indicators
	205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption and anti-unfair competition regime
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption and anti-unfair competition regime
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Anti-corruption and anti-unfair competition regime
GRI 207: Tax 2019	207-1 Approach to tax	Internal control, compliance and risk management
	207-2 Tax governance, control, and risk management	Internal control, compliance and risk management
	207-3 Stakeholder engagement and management of concerns related to tax	Internal control, compliance and risk management
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Sustainable consumption
	301-2 Recycled input materials used	Sustainable consumption
	301-3 Reclaimed products and their packaging materials	Sustainable consumption
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Environmental compliance management Green production
	302-3 Energy intensity	Green production
	302-4 Reduction of energy consumption	Green production Green office and operations Sustainable consumption The green planet - Key performance indicators
	302-5 Reduction in energy requirements of products and services	Green production Green office and operations Sustainable consumption

GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Environmental compliance management Green production
	303-2 Interactions with water as a shared resource	Green production
	303-3 Water withdrawal	Green production
	303-4 Water discharge	Green production
	303-5 Water consumption	Green production
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	Environmental compliance management
	304-3 Habitats protected or restored	Environmental compliance management
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Green production Green office and operations The green planet - Key performance indicators
	305-2 Energy indirect (Scope 2) GHG emissions	Green production Green office and operations The green planet - Key performance indicators
	305-5 Reduction of GHG emissions	Green production Green office and operations Sustainable consumption The green planet - Key performance indicators
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Green production
	306-2 Management of significant waste-related impacts	Green production
	306-3 Waste generated	Green production
	306-4 Waste diverted from disposal	Green production
	306-5 Waste directed to disposal	Green production
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supplier compliance management Green supply chain
	308-2 Negative environmental impacts in the supply chain and actions taken	Supplier compliance management
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Legal and compliant employment Human resource management - Key performance indicators
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee compensation
	401-3 Parental leave	Employee compensation

GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational health and safety
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational health and safety
	403-3 Occupational health services	Occupational health and safety
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety
	403-5 Worker training on occupational health and safety	Occupational health and safety
	403-6 Promotion of worker health	Occupational health and safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational health and safety
	403-8 Workers covered by an occupational health and safety management system	Occupational health and safety
	403-9 Work-related injuries	Occupational health and safety
	403-10 Work-related ill health	Occupational health and safety
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Superior products and services Employee development and empowerment Human resource management - Key performance indicators
	404-2 Programs for upgrading employee skills and transition assistance programs	Superior products and services Employee development and empowerment
	404-3 Percentage of employees receiving regular performance and career development reviews	Employee development and empowerment
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Legal and compliant employment Human resource management - Key performance indicators
GRI 406: Non-discrimination (2016)	406-1 Incidents of discrimination and corrective actions taken	Legal and compliant employment
GRI 408: Child Labour (2016)	408-1 Operations and suppliers at significant risk for incidents of child labour	Legal and compliant employment
GRI 409: Forced or Compulsory Labour (2016)	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Legal and compliant employment
GRI 410: Security Practices (2016)	410-1 Security personnel trained in human rights policies or procedures	To be a trusted employer through equality and inclusivity
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	To be a trusted employer through equality and inclusivity

GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Responsibility for the industry Public welfare philosophy and management structure Tighter bond with neighbours to support community development Industry empowerment and high-quality industry development The inclusive society - Key performance indicators
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supplier compliance management
	414-2 Negative social impacts in the supply chain and actions taken	Supplier compliance management
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Superior products and services Responsibility for consumers The fulfilled life - Key performance indicators
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Responsibility for consumers The fulfilled life - Key performance indicators
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Responsibility for consumers The fulfilled life - Key performance indicators Distributor management and empowerment
	417-2 Incidents of non-compliance concerning product and service information and labeling	Responsibility for consumers The fulfilled life - Key performance indicators Distributor management and empowerment
	417-3 Incidents of non-compliance concerning marketing communications	Responsibility for consumers The fulfilled life - Key performance indicators Distributor management and empowerment
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Responsibility for consumers Digital innovation The fulfilled life - Key performance indicators

Indexing to SSE Guideline for Self-Regulation of Listed Companies and SDGs

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ESG governance structure			
SJF 2035 Sustainability Targets			
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	Responsibility for consumers		
	Digital Innovation		
	Responsibility for the industry		
Key performance indicators			

Chapter III: The rewarding partnership	Human resource management	Legal and compliant employment	8.1, 8.3, 8.5, 8.6, 8.7, 8.14	Goals 3, 4, 5, 10	
		To be a trusted employer through equality and inclusivity			
		Occupational health and safety			
		Employee development and empowerment			
		Employee compensation			
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		Supplier empowerment and development			
		Distributor management and empowerment			
		Establishment of a modern and more efficient supply chain			
		Key performance indicators			
Chapter IV: The inclusive society	Public welfare philosophy and management structure	Diverse public welfare programmes for greater commercial and social value	8.1, 8.3, 8.5, 8.6	Goals 1, 2, 4, 10, 11	
		Tighter bond with neighbours to support community development			
		Industry empowerment and high-quality industry development			
		Key performance indicators			
Chapter V: The green planet	Environmental compliance management	Green production	8.1, 8.3, 8.5, 8.6, 8.8, 8.9, 8.15	Goals 6, 7, 8, 9, 11, 12, 13, 14, 15	
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► 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 Zhenniàng 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 strong flavour 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.

Corporate vision

To be a top tier strong flavour player, with sustainable and healthy growth, most trusted and respected in the industry.

Brand mission

Innovating and inheriting 600-year liquor aesthetics, promoting Chinese aesthetic culture, and co-creating a better life for the people.

Corporate culture

Shuijingfang is a vibrant firm, in which our people are dedicated to physical and emotional well-being.

Instead of focusing just on personal accomplishments, our people take pride in assisting others to succeed.

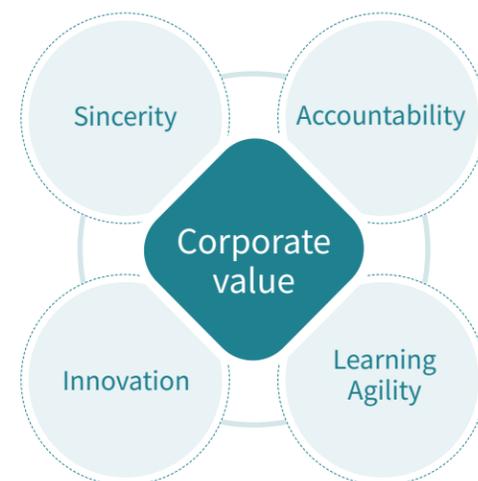
We work with agile thinking, and execute high-quality decisions with excellent performance.

We adore the Company's products and brands, and share its successes and failures.

Consistent integrity and the motivation to keep learning and growing are the keys for us to win the respect of customers.

We cling to quality, to inherit and build on the 600-year-old traditional craftsmanship with an innovative spirit.

Our learning-oriented culture and brand image of giving back to the society have made Shuijingfang a well-known and desirable company.



► 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 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 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 Shuijingfang Museum was rated as a State-level Industrial Heritage.
- 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'.
- On 5 July 2021, Chengdu Shuijingfang High-end Liquor Sales Co., Ltd. was established.
- 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's testing centre and R&D centre laboratory were certified as Sichuan Provincial Enterprise Technology Centre.
- 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 the Qionglai Municipal Government signed the 'Investment Agreement on Shuijingfang Qionglai Whole Industry Chain Base (Phase II) Project' (the Qionglai Phase II Project).
- In 2023, Shuijingfang unveiled its 2035 Sustainability Targets.
- In 2023, Shuijingfang submitted the commitment letter for the Science Based Targets initiative (SBTi).

▶ Third-party audit



ASSURANCE STATEMENT

SGS-CSTC'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE 2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT OF SHUIJINGFANG SUBMITTED BY SICHUAN SHUIJINGFANG CO., LIMITED

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS-CSTC was commissioned by the Sichuan Shuijingfang Co., Ltd (thereafter as "Shuijingfang") to conduct an independent assurance of the Chinese version of the 2022 Shuijingfang Environment, Social and Governance (ESG) Report (hereinafter called "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 directors and the management of Shuijingfang.

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 recognized assurance guidance and standards, which 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.

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

- SGS ESG & SRA verification regulations (Refer to GRI Principles and AA1000 Guides)

The Assurance has been conducted at a moderate level of scrutiny.

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:

Reporting standards	
1	The <Guidelines for Self-discipline and Supervision of Listed Companies > By Shanghai Stock Exchange
2	GRI Standards 2021(Reference)

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, off-site interviews with relevant headquarter Shuijingfang employees; Documents and records are reviewed and confirmed with relevant employees of other subsidiaries as necessary.

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 off-site verification was only at the Shuijingfang head-office and did not involve other branches.

This verification only conducted interviews with staff of Shuijingfang and access to relevant materials and didn't involve external stakeholders.

STATEMENT OF INDEPENDENCE AND COMPETENCE

SGS is the world's leading inspection, verification, testing and certification company, SGS is recognized as the global benchmark for quality and integrity. SGS is a global leader in inspection, testing and verification, operating in more than 140 countries/ areas, providing services including management systems and service certification; quality, environmental, social and ethical audits and training; environmental, social and sustainability report assurance. SGS affirms that it is a completely independent organization from Shuijingfang, and that there is no bias or conflict of interest against Shuijingfang, its affiliates and stakeholders.

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

VERIFICATION/ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, the information and data contained within the Report verified is accurate and reliable, which have provided a fair and balanced representation of corporate sustainability activities by Shuijingfang in 2022. There was no non-compliance with reporting standards in any material topics.

The CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion, The Report of Shuijingfang for 2022 is presented in accordance with the Introduction disclosure requirements of the <Guidelines for Self-discipline and Supervision of Listed Companies > By Shanghai Stock Exchange and refer to GRI standard (2021)

REPORT PRICIPLES

Accuracy

The information in the Report was accurate, which could disclose more qualitative and quantitative information on performance for stakeholders.

Balance

The Report disclosed the positive and non-positive information, basically complying with the balance principle.

Clarity

The Report used various expression ways such as words, charts, graphs, photos and combination with the case analysis, it was easily understood by stakeholders.

Comparability

The Report disclosed performance indicators of Shuijingfang in 2022, stakeholders can compare these sustainable performance indicators within the same industry.

Completeness

The Report covered the identified material aspects and their boundaries and relatively completely reflected the significant impacts on economy, environment, and society, so that the stakeholders could assess the performance of Shuijingfang in the reporting period.

Sustainability Context

Shuijingfang presented its efforts to the sustainable development in economic, environment and social aspects. The performance was presented in the sustainable context.

Timeliness

The data and information in the Report was on a regular schedule and available in time. Shuijingfang will report on a regular schedule with one year to assure the good timeliness.

Verifiability

Shuijingfang has established the management process about the sustainability report, and it was timely collected, recorded, and analyzed the information and data which disclosed in the report. The information and data disclosed in the report are realistic and verifiable.

Management Approach

The report discloses the management approach of determined material topics.

KEY PERFORMANCE INDICATOR DISCLOSURE

Shuijingfang had disclosed the key performance indicators about the economic, environmental, and social subject which applicable to the relevant reporting Guides.

Findings and recommendations

Detail report of the good practices, findings and recommendations for continuous improvement were presented in SGS internal management report which has been submitted to Shuijingfang.

Sign:



For and on behalf of SGS-CSTC

David Xin

Sr. Director – Knowledge

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Apr. 27th, 2023

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