



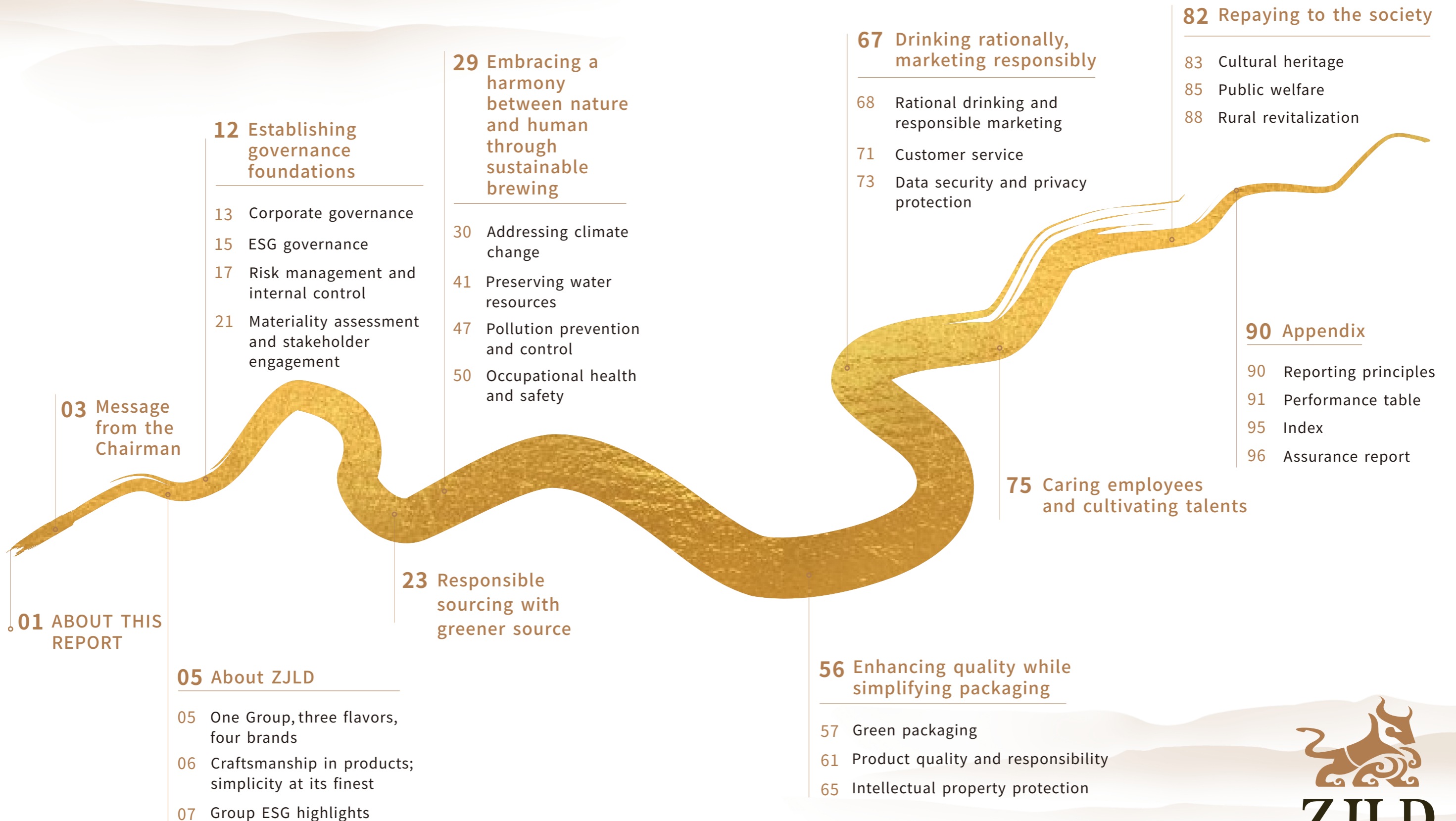
# 2023 ZJLD Group Inc.

## Environmental, Social and Governance (ESG) Report

ESG journey with a bottle of baijiu



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# ABOUT THIS REPORT



## ORGANIZATION SCOPE

This report covers the environmental, social and governance (ESG) practice of ZJLD Group Inc. and its main subsidiaries (Guizhou Zhenjiu Brewing Co. Ltd., Guizhou Zhenjiu Sales Co., Ltd., Jiangxi Lidu Liquor Industry Co., Ltd., Jiangxi Lidu Liquor Sales Co., Ltd., Hunan Xiangjiao Liquor Industry Co. Ltd., and Hunan Xiangjiao Liquor Sales Co., Ltd.), as well as business operations during the reporting period, with content consistent with the business scope of ZJLD Group Inc.

## TIME RANGE

Unless otherwise specified, the time range of the data and content disclosed herein spanned from **1 January 2023 to 31 December 2023**.

## PUBLICATION CYCLE

This is the second ESG report published by ZJLD Group Inc. The report is published annually, with the previous report released in April 2023 with the time range of the data and content disclosed herein spanned from 1 January 2022 to 31 December 2022.

## REFERENCING

For ease of expression, “ZJLD”, “the Group” and “we” in the report all refer to ZJLD Group Inc. and its subsidiaries.

## NOTES ON DATA

The data quoted in this report is final as of 31 December 2023, mainly from the Group's internal data collection system, statistical reports and publicly available information. The Group promises that the information and data cited in this report do not contain any false records, misleading statements or material omissions. We take responsibilities for the objectivity, authenticity and accuracy of the report content. Unless otherwise specified, the monetary amounts shown in the report are presented in Renminbi. To further ensure the accuracy of the content and information in this report, the Group invited Bureau Veritas to conduct limited assurance work on selected key data in this report. For the independent assurance report and its basis, please refer to the assurance report in the Appendix.

## REPORTING STANDARDS

This report is prepared in accordance with:

- ※The ESG Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (HKEX) (Listing Rules)
- ※The Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules (Corporate Governance Code)
- ※The Sustainability Reporting Guidelines by the Global Reporting Initiative (GRI Standards)
- ※The United Nations Sustainable Development Goals (SDGs)
- ※Reporting Framework for the Liquor Industry by the Sustainability Accounting Standards Board (SASB)
- ※China Alcoholic Drinks Association ESG Disclosure Guide

## LANGUAGE

This report is prepared in Simplified Chinese, Traditional Chinese, and English. In case of any discrepancy in understanding the content, the Simplified Chinese version shall prevail.

## ACCESS

This report is available in print (with environmentally friendly ink and paper) upon specific request by shareholders and electronic form.

View or download the electronic version through link below:

ZJLD official website: <https://www.zjld.com/>

If you have any comments or suggestions on this report, please provide feedback via email. Thank you for your concern and support for the ESG efforts of ZJLD Group Inc.

[www.zjld.com](https://www.zjld.com)

ZJLD Group Inc.

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# Message from the Chairman



Chairman of the Board of Directors of ZJLD Group  
*Wu Xiangdong*

In 2023, ZJLD Group welcomed its moment of glory as the first listed baijiu stock on the Hong Kong Stock Exchange, the second listed jiang-flavored liquor stock in China and received five praises from the People's Daily. The Group achieved remarkable results with annual operating income growth of over 20.1% and adjusted net profit growth of over 35.5%. We also withstood the challenges of economic downturn, industry structure changes, and intensified product competition. In the context of opportunities and challenges, ZJLD Group actively responded to national strategies and overall social needs, implemented sustainable development concepts and made all-out efforts to stabilize growth, brand promotion and risk prevention. The Group contributed to enhancing the vitality, competitiveness, and influence power of the baijiu industry, highlighting the contemporary connotation of corporate social responsibility in

China.

In 2023, ZJLD Group has responded to the product, the brand, the society, and the future from an ESG perspective. In the first year of listing, we held 22 internal sessions dedicated to ESG topics and completed 152 ESG management improvement tasks, achieving the 2025 ESG strategic goals of conserving water resources, reducing GHG emissions intensity, using green packaging on a larger scale, and practicing rural revitalization ahead of schedule. In August 2023, the Group received Wind ESG "AA" rating; in December 2023, the Group was successfully awarded for the Wind 2023 China Listed Companies Top 100 ESG Best Practice, being the only baijiu company on the list and the only newly listed company to win the award.

## Wholeheartedly brewing fine baijiu and exquisitely crafting products

We adhere to the spirit of craftsmanship that values perseverance and professionalism. The "four pairs of shoes" system highlights our pursuit of quality in the detailed management of baijiu brewing. Years of deep cultivation in the industry have taught us that a good ecological environment is the foundation and guarantee of quality.

In terms of production, we actively respond to the national policy of energy saving and emission reduction. In 2023, the Group increased the proportion of green electricity usage to 10% by installing rooftop distributed photovoltaics and purchasing green electricity certificates. Meanwhile, with the implementation of a series of measures to expand production, increase efficiency, save energy and reduce emissions, the Group's annual Scope 1 and 2 GHG emissions intensity decreased by 22.2% compared to that in 2022. In addition, we actively invested in the research and development of improved equipment and technology, and each distillery implemented water-saving measures such as water recycling at packaging workshops and

replacing water cooling systems with wind cooling systems, resulting in a 24.5% decrease in the Group's annual water withdrawal intensity compared to that in 2022.

In terms of products, we vigorously promote a series of high-end outer-packaging-free baijiu, implement the replacement of environmentally friendly packaging materials, and focus on the recycling of packaging. In 2023, the proportion of recyclable, reusable, and degradable packaging materials by weight surpassed 97%. At the same time, to lead the trend of baijiu bottle recycling, we strongly promoted the bottle recycling and creative processing project, with a total of 11,642 bottles recovered.

In 2023, Guizhou Zhenjiu was among one of the five baijiu enterprises to be awarded the title of "National Green Factory" by the Ministry of Industry and Information Technology. This recognition at national level is a testament to ZJLD Group's long-term adherence to ecological priority and our green development practices.

## Entrenching culture in brand development and carefully creating immersive experiences

We are committed to building the three-tier development engine of the "three enterprises and four brands", from products to brands, focusing not only on the improvement of production capacity, quality, and service but also on the culture, spirit, and responsibility.

Guizhou Zhenjiu conveys a unique consumer aesthetics with a new visual image that integrates the intangible cultural heritage of Kingfisher feather art craftsmanship, and respects and adheres to the craftsman spirit by incorporating intangible cultural heritage skills to create the dragon-year brocade; Lidu, as one of the "Seven Sons of Chinese Baijiu", facilitates baijiu's application for World Heritage, showcasing to the world the unique cultural heritage of the Yuan Dynasty pits; Xiangjiao, determined to be the fragrance of the world, deeply cultivates the development and growth of regional markets. In 2023, Guizhou Zhenjiu once again joined the Hurun Brand List, with a 20% increase in brand value. In the future, we will continue to implement the internationalization strategy of our Zhenjiu and Lidu brands, continuously promote the excellent traditional

Chinese culture, and create international high-quality baijiu brands.

We invited more than 160,000 tourists to visit our distilleries through the Zhenjiu baijiu tourism boutique route, the immersive experience of Lidu's distillery, and the bottle sealing ceremony of Xiangjiao, allowing consumers to experience the traditional Chinese baijiu brewing skills and craftsmanship, and enhancing their recognition of our products and brands.

We follow the development trend of "production areas" in the baijiu industry and respond to the national call to leverage the advantages of the origin and main production area of sauce-flavor baijiu in the Chishui River Basin and build a nationwide baijiu production base. Guizhou Zhenjiu proposed to establish a negative list for the protection of the production area's reputation, further strengthening the construction and protection of the production area, aiming to create a world-class production area and elevate Chinese brands to a higher level.

## Conscientiously operating our business and courageously shouldering responsibilities to prosper

In line with our ESG vision, we insist on putting people first, go deep into workshops and focusing on our employees. We value and support our talents, continuously improve the welfare system, and effectively safeguard the legal rights and interests of employees. The 2023 Group employee satisfaction survey scored 4.64 out of 5. In addition, we maintain the bottom line of safety, build a solid safety defense line, and enhance the ability to prevent and resolve safety risks and hidden dangers. Through organizing first-aid training and conducting firefighting and extinguishing practical drills at each distillery, we help employees effectively prevent work-related accidents, achieving zero work-related deaths throughout the year and a 27% decrease in the lost time injury rate.

We conduct ESG risk investigations and reviews for all suppliers, visit core suppliers on-site, and provide suggestions for energy saving, emission reduction, and ESG improvement. We continue to advocate rational drinking through the slogan "drink less, but drink better" and campaigns to develop a social consensus on responsible drinking.

We have thoroughly implemented the spirit of the Document No. 2 of the State Council, adopting the innovative cooperation model of "enterprises + bases + cooperatives + farmers" to

employ 6,921 employees from rural households annually and purchase 166,828 tons of agricultural products. Guizhou Zhenjiu has planted 400,000 mu of sorghum in 12 districts and counties under Zunyi, driving income growth in more than 40,000 rural families. We have introduced 25 packaging material enterprises to settle in Zunyi, promoting a local procurement rate of over 90%. To facilitate local economic growth, we have contributed to the comprehensive advancement of rural revitalization and the collective prosperity of rural farmers. Guizhou Zhenjiu was among the enterprises to be awarded the "2023 Excellent Cases of China's Private Corporate Social Responsibility", becoming a benchmark enterprise for industry social responsibility practices. Lidu organized the "United Hearts, Guarding with Love" charity activity, bringing warmth to children in need. We also took part in the third Poyang Lake International Bird Watching Season, setting up the "National Treasure Lidu Public Bird Watching Point", taking practical actions to protect the "national treasure" - white cranes and fulfilling corporate responsibility to protect biodiversity. Since its establishment, "Xiangjiao: My Dream to Attend College" large-scale public welfare education assistance fund has donated more than Rmb33 million, helping 6,480 outstanding students from low-income families in Hunan to achieve their college dreams.

## Time is our best friend

The past has passed, and we look forward to further enhancement in the future. Now, whether it is the harmonious coexistence of human and nature or the common prosperity of enterprises and society, happiness gains a more concrete definition. As a baijiu producer, we should uphold the concept of sustainable development, and with a sense of responsibility, defend and inherit the happiness that we brewed. For more on

the 2023 ESG work of the Group, please read the ESG journey with a bottle of baijiu. Moving forward, we will continue to explore sustainable development with an aim to "become a leader in ESG in the baijiu industry", and resolutely stick to ecological priority and green development, achieving ecological, social, and economic benefits with the Group development.

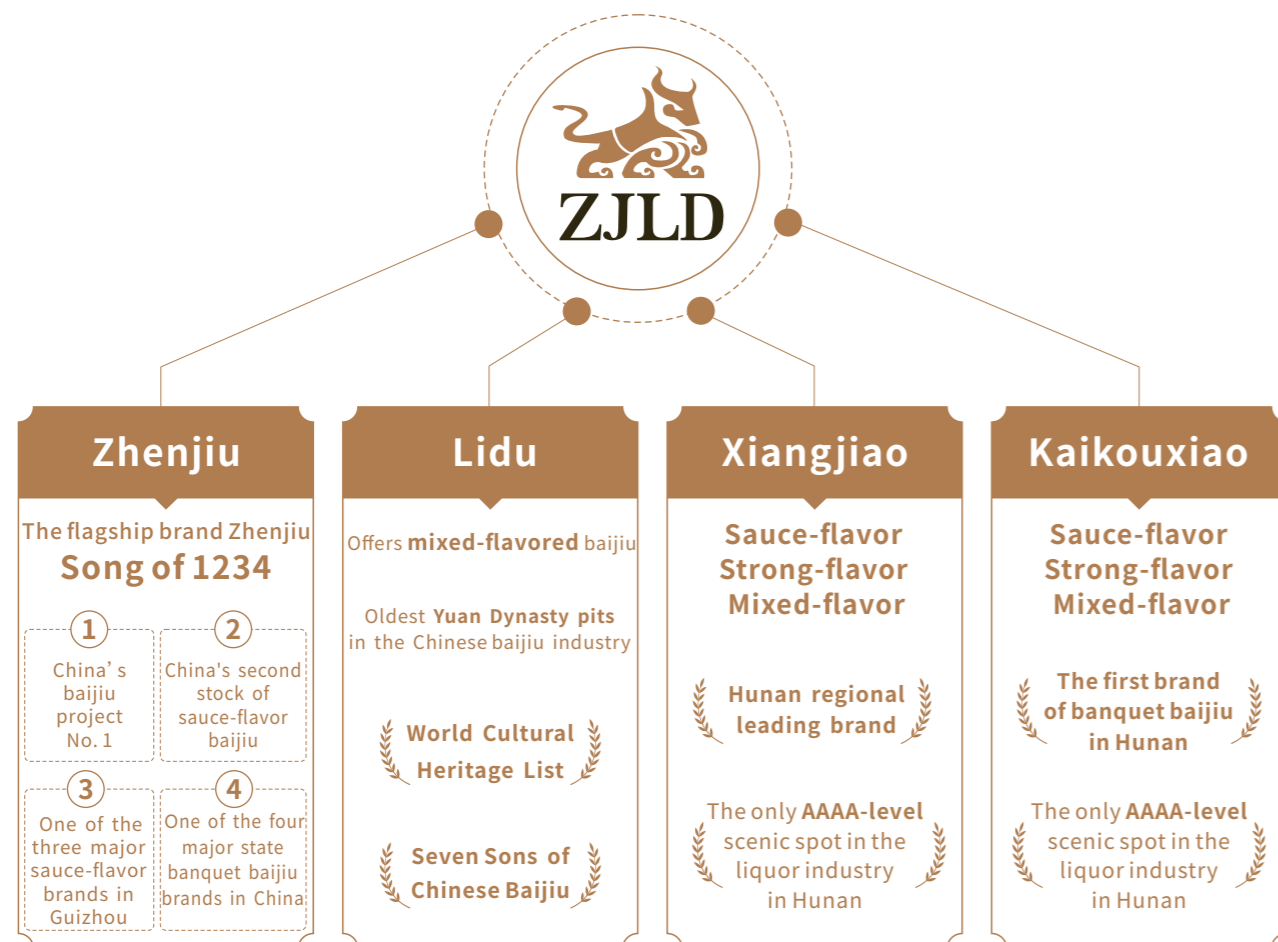
Chairman of the Board of Directors of ZJLD Group  
*Wu Xiangdong*

# About ZJLD

## One Group, three flavors, four brands

We are committed to inheriting culture that is of hundreds years, transforming every drop of baijiu into beautiful memories of gathering. The Group has four major brands: Zhenjiu, Lidu, Xiangjiao, and Kaikouxiao, covering the three major flavors of sauce-flavor, strong-flavor and mixed-flavor. The flagship brand Zhenjiu is a leading and nationally renowned sauce-flavor baijiu brand in Guizhou, with a history dating back to Kweichou Moutai baijiu production experiment project in 1975. Its unique brand story is known in the industry as the "song of 1234", which stands for China's first baijiu project, China's second stock of sauce-flavor baijiu, one of the three major sauce-flavor brands in Guizhou, and one of the four major state banquet baijiu brands in China. In 2023, Zhenjiu stored 65,000 tons of liquor, produced 40,000 tons, and its production capacity ranked among the top three of Guizhou's sauce-flavor baijiu enterprises. The well-known brand "National Treasure" Lidu, originating from the ancient town of Lidu in Jiangxi with a long history of baijiu brewing and famous for its oldest Yuan Dynasty pits in the Chinese baijiu industry, offers mixed-flavored baijiu. In April 2023, Lidu jointly applied with six other well-known domestic liquor companies, including Moutai, Wuliangye, and Luzhou Laojiao, for the "World Cultural Heritage List" and was collectively named as the "Seven Sons of Chinese Baijiu." The regional leading brands Xiangjiao and Kaikouxiao focus on the Hunan region, covering different flavors and targeting banquet scenes, with high local recognition. Its ecological and cultural distillery is also the only AAAA-level scenic spot in the liquor industry in Hunan.

On April 27, 2023, ZJLD Group was listed on the Hong Kong Stock Exchange with the stock code 6979.HK. It is the first listed baijiu stock in Hong Kong, the second stock of sauce-flavor baijiu, and the only company in the baijiu industry that has successfully gone public in the past eight years.



## Craftsmanship in products; simplicity at its finest

### Zhenjiu high-end outer-packaging-free series



Zhenjiu · True Vintage Baijiu 2013



Zhenjiu 1988 Vintage Baijiu



Zhen 30 Grand Gold Award Commemorative Baijiu

### Lidu high-end outer-packaging-less series



Lidu Sorghum 1975



Lidu Sorghum 1308



Lidu Sorghum 1955

### Xiangjiao high-end outer-packaging-free series



Xiangjiao Longjiang Baijiu · Cave Storage No. 1 (Sauce-flavor)



Xiangjiao Yaoqing Baijiu · Cave Storage No. 2 (Mixed-flavor)



Xiangjiao Baijiu · Cave Storage No. 3 (Luzhou-flavor)





## Group ESG highlights

### The ESG journey with a bottle of Baijiu

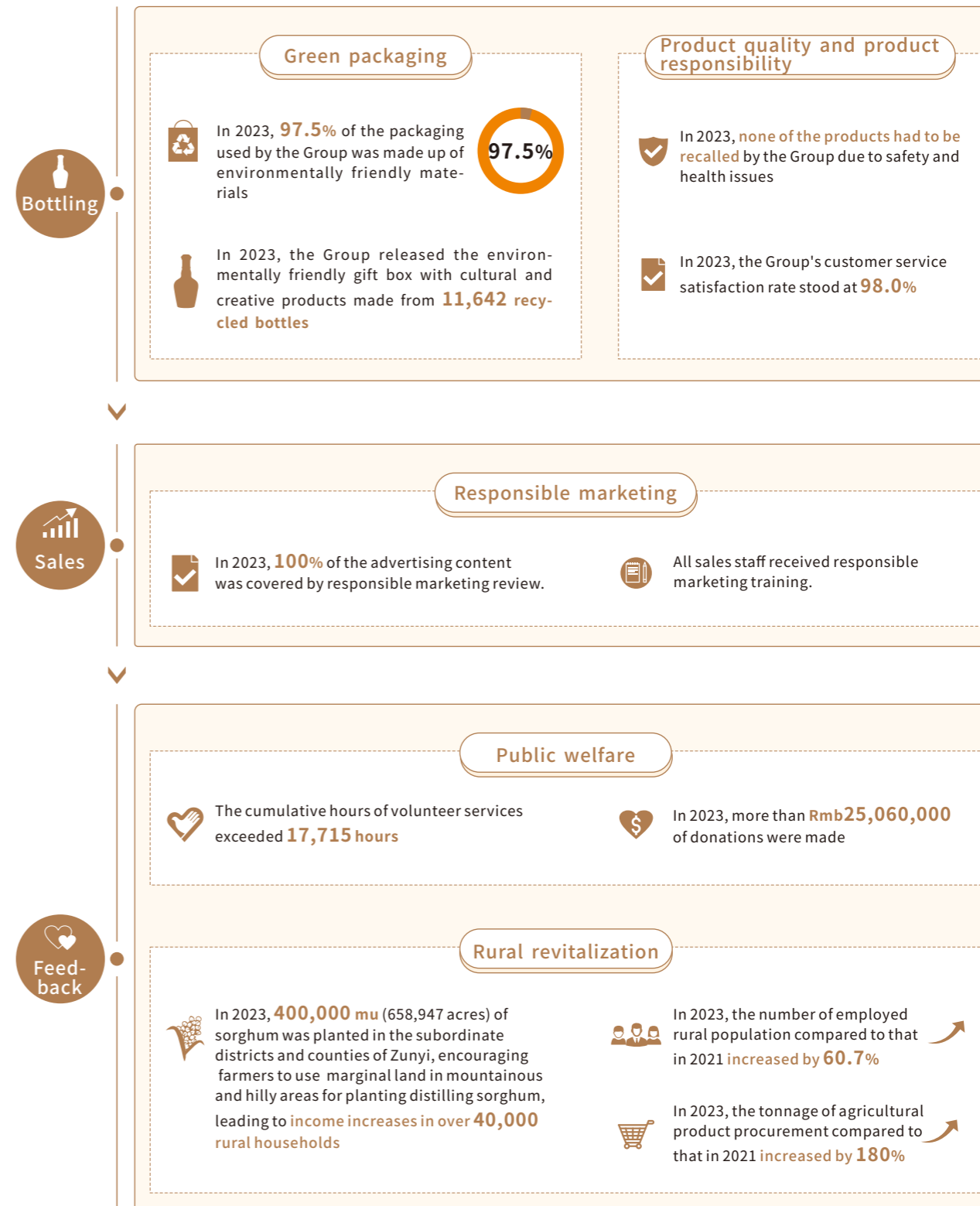
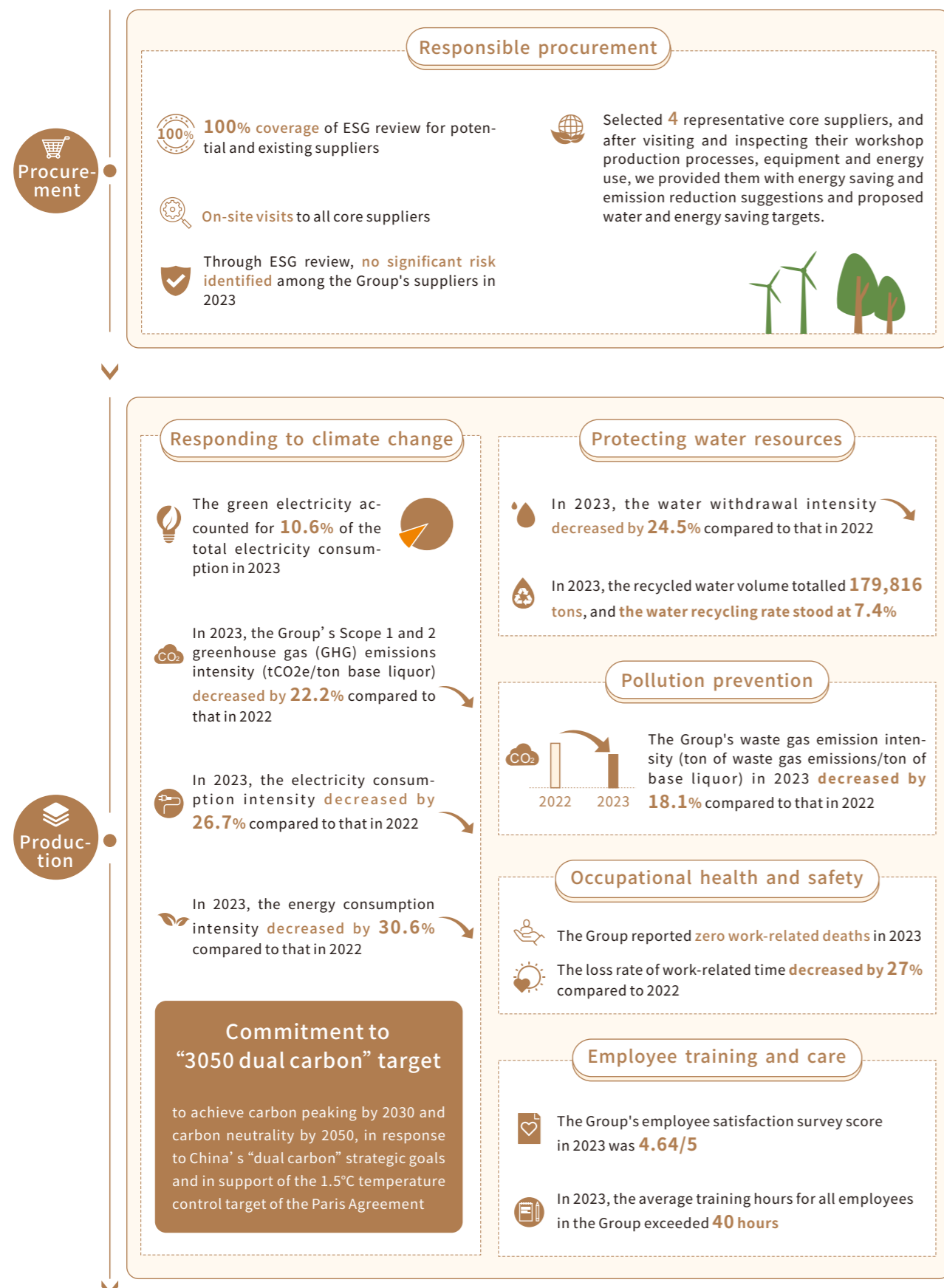


## Five ESG strategic goals

At the beginning of 2022, we formulated the group-level 2025 ESG strategic goals, in an aim to effectively guide and implement ESG work, thereby enhancing the Group's ESG standards. Specifically, the Group set five ESG strategic goals under four key topics: carbon emission management, water resource conservation, green packaging, and rural revitalization. By the end of 2023, through two years of unremitting efforts, we have achieved four of our 2025 goals ahead of schedule. The key goals and progress are as follows:

 <p><b>Carbon management – Energy conservation and emissions reduction</b></p>	<p>Continuously improve energy efficiency and achieve a <b>20% reduction in Scope 1 and Scope 2 carbon emissions intensity</b> by 2025 against the 2021 baseline.</p>	
 <p><b>Carbon management – Green electricity</b></p>	<p>Use <b>100% electricity from renewable resources</b> by 2025 (following the "three-step" strategy to expand the use of green electricity, more than 10% of electricity used from green electricity sources in 2023).</p>	
 <p><b>Water resource conservation</b></p>	<p>Continuously improve water use efficiency and achieve a <b>20% reduction in water withdrawal intensity</b> by 2025 against the 2021 baseline.</p>	
 <p><b>Green packaging</b></p>	<p>Use a minimum of <b>95% sustainable packaging materials (by weight)</b> by 2025 against the 2021 baseline.</p>	
 <p><b>Rural revitalization</b></p>	<p>Promote a <b>50% increase in rural employment and double upstream agricultural procurement (by tons)</b> against the 2021 baseline</p>	

## Highlights of ESG in the value chain



## Our selected honors

### The Group

- ✘ In September 2023, the Group received an ESG "AA" rating awarded by Wind, a financial information service provider
- ✘ In December 2023, the Group was shortlisted for the Wind 2023 China Listed Companies ESG Best Practices Top 100, being the only baijiu enterprise to receive this honour in 2023
- ✘ The Group was included in four key indexes of the FTSE Russell Global Equity Index Series (GEIS), namely the FTSE Global, FTSE Global All Cap, FTSE Global Total Market Cap, and FTSE Global Large Cap indexes
- ✘ The Group was included in the S&P Global BMI Index and invited to participate in the 2024 S&P Global Corporate Sustainability Assessment (CSA)

### Zhenjiu

- ✘ One of the five enterprises in the baijiu industry to be named "National Green Factory" for 2023
- ✘ The only baijiu enterprise to receive the Nomination Award of the 4th Guizhou Provincial Governor's Quality Award
- ✘ Among the 50 enterprises in the "2023 Excellent Cases of China's Private Corporate Social Responsibility" released by the All-China Federation of Industry and Commerce
- ✘ Named "Guizhou Integrity Demonstration Enterprise "
- ✘ Zhenjiu 2012 True Vintage Baijiu received the "Innovative Product of the Year" award at the Liquor Industry Innovation and Investment Competition

### Lidu

- ✘ Named "Jiangxi Social Responsibility Enterprise" in July 2023
- ✘ Named Leading Enterprise of International Key Agricultural Industrialization
- ✘ Awarded Excellent Case of Industrial Heritage Protection and Utilization
- ✘ Received an award for Best Employer in Jiangxi in 2023 by Zhaopin
- ✘ High-end outer-packaging-free bottled baijiu "Cellar Age" series, "Lidu Sorghum 1308 - Classic Edition" and other products won the highest honour of the Muse Award - Platinum Award

### Xiangjiao

- ✘ Xiangjiao's "Yaoqing - Longjiang" won the "Grand Gold Award", the highest award at the 2023 Brussels International Spirits Competition in Belgium
- ✘ Received the Social Welfare Award by Hunan Alcoholic Drinks Association
- ✘ Named "Provincial Green Factory" in Hunan Province



## Establishing governance foundations

We understand corporate governance is the cornerstone of excellent operations. During the reporting period, we have been continuously refining our corporate governance structure, placing high importance on enterprise risk management and compliance both internally and externally. We have also been persistently working on enhancing ESG efforts at board level, while closely monitoring the expectations and demands of stakeholders regarding the Group's ESG work. Looking forward, we aim to continuously optimize our governance system, enhance governance standards, meet increasingly stringent supervisory requirements, and foster a transparent, diverse, and trustworthy corporate environment.



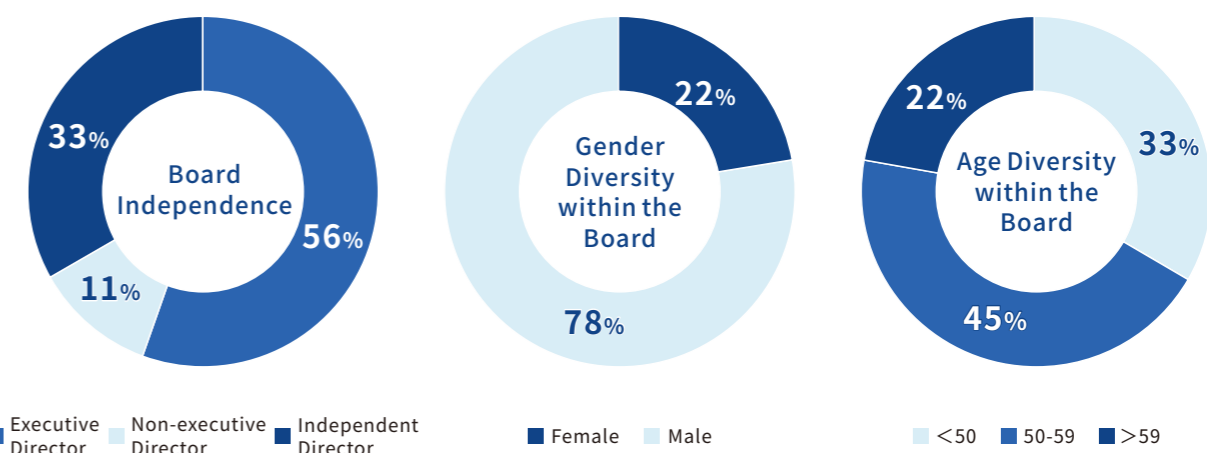


## Corporate governance

### Corporate governance structure

ZJLD Group has established a corporate governance structure that includes the board of directors, professional committees, and senior management. The roles, responsibilities, rules of procedure, and working mechanisms of each governance level are detailed in policy and regulations to protect shareholders' rights and improve governance standards. The board has four standing committees: the audit committee, compensation committee, nomination committee, and ESG committee, which oversee the Group's operations and management from different aspects, ensuring compliance and enhancing the quality and execution of decision-making.

During the reporting period, ZJLD Group held a total of 3 shareholders' meetings, 8 board meetings, 2 audit committee meetings, 2 compensation committee meetings, 1 nomination committee meeting, and 22 ESG committee meetings.



### Board of directors

We believe that the independence, diversity, and professionalism of directors are crucial for modern corporate governance. Board independence refers to the presence of independent non-executive directors in the board to ensure the objectivity of board decisions and protect shareholders' rights. Board diversity includes, but is not limited to, directors' age, gender, ethnicity, etc., which helps to improve decision-making quality, improve corporate culture, and strengthen innovation. Board professionalism relates to the knowledge, skills, and experience of directors in different fields, and the professional background of the board aids in the scientific nature of corporate decisions and promotes sustainable development. Additionally, we hold an annual shareholders' meeting where directors are elected, ensuring the independence and effectiveness of board governance.

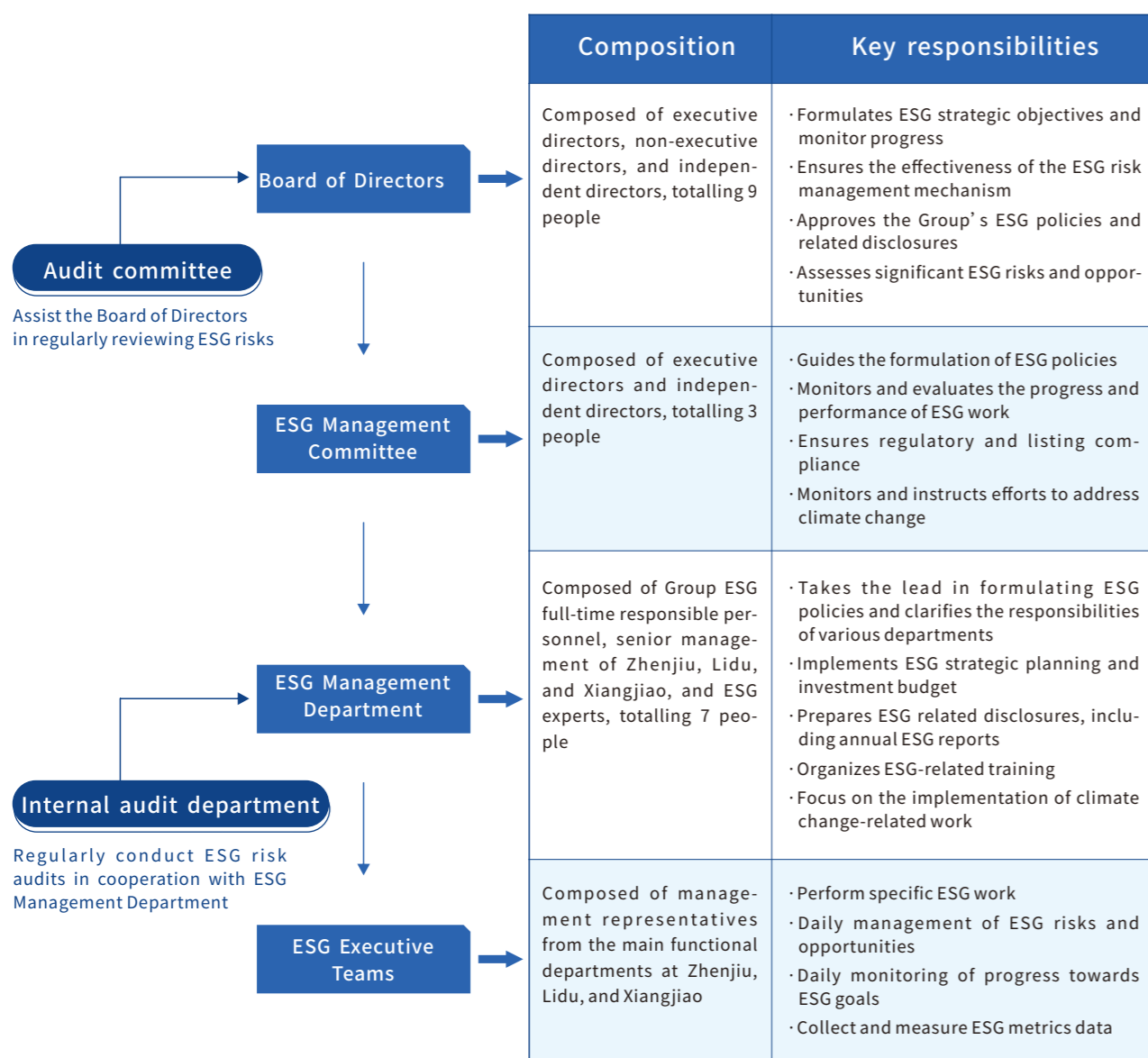
ZJLD has also issued the Policy on Diversity of Board Members to ensure diversity of the board of directors and included the board diversity assessment in the scope of work of the nomination committee.



Diverse background of our Board											
Name	Gender	Age	Positions in the Board	Positions in committees				Expertise and experience			
				Audit committee	Remuneration Committee	Nomination Committee	ESG Committee	Industry-related	Risk management	Environmental & Social	Finance
Wu Xiangdong	Male	55	Executive Director, Chairman of the Board	/	/	Chairman	/	√	√		
Yan Tao	Male	60	Executive Director, Chief Executive Officer	/	/	/	/	√	√		
Zhu Lin	Female	53	Executive Director, Vice President	/	/	/	Chairman	√	√	√	√
Luo Yonghong	Male	52	Executive Director, Chief Financial Officer	/	Member	/	/	√	√		√
Mr. NG Kwong Chue Paul	Male	53	Executive Director, Company Secretary	/	/	/	Member	√	√	√	√
Sun Zheng	Male	43	Non-executive Director	Member	/	/	/	√	√		√
YUNG Tse Kwong Steven	Male	74	Independent director	/	Chairman	Member	/	√	√		√
Li Dong	Male	47	Independent director	Chairman	Member	/	/	√	√		√
Yan Jisheng	Female	44	Independent director	Member	/	Member	Member	√	√		√

## ESG governance

We believe that ESG governance is crucial for ESG work and the establishment of a sound modern corporate governance. To effectively improve ESG management, ensure the successful achievement of ESG strategic goals and continuously promote high-quality sustainable development, ZJLD has formed a comprehensive ESG governance structure covering the governance, management, and execution levels based on external regulatory requirements and its own business characteristics. The Group's board of directors includes ESG in its discussion agenda and assumes overall responsibility for ESG work; Group directors, senior management, and ESG professionals form the ESG management committee, ESG management department, and ESG execution team, implementing ESG tasks from the Group to distilleries, integrating sustainable development into the Group's daily management and operations.



The Group has prioritized combating climate change as one of ESG's key tasks in the current year, and has specified in detail the functions and responsibilities of ESG Management Department and relevant departments of distilleries in dealing with climate change, including but not limited to, carbon emission statistics, carbon emission target assessment and formulation, climate scenario analysis, identification of climate change risks and opportunities, development and implementation of mitigation plans, and updating of climate change policies.

In order to ensure the effectiveness of ESG governance, we issued a policy on the election and conference mechanism related to ESG governance during the reporting period, which specifies in detail the composition and term of office, meeting schedules and topics, rules of procedure, etc. of the ESG Management Committee, ESG Management Department and ESG Executive Team, requiring that ESG Management Committee meetings be held at least twice a year, ESG Management Department meetings are held quarterly, and ESG Executive Team meetings are held monthly. At the same time, the Group formulated a comprehensive ESG performance appraisal system, which linked the remuneration of middle and senior management to ESG performance and ESG work on related topics and provided incentives to ensure the long-term sustainable development of the Group.



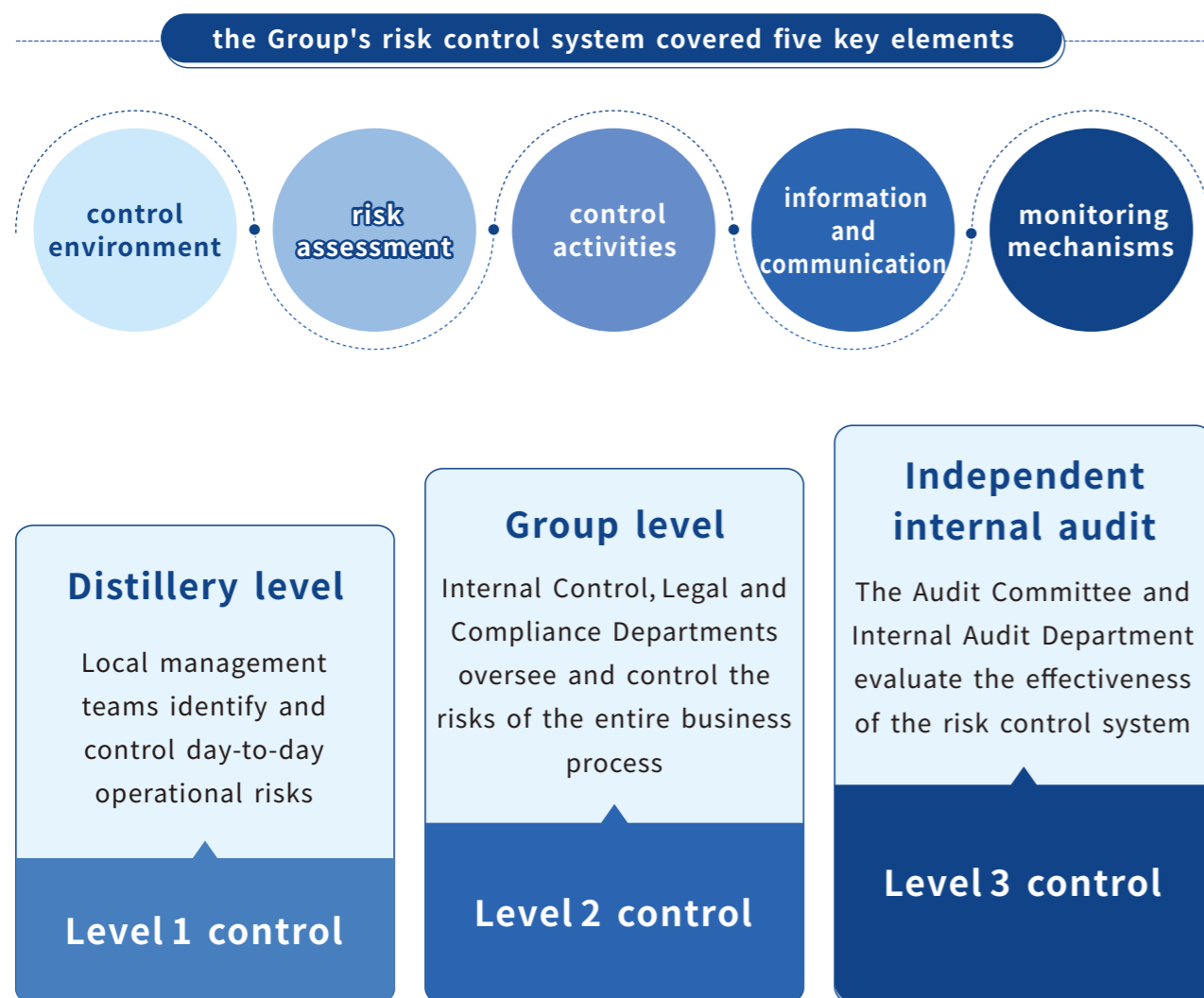
During the reporting period, we engaged a team of professional independent consultants to assess the Group's existing ESG practices. Based on their professional opinions, we adjusted and improved the Group's ESG governance structure and policy processes, and formulated and implemented various ESG enhancement plans.

## Risk management and internal control

### Risk management and internal control

Based on external regulatory requirements and internal management demands, we are guided by the Hong Kong Stock Exchange's corporate governance code and the COSO framework to continuously improve our risk management and internal control systems. In 2023, the Group's risk control system covered five key elements: control environment, risk assessment, control activities, information and communication, and monitoring mechanisms. The focus areas include but are not limited to corporate governance, procurement, production, sales, financial management, human resource management, asset management, and contract management. The risk control process comprehensively covers risk identification, risk assessment, risk management, risk monitoring and reporting, and risk warning.

A three-tiered risk control system of "Distillery - Group - Independent Audit", with the scope of risk management different for each tier.



The policies related to risk management and internal control of ZJLD Group include, but are not limited to, the Risk Management Policy, the Compliance Management Policy, Interim Measures for Handling Non-Compliance Violations, Legal Affairs Reporting Process, and Audit Policy.

## Business ethics

We prioritize business ethics as a key aspect of corporate governance. In strict adherence to Anti-Unfair Law of the People's Republic of China (PRC), Anti-Monopoly Law of the PRC, Criminal Law of the PRC and other relevant national policies, we have established a series of management policies focusing on anti-corruption, anti-monopoly and fair competition, anti-money laundering, data privacy protection, and intellectual property protection, and have conducted related training programs. The Audit Committee under the Board of Directors conducts an annual audit of all operation-level ethical standards and provides comprehensive oversight of the Group's business ethics. Related policies have also been included in the employee handbook to ensure the fairness and honesty of the Group's business decisions and compliance of employee behaviors. We have no tolerance for any violations of the Group's business ethics, and the penalties for those involved include fines and dismissal.



We provide comprehensive business ethics training courses for all employees (including interns, part-time employees, contract employees, permanent employees, senior management, Directors) and contractors. In 2023, the Group held a total of 6 anti-corruption and anti-bribery training sessions, explaining our Anti-Bribery and Anti-Corruption Management Policy and related preventive measures, each about 1-hour long, with a 100% coverage of Directors, senior management, and Zhenjiu, Lidu and Xiangjiao's employees. In the same year, we provided online and offline information security training to sales, marketing, and information department employees who mainly handle customer privacy data, with a coverage rate of nearly 100%.



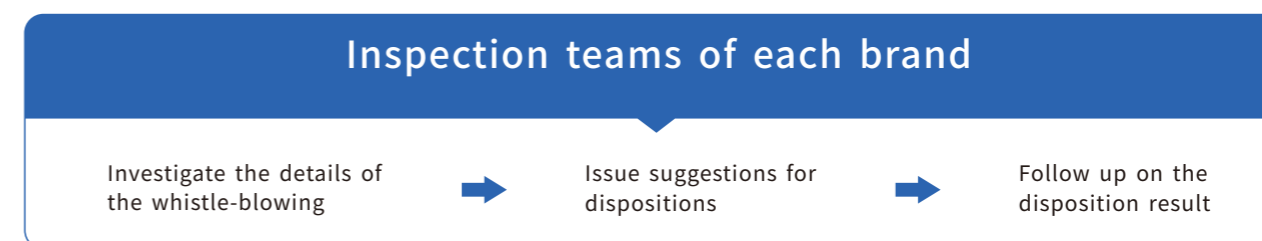
We regularly organize assessments of the effectiveness of anti-corruption, anti-bribery, and other related policies and practices. In 2023, no external lawsuits were filed against ZJLD Group for corruption, monopolies, or data breaches.

Policies and procedures	Control objectives
Anti-Bribery and Anti-Corruption Management Policy	Prohibits employees from making unauthorized payments to any third party (including government officials, customers, and suppliers), such as bribes, kickbacks, or other forms of benefit transfer, to obtain or reciprocate improper benefits. Employees are not allowed to accept or demand any unauthorized payments, nor engage in other improper or illegal acts, such as embezzlement, extortion, fraud, money laundering, etc.
Anti-Monopoly Compliance Management Policy	To prevent anti-monopoly and anti-unfair competition compliance risks, operate in accordance with the law, and ensure the Group's continuous and healthy development.
Anti-Money Laundering Management Policy	To establish and improve the process of manual identification of suspicious transactions, prevent employees from participating in or carrying out any money laundering activities, and regularly assess the risk of money laundering and terrorist financing.
Intellectual Property Management Policy	To protect the intellectual property held by the Group, enhance employees' awareness of protection of intellectual property, and safeguard the Group's legal rights and intangible assets.
Conflict of Interest Management Policy	To effectively prevent conflicts of interest between the company's directors, supervisors, senior management, and employees, and prevent actions that may harm the company and shareholders' interests.
Responsible Marketing Management Policy	To ensure that the Group communicates, promotes, and markets products and services in a responsible manner, valuing consumer welfare and protecting consumers' legal rights and interests.
Trade Sanctions Compliance Management Policy	To regulate the Group's business activities, prevent violations of trade sanctions laws and regulations, effectively manage domestic and international trade policy risks, and achieve operational compliance.
Data Security and Privacy Protection Management Policy	To ensure the security of business data and customer privacy and be responsible to business partners and consumers.

We have established a comprehensive complaint and reporting mechanism that covers all levels of the Group and offers diverse reporting channels, making it convenient for employees and business partners to report non-compliant or unethical business conduct in a timely manner. We encourage the reporting of any suspicious misconduct and ensure that all reported cases are handled confidentially and promptly. Investigators and related parties are prohibited from disclosing any investigation information and should control to protect the basic rights of the person under investigation. Protecting whistleblowers is an essential part of our reporting policy, with zero tolerance for retaliation against whistleblowers. For verified reports, the whistleblower will be rewarded according to the Group's regulations.

Whistleblowing centers of each brand			
	Zhenjiu	Lidu	Xiangjiao
Helpline	+86 133 1319 5953	+86 4008 551 308	+86 185 6522 7350
Mailbox	Internal Audit Dept, 2/F of Office Building at Zhen Jiu	Check-in reception, 1/F of Office Building at Li Du	Check-in reception, 1/F of Office Building at Xiang Jiao

Receiving and registering complaints, ensuring open access to reporting channels and privacy protection for whistleblowers



Audit and Inspection Department of the Group

**ZJLD Group Inc**  
**E-mail: [complaint@zjld.com](mailto:complaint@zjld.com)**

Formulate whistleblowing-related working mechanisms, review case reports and oversee overall risk, and investigate and follow up on major cases

## Materiality assessment and stakeholder engagement

### Materiality assessment process

ESG topics are diverse and complex. To respond to the expectations of internal and external stakeholders and to efficiently and orderly carry out ESG work, the Group forms a list of ESG topics based on business operating model, strategic goals, excellent practices of peer companies, international sustainable development trends, regulatory requirements, and research from professional institutions. Through interviews, meetings, and questionnaires with stakeholders, we identify the ESG topics that are important to our stakeholders and further selected certain ESG topics from the topic list. Based on internal and external materiality assessment, we form an annual materiality matrix for the ESG topics and carry out ESG work accordingly with priority.

#### Review

- Review the materiality assessment process of the last year.
- Analyze the Group's core values, policies, strategies, competitive capabilities, as well as direct financial influences.
- Pay attention to ESG topics and ESG development plans of peer companies.
- Research on industry key topics, national policies, market trends, international agreements or voluntary agreements, with reference to ESG risks and opportunities identified by professional institutions.

#### Identification

- Identify internal stakeholders (such as employees, senior management) and external stakeholders (such as investors, consumers, suppliers, authorities, media, etc.).
- Form a ESG topic list based on the Group's business operating model, strategic goals, peer practices, international sustainable development trends, and regulatory requirements.

#### Communication

- Maintain close communication with identified stakeholders through interviews, meetings, questionnaires, etc.
- The sources of our materiality assessment questionnaire include:

- Shareholders/investors
- Directors/senior management
- Customers/consumers
- Partner/distributors/supplier
- Employees
- Community and non-governmental organizations

#### Analysis

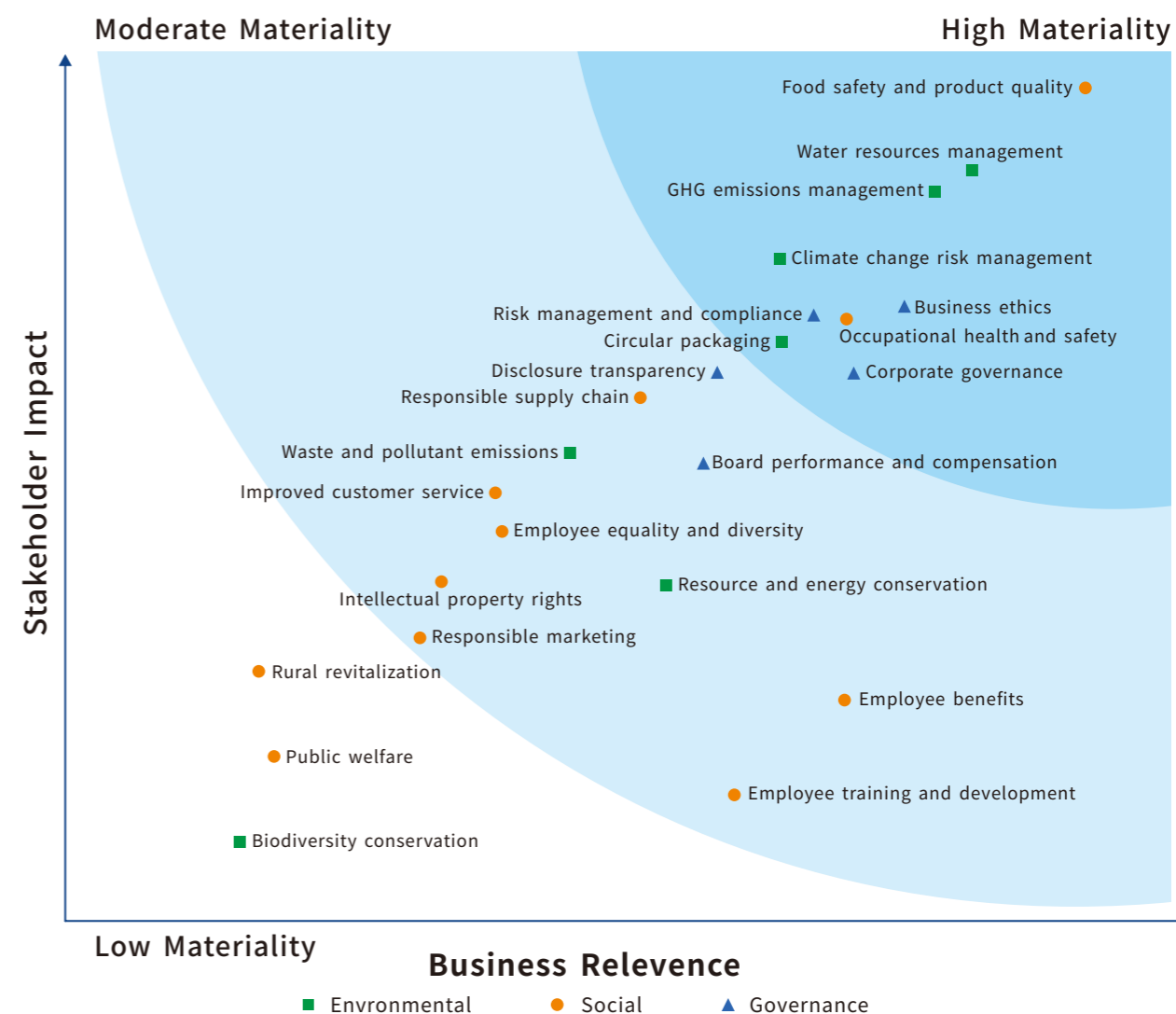
- Based on information collected from interviews, meetings, and questionnaires, we select certain ESG topics from the topic list.
- Based on internal and external materiality assessment, we rank the ESG topics according to importance.
- Internal and external experts validate the identification and ranking of ESG topics.
- A materiality matrix is determined.

### Materiality Matrix

### Materiality Matrix

Based on the Group's business operating model, strategic planning, peer company practices, international sustainable development trends, and expectations of stakeholders, we have updated the ESG topics based on the materiality assessment result of the previous year, forming the following materiality matrix, which includes 9 topics of high materiality, 11 topics of moderate materiality, and 3 topics of low materiality.

#### 2023 ZJLD Group Materiality Matrix



High Materiality	Moderate Materiality	Low Materiality
Corporate governance	Circular packaging	Biodiversity conservation
Risk management and compliance	Occupational health and safety	Rural revitalization
Business ethics	Food safety and product quality	Public welfare
Climate change risk management		
GHG emissions management		
Water resources management		



## Responsible sourcing with greener source

A bottle of ZJLD baijiu's ESG journey begins with the seeding and harvest of grain in the farmland. As time goes by, red tasseled sorghum, selenium-enriched rice and high-quality wheat and other crops are made into base liquor through a complicated process. After a long period of storage and careful blending, the baijiu is finally filled into our elaborately designed and rigorously selected bottles. We are fully aware that, in the process from a grain to a drop of baijiu, the attitude of each supplier towards their products, customers, employees, the environment and society will not only determine the quality and stability of their supply, but also have a far-reaching impact on the Group's products and society. Therefore, we attach great importance to supply chain management, aiming to establish a responsible supply chain together with our supplier partners, and build a high-quality, resilient and sustainable green supply chain network together.



### Our policies

#### Supplier Entry Qualification Determination and Management Method

We have established a strict supplier entry policy, requiring suppliers to conduct a comprehensive ESG assessment prior to their onboarding, under the premise of ensuring legality and compliance. In addition to considering quality, delivery time and price, the supplier admission assessment also includes the daily practices and performance of suppliers in terms of social responsibility, environmental management, and business integrity. Our internal audit department is also required to oversee the entire supplier selection process.

#### Anti-Corruption and Anti-Bribery Management Policy

We explicitly require all suppliers to comply with the Group's anti-corruption and anti-bribery policies and mechanisms, and demand that all suppliers establish internal anti-corruption policies and programs to verify compliance. At the same time, we require each supplier to sign an "Integrity Liability Statement" before signing formal contracts and commencing cooperation.

#### Procurement Management Policy

While standardizing procurement management, controlling procurement costs, and ensuring procurement quality, we strengthen the process management of social and environmental risks related to suppliers. The "Procurement Management Policy" requires the Group's procurement department to take the lead in conducting annual ESG performance review and due diligence on suppliers, with the cooperation of EHS department and internal audit department. The review and due diligence comprehensively cover and effectively manage risks related to employment compliance, health and safety, environmental management and business ethics.

### Our goals

We have set 2024 KPIs on responsible procurement, which are included in the ESG balanced scorecard. We assess the relevant responsible person:

We aim to conduct ESG risk as-sessments and on-site ESG due diligence on 100% core suppliers

We aim to conduct ESG risk as-sessments of 100% on the non-core suppliers, and on-site investigation for suppliers with relevant risks

We aim to empower carbon emission management and water conservation on no fewer than 10 core packaging material suppliers, and set annual targets for reducing carbon emissions and saving water, with assessments conducted

## Our actions

### Supplier digital management system

In 2023, the Group built and put into use a procurement management platform, launching the original grain base management system, material supply management platform, packaging production planning management system, and storage and logistics system, making the whole platform of the Group's procurement business digital, procurement management transparent, and procurement process standardized, procedural and informative.

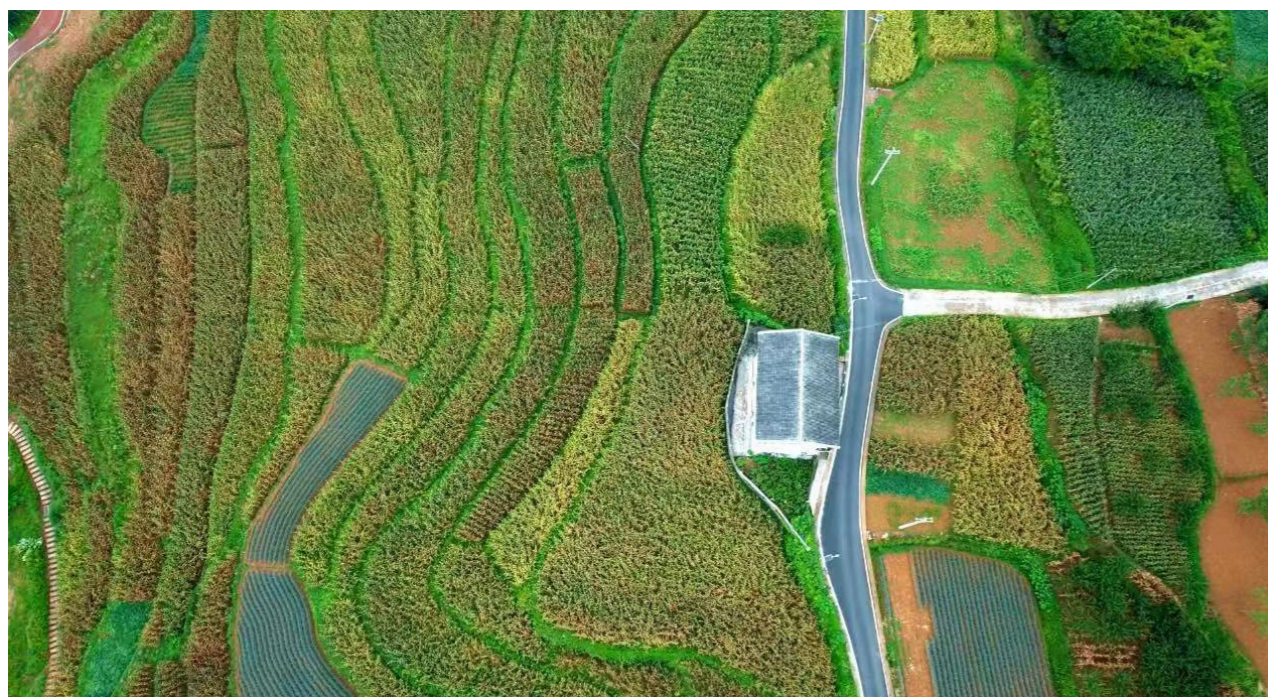


### Supplier classified management and supply chain safety

We classify our 173 suppliers into horizontal categories based on dimensions such as materials, equipment, technology, and services, such as grain dealers and packaging material suppliers. Additionally, considering their qualification information and historical cooperation, we further categorize suppliers into core and non-core suppliers. For core suppliers, we are aware of the importance of their supply stability for our continuous operations. Therefore, for the main packaging materials used in the Group's main products, we invite multiple core suppliers to conduct sampling and trial production, ensuring that our production and operations are unaffected if one of them encounters supply issues.

### Localized procurement

We make full use of local supplier resources to reduce logistics costs and additional carbon emissions caused by long transportation routes. Currently, in the main operating areas of the Group (East China, Central China, Southwest China), the number of cooperative suppliers accounts for 66% of the total number of suppliers, with a procurement amount reaching Rmb166,819 million, accounting for 96% of the total procurement amount.



ZJLD sorghum planting base

### Supplier entry

With reference to the Group's "Supplier Entry Qualification Determination and Management Method", we conduct ESG entry assessments on potential suppliers every year and comprehensively assess them from many dimensions such as environmental protection, quality performance, production safety, employment compliance, and social responsibility. Every prospective supplier who intends to collaborate with us shall pass our supplier evaluation pre-onboarding. During the assessment process, suppliers involved in issues related to use of child or forced labor as well as incidence of major environmental non-compliance will not be considered, while suppliers with outstanding performance in energy saving and emission reduction and the use of clean energy will receive a preference in the Group's bidding process.

### Supplier ESG management and assessment

To ensure the ESG compliance of the Group's supply chain, the procurement department, with the assistance of the EHS department, human resources department, internal audit department, and external consultants, jointly develops a supplier ESG risk survey questionnaire and establishes a supplier ESG review team.

#### core suppliers

In 2023, we conducted ESG reviews of 100% of the existing suppliers. For core suppliers, we assessed their compliance with laws and regulations (such as significant environmental protection penalties, child labor, or forced labor), environmental and social improvement measures (such as energy saving and emission reduction, occupational health and safety, employee benefits, etc.), and governance (such as anti-corruption, fair competition, etc.), and conducted on-site visits to ensure the accuracy of the information provided by the suppliers. Suppliers with outstanding performance in energy saving and emission reduction, and the use of clean energy are considered as 'ESG highlights' and are given extra credit in the annual supplier evaluation, which will positively affect contract renewal and subsequent cooperation.

#### non-core suppliers

For non-core suppliers, we primarily review material risk matters. If any ESG-related risks are identified as follows, we would immediately terminate our cooperation with the supplier.

- Major environmental non-compliance in the past three years (penalties equal to or greater than Rmb50,000 or a requirement to suspend production or business for rectification)
- Use of child labor, forced labor, or requiring employees to pay a deposit or withholding of personal documents at the start of employment
- Issues related to serious non-compliance, including but not limited to fraud, money laundering, bribery, kickbacks or other transfers of benefits

In 2023, we did not identify any of the above risks during our non-core supplier assessment process.

## Supplier ESG empowerment

In order to realize sustainable development of the value chain together with suppliers, the head of ESG management department of ZJLD Group, procurement department, EHS department of each distillery, and external ESG consultants have formed the "Supplier ESG Enhancement Team" to assess the energy and water consumption of suppliers and the production process and equipment of each supplier. In addition, leveraging our professional knowledge and rich experience, we help them identify their energy saving and emission reduction potential, so as to further improve their ESG performance.

In 2023, the Supplier ESG Enhancement Team visited four core suppliers, and based on the identification of their current ESG management status, put forward 18 energy saving and emission reduction measures as well as 16 ESG management enhancement suggestions, and provided them with complementary ESG management training.

We are committed to promoting the concept of energy saving and carbon reduction to upstream suppliers through our own influence, and jointly promoting the green and low-carbon transformation of the value chain. During site visits to our four core suppliers, we conducted in-depth research on their production processes and equipment and assisted them in formulating energy saving and emission reduction proposals and quantitative targets based on their carbon emission statistics and production and operation processes.

In terms of water resource management, we actively conveyed the concept of water conservation to our suppliers and shared water conservation experience and technology with them, so as to improve the water efficiency of the supply chain in a steady and gradual manner. For the four core suppliers we visited on site, we provided them with targeted countermeasures and water saving suggestions based on their current water consumption situation and helped them set water saving targets.

In 2023

We visited **4** core suppliers

put forward **18** energy saving and emission reduction measures

put forward **16** ESG management enhancement suggestions

### Case Meixin Glass adopted our proposed ESG management enhancement suggestions and formulated energy saving and emission reduction plan for 2024

On October 10, 2023, our Supplier ESG Enhancement Team visited one of the core suppliers of ZJLD Group, Guizhou Meixin Glass Products Co. Through careful examination of its workshop production process and equipment, our team made the following energy saving and emission reduction suggestions:

- Introducing air compressor residual heat to the workshop to save winter heating energy consumption
- Using central heating for bottle on the decal line to save electricity consumption
- Converting the capacity of the own transformer
- Undertaking roof photovoltaic project
- Replacing diesel forklifts with electric forklifts in the factory

In addition, we have set the following goals for Meixin Glass, taking into account our own ESG practices:

Reduce electricity consumption per Rmb10,000 of production value by **2%** in 2024 compared to that in 2023.

Reduce water consumption per 10,000 yuan of production value by **2%** in 2024 compared to 2023.

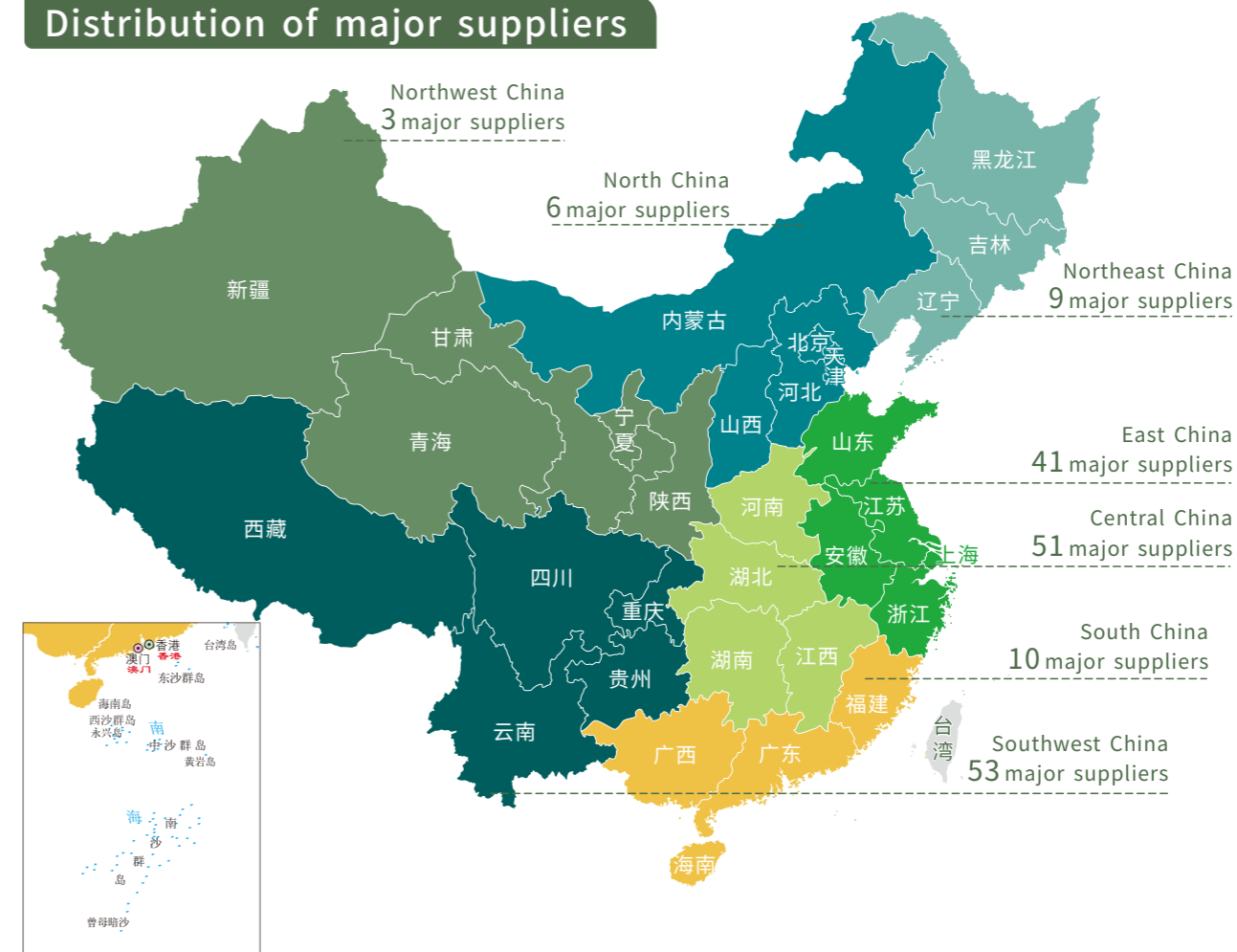
Reduce total diesel fuel usage (liters) by **25%** in 2024 compared to 2023.



In November 2023, Meixin Glass indicated that, except for the photovoltaic project and the transfer of transformer capacity, which require unified approval by the industrial park and hence cannot be implemented immediately, the company has adopted all other enhancement proposals and targets put forward by the Group.

## Our key performance indicators

### Distribution of major suppliers



Region	Number of major suppliers	Region	Number of major suppliers
East China	41	Northeast China	9
North China	6	Northwest China	3
Central China	51	Southwest China	53
South China	10		
Total: 173			

### ESG review results of major supplier

Supplier type	The number of suppliers	Coverage	Major ESG risk	ESG improvement items
Core packaging suppliers	67	100%	0	180
Non-core packaging suppliers	106	100%	0	-

### ESG empowerment of core supplier

Number of suppliers	ESG enhancement suggestions	Energy saving and water conservation suggestions
4	16	18





## Embracing a harmony between nature and human through sustainable brewing

The harmony of nature and human transforms grain into a drop of liquor. The birth of a bottle of ZJLD baijiu is the result of a joint creation by nature and human.

We are committed to brewing good baijiu of conscience that originates from nature and feeds back to nature. In the production process, we devote our concentrated efforts to reduce pollution and GHG emissions, actively respond to climate change and protect the environment. At the same time, we attach great importance to safe production and prioritize our employees' health and safety, pursuing sustainable brewing at both the human and ecological levels.



## Addressing climate change

Climate change is continuously and profoundly altering the development path of the baijiu industry, directly affecting the agricultural products and water resources needed for baijiu production and bringing unprecedented challenges to our business and operations. Recognizing the significance of the impact of climate change on the company's production and operations, ZJLD actively takes a series of climate actions, and works hand in hand with stakeholders such as employees, suppliers, and customers to withstand the impact of climate change, enhance our resilience to climate risks, and actively seize the opportunities arising from climate change.

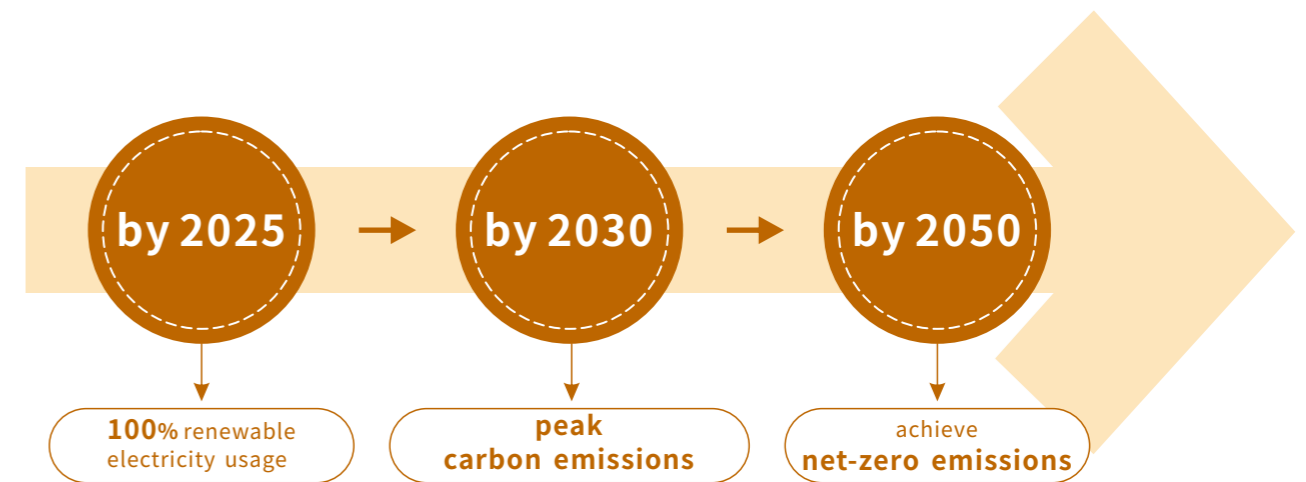
### Our policies

We updated our Climate Change Policy this year. The policy describes the Group's strategic goals for reducing GHG emissions and the methods adopted to achieve these goals. The policy is formulated by the Group's ESG management department, approved by the board of directors, and are updated in a timely manner according to laws and regulations, public policies, industry best practices, and the needs of Group's sustainable development strategy. The ESG management department also ensures that the policy is reviewed at least once every three years. At the same time, to further implement the Climate Change Policy, the Group has formulated the Energy Management Policy, requiring each distillery to respond to the Group's emissions reduction requirements through ten aspects, such as tracking energy consumption data, energy-saving transformations, using clean energy, and eliminating outdated production capacities.

### Our goals

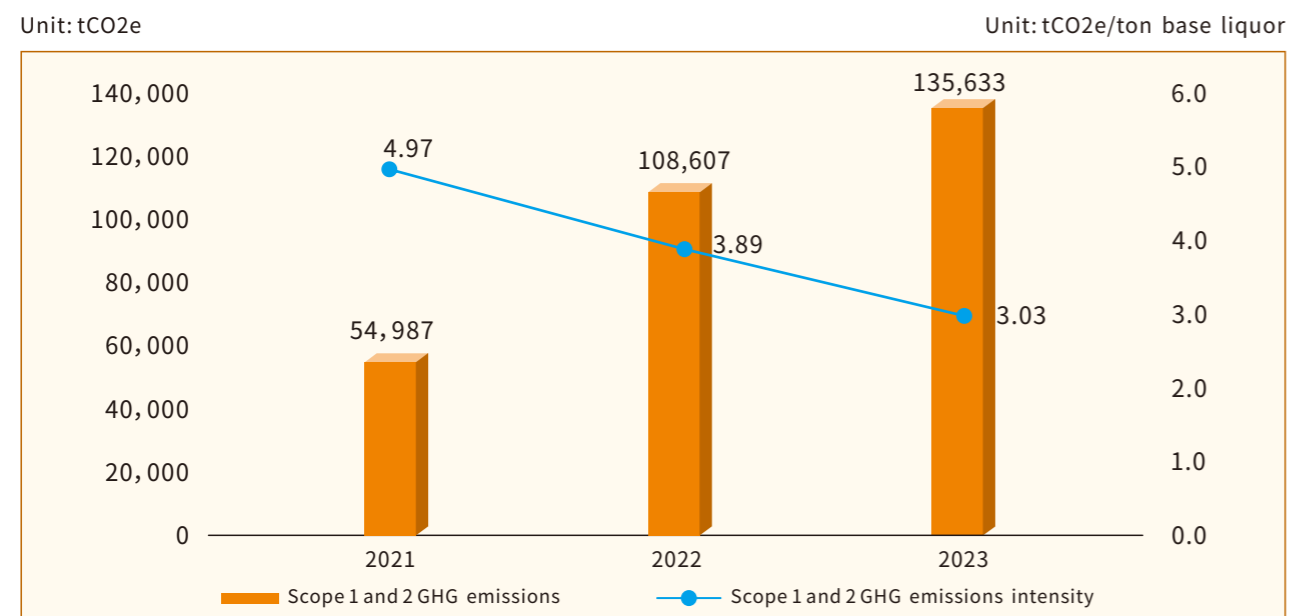
In the past year, through initiatives such as promoting rooftop photovoltaics, strengthening energy efficiency management, and purchasing renewable energy vehicles, we have achieved our carbon reduction target of reducing the carbon emissions intensity of our direct operations (Scope 1 and 2) by 20% compared to that in 2021, two years ahead of schedule. We have also reached a group-wide interim target of using 10% renewable electricity, laying the foundation for achieving the strategic goal of 100% renewable electricity usage by 2025.

While we celebrate our achievements, as a responsible company, we have decided to further enhance our ambition in responding to climate change, committing to peak carbon emissions by 2030 and achieve net-zero emissions by 2050 in our own operations (Scope 1 and 2). We actively support the national "dual carbon" strategic goals and strive to support the 1.5°C temperature control target of the Paris Agreement.



## Our carbon footprint

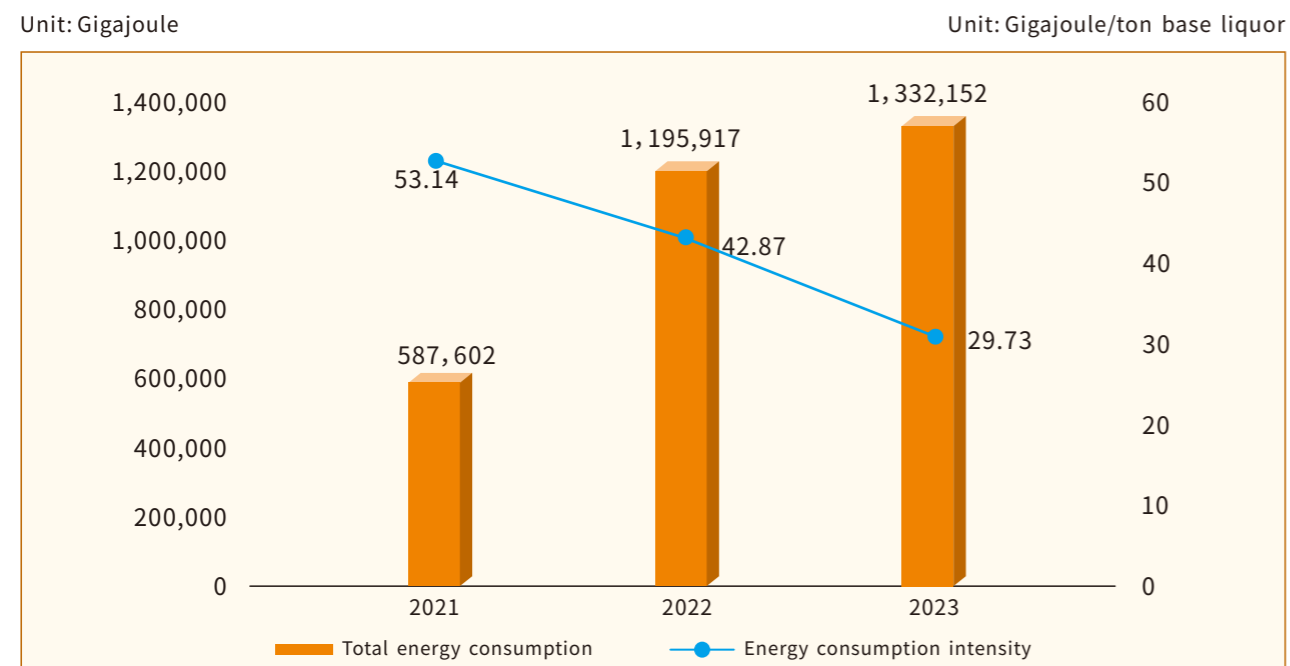
### 2021-2023 Scope 1 and 2 GHG emissions and intensity



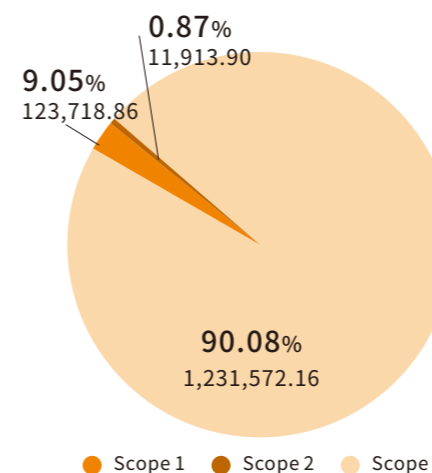
Note1: The figures above are market-based Scope 1 and 2 GHG emissions and emissions intensity. The scope of statistics covers the consumption of natural gas, diesel and gasoline by our self-owned equipment, methane escape during sewage treatment process and the use of electricity purchased from power grid. We backtrack the methane fugitive data of 2021 and 2022 based on the portion of wastewater discharge in that year against wastewater discharge in 2023.

Note 2: The sources of GHG emission factors used are the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, and Guidelines for Corporate Greenhouse Gas Emissions Accounting and Reporting for Power Generation Facilities and 2021 Carbon Emission Factors of Electricity issued by the Ministry of Ecology and Environment of the PRC.

### Total energy consumption and intensity in 2021-2023



### Scope 1, 2, 3 GHG emissions and proportion in 2023



	Scope 1	Scope 2 (market-based)	Scope 3
GHG emissions (tCO2e)	123,718.86	11,913.90	1,231,572.16
Proportion	9.05%	0.87%	90.08%

Note: Scope 3 covers all categories applicable to ZJLD Group, including C1 purchased goods and services, C2 capital goods, C3 fuel-and energy-related activities, C4 upstream transportation and distribution, C5 waste generated in operations, C6 business travel, C7 employee commuting, C8 upstream leased assets, C9 downstream transportation and distribution, C12 end-of-life treatment of sold products, C14 franchises.

### Products' carbon footprint

Product life cycle	Raw material sourcing	Manufacturing and logistics	Sales	Consumption and end-of-life processing
Scopes and categories covered	<ul style="list-style-type: none"> <li>Scope 3 C1 purchased goods and services</li> <li>Scope 3 C4 upstream transportation and distribution</li> </ul>	<ul style="list-style-type: none"> <li>Scope 1</li> <li>Scope 2</li> <li>Scope 3 C2 capital goods</li> <li>Scope 3 C3 Fuel-and energy-related activities</li> <li>Scope 3 C4 upstream transportation and distribution</li> <li>Scope 3 C5 waste generated in operations</li> <li>Scope 3 C7 employee commuting</li> </ul>	<ul style="list-style-type: none"> <li>Scope 3 C6 business travel</li> <li>Scope 3 C8 upstream leased assets</li> <li>Scope 3 C14 franchises</li> </ul>	<ul style="list-style-type: none"> <li>Scope 3 C9 downstream transportation and distribution</li> <li>Scope 3 C12 end-of-life treatment of sold products</li> </ul>
GHG emissions (tCO2e)	<b>614,938.43</b>	<b>734,446.47</b>	<b>17,082</b>	<b>738</b>
Percentage	<b>44.98%</b>	<b>53.72%</b>	<b>1.25%</b>	<b>0.05%</b>
Product carbon footprint	<b>58.55 tCO2e/ton product packaged</b>			

Note1: According to GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, upstream transportation indicates the transportation services purchased by ZJLD Group in 2023, including inbound logistics and outbound logistics (e.g., of sold products). Thus, the GHG emissions generated by our purchased transportation services of raw materials, packaging materials and finished products are classified as C4 upstream transportation and distribution, and the GHG emissions generated by the transportation between offline stores and our end consumers are classified as C9 downstream transportation and distribution.

Note 2: Baijiu sold by ZJLD Group are finished products – no processing is required. Therefore, there are no emissions associated with C10 processing of sold products.

Note 3: Consumers drink our baijiu without consuming energy or emitting carbon emissions, and so C11 use of sold products is not applicable.

Note 4: For ZJLD Group, "C12 end-of-life treatment of sold products" are mainly GHG emissions occurred during the disposal of non-recyclable packaging materials (such as ceramic bottles). We are promoting the replacement of ceramic bottles with recyclable glass bottles to further reduce the GHG emissions generated in end-of-life treatment of our sold products.

## Our actions

### Assessment of climate change risks and opportunities

With reference to the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD), we conducted an annual climate scenario analysis to identify and assess climate-related risks and opportunities, gaining a deep understanding of their impact on the Group's business operations and value chain. The ESG Management Committee under the Group's board of directors identified four physical risks and four transition risks during the reporting period based on the analysis results and formulated corresponding mitigation measures. Also, we identified two climate-related opportunities and developed corresponding plans.

Risk category	Name of risk	Risk description	Time frame of impact	Mitigation measures
Physical risk	Extreme temperatures	<ul style="list-style-type: none"> <li>· Extreme temperatures require more water and electricity to cool temperature-sensitive equipment, while the efficiency of cooling systems in the distilleries is reduced, resulting in additional operational costs</li> <li>· Extreme heat affects the microbial growth environment of baijiu, which may have a negative impact on the stability of the quality of the base liquor</li> <li>· Extreme high temperatures affecting the efficiency and health of employees, which may result in increased expenditure on medical expenses and high temperature allowances</li> <li>· Extreme high temperatures exacerbate the food crisis, affecting the stability of the Group's supply chain, leading to price increases in raw material crops or challenges in the supply and inventory of commodities, which in turn pose challenges to food safety and quality</li> </ul>	Short, medium, long-term	<ul style="list-style-type: none"> <li>· Implemented: Implement safety and health measures for work at high temperatures to avoid injury to personnel caused by extreme temperatures</li> <li>· Ongoing: Improve related equipment and technology to avoid the impact of extreme heat on heat sensitive equipment</li> <li>· Ongoing: Construction of a weather (temperature, humidity, wind speed, evaporation) monitoring system to provide indicators of extreme heat and heat stress, enabling staff to respond to extreme heat risks in advance</li> <li>· Ongoing: Installation of distributed photovoltaic panels on a large area of the roof of the production plant to reduce the ambient temperature in the plant during hot weather</li> </ul>
Physical risk	Water shortage	<ul style="list-style-type: none"> <li>· Increasing water stress is negatively impacting the Group's ability to sustain the production of baijiu, with erratic water supply putting the distillery at risk of operational disruption</li> <li>· Extreme drought conditions affecting the environment for microbial growth of the yeast, negatively impacting the stability of the quality of the base liquor</li> <li>· Water scarcity exacerbating the food crisis and affecting the stability of the Group's supply chain, resulting in higher prices for raw crops or challenges to commodity supply and inventory, which in turn poses challenges to food safety and quality</li> </ul>	Medium, long-term	<ul style="list-style-type: none"> <li>· Implemented: Continuously identify potential water saving opportunities during production, implement improvement plan, and continuously improve water efficiency and recycling rate</li> <li>· Ongoing: Training on water-saving technologies for major crop suppliers</li> <li>· To be implemented: Explore the feasibility of using cutting-edge wastewater treatment technology such as reverse osmosis at wastewater treatment stations, and maximize reuse of wastewater from distilleries</li> </ul>

Risk category	Name of risk	Risk description	Time frame of impact	Mitigation measures
Physical risk	Flood	<ul style="list-style-type: none"> <li>· Flooding causes erosion of the baijiu warehouse, which had a devastating impact on the distillery's continued production and existing assets.</li> <li>· Damage to infrastructure and production equipment caused by the floods requires additional repair costs and reduces the operational capacity of the assets and equipment</li> <li>· Negative impact on the transportation of goods, delivery of goods and sales operations, which in turn affects the Group's operating income</li> <li>· Floods causes contamination of fresh water, resulting in reduced productivity</li> <li>· Extreme precipitation can cause increased pressure on wastewater treatment, increasing the volume of external discharges and operating costs</li> <li>· Exacerbation of the food crisis, affecting the stability of the Group's supply chain, resulting in higher prices for raw material crops or challenges with commodity supply and inventory, which in turn pose challenges to food safety and quality</li> </ul>	Short, medium, long-term	<ul style="list-style-type: none"> <li>· Implemented: Organize at least one internal flood control exercise per year to identify and summarize problems and improve emergency management</li> <li>· Ongoing: Strengthen the construction and maintenance of drainage facilities to enable them to withstand rare and extremely heavy rainfalls</li> <li>· To be implemented: Develop a preparedness and disaster management plan for extreme precipitation, and keep sufficient flood prevention materials</li> </ul>
Physical risk	Landslide	<ul style="list-style-type: none"> <li>· Landslides cause erosion of baijiu warehouses, with damaging impacts on continued baijiu production and existing assets</li> <li>· Landslides potentially damage ZJLD's logistics infrastructure equipment, and impact the production and profitability of the assets if critical facilities are involved</li> <li>· If landslides result in disruption or damage to roads, the supply chain may potentially be damaged</li> </ul>	Medium, long-term	<ul style="list-style-type: none"> <li>· Ongoing: conduct regular geological surveys of slopes, propose prevention and management plans for unstable areas, and reduce the risk of landslides</li> <li>· To be implemented: establish a working mechanism for monitoring, forecasting and early warning of slope displacements, and regularly carry out deformation monitoring, stress monitoring, vibration monitoring and hydrological monitoring</li> </ul>
Transformation risk	Policy and legal risk	<ul style="list-style-type: none"> <li>· China has established a "1+N" policy system for carbon peaking and carbon neutrality, formulated medium- and long-term GHG emission control strategies, promoting the green and low-carbon transformation of various industries</li> <li>· It is expected that the relevant policies will continue to be tightened in the future and the carbon emission control of the brewing industry may become mandatory</li> <li>· If ZJLD Group fails to fulfil the requirements of relevant national laws and regulations, it will face compliance risks from regulatory authorities as well as risks and pressures from external stakeholders. In addition, in order to meet the policy and regulatory requirements, the Group will invest in hiring professionals to optimize the data management and information disclosure of carbon emissions, which will increase management costs in the short term</li> </ul>	Medium, long-term	<ul style="list-style-type: none"> <li>· Implemented: Strengthen climate governance and establish a climate governance mechanism; carry out annual disclosure of climate-related information and annual identification, assessment and disclosure of climate-related risks and opportunities.</li> <li>· Ongoing: Continuously promote "zero-carbon production" through energy saving and consumption reduction, and increasing the proportion of renewable energy use</li> <li>· Ongoing: Adopt supply chain decarbonization measures and empower suppliers to carry out energy saving, carbon reduction and green packaging projects</li> </ul>

Risk category	Name of risk	Risk description	Time frame of impact	Mitigation measures
Transformation risk	Market risk	<ul style="list-style-type: none"> <li>Increasing consumer awareness of green and healthy lifestyles, increasing demand for low-carbon products and services, and decreasing purchases of environmentally unfriendly products</li> <li>Shifts in market preferences will lead to higher consumer demand for green products, resulting in potential cost increases, including but not limited to costs associated with changes in production processes, procedures, facilities, or increases in the cost of raw materials</li> </ul>	Medium, long-term	<ul style="list-style-type: none"> <li>Implemented: Continuously promote green packaging measures such as environmentally friendly packaging, package material reduction and bottle recycling to ensure that products' environmental initiatives are recognized by consumers.</li> <li>Ongoing: Enhance the publicity of green packaging initiatives such as environmentally friendly packaging materials, package material reduction and recycling</li> </ul>
Transformation risk	Reputation risk	<ul style="list-style-type: none"> <li>A disruption in the safe continuity of the Group's operations due to climate risk could lead to concerns and negative feedback from stakeholders (e.g., investors) regarding the stability of the Group's business</li> <li>As the public's concern over climate change and green and low carbon is gradually increasing, failure to align the company's business model with the low carbon economy may damage ZJLD's reputation and affect the agency's rating results</li> </ul>	Medium, long-term	<ul style="list-style-type: none"> <li>Implemented: Actively communicate with the public through the official website, ESG reports and various ratings, proactively participate in various ESG ratings and awards, and use the rating improvement as a traction to drive the improvement of the Group's ESG work capacity and ESG reputation</li> <li>Ongoing: Improve climate-related international evaluations through transparent disclosure, and actively respond to questions and questionnaires from various stakeholders on climate issues, in order to enhance the international image and reputation of the enterprise</li> </ul>
Transformation risk	Technology risk	<ul style="list-style-type: none"> <li>In the context of global warming and emphasis on environmental protection, China has continued to introduce new policies and measures to control energy consumption and carbon emissions, and has imposed high standards of energy efficiency requirements on all aspects of brewing, resulting in the ZJLD being exposed to more pressure to transition to low carbon technologies, which may lead to increased compliance and operating costs, and the risk of financial loss as a result of failure to invest in or develop research and development of new low carbon technology</li> </ul>	Short, medium, long-term	<ul style="list-style-type: none"> <li>To be implemented: conduct research on low-carbon technologies through feasibility studies and cost-benefit analyses, increase capital participation in the R&amp;D of "carbon neutral" technologies, and carry out R&amp;D of core industrial energy-saving technologies</li> </ul>

Opportunity category	Opportunity description	Time frame of impact	Response plan
Consumers prefer green products	<ul style="list-style-type: none"> <li>With rising environmental awareness, consumers' demand for low-carbon products and services will grow, and they will be willing to pay a premium for green products.</li> </ul>	Medium, long-term	<ul style="list-style-type: none"> <li>Collaborate with packaging material suppliers to research and develop, and use green packaging to a greater extent, meeting consumer demand for low-carbon products, and enhancing brand reputation while achieving brand upgrading.</li> <li>By purchasing green, organic crops or guiding farmers to engage in green planting, further enhance the "green attributes" of products, gaining consumer recognition.</li> </ul>
Energy conservation, emission reduction and renewable energy	<ul style="list-style-type: none"> <li>Continuously implement energy-saving and emission reduction projects in the production process, further reducing energy and water costs.</li> <li>The use of renewable energy (such as distributed photovoltaics) will help enterprises transition their energy sources and save energy costs, bringing benefits to the enterprise.</li> </ul>	Short, medium, long-term	<ul style="list-style-type: none"> <li>Through energy consumption analysis and cooperation with relevant service providers, further explore the space for energy saving and emission reduction and develop supplementary enhancement plans.</li> <li>Continuously promote the design and implementation of distributed photovoltaic projects and study the feasibility of implementing other types of clean energy such as biomass.</li> </ul>

## Energy conservation and emission reduction initiatives (Scope 1 & 2)

We focus on implementing a comprehensive green manufacturing strategy in all aspects of our production and operations, pursuing efficient, clean, low-carbon, and circular development. Through measures such as technological upgrades, equipment renovation, and energy management, we continuously improve energy efficiency, reduce GHG emissions, and facilitate the transition to a clean and low-carbon enterprise.

### Energy efficiency management

During the reporting period, we continued to refine our ISO 50001 energy management system, phased out high-energy-consuming equipment, established mechanisms for analyzing and assessing electricity usage, continuously optimized production lines within workshops, planned internal transportation routes rationally, reduced standby time for machinery and equipment, adjusted transformers, equipped boilers and steam pipelines with efficient insulation materials, controlled air intake to ensure full combustion of natural gas, and recycled waste heat from boilers, among other measures to reduce energy consumption and improve energy efficiency.



Zhenjiu Energy Management System Certificate



Lidu Energy Management System Certificate

### Purchase renewable energy vehicles

In addition to energy conservation in direct production and operations, we have extended our carbon reduction efforts to procurement practices. During the reporting period, each distillery prioritized the purchase of renewable energy vehicles when procuring vehicles such as forklifts, commuter buses, and internal transport trucks, thereby further reducing our carbon footprint.



Renewable energy forklift

### Photovoltaic project in operation

In 2023, the Group fully promoted the construction of photovoltaic projects at distilleries. Xiangjiao distillery was the first to complete a 4-megawatt rooftop distributed photovoltaic project in August 2023 and successfully put it into use. The project covers nearly 40,000 square meters and is designed to generate an annual output of 3,800 megawatt-hours, contributing 1,078,024 kilowatt-hours of green electricity in 2023 alone. With the smooth progress of the Xiangjiao photovoltaic project, we have taken a solid first step towards the Group's goal of 100% green electricity use by 2025.



Rooftop DPV at Xiangjiao

Additionally, by the end of December 2023, Zhenjiu had completed the installation of the photovoltaic project, and Lidu had completed the feasibility study and preliminary preparations for the photovoltaic project, expected to be completed and put into use by the end of 2024, further increasing the proportion of green electricity use.

<p>Xiangjiao completed a 4-megawatt rooftop distributed photovoltaic project in August 2023</p>	<p>We contributed <b>1,078,024</b> kilowatt-hours of green electricity in 2023</p>	<p>By the end of December 2023 Zhenjiu had completed the installation of the photovoltaic project</p>
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### Green electricity certificates

We purchased green electricity certificates as a strong supplement to achieve the goal of 10% green electricity use in 2023. The Group purchased a total of 1,298 green certificates in 2023, equivalent to 1,298,000 kWh of green electricity.

a total of <b>1,298</b> green certificates in 2023	=	<b>1,298,000</b> kWh of green electricity
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Green Certificates

## Green value chain (Scope 3)

In 2023, ZJLD's Scope 3 GHG emissions accounted for around 90% of the total GHG emissions of Scope 1, 2, and 3. A low-carbon supply chain transformation plays a crucial role in achieving low-carbon development across the Group's entire value chain.

### Low-carbon procurement

We have established policies such as the Supplier Admission Qualification Determination and Management Method and the Procurement Management Method, which require a preference for suppliers who excel in energy saving and emission reduction and the use of clean energy. In 2023, the Group visited four core suppliers in person, identified their current ESG management status, and proposed a total of 18 energy-saving and emission reduction suggestions and 16 ESG capacity enhancement suggestions, providing them with accompanying ESG management training and requiring them to set targets related to carbon emission reduction and water resource conservation. For more details on our low-carbon procurement practices, please refer to section 3 of this report on Green as the source, responsible procurement.

In 2023  
 We visited  
**4** core suppliers  
 put forward  
**18** energy saving and emission reduction measures  
 put forward  
**16** ESG management enhancement suggestions

### Low-carbon cultivation

The production of ZJLD's baijiu is inseparable from high-quality agricultural products. To actively promote low-carbon sustainable development in the industry, Zhenjiu distillery joined forces with crop suppliers to create green cultivation bases and establish green cultivation measures. By limiting the amount of nitrogen fertilizer used by sorghum and wheat farmers, applying low-nitrogen compound fertilizer as a base fertilizer before sowing, and using foliar fertilizers and medium-element fertilizers during top dressing, we reduced the GHG emissions from purchased raw grains.

### Low-carbon logistics

The majority of our Scope 3 emissions came from logistics and transportation, for which the low-carbon transition of logistics is critical for the Group's value chain emissions reduction. We encourage logistics carriers to use renewable energy vehicles for transporting our raw materials and products, and reduce carbon emissions in the logistics process by promoting electronic waybills, combining full and less-than-full loads to increase vehicle load rates, and optimizing transportation routes. In addition, we are assessing the feasibility of multimodal transportation to further reduce carbon emissions generated during transportation by adopting low-carbon transportation methods such as rail and water transport.



Recyclable plastic pallets

In terms of packaging, we recycle the outer packaging boxes used in the transportation of finished products and hand over damaged cardboard boxes to qualified third parties for recycling. Considering that plastic pallets have a longer service life and are recyclable and reusable compared to wooden pallets, we are gradually replacing wooden pallets with plastic pallets to reduce deforestation and waste.

### Distribution centers and stores

We extend energy-saving measures to distribution centers and stores, including avoiding turning on lighting equipment when there is sufficient natural light, ensuring lights and power are off when nobody is in the store, and using air conditioning reasonably.

## Our key performance indicators

Indicators	Performance in 2021	Performance in 2022	Performance in 2023
Electricity consumption (kWh)	11,791,980	19,052,763	22,426,343
Electricity consumption intensity (kWh/ton)	1,066.38	682.99	500.54
Renewable electricity consumption (kWh)	0	0	2,376,024
Total energy consumption (gigajoules)	587,602	1,195,917	1,332,152
Energy consumption intensity (gigajoule/ton)	53.14	42.87	29.73
Market-based Scope 1 and 2 GHG emissions (tCO2e)	54,987	108,607	135,633
Market-based Scope 1 and 2 GHG emissions intensity (tCO2e/ton)	4.97	3.89	3.03
Scope 3 GHG emissions (tCO2e)	not counted	not counted	1,231,572

## Preserving water resources

Water is an essential resource for human survival and one of the most important raw materials in the baijiu brewing process. The quality of water resources directly affects the quality of our products. We firmly believe that fragrant and delightful baijiu can only be brewed with clear and sweet water. Climate change and population growth have led to a significant increase in global water resource pressure. According to the World Resources Institute (WRI)'s "Aqueduct Water Risk Atlas", the areas where Zhenjiu and Lidu distilleries are located were identified as high-risk water stress areas in 2023, and the area where Xiangjiao distillery is located was identified as a low-medium risk water stress area. To effectively address the growing water pressure, ZJLD continuously improves the efficiency of water resource utilization through equipment updates and technological innovation and adopts infrastructure transformation and volunteer activities to protect the water ecology of the regions where they are located. Thanks to our continuous efforts and proactive efforts in terms of water management, the Group did not face any water resources related issues (including water sourcing and water quality) during the reporting period.

## Our policies

We have established our wastewater management and water resource management policies based on the Water Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the National Water Conservation Action Plan, and other applicable regional, national, and international standards. We are committed to reducing the environmental impact of wastewater discharge, decreasing water usage, and protecting the ecosystems of the basins where we operate. We will update these policies in a timely manner according to laws and regulations, public policies, industry best practices, and the Group's sustainable development strategy.

## Our goals

We place great importance to water resource management and protection. The Group's CEO, Yan Tao, the Group's ESG management committee, and the ESG management department are directly responsible for water management strategy and performance at group level. In 2022, to improve the efficiency of water resource utilization, we set a goal to reduce the group's water withdrawal intensity (based on the production tonnage of baijiu) by 20% by 2025 compared to that in 2021. Through a series of water-saving technical improvement measures, we achieved this goal ahead of schedule in 2023.

Looking forward, in terms of water resource conservation, the Group commits to taking further water-saving measures and strive to reduce the production water withdrawal intensity by an additional 5% in 2024 compared to that in the previous year. In terms of water pollution prevention and control, we commit to continuously improving the wastewater treatment processes and equipment based on strict compliance with applicable laws, regulations, and discharge standards. By 2024, the concentrations of COD, total nitrogen, ammonia nitrogen, and total phosphorus in all indirectly discharged wastewater will be at least 40% lower than the national discharge standard limits; for all directly discharged wastewater, the concentrations of COD, ammonia nitrogen, and total phosphorus will be at least 20% lower than the limits. The aforementioned targets are all considered as key ESG performance indicators and are included in the annual assessment of the persons in charge.

### Our commitments in 2024

#### In terms of water resource conservation

We strive to reduce the production water withdrawal intensity by an additional **5%**.

#### In terms of water pollution prevention and control

For all indirectly discharged wastewater, the concentrations of COD, total nitrogen, ammonia nitrogen, and total phosphorus will be at least **40%** lower than the national discharge standard limits.

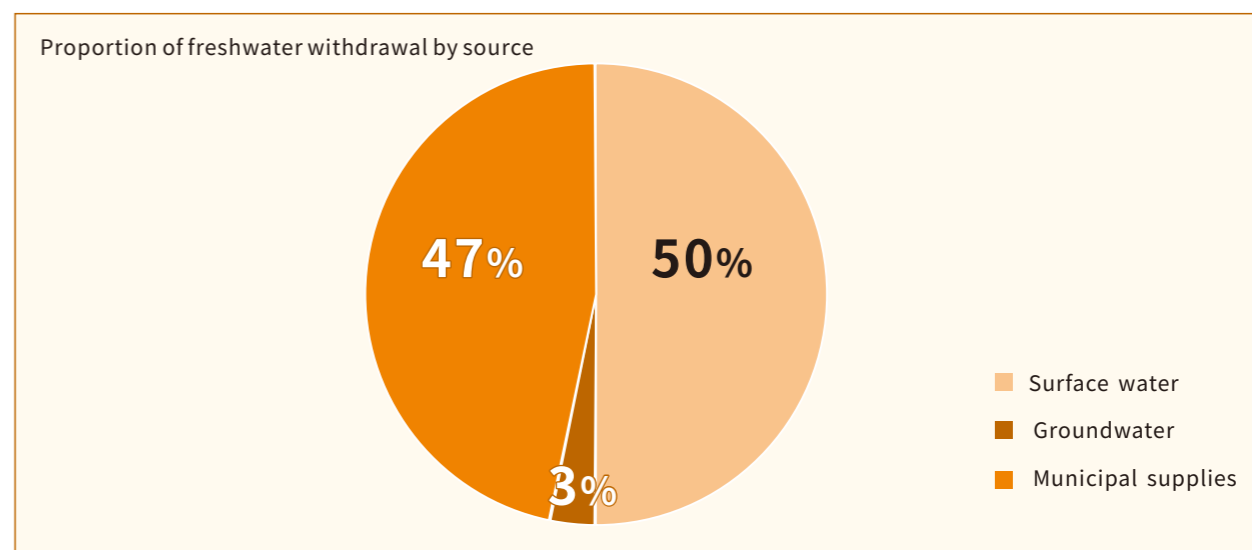
#### In terms of water pollution prevention and control

For all directly discharged wastewater, the concentrations of COD, ammonia nitrogen, and total phosphorus will be at least **20%** lower than the limits.

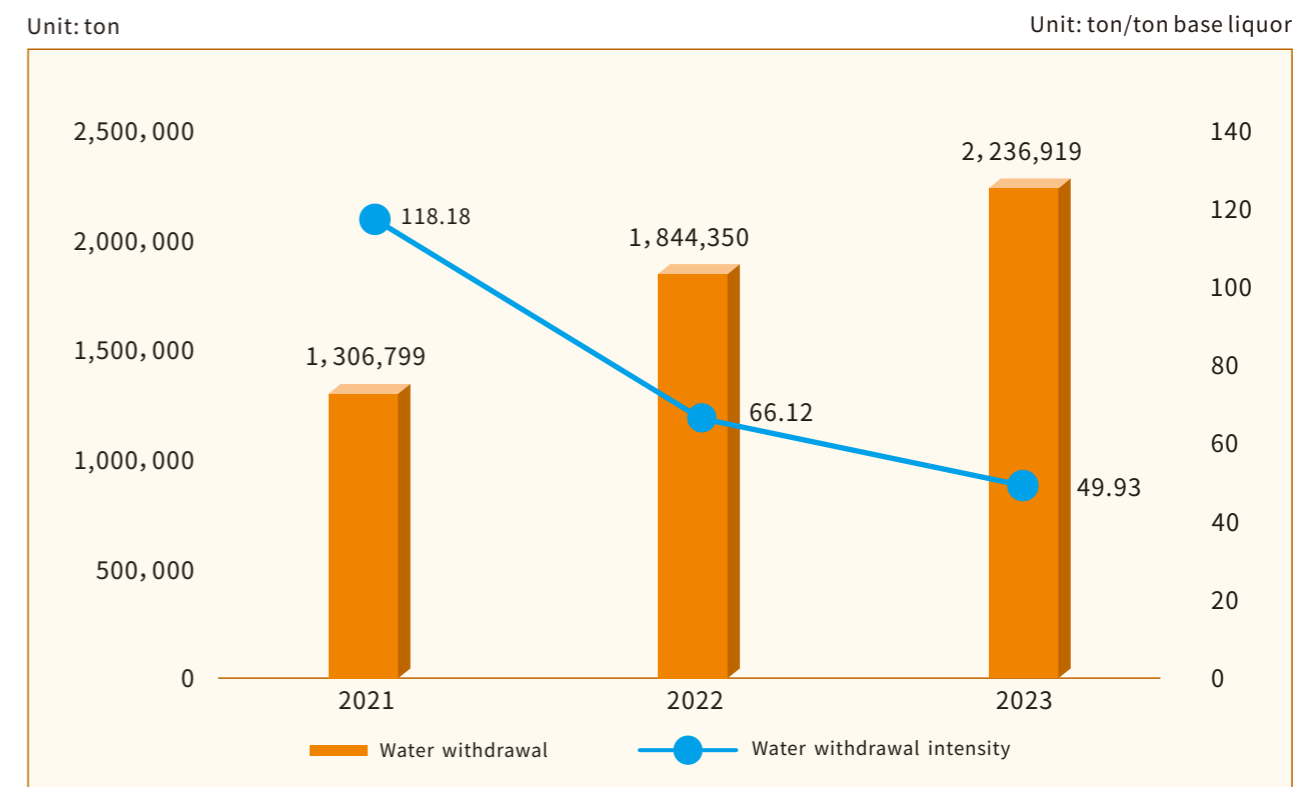
## Our water footprint

Our distilleries are located in Guizhou, Jiangxi and Hunan provinces. Our water footprint impacts the surrounding stakeholders and local ecological environments.

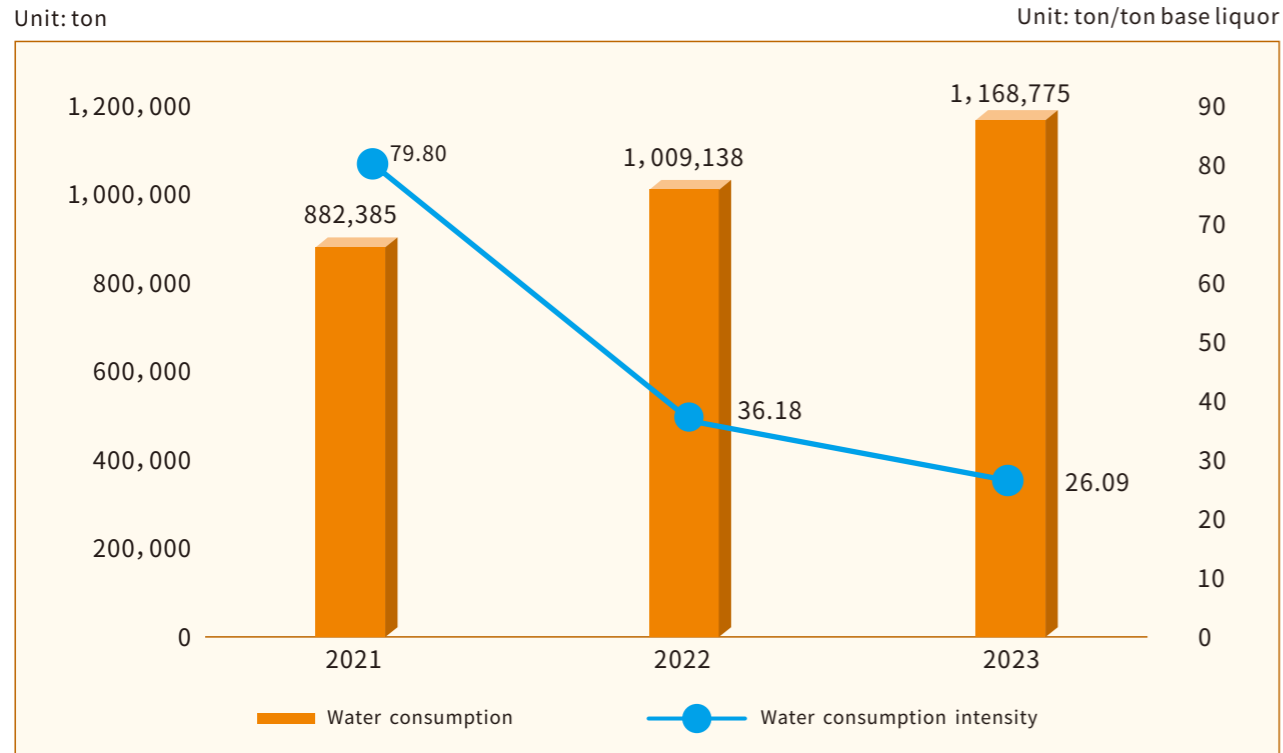
### 2023 freshwater withdrawal by source (surface water, groundwater, municipal supplies)



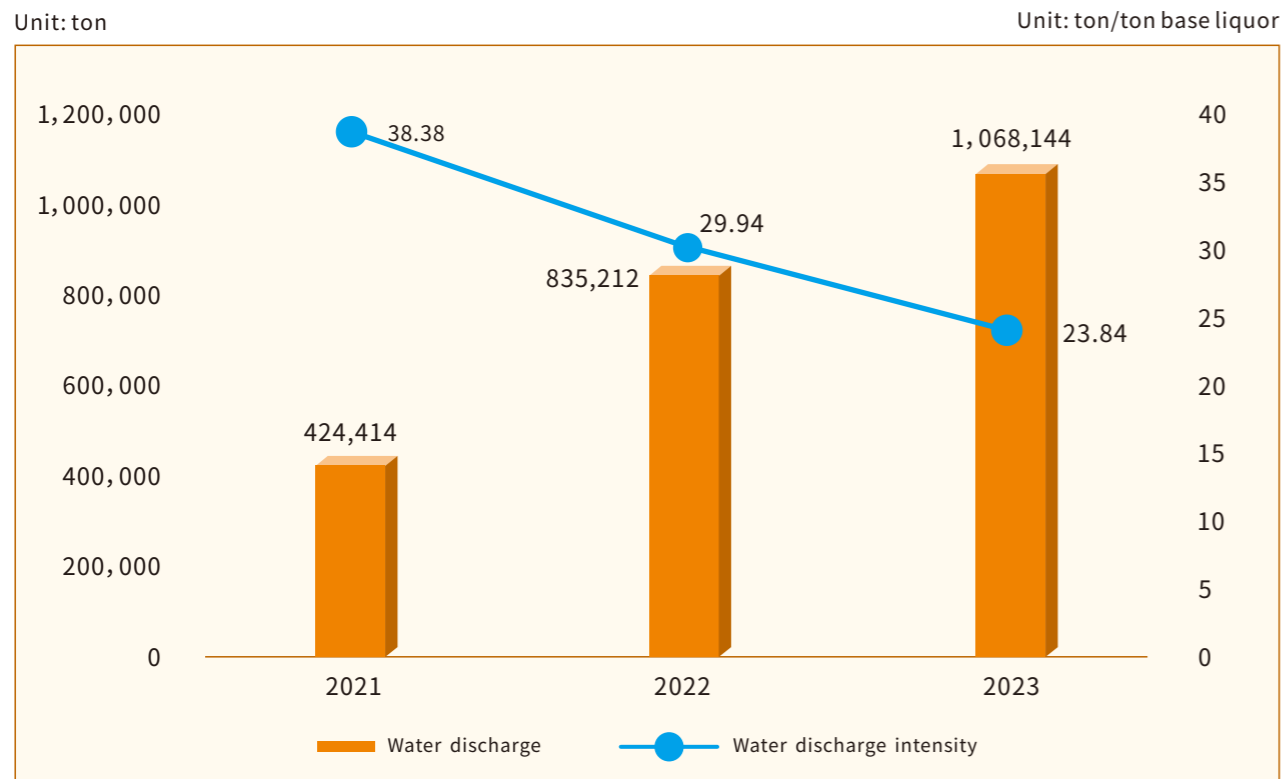
### 2021-2023 freshwater withdrawal and intensity



### 2021-2023 water consumption and intensity



### 2021-2023 water discharge and intensity



### Our actions

#### Applying water-saving equipment and technological transformations to improve water use efficiency

Zhenjiu, Lidu, and Xiangjiao have carried out more than ten projects to update, transform, and upgrade water-saving and water purification equipment, including the construction of a packaging bottle washing water recycling system, the use of water-saving flushing equipment, the implementation of water-saving transformation of utensils, the installation of cooling water recycling and reuse equipment, and the modification of wastewater treatment stations and the reuse of treated water. Also, our production technicians regularly hold seminars to learn about leading water-saving processes and equipment transformation practice from other liquor companies, and to study the feasibility of applying advanced water-saving technologies and equipment in each production process, deeply integrating the concept of water conservation into the production and operation process. In 2023, we achieved a water withdrawal intensity of 49.93 tons/ton of base liquor, a reduction of 24.49% compared to that in 2022.



Closed renovation of sewage treatment station

#### 2023 water conservation initiatives

- Zhenjiu**
  - Continued to implement bottom pot water-saving transformation, recycling and reusing water multiple times, saving a total of approximately **87,000 tons of water**.
  - Installed a packaging bottle washing water recycling system, which has recycled approximately **25,316 tons of water**.
  - Revamped the wastewater treatment station and reused treated water to replace fresh water, saving approximately **14,250 tons of water**.
- Lidu**
  - Used a cooling water recycling system, saving **30,000 tons** of fresh water by reusing cooling water and collecting rainwater.
  - Completed the modification of packaging bottle washing water recycling system.
- Xiangjiao**
  - The used cooling water is returned to steam boilers to replace fresh water, recycling approximately **75,000 tons of water**.
  - Put into use a packaging bottle washing water recycling system, recycling approximately **37,500 tons of water**.

In 2023, the recycled water consumption of ZJLD was **179,816 tons**, and the water recycling rate was **7.44%**<sup>1</sup>; the water consumption from alternative water sources was **89,250 tons**, of which the percentage stood at **3.84%**<sup>2</sup>.

<sup>1</sup>The amount of recycled water includes the recycled water by the packaging bottle washing water recycling system and the cooling water recycling system, and the water recycled after the water-saving renovation of the pots. Water recycling rate = the quantity of water recycled/(the quantity of water recycled + the total quantity of water withdrawal).

<sup>2</sup>The percentage of water consumption from alternative water sources = the quantity of reclaimed water/(the quantity of reclaimed water + the total quantity of water withdrawal). The alternative water sources include reclaimed water at sewage treatment stations and cooling water reused in boilers. In 2023, we used a certain amount of rainwater in the cooling water system to replace freshwater. However, because the amount of rainwater collected was not accurately measured, the rainwater consumed is not included in the 2023 statistics on alternative water sources.



## Wastewater management

We strictly comply with national and local wastewater discharge standards and closely monitor our internal wastewater management processes. To prevent water pollution from the source, we have built separate systems for rainwater, production wastewater, and domestic wastewater. The main production areas of Zhenjiu, Lidu, and Xiangjiao are all equipped with wastewater treatment stations, and online real-time monitoring devices for chemical oxygen demand (COD), ammonia nitrogen, total phosphorus, and total nitrogen have been installed at the discharge outlets to ensure 100% compliant wastewater discharge.

On the basis of compliance, we are committed to further improving our wastewater discharge standards. By upgrading the wastewater treatment process and optimizing the wastewater treatment technology, each distillery has reduced the COD and ammonia nitrogen content in wastewater to meet some of the target requirements in Wastewater Discharge Standards in Fermented Alcohol and Baijiu Industry (GB27631-2011).

## Water sources protection

We deeply understand that the sustainable development of our company is closely related to the ecosystem of the watershed where we operate. We actively cooperate with local governments, communities, and environmental organizations. During the reporting period, Zhenjiu, Lidu, and Xiangjiao breweries each organized watershed ecological protection activities themed "Undertaking River Channel Management, Building a Beautiful Home." We organized employee volunteers to carry out river environmental supervision and cleanup activities at nearby watersheds, contributing to the protection of local watershed ecology and biodiversity with our own hands and raising the awareness of ecological protection among all employees and local residents.



Watershed protection activities

In addition, in cooperation with the government of Sidu Town, Huichuan District, Zhenjiu has been working to protect the water basin of the nearby water conservation site, Magou Reservoir. As an expert in pollution prevention, the Zhenjiu Safety and Environment Department has assisted the town government in carrying out regular river basin environmental inspections and made more than 10 suggestions for improvement.

## Our key performance indicators

Indicators	Performance in 2021	Performance in 2022	Performance in 2023
Freshwater withdrawal (ton)	1,306,799	1,844,350	2,236,919
Freshwater withdrawal intensity (ton/ton)	118.18	66.12	49.93
Water consumption (ton)	882,385	1,009,138	1,168,775
Water consumption intensity (ton/ton)	79.80	36.18	26.09
Wastewater discharge(ton)	424,414	835,212	1,068,144
Wastewater discharge intensity (ton/ton)	38.38	29.94	23.84
Ammonia and nitrogen emissions (kg)	740	2,021	4,202
Chemical oxygen demand (COD) emissions (kg)	18,827	33,685	37,275
Biochemical oxygen demand (BOD) emissions (kg)	7,458	12,485	16,636

## Pollution prevention and control

During the baijiu brewing process, pollutants are generated in the various stages such as raw material storage, yeast-making, baijiu production, and auxiliary production, mainly in the form of wastewater, air pollutants, and waste residues, which not only affect the surrounding ecological environment but also pose a threat to the quality and safety of baijiu products. ZJLD believes in green and ecological brewing; we devote our efforts in pollution prevention and control, strive to improve resource utilization rates, and put into practice the principle that "lucid waters and lush mountains are invaluable assets".

### Our policies

We have updated the waste management provisions in the ZJLD Environmental Policy based on applicable laws and regulations such as the Environmental Protection Law of the PRC, the Solid Waste Pollution Environmental Protection Law of the PRC, the Air Pollution Prevention and Control Law of the PRC and the Noise Pollution Prevention and Control Law of the PRC. The updated policy covers the management of all types of pollutants including wastewater, exhaust gases, solid waste, hazardous waste and noise pollution, specifying the treatment procedures and assessment mechanisms for each type of pollutants, and requiring each distillery to strictly monitor and manage pollutant emissions in accordance with legal requirements. In addition, all three of our distilleries are certified for the ISO 14001:2015 Environmental Management Systems.



Zhenjiu ISO14001 certificate

Lidu ISO14001 certificate

Xiangjiao ISO14001 certificate

### Our goals

We have set corresponding annual targets based on the type of pollutants. For solid waste (including hazardous and non-hazardous wastes), we require 100% compliant disposal annually. For exhaust gas emissions, we have also set exhaust gas management targets, striving to reduce the exhaust gas emissions intensity (based on the production tonnage of base liquor) by 5% in 2024 compared to the 2023 level. The fulfillments of afore mentioned targets are all considered as key ESG performance indicators in the annual assessment of the persons in charge.

**solid waste**

100% compliant disposal of solid waste (including hazardous and non-hazardous wastes).

**exhaust gas emissions**

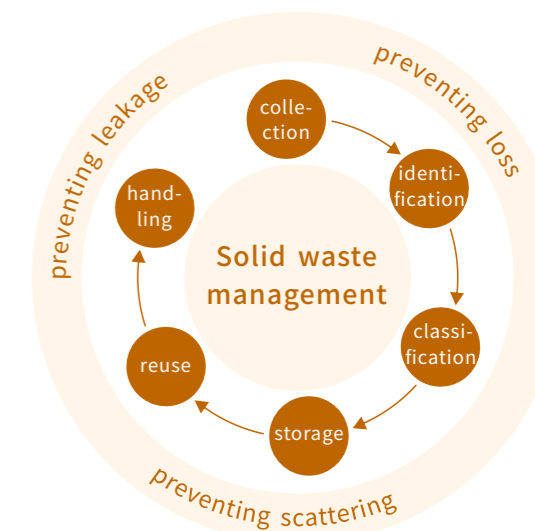
We aim to reduce the exhaust gas emissions intensity (based on the production tonnage of base liquor) by **5%** in 2024 compared to the 2023 level.

## Our actions

By the end of the reporting period, we have obtained all the necessary permits for pollution emissions from relevant regulatory authorities. We strictly comply with laws and regulations related to pollution emissions, while seeking practice to continuously reduce environmental pollution and resource waste.

### Solid waste management

To ensure 100% compliant disposal of solid waste (including hazardous and non-hazardous wastes), we are committed to reducing resource consumption and reusing waste generated during the production process. We have set detailed rules for the entire process of solid waste collection, identification, classification, storage, reuse and handling, to strictly adhere to the "three preventions" standards of preventing leakage, loss, and scattering. The measures we have taken include the separate storage of hazardous waste, selling vinasse to third parties for reutilization, recycling and reusing the pit mud from the brewing process, and dewatering sludge mechanically so that it can be landfilled.



to strictly adhere to the "three preventions" standards

In addition, Zhenjiu replaced the wearable wooden ceiling with stainless steel at its yeast-making workshops to increase the durability of the ceiling and thus reduce the consumption of forest timber resources as well as the generation of waste wood.

### Air pollutant management

We actively take actions to mitigate the environmental impact of air pollutants, including equipping with bag-type dust collectors and cyclone dust collectors, and installing oily smoke purification devices. To further improve our air pollutant emission standards, we have replaced all coal-fired boilers with natural gas boilers, laying the foundation for desulfurization in the production process. In addition, we are equipped with enclosed automatic grain moistening and grinding machine, which greatly reduces the dust generated by manual crushing of grains at the yeast-making workshops, effectively reducing inhalable particulates pollution and protecting the occupational health of our people.



Natural gas boilers



Bag-type dust collectors

## Our key performance indicators

Indicators	Performance in 2021	Performance in 2022	Performance in 2023
Total general solid waste produced (ton)	41,592	95,113	158,301
General solid waste intensity (ton/ton)	3.76	3.41	3.53
Total hazardous waste produced (ton)	not counted	2.28	2.66
Hazardous waste intensity (ton/ton)	not counted	0.00008	0.00006
Total air pollutants emissions (ton)	13.29	29.62	38.49
Air pollutants emissions intensity (ton/ton)	0.0012	0.0011	0.0009
Nitrogen Oxide (NOx) emissions (ton)	11.99	24.68	23.94
Sulfur Oxide (SOx) emissions (ton)	0.36	3.54	11.92
Particulate Matter (PM) emissions (ton)	0.94	1.40	2.64
Volatile organic compounds (VOCs) emissions (ton)	0	0	0

## Occupational health and safety

Employees are the core productive force of the Group and the foundation and guarantee for sustainable development. We always put the health and safety of employees first, committed to minimizing occupational health and safety risks, and creating a safe, healthy, and caring workplace.

### Our policies

We strictly comply with the laws and regulations on occupational health and safety, such as the Work Safety Law of the PRC, the Law of the PRC on the Prevention and Control of Occupational Diseases, the Labor Law of the PRC and the Fire Control Law of the PRC. We have formulated a series of health and safety policies and procedures at group level, which apply to the entire group, as well as to contractors and contract workers, providing a solid institutional guarantee for the health and safety of employees.



The Group's H&S strategy and performance is managed by our ESG Management Committee at board level. In order to further improve the systematization of safety management, ZJLD's management team and the heads of its subsidiary distilleries form the H&S Committee, which is responsible for the formulation of policies on occupational health and safety management and target setting for production safety in distilleries, etc. At the distillery level, the H&S Leadership Team is responsible for the implementation of specific matters related to occupational health and safety. We incorporate indicators such as workplace accidents into our annual Key Performance Indicator (KPI) assessment and directly link them to the salary of the relevant persons in charge.

### H&S Committee responsibilities

- Responsible for overall safety production management
- Formulate safety production technical plans
- Develop labor protection plans
- Implement safety production inspections and supervision
- Investigate and handle production accidents

### H&S Leadership Team responsibilities

- Education and training on safety production
- Develop detailed rules, operation processes, and emergency plans for production accidents
- Oversee the implementation of various safety production requirements



\*The deputy general manager is responsible for workplace safety

## Certification of the occupational health and safety management system

We fully comply with the laws and regulations related to workplace safety and occupational health, and to ensure the occupational safety and health of employees, all of our brands are certified for the ISO45001 occupational health and safety (OH&S) management system.



Certification of the Occupational Health and Safety Management System

## Our goals

We always put the safety and health of our employees first and create healthy and safe workplaces for our employees by setting detailed safety targets and implementing various occupational health measures.

### We have set H&S targets for 2024

- We aim for zero work-related fatalities.
- We aim for a lost time injury severity rate of lower than **0.05%** (occurring within the distillery).
- We aim for a training coverage of **100%** of our production-related employees.

All of the above targets are included in the annual ESG KPI assessment, ensuring that every production-related personnel in ZJLD is assessed based on the health and safety performance.

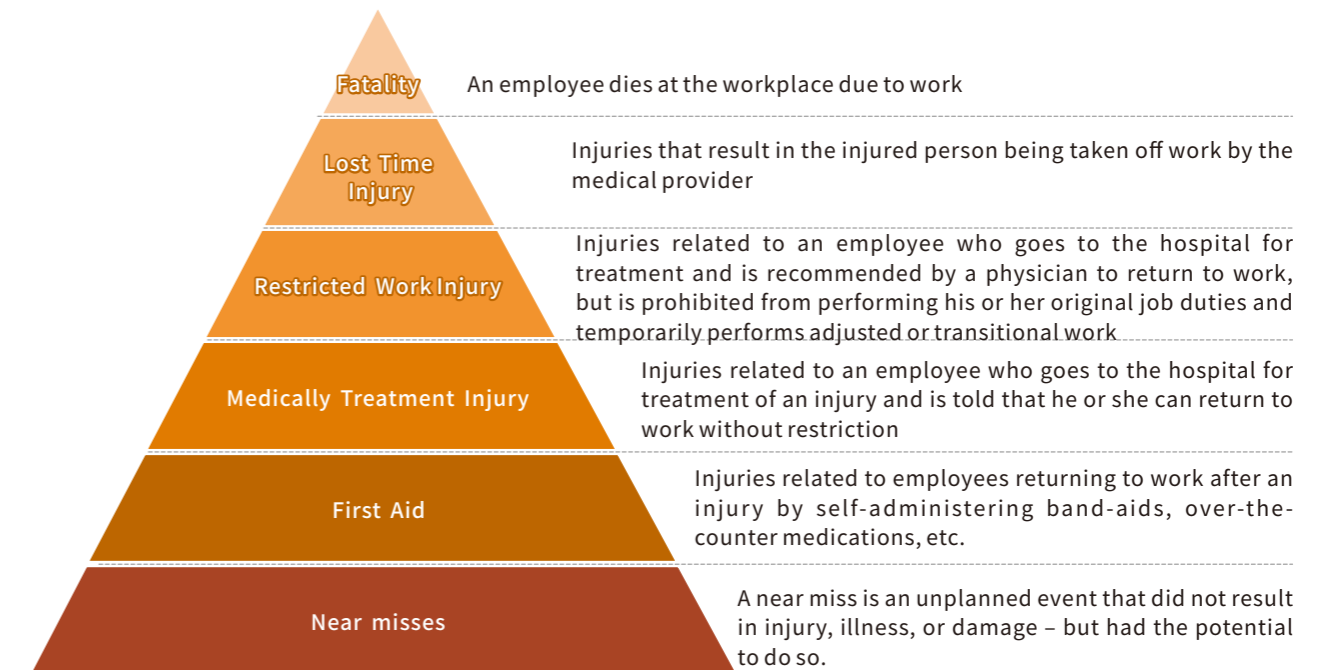
For external personnel such as contractors, we have set the targets of a safety education coverage of 100% for external workers and a signing coverage of 100% for the "Safety Agreement" with outsourcing parties.

## Our actions

### Refining work injury record indicators

In 2023, we further refined the work injury indicators for employees, conducted a quarterly group-level data review, and formulated countermeasures.

### ZJLD's work injury record system



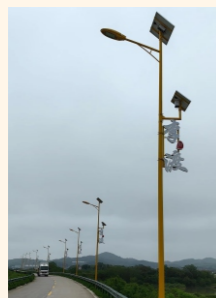
### Employment injury record statistics

Type of work injury	Employee Type	Total in 2023
		No. of occurrence
Fatality	Full-time employees of the distillery	0
	Contractors	0
Lost time injury	Full-time employees of the distillery	68
	Contractors	6
Restricted work injury	Full-time employees of the distillery	60
	Contractors	1
Medically treatment	Full-time employees of the distillery	3
	Contractors	0
Near misses	Full-time employees of the distillery	3

Type of work injury	Employee Type	Total in 2023
		Days
Lost days due to work injury	Full-time employees of the distillery	2,129
	Contractors	38

The lost days due to work injury at the winery in 2023 is **33%** lower than in 2022.

#### Case Lidu installed streetlights on employees' commutes



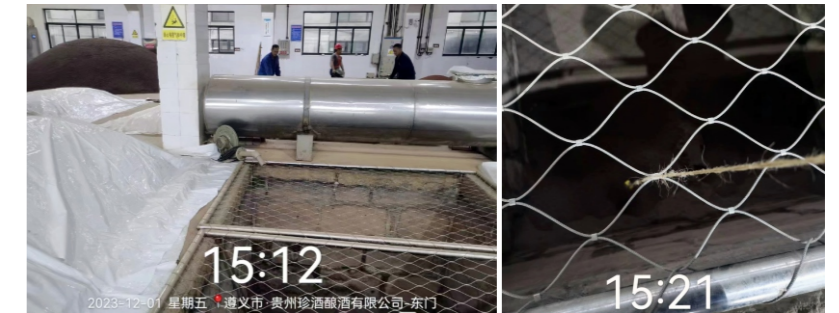
Lidu installed streetlights

In order to ensure the safety of our employees and local villagers' travels, Lidu installs 110 sets of solar streetlights on the road from Lidu middle school to the embankment of Fuhe river (3.3 kilometres in total), which improves the travelling conditions at night, reduces the probability of work-related injuries of our employees on the way of commuting, and brings convenience to the life of the local villagers at the same time.

### Production safety and occupational disease prevention

We regularly conduct occupational health and safety risk factor tests at workplaces, carry out technical modifications and implement employee protection measures for toxic and hazardous workplaces that exceed national health standards to ensure employee safety and health. For pits and other limited space operations, we pay extra attention to the ventilation and harmful gas measurement before operation. At the same time, we require all pit workers to undergo strict safety training, to wear safety harnesses, and to work in the pits only under the supervision of safety officers.

To prevent occupational diseases among frontline employees, we have implemented various dust prevention, poisoning prevention, radiation protection, heatstroke prevention, and noise prevention measures. Besides, we distributed personal protective equipment to employees and urge them to use it properly. In addition, we adjusted the operating time flexibly in light of the temperature forecast to avoid long hours of labor under high temperatures.



Ventilation before work

Gas concentration test



Monitoring of cellulose operation

Safe-cell protection



Employees practice fitness exercise

We provide regular occupational health check-ups for all frontline employees and specific occupational disease examinations for those at high risk of occupational hazards such as welding fumes, noise, UV radiation, grain dust and sodium hydroxide, which are dangerous chemicals, we arranged annual medical examination. Our Human Resources Department and H&S Committee held a joint discussion to provide solutions for employees.

We tailored fitness exercises for our employees, requiring employees engaged in physical labor to warm up before starting work and encouraging them to take advantage of work breaks to do these exercises, which reduces the risk of strain injuries at work.

## Employee safety training

We provide occupational health and safety training for frontline production employees at the distillery, workshop, and team levels, with a training coverage rate of 100% in Zhenjiu, Lidu and Xiangjiao in 2023.

In addition, in order to strengthen the emergency rescue capabilities of employees, we held 4 first aid training sessions at each distillery in 2023, covering 708 key employees from various workshops and teams, among which 64 employees passed the assessment and obtained the Red Cross first aider certificate.

a training coverage rate of **100%** held **4** first aid training sessions in 2023 covered **708** key employees **64** employees obtained Red Cross first aider certificate



Employees obtained Red Cross first aider certificate through safety training

## Purchase of first aid equipment

Sudden cardiac arrest has a high rate of mortality and disability. Automated External Defibrillators (AEDs), as portable on-site first aid equipment, can significantly increase the success rate of non-professionals rescuing critically ill patients with cardiac arrest when used in conjunction with cardiopulmonary resuscitation (CPR). Considering the distance from the hospital to distilleries, to avoid missing the best rescue time for employees, we invested in purchasing AED equipment and conducted CPR first aid training to deal with sudden cardiac arrest emergencies among employees.



First aid training

## Emergency drills

We have formulated emergency plans for safety hazards such as fire safety, gas safety, boiler explosion, forklift accidents, mechanical injuries, and elevator entrapment, and conducted emergency drills to improve the ability of emergency personnel to properly handle accidents in emergency situations. In 2023, the group carried out 2006 emergency drills, of which 7 at the company level, 133 at the department level and 1,866 at the team level, popularized emergency management knowledge, and improved the risk prevention awareness and self-rescue capabilities of the participants. At the same time, we improved emergency management and handling techniques, supplemented emergency equipment and materials, and enhanced their applicability and reliability.



Employees conduct fire drills



Employees conduct emergency handling exercise on hazardous chemicals



## Enhancing quality while simplifying packaging

ZJLD baijiu adheres to the spirit of craftsmanship that values longevity and specialization, with quality as the foundation and minimalism when it comes to appearance, simplifying the packaging to return value to the essence of the liquor itself. Our baijiu travel “light” on the journey from the distilleries to our consumers.



## Green packaging

Overpackaging was once prevalent in the baijiu industry. Complex and extravagant packaging served to highlight the product's premium features. However, amid the increasing severity of global resource shortages, overpackaging not only causes waste of resources, but also brings a negative impact to the environment. We are committed to promoting slim product packaging and recycling, green consumption, and the industry's low-carbon transformation of packaging, to effectively address climate change and waste packaging pollution issues.

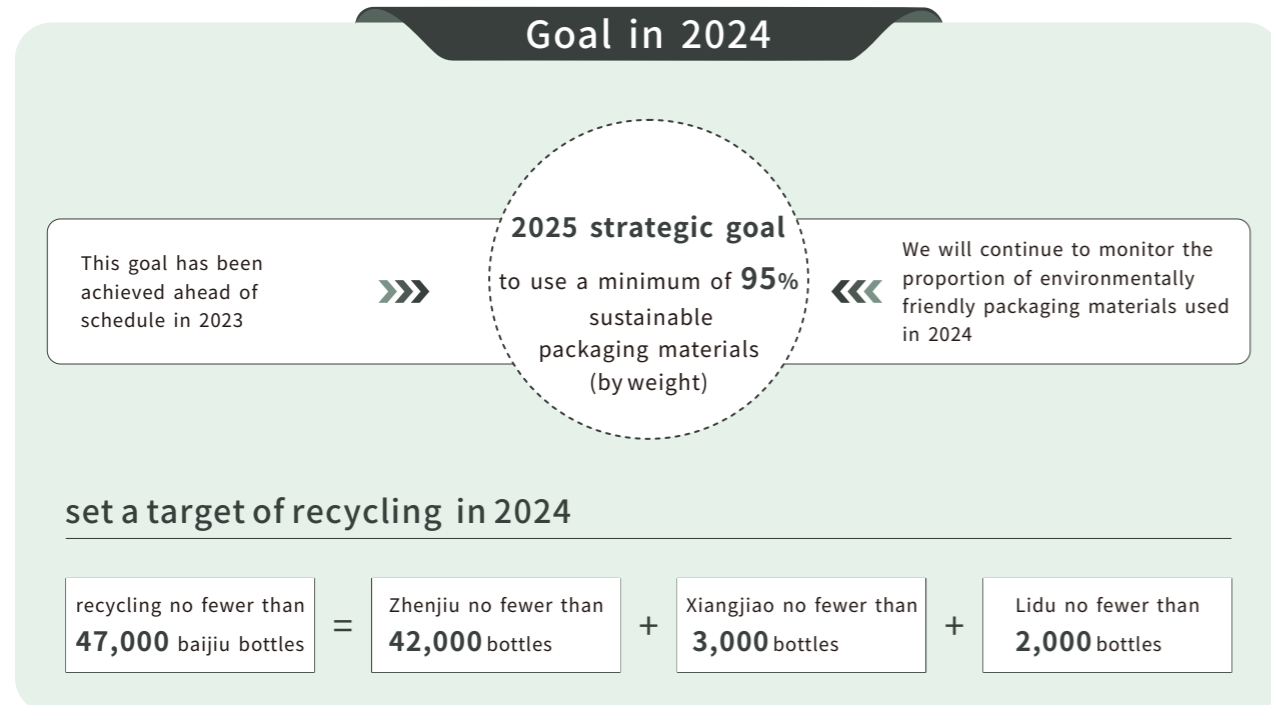
## Our policies

In 2023, we continuously updated our Green Packaging Management Policy, which outlines our requirement in design, prototyping and production stages of the packaging lifecycle. We require our products to be packaged using sustainable materials and packaging designs be compliant with national standards – Requirements for the Restriction of Excessive Packaging of Food and Cosmetics (GB 23350—2021). At the same time, we have also established a List of Prohibited and Restricted Packaging Materials, gradually phasing out harmful or non-environmentally friendly materials.

## Our goals

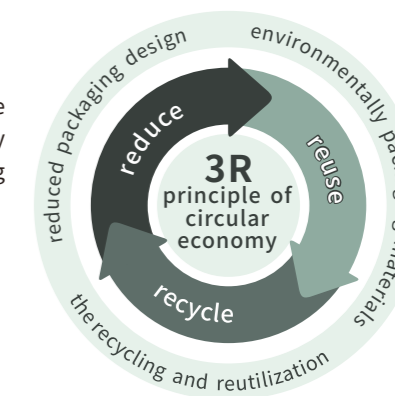
We set a strategic goal to use a minimum of 95% sustainable packaging materials (by weight). This goal has been achieved ahead of schedule in 2023, while we will continue to monitor the proportion of environmentally friendly packaging materials used in 2024.

Additionally, we set a target of recycling no fewer than 47,000 baijiu bottles in 2024. Zhenjiu will recycle no fewer than 42,000 bottles, Xiangjiao no fewer than 3,000 bottles, and Lidu no fewer than 2,000 bottles, to transform them into cultural and creative products. The fulfilment of targets is considered one of the key ESG performance indicators in the annual assessment of the persons in charge.



## Our actions

Following the 3R (reduce, reuse and recycle) principle of circular economy, we actively explore the practices of reduced packaging design, environmentally friendly packaging materials, and the recycling and reutilization of packaging materials, continuously improving our sustainable packaging performance.



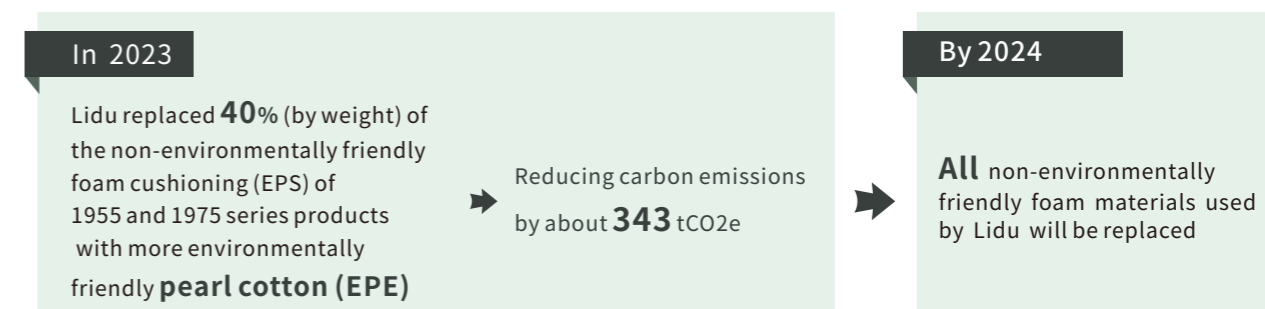
## Environmental-friendly packaging materials

We used to use ceramic bottles for our packaging, but in view of the high energy consumption in ceramic firing and the difficulty in recycling ceramic bottles, the Group has decided to limit the development and production of ceramic bottle products and use glass materials as a substitute. The Group's product department has been working with suppliers to replace several of our best-selling ceramic bottle products of Zhenjiu and Lidu with glass bottles, enhancing the "green" image of baijiu bottles while ensuring product quality. Through multiple R&D tests in cooperation with suppliers, we found that the glass bottles are almost identical to ceramic bottles in appearance and touch, and therefore, will not pose an impact on consumer experience. Currently, Zhenjiu has replaced its ceramic bottles with glass bottles for its Black Gold Edition Old Zhenjiu, Black Gold Edition Zhen Fifteen, Black Gold Edition Zhen Thirty, Deluxe Edition Zhen Fifteen, Deluxe Edition Zhen Thirty and other major ceramic bottle products which are about to be launched, replacing a total of 110,000 ceramic bottles in 2023, and thereby reducing the weight of non-environmental friendly materials by approximately 55,000 tons.



ZJLD has released a "negative list" of packaging materials to monitor and phase out the use of hazardous or non-environmentally friendly materials, ensuring that the materials used in packaging do not endanger the ecosystem and human health. In addition, the Group uses environmentally friendly adhesives and ink, and cooperates only with packaging suppliers that meet the national environmental protection requirements. In 2023, Lidu replaced 40% (by weight) of the non-environmentally friendly foam cushioning (EPS) of 1955 and 1975 series products with more environmentally friendly pearl cotton (EPE), reducing carbon emissions by about 343 tCO<sub>2</sub>e. It is planned that all non-environmentally friendly foam materials used by Lidu will be replaced by 2024.

In the future, we plan to collaborate with packaging material suppliers to develop new light bottles and packaging boxes made from components such as vinasse, to further alleviate the environmental pressure caused by discarded packaging materials.

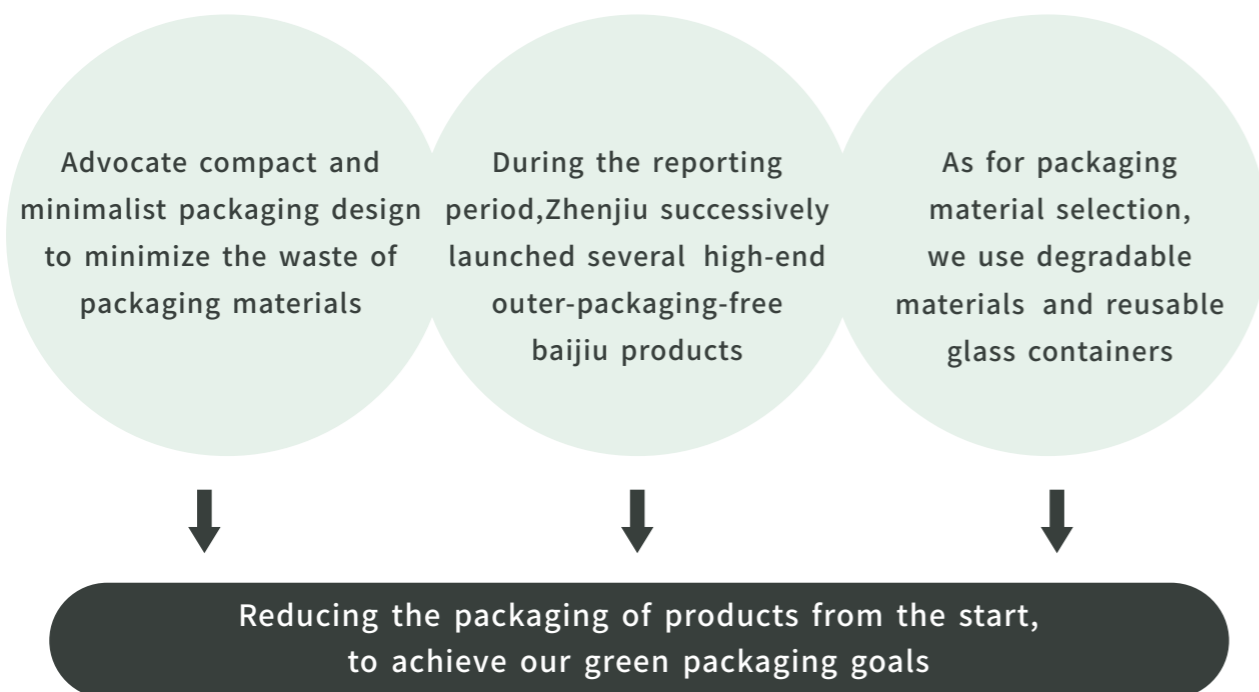


## Packaging reduction



Outer-packaging-free baijiu

Reducing the packaging of products from the start is a key initiative in achieving our green packaging goals. We advocate compact and minimalist packaging design to minimize the waste of packaging materials. During the reporting period, Zhenjiu successively launched several high-end outer-packaging-free baijiu products, including ultra-premium new products such as 1988 Vintage baijiu, Zhen Fifteen (Gold Award Baijiu) and Zhen Thirty (Grand Gold Award Commemorative Baijiu). The high-end outer-packaging-free series all feature transparent glass bottles, self-presenting to consumers in the most genuine form, allowing the product to return to its essence. The simple and smooth bottle lines highlight the texture and sense of fashion. As for packaging material selection, we use degradable materials and reusable glass containers to achieve low-carbon and environmentally friendly goals. This conveys a "simple is the ultimate sophistication" aesthetic of baijiu, while also encompassing the concept of sustainable development. In addition, Lidu's Kai Men Hong series products, Xiangjiao's sealed-pot baijiu, and Longjiang baijiu have also been redesigned to reduce packaging materials.



## Circular packaging

Due to the characteristics of the baijiu industry, the industry continues to face challenges in fully implementing the recycling of bottles. Exquisitely crafted bottles are discarded after brief use, resulting in a significant waste of resources. ZJLD continuously explores innovative practices for bottle recycling, closely collaborating with industry partners to establish a closed loop for recycling waste bottles. We identify bottle recycling opportunities at various internal stages and encourage consumers to return empty bottles to the designated dealers. With the receipt of empty bottles, we cooperate with relevant third parties to transform them into cultural and creative products (such as teapots, vases, etc.) and return them to customers as free gifts.

In 2023, we opened the upstream and downstream chain of bottle recycling and transformation. We collected used bottles from the distilleries and stores. Through meticulous design, precise processing, and strict cleaning, we transformed them into cultural and creative products such as tea canisters, which were returned to consumers along with high-quality tea grown by local tea farmers, integrating the culture of alcohol drinking and tea drinking, promoting the circular economy while providing unique consumer experience. Moreover, we have established strict standards and procedures for bottle recycling and processing to ensure the safety and quality of the cultural and creative products and set up accounts for each bottle recirculation activity to track the time, location, and quantity, ensuring that the recycled bottles are traceable. As of the end of the reporting period, Zhenjiu has collected 11,642 bottles, and a total of 4,000 gift boxes with recycled bottles have been distributed. In addition, our ESG environmentally friendly gift boxes are made of FSC-certified materials, indicating that the packaging raw materials come from responsibly managed forests.



ESG environmentally friendly gift box

Zhenjiu has collected **11,642** bottles

**4,000** gift boxes with recycled bottles have been distributed

ESG environmentally friendly gift boxes are made of **FSC-certified** materials

## Our key performance indicators

Indicators	Performance in 2021	Performance in 2022	Performance in 2023
Total recyclable, reusable and degradable packaging materials used (ton)	not counted	45,913	37,416
Percentage of recyclable, reusable and degradable packaging materials by weight (%)	not counted	97.26%	97.47%
Number of bottles recycled	0	0	11,642



## Product quality and responsibility

We adhere to the principle of "meticulously brewing fine liquor" with a focus on "carefully crafting products." The group has always strictly controlled the brewing process, placing product quality and safety as our top priority, striving for excellence, and producing products that are responsible to consumers.

### Our policies

To ensure product quality, we have established a comprehensive quality management system and policies, relying on policies and systems including "Production Enterprise Quality Management System", "Food Safety Management System", and "Food Safety and Product Recall Policy" to carry out quality management work.

To strengthen the quality management of incoming materials, production processes, and finished products, 94 quality management department employees with rich work experience related to food science and quality inspection are responsible for formulating quality control policies across the entire company, ensuring the effective implementation in our quality management requirements in various process flows, and guaranteeing that the quality of our liquor products complies with relevant laws and regulations as well as our internal standards and requirements.

Our management system has also obtained multiple certifications from all operation area, including Hazard Analysis and Critical Control Points (HACCP) certification, ISO 9001 certification, Food Safety Management System (FSMS) certification.



Quality Management System Certificates

### Production enterprise quality management system

We formulate policies on product design and development, quality control of raw and auxiliary materials, quality control of production process, quality inspection, measurement management, customer complaint handling, self-measurement and evaluation, prevention and correction, and evaluation of supplier's capability, etc., to regulate the company's quality activities related to the formation of products.

### Food safety management system

We have put in place a series of food safety related management policies designated for health management of employees, food safety knowledge training, incoming inspection, outgoing inspection, storage management, transportation management, production process safety management, equipment management, food safety traceability, etc., and have made detailed provisions on the responsibilities and authorities of each department and the operating procedures of the personnel in each position

### Food safety and product recall policy

Our policy outlines detailed procedures to be followed by the Quality Control Department in the event of a food safety incident. In general, our policy states that in the event of a food safety incident, we will discontinue the sale of the product immediately, report the incident to ZJLD Food Safety Leadership Team and the relevant regulatory authorities, and initiate a product recall procedure depending on the severity of the incident

## Our actions

To provide our consumers with high-quality baijiu, we practice the production and service philosophy of "high quality and high standards" at every stage of the product's entire life cycle to improve product quality.



The Nomination Award of the Guizhou Provincial Governor's Quality Award

### Food safety management

We have established a food safety management mechanism, appointed a food safety director. Each of our departments has a food safety officer to supervise the product quality throughout the entire process. We established corresponding assessment mechanisms to implement control measures of "daily control, weekly investigation, and monthly scheduling." The quality department carries out quality and safety physical and chemical testing on incoming materials, and samples the finished products to eliminate the use of toxic and harmful substances such as plasticizers, sweeteners, and heavy metals, which strictly ensures food safety.



### Supply chain and traceability system

With a professional quality assurance team and a digital system for the quality of grain bases, we conduct strict quality control from raw material procurement, liquor brewing, product transportation, and sales. Our traceability system covers the aspects of the entire grain procurement industry, including procurement, management, data tracking, and quality control. We use digital means to empower the agricultural product acquisition process, achieving the full process of grain supply chain informatization and datafication, laying a solid foundation for the quality traceability of grains, risk prediction and prevention, and refined management. Through digital means, we strengthen communication with farmers, increase their recognition, and reduce the cost of grain procurement.

In order to strengthen the quality management of raw materials and to improve the quality of product packaging, ZJLD organized relevant suppliers to discuss, share, and train on quality acceptance standards and inspection methods for raw and complementary materials and packaging materials of products and assist suppliers in building quality management capacity.



## Quality control in the brewing process

We have dedicated food safety inspectors at each distillery, responsible for setting quality control standards and strictly monitoring each production and manufacturing stage, implementing standardized construction of production teams, developing "quality trustworthy groups" to ensure product quality and safety. Also, to safeguard the stability of brewing quality, we are equipped with advanced equipment and instruments, including isotope ratio mass spectrometry (RMS) systems for screening, identifying, and analyzing various compounds, improving the consistency of our liquor quality.

### Case ZJLD held the "518" Quality Conference in 2023

On May 18, 2023, ZJLD held the 2023 "518" Quality Conference, where quality representatives from each distillery shared their efforts and explorations in yeast-making, brewing techniques, and quality management. The Group's quality management director Yao Peng reported on the highlights, issues, and suggestions of the quality work conducted by the relevant units. The Group's chief engineer and technical advisor pointed out that the focus of the next step of work is precise management and refined processes. In response, Chairman Wu Xiangdong provided guidance on the group's future quality work. He emphasized that the future competition is not about marketing but about quality. Supporting the Group's high-quality development with excellent capabilities and products is also a process of continuous technological progress, constant improvement in quality, and strengthened management.



ZJLD 518 activities

To ensure the authenticity of the production quality work in this cycle and the smooth progress of the following work, the group arranged a special inspection team to conduct two on-site quality implementation checks in April and October.

## Product safety incidents and recalls

In our "Unsafe Food Recall Management Policy," we have clearly defined the responsibilities and authority of the food safety team, as well as the procedures for handling and recalling unsafe products. In 2023, ZJLD Group did not have any incidents of product recalls due to safety and health issues.

Furthermore, we conduct a product recall simulation drill annually. This year, we carried out a simulated recall plan for 500ml Shaoyang Daqu outer-packaging-free liquor with damaged trademarks and Lidu sorghum liquor light-bottled products with yellowed and spoiled stoppers. We established a HACCP team to review task arrangements and solutions handling, while technical personnel conducted safety hazard analysis. Employees gained a further understanding of the product recall process through practice.

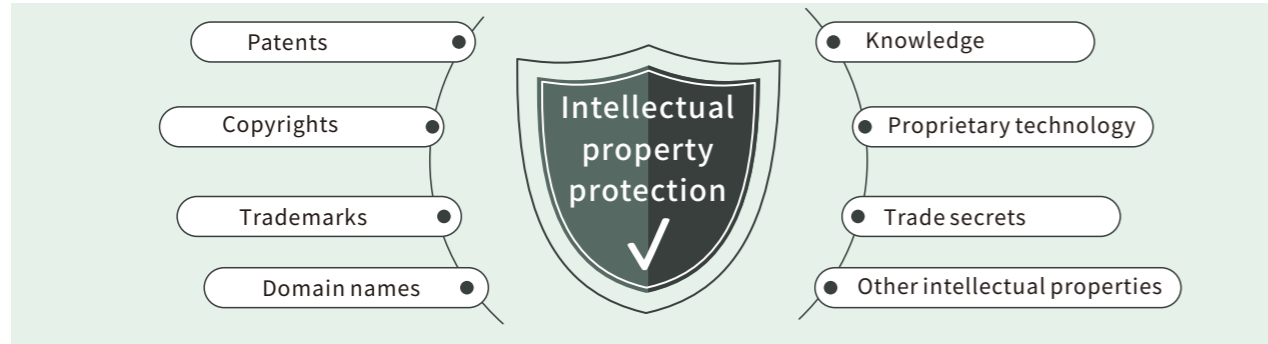
## Our key performance indicators

None of our products had to be recalled due to safety and health issues.

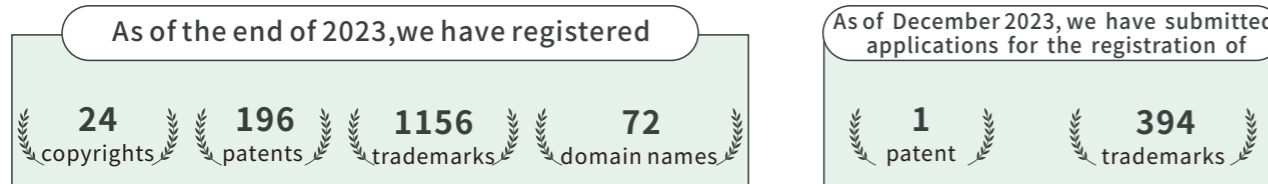
## Improvement and upgrade of product quality through technology

We use modern technology combined with traditional craftsmanship to separate, rejuvenate, and expand the 167 OTUs (ancient microbial communities) in Lidu ancient pits (Yuan Dynasty). In cooperation with universities and enterprises such as Jiangnan University, Central South University of Forestry and Technology, and Huawei, we combine China's nearly thousand-year-old wisdom of brewing with technological innovation to brew higher-quality liquor with ancient cellar microbes. We have established the "China Baijiu Cultural Heritage and Microbial Brewing Engineering Technology Center" led by the China Food Industry Association and the "Jiangnan University-Lidu Liquor Industry (Yuan Dynasty) Ancient Pit Microbial Joint R&D Center" in collaboration with Jiangnan University.

## Intellectual property protection



Patents, copyrights, trademarks, domain names, knowledge, proprietary technology, trade secrets, and other intellectual properties are crucial to our business operations. As of the end of 2023, we have registered 24 copyrights, 196 patents, 1156 trademarks, and 72 domain names in China. In addition, as of December 2023, we have submitted applications for the registration of 1 patent and 394 trademarks.



## Our policies

### Intellectual Property Protection Policy

Our policy outlines the standard application procedures that our dedicated team should follow during the registration, recordation, and application of intellectual properties.

## Our actions

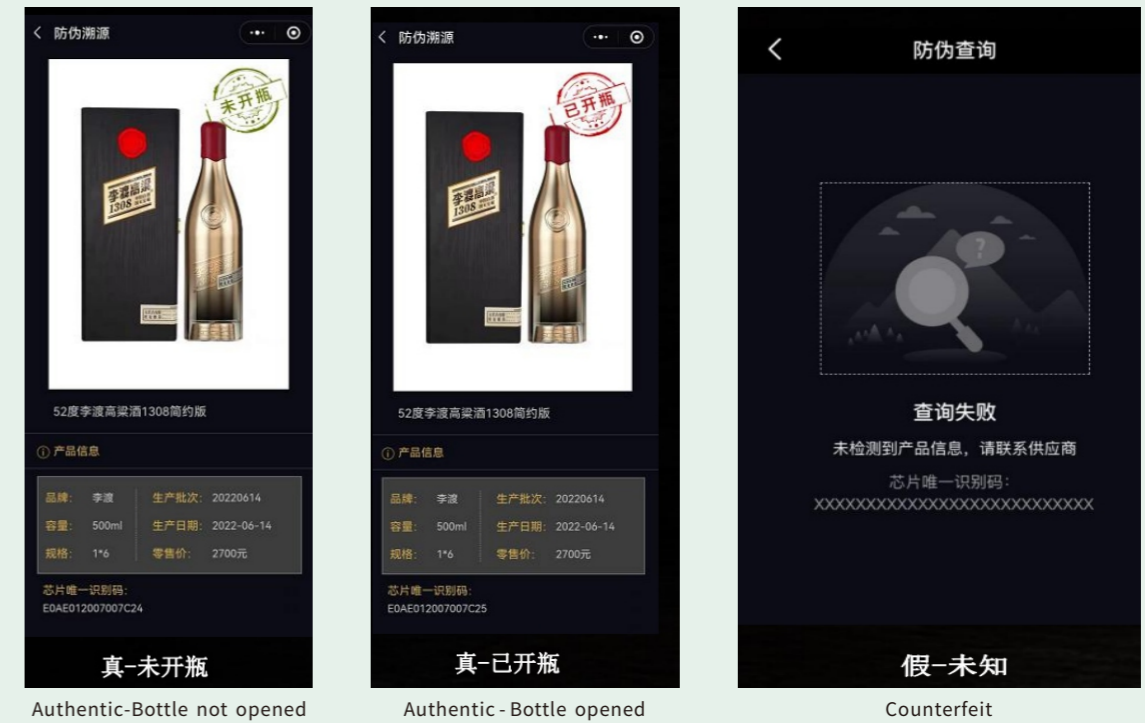
We rely on patents, copyrights, trademarks, trade secrets, unfair competition laws, and contractual rights (such as confidentiality agreements) to jointly protect intellectual property rights. All of our employment and commercial agreements clearly specify the ownership and protection of intellectual property rights and obligations.

In accordance with our intellectual property protection policy, the dedicated team of the ZJLD public relations department is responsible for timely registration, recordation, and application of the ownership of the Group's intellectual property rights and engages professional intellectual property service providers when necessary.

In addition, to combat counterfeit products and protect our brand reputation, a special team under the market supervision department is responsible for monitoring and handling counterfeit incidents. If any counterfeit products are discovered, we would initiate legal proceedings and take other responsive measures according to the advice of intellectual property consultants and lawyers.

### Case study Lidu 1308 - Anti-counterfeiting upgrades based on chip verification

Since QR codes are easily damaged and the cost for counterfeiting is low, while chips have a higher security level and are uncopyable, we have added a layer of chips between the outer and inner caps of the Lidu 1308 product bottle, ensuring that the appearance of the bottle cap remains unchanged while achieving the effect of destroying the chip when the bottle is opened. Meanwhile, the original laser code on the bottle body has been modified to ensure consistency with the chip identification code. Each bottle is linked to its original packaging box for traceability when shipped out of the warehouse. Sales personnel can use our own app to check whether there is any product falsifying or counterfeit in the market.





## Drinking rationally marketing responsibly

From the procurement of raw grains, brewing and fermentation, to blending, filling and packaging, and after countless procedures and transformation, a bottle of ZJLD baijiu finally becomes a cup of fine liquor. We insist on responsible marketing and rational drinking, in the best interest of consumers' health.



## Rational drinking and responsible marketing

As a responsible liquor company, we care deeply about the health of our consumers. With our increasing influence on society and consumers, we actively advocate responsible marketing and smart drinking to promote a harmonious and healthy lifestyle.

### Our policies

#### Responsible Marketing, Advertising, and Sales Policy

We have been implementing responsible marketing, advertising, labelling and sales policies since 2022, which clearly stipulate the application and responsible marketing review procedures required for advertising with reference to the Advertising Law of the PRC. As our influence grows, we need to be accountable for our promotional content, strictly prohibit inappropriate promotion content and improper sales practices and wording in daily sales practices, and advocate for consumers to drink responsibly and live healthily.

### Our actions

#### Control and audit procedures on responsible marketing

We periodically conduct retrospective audits of distributors' marketing teams, as well as their marketing methods and materials. Also, Zhenjiu, Lidu, and Xiangjiao have separately established advertisements audit procedures, which require that all advertisements as well as other marketing materials undergo responsible marketing review by our legal and ESG management department before being displayed in public, ensuring that our promotional content and sales methods are compliant, promoting rational drinking and eradicating improper advertising such as excessive drinking, drunk driving, and underage drinking.



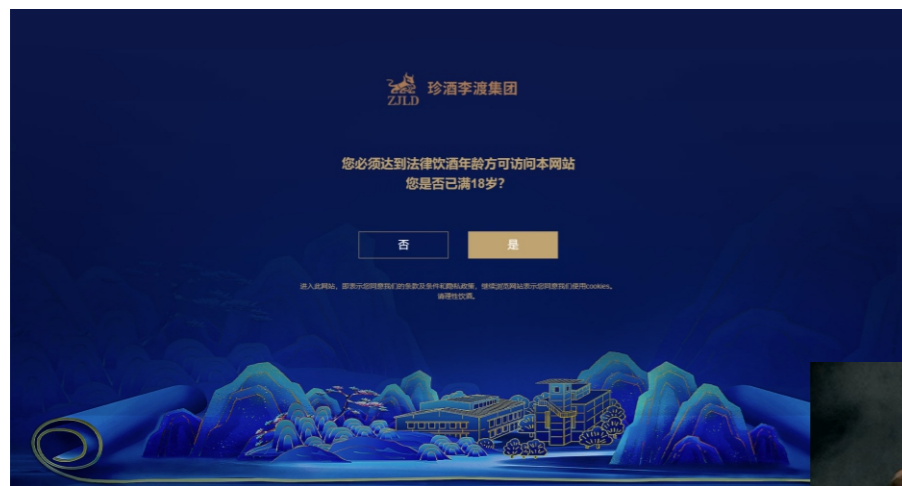
## Responsible marketing training

In accordance with the requirements of our responsible marketing policy, we hold responsible marketing training annually. Our training covers the brand promotion teams, sales teams, and distributors of each brand. We educate and restrain them on the necessary precautions during the promotion and sales process.

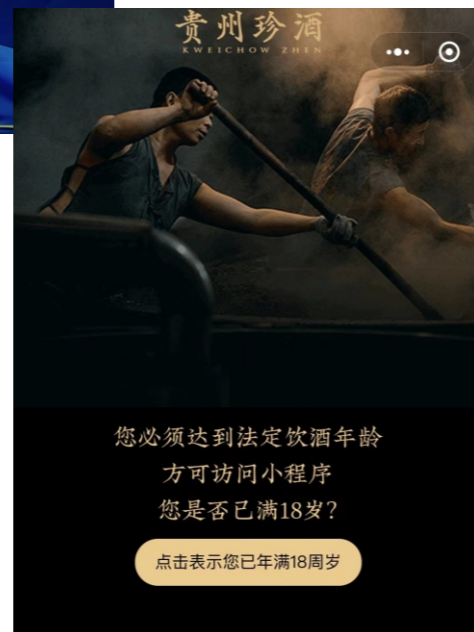
In 2023, to further enhance the sustainable operation capabilities of distributors, promote the concept of responsible drinking, and protect the legitimate rights and interests of consumers, we also provide training for distributors through online courses based on the training for internal sales staff of the Group. We guided them to understand the content and methods of responsible marketing, as well as to clearly explain the prohibited content and sales methods, making them become effective promoters of our responsible marketing philosophy and be responsible for society and consumers together with us.

## Responsible drinking reminders

As part of our commitment to promote responsible drinking, we add responsible drinking reminders on the labels of all our liquor products. In addition, since 2022, we have implemented age verification on all major online platforms, including our official website and self-built APPs, to reduce brand promotion to minors and prevent underage drinking.

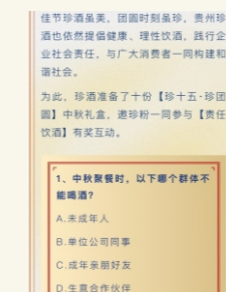


ZJLD official website - age verification



Zhenjiu mini program - age verification

## Responsible drinking promotion



"Know how much about rational drinking" fun competition

In 2023, to convey the Group's brand values of "drink less, drink well", the three brands launched a series of fun activities through their own social media channels, quizzing consumers on how much they know about rational drinking. The activities were actively participated and well-received by the consumers.

In November 2023, the "National Rational Drinking Promotion Week" activity with the theme "Moderate Drink, Happy Life" was officially launched. We actively responded to the initiative and promoted rational drinking in 7 provinces and 50 stores nationwide by posting rational drinking posters in stores and distributing rational drinking brochures to customers, allowing a wider range of consumers to understand and embrace the concept of "rational drinking".



"National Rational Drinking Promotion Week" store posters



Lidu drunkenness house

In addition, the Group has set up a "drunkenness house" in Lidu, which uses slope design to simulate the dizzy state when drunk, reminding consumers and tourists to drink responsibly.

## Our key performance indicators

The Group did not report any non-compliant incidents in 2023 with respect to misleading promotions or lack of health tips.

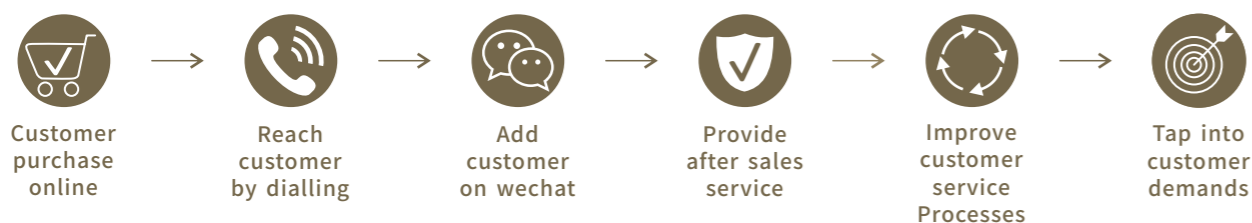
## Customer service

The group has established a comprehensive customer management system, responding to customer needs, coordinating product logistics and delivery, collecting customer feedback, and handling customer complaints through the customer service team. We have set up customer service hotline and online communication platforms to maintain smooth communication with our customers.

### Our actions

#### Online customer management system and procedures

For online customers, we adopt a private domain operation service model as shown below:



#### Customer complaint receiving mechanism

We require sales personnel to send the Group's dedicated complaint hotline number to customers, so that customers have a direct channel to complain when they have disputes with sales personnel, preventing the escalation of complaints.

Also, we have set up specialized personnel and posts to connect with the Market Supervision Bureau to handle cases where customers complain to the bureau due to dissatisfaction with the service or misunderstandings in communication, actively negotiating and resolving customer issues.

#### Customer complaint handling mechanism

##### For reasonable demands

For reasonable demands: For issues that arise in the product and logistics service process (such as leakage, damage, dirt, wrong shipment, etc.), we handle such issues by category. We have established methods such as fast claims for small amounts, refund first and then return, return after refund, refund without return, and direct replacement of goods to maintain customer relationship, quickly solving customer problems and meet customer demands.

##### For personalized demands

For personalized demands: For issues that are not related to products or logistics, if customers still insist on returning, we accept returns for products with complete packaging and issue a refund after quality inspection.

Additionally, we record all complaints and any investigation or processing results to track the progress and effectiveness of customer complaint handling.

## Customer satisfaction survey and improvement

Our customer service staff proactively conducts customer satisfaction surveys to better understand customer evaluations and feedback. We statistically analyze customer service-related indicators, such as customer satisfaction and consumer problem-solving time, to continuously improve customer satisfaction.

For users who purchase online, we have dedicated customer service agent who provide professional consultation services before any purchases. After the purchase, we have set up a service SOP to ensure the quality of our service:

Upon placement of order, we synchronize, on that very same day, the express tracking number and logistics status. Then we inquire about the receipt and damage situation and promptly handle after-sales issues on the third day, and on the seventh and fifteenth days, we consult with customers about their drinking experience and collect consumer opinions.

## Our key performance indicators



## Data security and privacy protection

We conduct business with numerous suppliers, distributors, and consumers through our IT systems and major e-commerce platforms. We value the security and privacy of business data and have established a firewall for data security through various measures, being responsible for our business partners and consumers.

### Our policies

#### Data Security and Privacy Protection

With reference to the Personal Information Protection Law of the PRC, our policy classifies data by sensitivity and specifies information security procedures to ensure data safety and customer privacy.

### Our actions

#### Data privacy protection measures

We strive to improve data security levels. We deploy firewalls in our databases to protect business data from intrusion or hacking attacks. Meanwhile, we have deployed a remote data backup system to ensure data security. According to our policy, access to the core business data of ZJLD can only be obtained through the Group's specific virtual private network (VPN), further preventing data leaks.

In addition, we use third-party systems to collect and manage customer information. We have set up information permissions for Group employees, so that each salesperson can view only the customer information that he or she maintains, narrowing the employee's access to all of the company's customer information. Also, we have set up system security measures such as the inability to batch export and record the operation behavior of viewing information. If we collect consumer feedback on information leakage incidents, we would report them to the Technical Information Department for registration immediately, and seek common points through the stolen information, the situation of the consumer, and the order fulfillment process, so as to identify the risks and improve the management.

#### Data privacy management

We classify our data assets into four levels based on their importance and sensitivity, and set different approval requirements and security processing requirements for data extraction and dissemination at different levels. We also specify the responsibilities of each department when utilizing data assets. In the event of data asset loss or leakage, the responsible party would be subject to criticism and education, penalties, or administrative sanctions depending on the severity of the incident. If the incident results in a significant impact on the company or constitutes a violation of law, the case would be passed on to judicial authorities. The responsible person in charge involved in the incident will also be held accountable.

## Data security and customer data protection training

In 2023, we conducted data security and customer data protection training courses for all customer-facing employees across all brands (including sales personnel and customer service teams). By emphasizing the importance of data privacy and introducing best practices on how to protect customer data, we have raised employees' awareness of data security and guided them on handling data extraction and dissemination at different levels.

### Our key performance indicators

The Group received **0** complaints on customer privacy violation and customer data leakage.



## Caring employees and cultivating talents

In the ESG journey of our Baijiu, we always adhere to a people-oriented mindset, develop and value talents and celebrate the achievements of every employee. We believe that ZJLD can attain new heights with a strong team of employees that are united and driven. Adhering to "people-oriented" principles, diversity and inclusion are important components of ZJLD's corporate culture. We respect and uphold the rights and interests of employees and are committed to supporting their personal growth. We work tirelessly to enhance the well-being and sense of belonging of our employees.



### Our policies

#### Human Resources Management Policy

Our policy fully complies with the relevant provisions of the Labor Law of the PRC, the Labor Contract Law of the PRC and other applicable Chinese laws and regulations on recruitment, promotion, compensation, working hours, holidays, welfare, benefits and dismissal.

In addition, our policy explicitly prohibits the use of child labor and any form of forced labor. Specifically, to avoid related risks, our policy requires our human resources team to conduct identity verification and background checks throughout the process. Although no such incidents have occurred, we have provisions in place for reporting and handling events where child labor is found.

#### Training and Development Policy

Our policy outlines the comprehensive training system of ZJLD, including onboarding training, annual and quarterly training, skill learning courses and tests, promotion training, etc.

### Our goals

We focus on enhancing employees' awareness of anti-corruption, data security, and responsible marketing through training, forming a standardized and continuous training mechanism. We safeguard employees' rights and interests and enhance employees' sense of belonging and recognition. In 2024, we aim for no fewer than 40 hours on average of training hours for employees and management, at least a 90% response rate for employee satisfaction survey, and an 85% employee satisfaction rate.

#### Our goals in 2024

No fewer than **40** hours on average of training hours for employees and management

At least a **90%** response rate for employee satisfaction survey

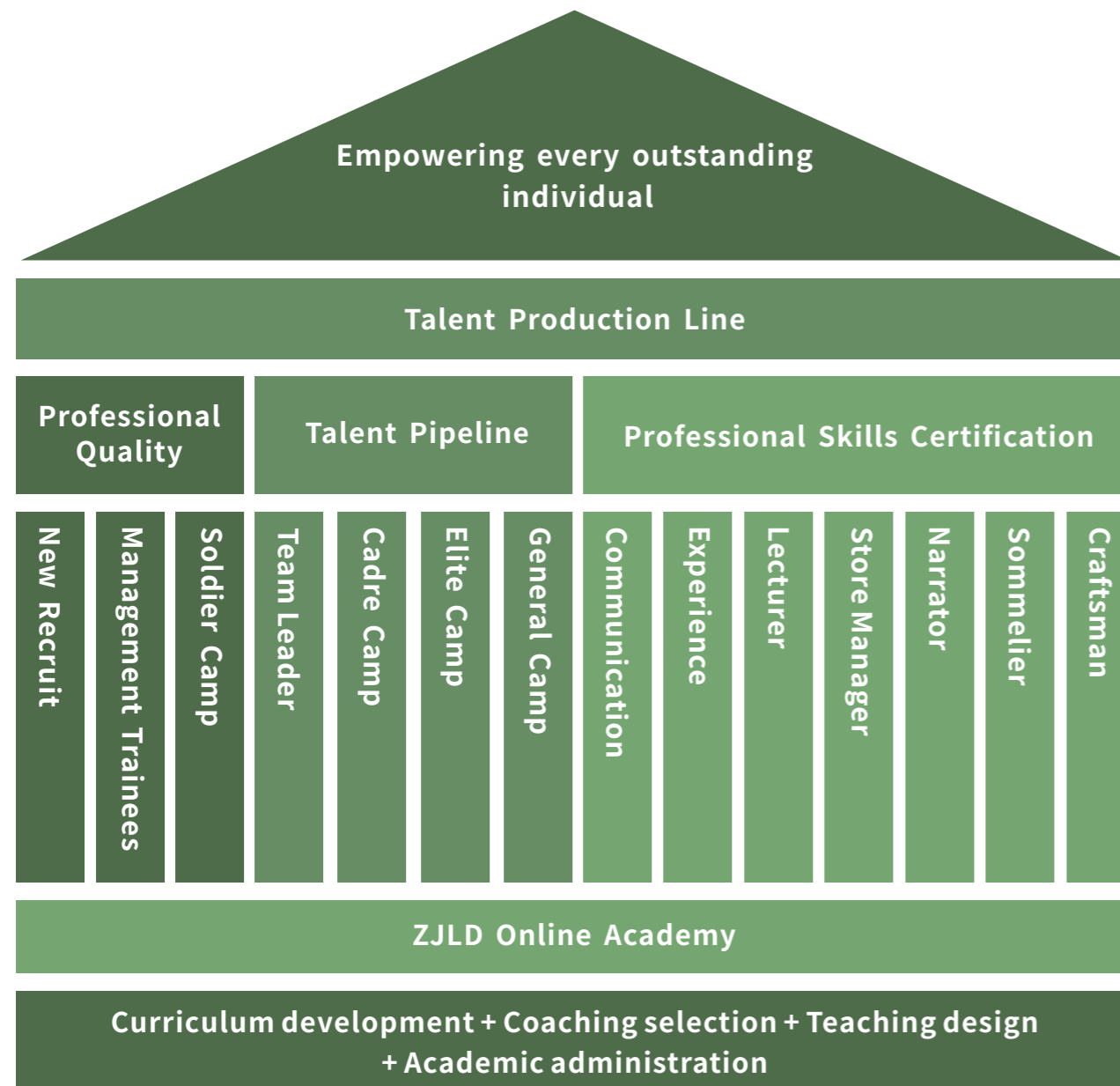
An **85%** employee satisfaction rate



## Our actions

### Employee training

We have established a comprehensive training system, including targeted onboarding training, quality development training covering all levels, and skill enhancement training covering various professional functions. Specifically, based on the two major sections of marketing management and production management, we offer corresponding dedicated training camps and various thematic enhancement classes for employees at different levels, focusing on three aspects: professional, talent, and skill certification. At the same time, we seek external training opportunities to help employees unleash their potential and expand their skills. For new hirers, we adopt a mentorship and coaching training approach, providing full-cycle training courses from the first day of employment, allowing them to feel cared for while efficiently adapting to the work environment and improving their work skills.



### Leadership training

The Group conducts leadership-related training for all middle and senior management employees through projects such as the "General Camp" and the "Commander Camp." The curriculum includes 6S management and practical application, criteria for outstanding performance evaluation and management models, international and domestic situations, anti-corruption and compliance education. Through phased course learning, mentor coaching, project practice, online exams, and speeches, management employees are able to continuously improve their management skills, lead team growth, and complete smooth transition to managerial roles.



Leadership training

### Employee promotion



5-star pass & promotion

In order to promote the rapid growth of core internal technical employees and help them take on management positions, we have developed an evaluation system named Five Star Promotion (五星通关). Under the system, employees who have earned five stars through performance evaluation, pertinent training, and knowledge testing are eligible for rapid advancement regardless of their age or background.

In addition, we organize talks with reserve talents in workshops every 2-3 months to understand the difficulties employees face in their work and life and provide timely assistance.



Conversation with reserve talent

### Employee equity incentives

In addition to base salary, allowances, and other benefits, in 2023, we also implemented a comprehensive employee equity incentive plan. To fully motivate senior executives and key talents to further improve the company's operational management, the Group granted approximately 117 million shares to 718 employees, which has helped improve the company's compensation and assessment system and effectively integrate the interests of shareholders, the company, and key employees, achieving shared value.

the Group granted approximately **117** million shares to **718** employees in 2023

## Employee compensation and benefits

Our employees are entitled to basic salary, allowances, and other benefits. Compared to the local average salary level, we have provided competitive salary for all employees (including frontline workers and sales personnel). In addition to cash benefits, we provide various non-cash benefits to employees, including rental subsidies, transportation allowance, communication allowance, talent subsidies, housing purchase subsidies, birthday liquor, holiday gifts, retirement consolation, and travel for employees' children who finished the college entrance exam, etc. Furthermore, we issue a fixed team-building allowance to employees every month for various team-building activities, including sports events, camping activities, gift baijiu products, and team travel.



Mid-Autumn Festival club activities



Badminton champion competition



Camping activities



Staff birthday party

We have established an Employee Care Fund to assist employees and their families (including spouses, parents, and children) during unexpected financial difficulties and critical illnesses to get through tough times.

## Diversity and inclusion

We attach great importance to social issues such as gender equality, diversity, inclusiveness, anti-discrimination and equal opportunity. We are committed to upholding the professional rights that women deserve and ensuring equal pay for equal work. We regularly organize a series of training and lectures on gender equality, preventing workplace sexual harassment, maternity health care, and women's leadership. We strive to create a women-friendly workplace, and each distillery is equipped with a baby care room.

In addition, we regularly organize cultural exchange activities between the different ethnic groups to provide more inclusive employment opportunities for employees of ethnic minorities.



Conduct knowledge seminar on women's rights and interests



Launch of the 2018 March Women's Day relay run activity



Holding a forum for ethnic minorities

We offer skill training for female employees and provide internal job transfer opportunities, selecting female crane drivers and forklift drivers and providing them with relevant training.

## Case Internal transfer channels for female employees

To further develop and empower female employees, the Group has established professional skill training courses for female employees and provided corresponding job transfer opportunities. For example, female employees in the packaging workshop of Lidu can voluntarily sign up and receive crane and forklift operation training for free. In 2023, two female workers from Lidu's packaging workshop have obtained relevant qualifications and have been internally transferred.

## Employee engagement survey

We value employee feedback and establish diverse and transparent communication and feedback channels to promptly understand and respond to employees' opinions and demands. In 2023, we conducted an employee engagement survey covering the Group headquarters, three distilleries, and the digital marketing center across all business lines, with a response rate of over 95%. Through this survey, we gained a better understanding of employees' views on our corporate strategy, culture, and work environment. We also formulated specific improvement plans for key areas with lower employee satisfaction and communicated with department heads to implement the improvement plans.



Employee engagement survey result

## Data disclosure

Indicators	2023
Percentage of employees trained by gender (male)	98.3%
Percentage of employees trained by gender (female)	94.5%
Percentage of employees trained by employee category (below manager level)	94.5%
Percentage of employees trained by employee category (managers and above)	93.7%
Average training hours by gender (male)	107
Average training hours by gender (female)	86
Average training hours by employee category (below manager level)	83
Average training hours by employee category (managers and above)	95

Indicators	2023
Number of employees by gender (male)	7,655
Number of employees by gender (female)	3,353
Number of employees by employment type (full-time)	11,008
Number of employees by employment type (part-time)	0
Number of employees by age group (under 30)	3,659
Number of employees by age group (between 30 and 50)	6,622
Number of employees by age group (above 50)	727
Number of employees by operation area (from the provinces where we operate)	8,713
Number of employees by operation area (outside the province)	2,295
Training cost (ten thousand yuan)	905.2



## Repaying to the society

The cultural heritage and social responsibility determine how far a bottle of baijiu can go. While continuously improving our production capacity, quality, and services, we extend our focus on the cultural spirit and sense of responsibility carried by ZJLD's baijiu. Brewing happiness and inheriting culture, we are always on the way.



## Cultural heritage

For thousands of years, liquor has influenced, promoted, and integrated with traditional Chinese culture, nourishing the souls of literati and inspiring immortal poetry and prose. Therefore, ZJLD's ESG journey is also committed to protecting, inheriting, and promoting traditional Chinese culture through baijiu.

### Guarding Protecting the "living fossil" of baijiu

The Lidu distillery area preserves the oldest pits of Chinese baijiu—the Yuan Dynasty pit. In 2002, the Yuan Dynasty distillery site in Lidu was archaeologically excavated. We discovered not only ancient pits group and a large number of cultural relics from the Yuan Dynasty to the Republic of China, but also 167 ancient microbial colonies (Operational Taxonomic Units) that have been existing for 800 years. To better reflect the historical, cultural, scientific, and contemporary values of the cultural relics, Lidu decided to revive the brewing microbes in the ancient pits with government approval, allowing the cultural relics to come alive through protective brewing, on the basis of maintaining the integrity of the cultural relics resources. Due to the unique value of the ancient pits group to the study and expansion of Chinese baijiu pits, Lidu has also collaborated with multiple universities and well-known enterprises such as Jiangnan University, Central South University of Forestry and Technology, and Huawei, further strengthening the research and protection of ancient cellar microbes, and continuing the study of cultural relics brewing, committed to the protection and inheritance of cultural relics through living protection methods.



Lidu Cellar from Yuan Dynasty

### Heritage Chinese Intangible Cultural Heritage -gold foil technique

Nanjing gold foil technique began in the Jin Dynasty, which has a history of more than 1,600 years. It is similar to the brewing of baijiu in that they both involve extremely intricate production processes. In September 2023, ZJLD, in collaboration with the Nanjing Gold Foil Museum and renowned architectural designers, used traditional intangible cultural heritage -- gold foil techniques combined with 3D printing technology to create the "Golden Autumn Treasure Palace". The overall design concept draws on many romantic descriptions of the moon palace in Chinese poetry, combining the Mid-Autumn Festival allusions with baijiu culture, simulating a rich and lively moon palace scene and echoing the wonderful drinking experience of ZJLD.

The "Golden Autumn Treasure Palace" conveys the craftsmanship spirit of ZJLD, responding to the development plan of "The Treasure of the Future" proposed by Chairman Wu Xiangdong. It not only pursues high quality and high value of products but also empowers its products and brand with art and culture.



Golden Autumn Treasure Palace

### Heritage Nanjing Yunjin weaving technique

In December 2023, ZJLD launched the "Wanshixinglong" series of products, based on the classic products of Zhen 15 and Zhen 30, and co-created with the representative inheritor of the Chinese intangible cultural heritage Yunjin—Master Jin Wen. The Master said that national ethnic arts and crafts should not only inherit traditional skills but also live in the present and combine with modern life. When the thousand-year-old Yunjin technique meets the thousand-year-old baijiu culture, the two brilliant representations of Chinese civilization burst forth with new splendor.

The "Wanshixinglong" series depicts our respect and adherence to the craftsman spirit of Chinese baijiu from the perspective of cultural inheritance. At the same time, it not only helps the inheritance and development of intangible cultural heritage but also nurtures the beauty of ZJLD's inheritance through innovative artistic means and methods.



"Wanshixinglong" series product



The Brocade Treasure Dragon

### Spreading "The Seven Representatives of baijiu" apply for World Cultural Heritage

"Let the fragrance of Chinese cultural heritage spread the world" is the grand vision of ZJLD. In the journey of assisting the application for the World Cultural Heritage of baijiu and accelerating the Chinese industrial heritage moving towards the world, ZJLD has always been at the forefront of the industry.

On April 28, 2023, Lidu, together with Luzhou Laojiao, Moutai, Wuliangye, Gujing Distillery, Xinghuacun Fenjiu, and Yanghe, jointly applied for the "World Cultural Heritage". All seven companies have obtained the titles of "National Key Cultural Relics Protection Units" and "National Industrial Heritage" and are known as the "Seven Sons of Chinese baijiu".



Speech by Lidu general manager Tang Xiangyang

## Public welfare

Giving back to society has all along been our aspiration from the start. We actively participate in social public welfare undertakings, such as earthquake relief, caring for left-behind children, supporting education, and protecting biodiversity. We took a series of practical actions to demonstrate our responsible and committed corporate image.

## Charity and disaster relief

We actively engage in charitable activities, focusing on vulnerable groups in society, and have extended a helping hand to the people in disaster areas through donations and contributions.

### Sun Village public welfare activities

In October 2023, we headed to the "Sun Village" a local children's rescue charity institution in Duchang, to carry out the "United Hearts, Guarding with Love" charity activity, delivering daily necessities to the children of Sun Village and donating Rmb100,000 as to the education fund. During this visit, we promised all the children in Sun Village that we would carry out at least one public welfare activity in Sun Village every year.



Sun Village activities

### Earthquake disaster relief in Jishishan County

On December 22, 2023, we donated Rmb1 million to the Zunyi City Charity Federation for emergency relief, living assistance for the affected people, and cold protection for rescue teams in the Jishishan County earthquake disaster area. We adhere to the principles of putting people first, valuing life above all else, fulfilling social responsibilities, and doing our utmost in earthquake relief efforts, sharing weal and woe with the people in the disaster area.

## Supporting youth education

We value youth education and contribute to building a better society, a better university, and a better life through investing in public welfare education. We strive to contribute to educational equity.

### "My College Dream" large-scale public welfare scholarship fund

The "Xiangjiao • My College Dream" large-scale public welfare scholarship fund was jointly established by the Communist Youth League Hunan Provincial Committee and Xiangjiao. It provides Rmb5,000 scholarships to no fewer than 1,000 students from Hunan who sit for the college entrance examination and are admitted to universities. We have supported over 6,480 students for 6 consecutive years in achieving their college dreams, with total donations exceeding Rmb33.4 million.



Xiangjiao • My College Dream

Lidu, in partnership with the Jiangxi Hope Project, established the "Guobao Lidu • My College Dream" public welfare scholarship fund. For 5 consecutive years, we have been funding financially difficult fresh graduates that took the college entrance examination, providing a one-time grant of Rmb5,000, with a total donation of Rmb10 million, to help financially disadvantaged high school graduates from Jiangxi realize their college dreams.



Guobao Lidu • My College Dream

## Protecting biodiversity

Biodiversity is the foundation for human survival and development and also the lifeblood and foundation of the Earth. We are committed to protecting ecosystems, reducing the impact of production and operational activities on biodiversity, and calling on the public to protect biodiversity.

### Supporting the "Poyang Lake International Bird Watching Season"



Bird watching season of Poyang Lake

In December 2023, the third Poyang Lake International Bird Watching Season was launched in Wucheng Town. As the designated partner for this event, we held an ecological photography exhibition and established the "Guobao Lidu Public Welfare Bird Watching Point", leveraging our corporate strength to advocate the protection of national treasure white cranes and the biodiversity of the Poyang Lake region.

### "Protect Endangered Species" ice sculpture art activity



Ice carving art activities

In October 2023, we co-hosted the "Protecting Endangered Species" ice sculpture art charity event with the Guizhou Wildlife Protection Association in Guiyang. The event replicated endangered and rare wild animals in the form of ice sculptures, displayed in bustling urban areas. By showing the process of the ice sculptures gradually melting into water, we highlighted the endangered status of wildlife, calling on the public to care for the survival of wild animals and protect the ecology and endangered species.

Indicators	Performance in 2023
Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport) and money contributed	2505.57
Education (ten thousand yuan)	1,315.37
Anti-epidemic (ten thousand yuan)	6.56
Disaster relief (ten thousand yuan)	107.00
Charity (ten thousand yuan)	56.00
Cultural and sports (ten thousand yuan)	220.07
Community welfare/poverty alleviation (ten thousand yuan)	120.11
Environment (ten thousand yuan)	7.00
Others (ten thousand yuan)	673.46

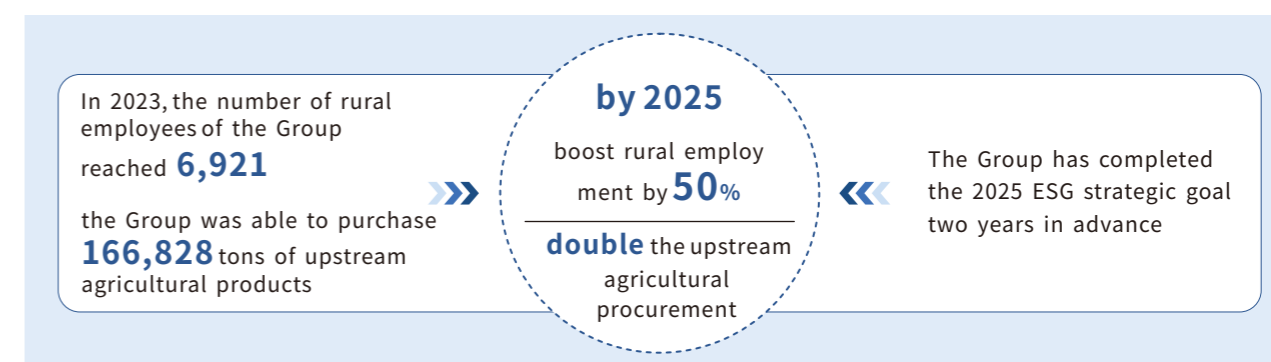
Indicators	Performance in 2023
Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport) and time contributed	17,715
Education (hours)	4,666
Anti-epidemic (hours)	120
Disaster relief (hours)	48
Charity (hours)	868
Cultural and sports (hours)	5,880
Community welfare/poverty alleviation (hours)	4,530
Environment (hours)	288
Others (hours)	1,315

## Rural revitalization

The baijiu industry originates from grain and thrives on grain. Without high-quality grain, we would not have high-quality baijiu. We understand that the birth of a good bottle of baijiu is a gift of nature with the hard work of grain farmers. We are committed to supporting agriculture, benefiting farmers, and continuously empowering rural revitalization.

### Our goals

We aim to boost rural employment by 50% and double the upstream agricultural procurement by 2025, compared to the 2021 baseline. In 2023, the number of rural employees of the Group reached 6,921, and the Group was able to purchase 166,828 tons of upstream agricultural products. The Group has completed the 2025 ESG strategic goal two years in advance.



### Our actions

As the leading brand of baijiu, we are committed to benefiting the local economy and continuously promoting rural revitalization while promoting enterprise development.

## Promote the revitalization of rural industries through industrial integration

In recent years, Zunyi has vigorously developed the organic sorghum planting base. We actively seized the development opportunity and continuously deepened the cooperation with the planting base. We launched the initiative of ‘company + planting base + agricultural cooperatives + farmers’ organizational model to promote large-scale development of sorghum cultivation, standardized production and information management, leading to the transformation and upgrade of the sorghum industry around Zunyi, Shaoyang, and Jinxian. At the same time, the scientific and technological support for the planting of raw materials in rural areas has been continuously strengthened, and the acquisition and processing of raw materials have been standardized. We have paved the way for ecological priority and green development.

By placing orders with local farmers and providing them with scientific and technical assistance, training of qualified personnel and other support, we encourage local farmers to grow sorghum. With the careful management of the whole production chain, we help boost the income of local farmers through employment.

At present, we have driven the development of over 400,000 mu (658,947 acres) of the red tassel sorghum planting base across 12 counties affiliated to Zunyi and helped more than 40,000 rural villages improve their household income. We have also introduced 25 supporting packaging enterprises to Zunyi and increased the supporting rate of local paper packaging to over 90%. We aim to vigorously promote agricultural modernization and industrial chaining and contribute to promoting the common prosperity of rural farmers.

**Case** CEO Yan Tao made a speech at the National People's Congress



CEO Yan Tao at the National People's Congress

At the National People's Congress in 2023, our CEO Yan Tao, a deputy to the 14th National People's Congress, expressed his viewpoint: There are a large number of sorghum planting bases in Guizhou and Hunan. In these regions, which are suitable for sorghum cultivation, he suggested introducing policies to encourage farmers to use the marginal land in the mountainous and hilly areas to grow sorghum. This will not only protect farmland and enable the rational use of land, but also encourage farmers to grow grain and gain prosperity. Additionally, it will help resolve the problem of grain for brewing and guarantee food security.

For example, the construction of our Zhenjiu Vineyard in Shuanglong Village in Moutai Town which began in 2021, can lead to about 200,000 acres of local organic sorghum cultivation after the project is completed and put into operation.

**Promotion of employment for the rural population**

To comprehensively promoting rural revitalization, talent is the most crucial resource and the key factor for achieving rural revitalization. We made active exploration in promoting employment and guiding people who return to their hometowns to work nearby.

We train new industry workers by means of technology transfer and innovation. We launch a series of talent training programs for people who return to their hometowns. We actively explore technology training methods, upgrade their employment skills, and try to create conditions suitable for more people to become front-line employees and brewing technicians of the Group. Old masters pass on brewing technology to new employees, allowing them to become specialized skilled personnel. In addition, we have continuously improved the employment capacity of rural labor through cultural upgrade and professional skills training, helping rural workers to start a career.



Employees at ZJLD distilleries

# Appendix

## Reporting principles

This Report is prepared in accordance with the reporting principles of materiality, quantitative, balance and consistency of the Appendix 27 to the Listing Rules on HKEX:

### Materiality

We have conducted a comprehensive materiality assessment, involving a series of engagements with our key stakeholder groups including investors, consumers, distributors, suppliers, employees, etc., to identify and prioritize ESG topics that are material to our business as well as our internal and external stakeholders. The information gathered from the materiality assessment was then used to determine the disclosure content of this report.

### Quantitative

We disclose measurable environmental and social KPIs and set quantitative performance targets where applicable. We disclose historical data, including those from the base year of 2021, to compare our performance and present our progress over time.

### Balance

We prepared this Report in a structured and clear manner, which gives an unbiased picture of our initiatives, progress and performance.

### Consistency

We use consistent methodologies to allow for meaningful comparisons of ESG data over time.

## Performance table

### Environmental performance

METRICS	UNIT	2021	2022	2023
<b>Water</b>				
Total freshwater withdrawal	ton	1,306,799	1,844,350	2,236,919
Freshwater withdrawal intensity	ton/ton	118.18	66.12	49.93
Total water consumption	ton	882,385	1,009,138	1,168,775
Water consumption intensity	ton/ton	79.80	36.18	26.09
Wastewater discharge	ton	424,414	835,212	1,068,144
Wastewater discharge intensity	ton/ton	38.38	29.94	23.84
Ammonia and nitrogen emissions	kg	740	2,021	4,202
Chemical Oxygen Demand (COD) emissions	kg	18,827	33,685	37,275
Biochemical Oxygen Demand (BOD) emissions	kg	7,458	12,485	16,636
<b>Energy consumption</b>				
Total energy consumption	GJ	587,602	1,195,917	1,332,152
Energy consumption intensity	GJ/ton	53.14	42.87	29.73
<b>Direct energy consumption</b>				
Natural gas	m3	13,928,629	28,832,023	33,986,739
Diesel	L	50,200	74,700	99,891
Gasoline	L	not counted	not counted	80,384
<b>Indirect energy consumption</b>				
Total electricity consumption	kWh	11,791,980	19,052,763	22,426,343
Electricity consumption intensity	kWh/ton	1,066.38	682.99	500.54
Renewable electricity consumption	kWh	0	0	2,376,024
<b>GHG emissions</b>				
Scope 1 GHG emissions <sup>3</sup>	tCO2e	48,136	97,538	123,719
Scope 2 GHG emissions (market-based)	tCO2e	6,851	11,070	11,914
Scope 2 GHG emissions (location-based)	tCO2e	6,851	11,070	13,326

METRICS	UNIT	2021	2022	2023
<b>GHG emissions</b>				
Scope 1 and 2 GHG emissions (market-based)	tCO2e	54,987	108,607	135,633
Scope 1 and 2 GHG emissions (location-based)	tCO2e	54,987	108,607	137,045
Scope 1 and 2 GHG emissions intensity (market-based)	tCO2e/ton	4.97	3.89	3.03
Scope 1 and 2 GHG emissions intensity (location-based)	tCO2e/ton	4.97	3.89	3.06
Scope 3 GHG emissions	tCO2e	not counted	not counted	1,231,572
<b>Waste</b>				
Total general solid waste produced	ton	41,592	95,113	158,301
General solid waste intensity	ton/ton	3.76	3.41	3.53
Total hazardous waste produced	ton	not counted	2.28	2.66
Hazardous waste intensity	ton/ton	not counted	0.00008	0.00006
<b>Air emissions</b>				
Particulate Matter (PM) emissions	ton	0.94	1.40	2.64
Sulfur oxides (SOx) emissions	ton	0.36	3.54	11.92
Nitrogen oxides (Nox) emissions	ton	11.99	24.68	23.94
Volatile organic matter (VOCs) emissions	ton	0	0	0
Total air pollutants emissions	ton	13.29	29.62	38.49
Air pollutants emissions intensity	ton/ton	0.0012	0.0011	0.0009
<b>Packaging</b>				
Total packaging materials used for finished products	ton	70,086	47,207	38,388
Packaging intensity of finished products	ton/ton	2.28	2.00	1.64
Total recyclable, reusable and degradable packaging materials	ton	not counted	45,913	37,416
Percentage of recyclable, reusable and degradable packaging materials (by weight)	%	not counted	97.26	97.47
Number of bottles recycled	No.	0	0	11,642

<sup>3</sup>We backtrack the methane fugitive data in Scope 1 emissions of 2021 and 2022 based on the portion of wastewater discharge in that year against wastewater discharge in 2023.



## Social performance

METRICS	UNIT	2021	2022	2023
<b>Product quality and safety</b>				
No. of complaints about products and services (due to product quality and safety)	Number	not counted	61	150 <sup>4</sup>
Percentage of products that have been recalled due to safety and health issues	%	0	0	0
<b>Employment</b>				
Total employees	Number	7,264	10,980	11,008
<b>Health and safety</b>				
Number of work-related fatalities for employees	Number	0	0	0
Rate of work-related fatalities for employees	%	0	0	0
Lost days due to work injury	Days	2,191	3,190	2,129
Injury Severity Rate (based on 200,000 hours worked) <sup>5</sup>	/	1.09	0.98	0.62
No. of recordable workplace accidents	Number	not counted	not counted	131
Total Recordable Injury Frequency Rate (TRIFR) (Based on 200,000 hours worked) <sup>6</sup>	/	not counted	not counted	1.20
<b>Development and training statistics</b>				
<b>Percentage of employees trained by gender (coverage)</b>				
Male	%	98.7	96.7	98.3
Female	%	98.0	95.0	94.5
<b>Percentage of employees trained by employee category (coverage)</b>				
Managers	%	99.0	94.1	93.7
Non-managers	%	98.7	97.9	94.5
<b>Average training hours by gender</b>				
Male	Hours	34	68	107
Female	Hours	38	44	86
<b>Average training hours by employee category</b>				
Managers	Hours	66	53	83
Non-managers	Hours	35	61	95
<b>Total investment in staff training</b>				
Employee training expenses	Ten thousand yuan	886.1	1141.7	905.2

<sup>4</sup>In 2023, we further improved our customer service, monitored and collected customer feedback on a larger scale, and expanded the statistical scope of product and service complaints by including online complaints received by our Digital Marketing Center, so that the number of product and service complaints in 2023 increased significantly compared to 2022.

<sup>5</sup>Injury Severity Rate (based on 200,000 working hours) = No. of lost time injury \* 200,000 / total working hours for the year

<sup>6</sup>Total Recordable Injury Frequency Rate (based on 200,000 operating hours) = No. of recordable workplace accidents \* 200,000 / total working hours for the year

<b>2023 Employment demographics</b>		
<b>Number of employees by employment type</b>		
Full-time	Number	11,008
Part-time	Number	0
<b>Number of full-time employees by gender</b>		
Male	Number	7,655
Female	Number	3,353
<b>Number of full-time employees by age group</b>		
Under 30	Number	3,659
Between 30 and 50	Number	6,622
Above 50	Number	727
<b>Number of full-time employees by operation area<sup>7</sup></b>		
From the provinces where our brands are based <sup>8</sup>	Number	8,713
Other provinces	Number	2,295
<b>Share of turnover employees by gender</b>		
Share of male employees in turnover employees	%	60.78
Share of female employees in turnover employees	%	39.22
<b>Share of turnover employees by age group</b>		
Share of employees under 30 in turnover employees	%	38.75
Share of employees between 30 and 50 in turnover employees	%	58.69
Share of employees above 50 in turnover employees	%	2.56
<b>Share of turnover employees by operation area<sup>9</sup></b>		
From the provinces where our brands are based <sup>10</sup>	%	37.12
Other provinces	%	62.88
<b>Anti-corruption</b>		
Concluded legal cases regarding corrupt practices in 2023	Number	0

<sup>7</sup>In 2023, all of our operations were located within the People's Republic of China.

<sup>8</sup>The provinces where our brands are based include Guizhou, Jiangxi and Hunan.



<sup>9</sup>In 2023, all of our operations were located within the People's Republic of China.

<sup>10</sup>The provinces where our brands are based include Guizhou, Jiangxi and Hunan.

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## Assurance report

### INDEPENDENT ASSURANCE STATEMENT

#### Introduction and objectives of work

BUREAU VERITAS CERTIFICATION (BEIJING) CO. LTD ("Bureau Veritas") has been engaged by ZJLD Group Inc. ("ZJLD Group") to conduct an independent assurance of its 2023 Environmental, Social and Governance Report (the "Report"). The verification content includes greenhouse gas (GHG) emissions data, freshwater withdrawal data, water consumption data and wastewater discharge data. This information and its presentation in the Report are the sole responsibility of the management of ZJLD Group. Bureau Veritas was not involved in the drafting of the Report. Our sole responsibility was to provide independent assurance on the accuracy and reliability of information included, and on the underlying systems and processes used to collect, analysis and review it.

#### Scope of work

ZJLD Group requested Bureau Veritas to verify the accuracy and reliability of the following:

- Data and information include GHG emissions data, freshwater withdrawal data, water consumption data and wastewater discharge data in the Report for the reporting period from 2023.1.1 to 2023.12.31 regarding ZJLD Group's environmental activities;
- Appropriateness and robustness of underlying reporting systems and processes, used to collect, analysis and review the information reported.

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined assurance period;
- Positional statements (expressions of opinion, belief, aim or future intention by ZJLD Group) and statements of future commitment;
- Operating financial data in the Report, which were separately audited by an external auditor and therefore excluded from the scope of work.

#### Methodology

As part of its independent assurance, Bureau Veritas undertook the following activities:

- Interviews with relevant personnel of ZJLD Group;
- Review of written evidence produced by ZJLD Group, including documentary, records, photos, website downloads and other evidence;
- Evaluation of information against GRI standard principles i.e. Accuracy, Accessibility, Balance, Clarity, Comparability, Reliability and Timeliness;
- Sampling verification of the data collection and statistics system;
- Evaluation of the data collection, calculation, and related management processes.

Certification body address: Room 02, 9 / F, West Office Building 1, Oriental Economic and Trade City, Oriental Plaza, No.1 East Chang'an Street, Dongcheng District, Beijing, China. 100738  
 Further clarifications regarding the verification scope of this statement may be obtained by consulting the organization.  
 To check this statement validity please call: +86 01 59683888



## Bureau Veritas Certification

The work was conducted against Bureau Veritas' standard procedures and guidelines for external assurance of ESG reports, based on current best practice in independent assurance. In the assurance process, we have used GHG Protocol, ISAE3000 (Revised), the AA1000, the GRI standards and ISO14064-1:2018.

The work was planned, carried out and concluded on a reasonable and rather than absolute basis.

Upon verification, from 2023.1.1 to 2023.12.31, ZGLD reported the following figures:

#### GHG Emissions:

- Scope 1: 123,718.86 tCO<sub>2</sub>e
- Scope 2 (market-based): 11,913.90 tCO<sub>2</sub>e
- Scope 2 (location-based): 13,325.73 tCO<sub>2</sub>e
- Scope 3: 1,231,572.16 tCO<sub>2</sub>e

#### Water-Related Data:

- Freshwater withdrawal: 2,236,919 t
- Water consumption: 1,168,775 t
- Wastewater discharge: 1,068,144 t

#### Our findings

On the basis of our methodology and the activities described above, it is our opinion that:

- The information and data included in the scope of our assurance are accurate, reliable and free from material mistake or misstatement;
- The information is presented in a clear, understandable and accessible manner;
- ZJLD Group has established appropriate systems for the collection, aggregation and analysis of relevant information.

#### Statement of independence, impartiality and competence

- Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Society responsibility and Environmental management with more than 190 years history in providing independent assurance services. No member of the assurance team has a business relationship with ZJLD Group Inc. We have conducted this verification independently, and there has been no conflict of interest. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities.

General manager, Certification,  
I&F China  
Bureau Veritas Certification  
2024-04-12

**Haoyu Zhang**

Assurance Team Leader  
Bureau Veritas Certification  
2024-04-12

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Further clarifications regarding the verification scope of this statement may be obtained by consulting the organization.  
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