



## **Dukang Distillers Holdings Limited**

Sustainability Report 2018  
**(1 July 2017 to 30 June 2018)**

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## ABOUT US

### Company Background

As the first People's Republic of China ("PRC") baijiu enterprise listed overseas, Dukang Distillers Holdings Limited ("Dukang Distillers" or the "Company", and together with its subsidiaries, the "Group") has its primary listing on the Mainboard of Singapore Exchange Securities Trading Limited (Stock code: BKV) since September 2008 and the listing of its Taiwan Depository Receipts on the Taiwan Stock Exchange (Stock code: 911616) since March 2011.

Originated from the brand 「Siwu」(四五), the Group acquired Luoyang Dukang Holdings Limited ("洛阳杜康控股有限公司") in May 2010 and currently sells its products under the 「Dukang」(杜康) brand name.

Named after the forefather of baijiu (白酒) and drawing upon a long history and rich cultural heritage of over five thousand years, the 「Dukang」 brand is poised to target the mid-to-high end baijiu market in the PRC.

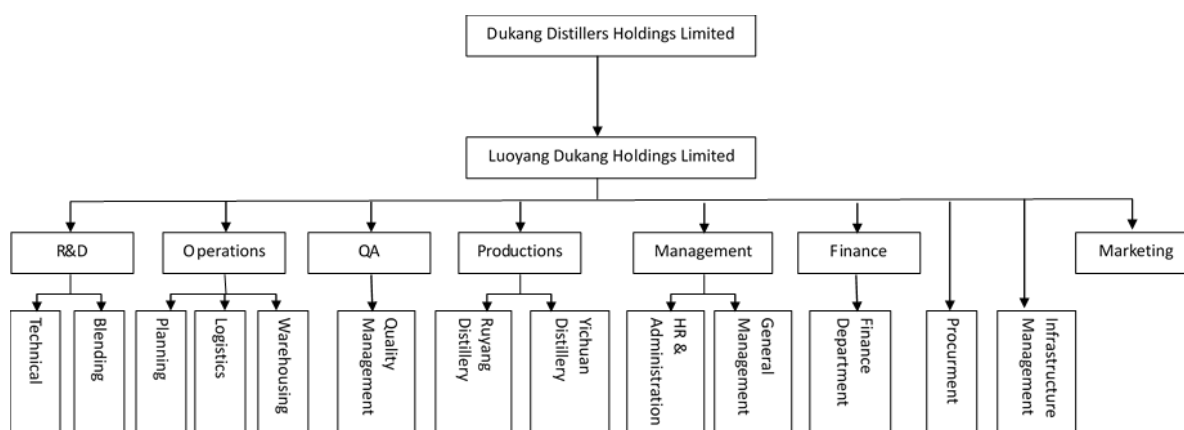
The Group's products are sold via distributors mainly to supermarkets, flagship stores, specialty stores and restaurants.

The Group currently has an annual grain alcohol production capacity of 4,684 tonnes from 2,428 fermentation pools for the 「Dukang」 brand.

With its distinctive taste and brewed using traditional methods, the 「Dukang」 brand has clinched national awards including China Intangible Cultural Heritage (2008), Henan Well-known Trademark (2008), China Well-known Trademark (2005), China Time-honoured Brand (2005), Top 10 Chinese Wine Brands (2001) and Star Enterprise of The National Wine Industry (1994).

In early 2013, the Group's 「Dukang」 brand was officially endorsed by the PRC government as one of the appointed baijiu to serve foreign dignitaries.

### Corporate Structure



### Our Vision & Mission

The Group endeavours to become the leading baijiu brand in the PRC and the world.

## Supply Chain Management

The Group's suppliers are extensively sourced and stringently evaluated to ensure that they meet the relevant specific guidelines that is in place, following the core values and vision of the Group. We aim to source from consistent, reliable and cost-effective suppliers and minimise the potential disruptions in the supply chain.

The Group also ensures that its Directors, substantial shareholders or any of their associates are independent of the major suppliers. It also ensures that no Directors and Executive Officers are materially dependent on any industrial, commercial or financial contract with any supplier.

## Governance Structure

The Board of Directors (the "Board") of Dukang Distillers is committed to setting and maintaining high standards of corporate governance within Group by adopting and complying, where possible, with the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") with the aim to preserve and enhance the interests of all stakeholders.

Certain functions have been delegated by the Board to various Board Committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which operate under clearly defined terms of reference. All Board Committees are chaired by an Independent Director and all of the members are Independent Directors.

Board of Directors	AC	NC	RC
<b>Zhou Tao</b> <b>(Executive Chairman and Chief Executive Officer)</b>			
<b>Huo Lei</b> <b>(Executive Director)</b>			
<b>Tan Siok Sing (Calvin)</b> <b>(Lead Independent Director)</b>	Member	Member	Member
<b>Ho Teck Cheong</b> <b>(Independent Director)</b>	Chairman	Member	Member
<b>Chia Seng Hee, Jack</b> <b>(Independent Director)</b>	Member	Chairman	Chairman
<b>Jia Guobiao</b> <b>(Non-Executive and Non-Independent Director)</b>			

## External Initiatives

The Group is committed to food and product standards and quality management systems that reflect our values and meet the demand of our customers and other stakeholders. The Group continuously challenge itself to be better – a better producer, a better employer and a better organisation. Here is a list of external initiatives that the Group subscribe to or endorse:

- ISO 9001:2015 (Quality Management System)
- Interim Regulations on Food Production Licensing in Henan Province (河南省食品生产许可暂行条例)
- Baijiu production license review rules (白酒生产许可审查细则)
- Food production license management measures (食品生产许可管理办法)
- General hygiene standards for food production (食品生产通用卫生标准)
- Hygienic standard for distilled spirits and formulated wines (蒸馏酒及配制酒卫生标准)
- General Rules for Labelling of Pre-packaged Foods (预包装食品标签通则)
- Environmental Protection Law of the People's Republic of China (中华人民共和国环境保护法)
- Environmental Protection Regulations of Henan Province (河南省环境保护条例)

## **Membership of Associations and Certificates**

- Henan Province Wine Business Association (河南省酒业协会)
- Henan Province Spirit Industry Association (河南省酿酒协会)
- China National Spirit Examination Committee (中国白酒国家评委)
- China National Food Industry Association (中国食品工业协会)

## **Governance and Sustainability**

The Board recognises that sound corporate governance practices are important to the proper functioning of the Group and enhance the interests of all shareholders. The Board also considers sustainability issues, e.g. environmental and social factors, as part of the Group's strategic formulation.

The Group will always strive to do its best in safeguarding against fraud with the aim to protect stakeholders' interests, and to minimise its environmental footprint on the environment. The Company has also established policies for issues such as Conflict of Interests, and Whistleblowing and Fraud.

## **Conflict of Interest Policy**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that such transactions are reviewed and approved by senior executives, Audit Committee and/or the Board, as the case may be, based on the transaction amount and had been conducted on an arm's length basis in accordance with prescribed procedures. When a potential conflict of interest arises, the Director concerned will not participate in discussions and will abstain from voting on such transaction.

## **Whistleblowing and Fraud**

The Group has in place a culture to highlight any inappropriate behaviour among its employees in order to maintain high ethical standards of accountability, reliability and honesty for its stakeholders at all times.

## ABOUT THIS REPORT

This is the first Sustainability Report (the “Report”) published by Dukang Distillers. By reporting the policies, practices, targets and performances of the Group in terms of its material sustainability issues, it allows all stakeholders to understand the progress and development direction of the Group. The report has been uploaded to the website of the Singapore Exchange Limited (“SGX”).

### **Report Scope**

This report covers the Group’s baijiu business for the reporting period from 1 July 2017 to 30 June 2018. The reporting boundary covers the operation of the Group’s office in Henan province, the PRC. While this report does not cover all of the Group’s operations, the aim of Dukang Distillers is to consistently upgrade the internal data collection procedure and gradually expand the scope of disclosure.

### **Reporting Standard**

This report is prepared in accordance with the ‘comply or explain’ provisions of SGX-ST Listing Rules 711A, as well as the guidance set out in the Practice Note 7.6: Sustainability Reporting Guide launched by the SGX. The five reporting components prescribed by the SGX-ST Listing Rules 711B underline the key structure of this report.

The Group has selected the Global Reporting Initiative (“GRI”) Standards as its reporting framework as the Group believes that it provides robust guidance and is widely accepted as a global standard for sustainability reporting.

### **Confirmation and Approval**

Information documented in this report is sourced from the official documents, statistical data, as well as management and operation information of and collected by Dukang Distillers according to the policies of the Group. The report has received the Board of Directors’ approval in June of 2019

### **Opinion and Feedback**

Dukang Distillers values the opinion of stakeholders. If you have any questions or suggestions regarding the content or format of the report, please contact the Group via the following channels:

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Email: [sustainability@dukangwine.com](mailto:sustainability@dukangwine.com)  
Tel: +86 371 8751 8038  
Fax: +86 371 8751 8096

## MESSAGE FROM THE BOARD

Dear Stakeholders,

On behalf of the Board, I am pleased to announce the publication of our inaugural Sustainability Report 2018 that is in compliance with the Global Reporting Initiative (“GRI”) Standards, in relation to the financial year ended 30 June 2018 (“FY2018”).

With stakeholders’ growing expectations in engaging global issues, the Board believes that being sustainable and dynamic in the ever-changing world of business is the way to sustain growth. We believe that this demonstrates our commitment to our stakeholders.

The Group takes pride in its assurance of the range of quality baijiu products, to cater to the needs of a wide spectrum of consumer profile. We have, in our employment, technical experts who have between 20 to 30 years of experience in the baijiu industry including our brewmasters. Our brewmasters are proficient in baijiu tasting and brewing and have been accredited for their proficiency at national or provincial levels.

We believe that having an established quality management system is instrumental to our success and to maintain our brand recognition as a producer of quality baijiu products. We have established a stringent quality management system to ensure adherence to and consistency in quality, cleanliness and hygiene standards for our raw ingredients, taste, packaging and other product quality attributes.

We place strong importance in the relationship between customers and stakeholders and have steadily continue to improve in strengthening our current position in the market. Our sales staff visit our customers regularly to further understand their needs, and to obtain their feedback and suggestions on our products and services. In addition, consumers can dial in to our customer service centre to verify the authenticity of the product purchased by quoting the serial number. These will help us augment the current market presence and help us achieve our long-term goals that we set for ourselves.

In this Sustainability Report, we have identified and selected 3 Environmental, Social and Governance (ESG) issues to focus on. These issues have been carefully selected, and have the greatest impact on our key stakeholders.

For and on behalf of  
Dukang Distillers Holdings Limited

Zhou Tao  
Executive Chairman & Chief Executive Officer

## STAKEHOLDERS' ENGAGEMENT

As the Group embarks on its sustainability journey to further enhance its continuous growth, it encourages feedback from stakeholders and will incorporate them into its corporate strategies if they are appropriate and relevant.

	Stakeholders	Mode of Communication
Internal	Employees	Direct mails, internal memo
	Shareholders / Investors	Direct mails, regular meetings, Annual General Meetings
External	Customers	Direct mails, regular meetings, phone calls, visits/ study trips, communication Apps such as WeChat/ QQ
	Suppliers	Direct mails, regular meetings, phone calls, visits/ study trips, communication Apps such as WeChat/ QQ
	Local communities	Visits, phone calls, local activities
	Government and Regulators	Direct mails, visits, phone calls

Stakeholders	Concerns
Employees	<ul style="list-style-type: none"> <li>• Staff welfare</li> <li>• Opportunities for career progression</li> <li>• Learning and development opportunities</li> <li>• Job stability</li> </ul>
Shareholders / Investors	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Dividends</li> <li>• Sound business strategies</li> <li>• Risk management</li> <li>• Governance and transparency</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Product safety and quality</li> <li>• Range and variety of products</li> <li>• Pricing and value for money</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Short credit terms</li> <li>• Punctual payment for supplies</li> <li>• Stable, long-term business relations</li> </ul>
Local communities Government and Regulators	<ul style="list-style-type: none"> <li>• Sustainable sourcing</li> <li>• Food safety and Security</li> <li>• Compliance with industry standards and hygiene practices</li> <li>• Management of negative environmental impact such as food wastage</li> </ul>



## MATERIAL TOPICS

### Sustainability reporting processes

Identification	Prioritisation	Validation	Review
<ul style="list-style-type: none"><li>• Identification of the material factors that are relevant to our Group's activities and data points for performance reporting</li></ul>	<ul style="list-style-type: none"><li>• Prioritisation of the material factors and identification of key sustainability factors to be reported</li></ul>	<ul style="list-style-type: none"><li>• Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of key sustainability factors to finalise the Report content</li></ul>	<ul style="list-style-type: none"><li>• Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, organisational and external developments</li></ul>

The material topics identified are based on the ESG framework and the degree of significance on the Group's stakeholders. After referring to global peers such as Diageo, Heineken and Remy Martin and gaining insightful feedback from our stakeholders, the Group has identified the following topics for discussion in this report:

- Customer Health and Safety
- Employment
- Energy and Water Consumption

## CUSTOMER HEALTH AND SAFETY

### Responsible drinking

Moderate consumption of alcohol can be part of a balanced lifestyle. As a premium baijiu brand in the PRC, Dukang Distillers has both the opportunity and the responsibility to make moderate drinking aspirational. As an industry leader we implement a consistent, effective approach to encouraging responsible attitudes to alcohol and actively discourage abuse of alcohol. By doing so, we play an active role to support the reduction of irresponsible drinking.

All our commercial communication fully complies with the letter and spirit of local, regional and national laws, as well as other relevant regulations (for example, TV and cinema advertising, sponsorship and internet regulations).

### Food Safety

The Group places utmost importance on ensuring food safety for all our products, and we are committed to producing baijiu of premium quality and taste.

The Group strives to provide quality products that ensure the health and safety of consumers. The Food Safety Office and the Quality Control Department are responsible for managing the production process according to the "Quality and Safety Management Manual", to ensure hygiene conditions are in compliance with relevant laws and regulations.

From the procurement of raw materials like sorghum to the packing and distribution of our products, we exercise extreme caution in evaluating the quality of our suppliers' products to ensure food safety along our value chain.

The Group abides by laws and regulations in relation to food safety and production safety, including but not limited to the following:

- Interim Regulations on Food Production Licensing in Henan Province (河南省食品生产许可暂行条例)
- Baijiu production license review rules (白酒生产许可审查细则)
- Food production license management measures (食品生产许可管理办法)
- General hygiene standards for food production (食品生产通用卫生标准)
- Hygienic standard for distilled spirits and formulated wines (蒸馏酒及配制酒卫生标准)
- General Rules for Labelling of Pre-packaged Foods (预包装食品标签通则)

In order to ensure the safe production of our baijiu products, the Quality Assurance Department conducts weekly supervision and inspection of food safety and organizes monthly food safety emergency drills. The Quality Assurance Department also conducts a self-assessment of the food safety protection plan every six months to evaluate the suitability of food safety and security strategies. Last but not least, the Group will conduct quality system inspection annually to ensure the effective implementation of the quality and food safety management systems in place.

The Group did not identify any non-compliance with local laws and regulations relating to customer health and safety during the reporting period.

## EMPLOYMENT

### Gender Ratio

We value our employees, and we resolve to provide them with a safe and fair working environment. It is also our mission to make Dukang Distillers a great place to work, where employees' needs are well-taken care and where they can realise their fullest potential.

We employ over 1,500 employees with a male to female gender distribution of about 65:35.

Male		Female		Total
Managerial	Non-Managerial	Managerial	Non-Managerial	
70	920	12	510	<b>1,512</b>
65.5%		34.5%		<b>100.0%</b>

### Diversity and Fair Practice

We believe in diversity and fair practices and are committed to the principles of equality and non-discrimination. The Group strives to employ on the basis of merit regardless of gender, age, race or religion.

The Group promotes a two-way communication with all of its employees and appreciates any feedback or suggestions to make the working environment more conducive. Our whistleblowing policy offers a channel for all employees to voice sensitive issues and misconducts.

### Occupational Health and Safety

The Group strives to provide a safe and conducive working environment for our employees.

The Group implements safety management systems to control the risks associated with occupational hazards and conduct regular practices of hazard identification, provision of adequate personal protective equipment as well education which are essential to the health and safety of workers.

During the period under review, the Group conducted the Fire Safety Knowledge Training and safety drills for its employees.

In addition, the Group handles pension planning, work injury insurance, medical insurance, maternity insurance and unemployment insurance for employees in accordance with state regulations.

### Talent Development and Retention

The Group has a systematic training programme in place in order to continuously develop and improve employees' work attitudes, knowledge and skills, and meet the needs of the company's sustainable development. After each training session, an evaluation will be carried out to assess the realisation of the training objectives as well the efficacy of the training system.

The Group's believe in continuously improving our management process and embracing the scientific and standardised management methodology. Annual appraisal for all employees is conducted objectively and impartially to evaluate the performance and contribution of employees, for salary adjustment or grading, performance salary distribution, job promotion, talent training and etc. This is essential for improving employee morale and employee satisfaction, while enhancing the Company's cohesiveness and centripetal force.



Fire safety knowledge training



Grain alcohol leakage and fire emergency drill

## ENERGY AND WATER CONSUMPTION

Respect for the environment is fundamental to ensure the excellence of the Group's products. We abide by the Environmental Protection Law of the People's Republic of China (中华人民共和国环境保护法) and the Environmental Protection Regulations of Henan Province (河南省环境保护条例).

During the period under review, the water and energy consumption of the company were as follows:

Resource	Units
<b>Water (m<sup>3</sup>)</b>	188,203*
<b>Electricity (kWh)</b>	3,907,104
<b>Gas (m<sup>3</sup>)</b>	0

\*1 January 2018 till 30 June 2018

Previously, the Group has taken the initiative to convert all coal-fired boilers to fire natural gas to ensure energy conservation and emission reduction. During the period under review, no gas was used as there was no grain alcohol production in view of the tepid market demand. Over the years, the Group has built up sufficient aged grain alcohol inventory to support the current demand and will commence grain alcohol production as and when necessary.

Water plays a vital role in the ecosystem of the Group's production. Its collection, use and treatment are subject to attentive oversight. Starting from 2018, the Group's distilleries will be paying water conservation fee to the local authority for underground water extraction for productions. Previously, the usage of groundwater by industrial users at Ruyang County and Yichuan County were unmetered. Going forward, the Group is working towards optimizing its water usage and reducing its ecological footprint.

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