



Environmental, Social and Governance Report 2017

JUTAL

巨濤海洋石油服務有限公司
Jutal Offshore Oil Services Limited

STOCK CODE: 3303.HK



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ABOUT JUTAL

Jutal Offshore Oil Services Limited (the "Company") and its subsidiaries (collectively "Jutal" or the "Group") is principally engaged in fabrication of facilities and provision of integrated services for oil and gas industries, other energy and refining and chemical industries and provision of technical support services for shipbuilding industry.

In response to the impact of the low oil prices cycle on the oil and gas industry in recent years, Jutal will accelerate the upgrading and transformation of its business. In addition to reinforce its existing business in fabrication of oil and gas facilities and equipment and oil and gas engineering, Jutal will further expand its presence into the fields of energy conservation, environmental protection and green energy, develop eco-friendly technologies and new products, promote biomass energy business through technology introduction and cooperation, and establish a business model that combines

product sales and service operation. Meanwhile, the Group will also identify suitable resources to carry out capital reorganization by capital acquisitions, so as to become a professional service provider of equipment fabrication, engineering services and industrial operations in the fossil energy and green energy industries.

In June 2017, Beijing Sanju Environmental Protection & New Materials Co., Ltd ("Sanju") completed the subscription of new shares issued by the Company through its wholly-owned subsidiary Sanju Environmental Protection (Hong Kong) Limited, becoming the controlling shareholder of the Company. Being a listed company in the Shenzhen Stock Exchange in China, Sanju is a conglomerate that serves in the green industry and is engaged in clean energy, chemicals and ecological agriculture. Its business areas cover petrochemical and modern coal chemical business as well as technical services

in ecological agriculture, green energy and chemicals. With Sanju investing into the Company, the Group's financial needs are satisfied and businesses of both parties are complemented with synergies achieved. As a result, both parties can complement each other and enhance their competitiveness in the market and will be favorable to the expansion of the Group's business in China and overseas markets as well as the long-term development of the Group.

In December 2017, the Company completed the acquisition of the other 70% equity interest of Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal") through its indirect wholly-owned subsidiary- Zhuhai Jutal Offshore Oil Services Limited. After completion of the acquisition, Penglai Jutal became a wholly-owned subsidiary of the Company. Founded in 2001 in China, Penglai Jutal is principally engaged in the engineering, construction, installation and reparation of offshore oil and natural gas exploration and production operation facilities, quayside machinery, petrochemical equipment and steel structures, as well as marine logistics services and quayside and warehouse services. The Group believes that the acquisition will strengthened the Group's construction capabilities remarkably and enabled the Group to optimize its construction sites and resource allocation, implement more efficient management.



ABOUT THIS REPORT

As the Company's second environmental, social and governance ("ESG") report on the Group's ESG policies, measures and performance, it helps stakeholders to better understand the progress and the development direction on sustainable development issues of the Group. This report is prepared in both Chinese and English, and has been uploaded to the website of the Stock Exchange of Hong Kong Limited ("HKEX") and the company's website at www.jutal.com.



Report Scope

This report covers Jutal's ESG performance during the period from January to December 2017 ("this year"). It focuses on the operation of the Group's businesses of "fabrication of facilities and provision of integrated services for oil and gas industries", "fabrication of facilities and provision of integrated services for other energy and refining and chemical industries" and "provision of technical support services for shipbuilding industry", but excludes the operation of other business. The report scope includes Shenzhen headquarters and offices in Tianjin, Chengdu, Dalian and Zhuhai ("Headquarters and Other Offices"), and fabrication sites in Tianjin and Zhuhai ("Fabrication Sites"). This report does not cover all of the Group's operations. However,

the Group is continually improving its internal information collection procedures, and will gradually expand the scope of disclosure.

Reporting Principles

The report is subject to "comply or explain" provisions as provided in *Environmental, Social and Governance Reporting Guide* (the "Guide") issued by HKEX and formulated based on its four reporting principles: "Materiality, Quantitative, Balance and Consistency". In addition, the report also selected some of the KPIs of the "recommended disclosures" in the Guide in light of the specific situation of the Group, so as to make the report more complete. The indexes are attached to the last chapter of this report so that the readers can read the report in accordance with the Guide.

The Company has also commissioned Carbon Care Asia, a professional consultancy company, for carbon assessment by referring to the *Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for Mechanical Equipment Manufacturers (Trial)* and the *Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for Public Building Operating Companies*, so as to ensure the accuracy of the environmental KPI data.

Confirmation and Approval

All the information quoted in this report comes from official documents, statistical data and the management and operation information of Jutal collected under the Company's policies. The report has been approved by the board of directors of the Company in June 2018.

Feedback

The Company values the opinions of its stakeholders. For any doubt or suggestion about the content or reporting form of this report, please do not hesitate to contact us through the following:

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MESSAGE FROM THE MANAGEMENT

Climate change affects global human life and urges countries to review their energy policies. With energy development expertise and experience for over two decades, Jutal is always offering high-quality products and services to its customers. As a leading supplier of energy and refining and chemical equipment in China, the Group fully understands the impact of fossil energy on society and the environment, and is seeking to develop renewable energy products, making great strides towards sustainable development.

To effectively control the influence of its businesses on the environment, the Group implements a consistent environmental policies and waste management regulations for all operating projects. The Group stick to the goal of "Safety Comes First, Prevention-Oriented, Environmental Protection, Continuous Improvement", so as to keep its businesses in line with relevant national laws and standards concerning work safety and environmental protection.

Jutal always regards its employees as the most important partners, formulated various personnel management policies and offered reasonable wages and welfare on the basis of the well-being of its employees. The Group values internal training, and always encourages personal and career development. To improve its internal training capacity, the Group has specially drawn up the trainer management system besides the employee training to further reinforce training results.

Jutal takes the health and safety of its employees as its primary consideration. All businesses must comply with the Group's

overall policies. We provide its employees with appropriate equipment and guides as needed, conduct regular training and emergency exercises to protect employees from occupational hazards. The Group supervises all job positions to implement effective management measures so as to ensure the health and safety of the work environment.

In response to the stakeholders' demands and changes in market conditions, the Group will assume corporate responsibilities, increase communications with its stakeholders, and integrate the sustainable development concept into its business policies. Under this premise, Jutal will continue to leverage its expertise, improve social and environmental performance on existing operations, get actively involved in and develop green industry engineering, clean and efficient use of energy business and renewable energy business, aiming for a greener tomorrow.

By order of the Board
Cao Yunsheng
CEO



STAKEHOLDERS COMMUNICATIONS

Stakeholders' Communication Methods

Stakeholders¹ engagement is an important part of Jutal's business management, which helps the Group to review potential risks and business opportunities. Communicating with stakeholders and understanding their ideas enables Jutal's business practice to be closer to their needs and expectations, and properly manage the opinions of deferent stakeholders. The Group constantly communicates with ours key stakeholders through various channels, ensures their opportunities to understand the development and business operation principles of the Group, and also provides an opportunity for the Group to listen to their opinions, so as to identify the priorities of deferent issues, and develop corresponding policies.

Significant Issues on Sustainable Development



Jutal has commissioned an independent consultancy company to conduct management interview, identify environmental and social issues that are essential to the Group and the stakeholders, and discuss the Group's sustainable development strategies and directions. Combined with the interview results and the consultant's opinions, the Group selected four environmental and social issues from the Guide as the topics discussed in this report.

In order to ensure the effectiveness of communications with stakeholders, Jutal is committed to establishing transparent, honest and accurate communications, and providing timely response. In the future, the Group will strengthen its interaction with stakeholders, expand more diversified channels, increase the chances of contact with them, and create a mutually beneficial and win-win relationship.

¹ "Stakeholders", also called "interest related parties" or "rights holders", refers to groups or individuals who may have a significant influence on or may be influenced by the Group's business, including the directors, the management and employees, as well as external customers, business partners, investors, regulatory agencies and various social communities, etc.

ENVIRONMENTAL PROTECTION

Environmental Protection Goals

- To protect atmospheric environment quality of the area where the project runs, and does not have a significant impact on the quality of the atmospheric environment;
- To drain the sewage as per standards, and effectively control major pollutants;
- To comply with laws, regulations, and national standards of the People's Republic of China on work safety and environmental protection;
- To effectively use resources, advocate resource saving, eliminate wasteful activities, reduce waste, and prevent environmental pollution.

Jutal values environmental protection, and is committed to using natural resources more effectively and reducing the impact of its business operations on the environment. The Group formulates and implements Occupational Health, Safety and Environment Policy, which is based on the principle of "Safety Comes First, Prevention-Oriented, Environmental Protection, Continuous Improvement", and promises to place health, safety and environment ("HSE") at the top of all jobs. There is no job to do without regard to safety and environmental risks, and Jutal must make effective use of resources, promote conservation, eliminate wasteful activities, reduce waste, and try to prevent environmental pollution.

Emissions

The Group's emissions mainly come from the Fabrication Sites. The Group has set pollution control objectives at the Fabrication Sites, and demanded the Fabrication Sites to effectively and properly control all the pollution sources, use advanced production processes and equipment, ensure the reliability of technologies, and take effective measures to control environmental risks for the Group.

Due to the nature of different businesses, the daily operation of Headquarters and Other Offices produced much less waste, which was mainly household garbage and sewage, compared to the Fabrication Sites.

Air and greenhouse gases emissions

The main air pollutants produced in the daily operation of the Group's Fabrication Sites are VOC (including toluene and xylene) and paint mist from spraying, smoke and dust from welding, dust from sand blasting, and NO_x, SO_x and particulate matter from fuel combustion of automobiles. The Group conducts overall ventilation and collects exhaust gas or dust on the painting workshop and sand blasting workshop. The exhaust gas collected from the spraying workshop is disposed of through exhaust gas pollution control device (including painting mist filters, anti-explosion centrifugal fans and organic solvent adsorption devices), and the dust collected from the sand blasting workshop is disposed of through filter cartridge dust removers and centrifugal machines, which are all discharged through exhaust funnels of 20 meters high or above.

	Source	Types of Emissions	Data (kg)
Exhaust Emissions	Emissions from fuel combustion	NO _x	216
		SO _x	11
		Particulate matter	10
	Emissions from production process	Particulate matter	3,280
		Xylene	2,266
		Toluene and xylene	1,880
		Total VOC	5,750

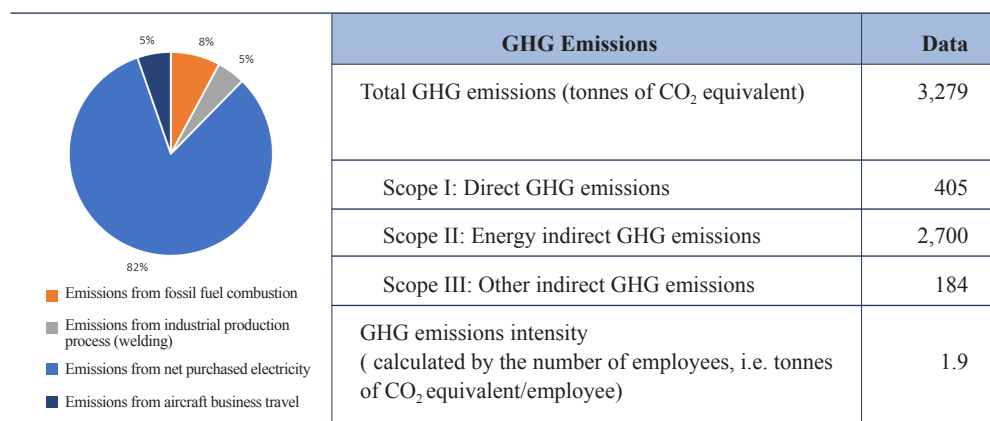
^Emissions data comes from the estimates in the *Environment Impact Assessment Report*

Greenhouse gas ("GHG") emissions are closely related to the climate change and global warming. Carbon reduction measures and targets have been made by enterprises worldwide. Jutal manages its GHG emission in accordance with *Work Plan for Controlling Greenhouse Gas Emissions in the 13th Five-Year Plan*. The main objectives include strengthening the control of energy carbon emission, vigorously promoting energy conservation, accelerating the development of non-fossil energy and optimizing the use of fossil energy.

ENVIRONMENTAL PROTECTION

This year, Jutal had commissioned Carbon Care Asia, a professional consultancy company, to conduct carbon assessment and calculation of GHG emissions generated by business operations for the first time. The total carbon emissions of the Group this year are 3,279 tonnes of carbon dioxide equivalent, of which electricity use accounted for 82%.

GHG Emissions (by emission source)



In response to the objectives of China in tackling climate changes and achieving low-carbon transformation and development, Jutal will work out a long-term goal to reduce carbon emissions, including understanding the internal use of resources and reviewing the effectiveness of current emission reduction measures, and take this year's carbon emission data as a reference for comparison in the future, so as to formulate appropriate carbon emission reduction targets and plans.

Sewage

Sewage generated by the Group's operation mainly comes from Fabrication Sites, Headquarters and Other Offices. Sewage discharge shall be in strict compliance with national and local requirements concerning sewage discharge criteria. Sewage is incorporated into the municipal sewage pipeline network, and finally enter the local water purification plant for treatment and discharge.

The Group encourages its employees to save water and minimize unnecessary waste to reduce the sewage. In the future, the Group is planning to replace traditional water equipment with more energy-efficient and environment-friendly equipment, record sewage quantity of each operating site, so as to ensure annual data comparison, and guide the Group to formulate emission reduction principles.

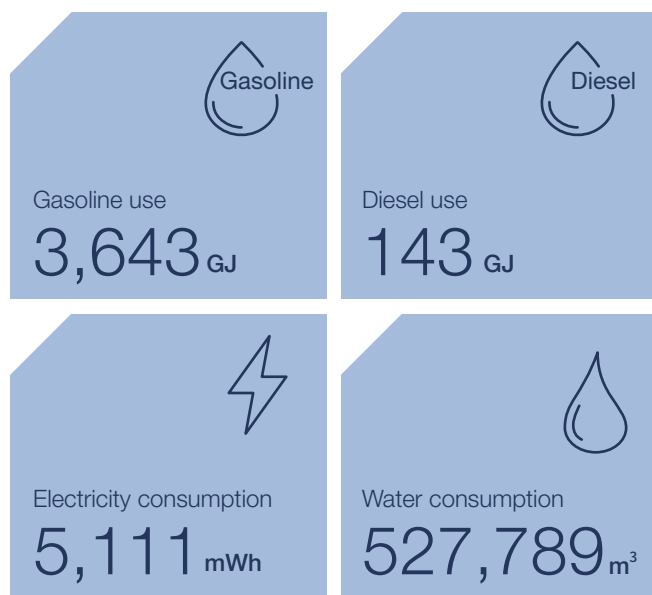
Waste

Hazardous waste (including exhaust oil paint, barrels of organic solvent, activated carbon, antiquated sand and rust in exhaust gas treatment equipment), and non-hazardous industrial waste (including welding slag, metallic oxide and household waste) is generated during the operation process of the Group.

Waste Classification	Data
Total hazardous waste (in tonnes)	23.5
Hazardous waste intensity (calculated by number of employees, i.e. tonnes/employee)	0.014
Total non-hazardous waste (in tonnes)	203.2
Non-hazardous waste intensity (calculated by number of employees, i.e. tonnes/employee)	0.12

The Group strictly complies with relevant local laws and regulations where it operates, cautiously manages the temporary storage, transportation and treatment of hazardous wastes, and commissions qualified organizations to carry out harmless treatment in accordance with the Group's *Waste Management Regulations*. The Group collects non-hazardous industrial wastes on a regular basis and hands them over to waste recycling plants for disposing. The household wastes are regularly collected by category and then handed to the sanitation agency for collection and removal. The Group plans to classify and recycle wastes at its offices in the future, and provide the employees with clearer classification guideline.

ENVIRONMENTAL PROTECTION



Use of Resources

Jutal understands the precious nature of the earth's resources and the corporate responsibilities to conserve resources. The Group is committed to complying with laws and regulations where its business operate, including *Law of the People's Republic of China on Conserving Energy*, *Energy Conservation Regulations for Guangdong Province*, *Water Conservation Measures for Guangdong Province* and *National Water Saving Action Plan*.

	Usage Category	Data
Energy Use	Total energy consumption (GJ)	22,184
	Direct energy – gasoline (GJ)	3,643
	Direct energy – diesel (GJ)	143
	Indirect energy - electricity (mWh)	5,111
	Energy use intensity (calculated by number of employees, i.e. GJ/employee)	13
Water Consumption	Total water consumption (m ³)	527,789
	Water consumption intensity (calculated by number of employees, i.e. m ³ /employee)	309.4

The Group actively promotes clean production at its Fabrication Sites, and formulates and implements a series of production management procedures to regulate the production management process, so that raw materials can both meet the production needs, and be fully utilized increasing the use efficiency at the sources.

Resources used in Headquarters and Other Offices include water and electricity for the daily office operations. The Group encourages employees to save water and electricity in their daily work, and advises

them to turn off lights, air-conditioning, computers and other office equipment when they do not need it.

The Group will continue to keep a good record of resource consumption in the future, and formulate corresponding measures to improve resource use efficiency, thereby reducing the use of resource.

Environment and Natural Resources

The Group values the natural environment and understands the importance of coexistence between business and the environment and the protection of natural resources. The Group identifies major hazard sources, monitors the possibility of environmental accidents that it may cause, and regularly reviews and evaluates their environmental performance in accordance with *Technical Guidelines for Environmental Risk Assessment of Construction Projects* and *Identification of Major Dangerous Sources of Hazardous Chemicals* on the daily operations at its Fabrication Sites. For raw and auxiliary materials that are in direct contact with the natural environment and may cause environmental pollution, upon environment risk assessment, the raw and auxiliary materials used by the Group have not been included in the scope of identification of major source of hazardous chemicals, and therefore are not major sources of hazardous chemicals. In addition, the Group's environment management system are in line with the GB/T 24001-2004/ISO 14004: 2004 standards.

This year, the Group did not find any internal report or non-compliance cases in relation to emissions or the environment.

EMPLOYEES VALUE

Employment

Jutal is committed to creating a harmonious work environment where employees respect each other. The Group states its employment terms on remuneration, recruitment, dismissal, working hours, promotion, equal opportunities, and relevant personnel management in *Employee Handbook*, *Personnel Management Policy*, *Employee Rest Periods Policy*, *Employee Remuneration Management Policy*, *Employee Welfare Management Policy* and *Employees Attendance Management Regulations*.

	Classifications	Number of Employees	Number of New Hires	Number of Employees Turnover
By Region	Chengdu	20	6	3
	Dalian	765	295	549
	Tianjin	146	8	23
	Shenzhen	213	34	35
	Zhuhai	562	43	112
By Age Group	Aged less than 30	401	158	334
	Aged 31–40	691	203	323
	Aged 41–50	476	18	46
	Aged 51 or above	138	7	19
By Gender	Male	1569	349	687
	Female	137	37	35



To attract and retain talents, the Group offers its employees benefits other than those specified in the laws and regulations, including lunch, accommodation and communication allowances for the management staff, as well as education and training, staff medical examinations, holiday welfare, high temperature allowance, heating fees and free shuttle services.

Jutal encourages its employees to maintain two-way communications with their superiors. Employees may discuss with their superiors any obstacle encountered in their work through different channels, such as email, interview, etc. If an employee believes that personal interest has been compromised, he or she may appeal directly to the head of the division or the management of the Group in an interview or in

writing. Upon receipt of such complaints, the Group will investigate and determine the treatment methods based on the investigation results. Prior to the dismissal of an employee, the Group will arrange the HR department or the employee's supervisor to conduct the exit interview and listen to the employee's opinions.

In the future, Jutal will be committed to promote diversity and communion in the workplace. The Group plans to formulate policies relating to equal opportunities, diversity and anti-discriminations, review how to further refine employment guides, so as to ensure equal employment and promotion rights.

This year, the Group did not find any non-compliance case related to employment and labor practices or any complaints of discrimination or sexual harassment.

EMPLOYEES VALUE

Health and Safety

Jutal identifies occupational health and safety as one of the most important aspects of corporate risk management, consider safety and environmental risk for any work, and comply with the laws and standards of the People's Republic of China on work safety and environmental protection.

The Group is committed to work environment safety, values the



occupational health of employees, and establishes an occupational health and safety management system that complies with OHSAS 18001: 2007. Jutal also provides its employees with occupational health and safety training so as to ensure them have sufficient safety knowledge, and encourages all employees to get involved in the management of occupational health and safety. Jutal has run for years with zero major accident, with an accident rate record less than 0.4.

The Group not only implements relevant laws and regulations, but also formulates and implements a series of rules and regulations and operating procedures on work safety, including safety management regulations and operating procedures for deferent positions in offices and Fabrication Sites, occupational health management system and occupational safety health training system.

This year, Jutal had no occupational casualties, but had five recordable occupational injuries with a loss of 35 working days. These occupational injuries occurred by the use of machinery and equipment and the goods transportation at Zhuhai fabrication site. The Group worked out detailed investigation reports on the occupational injuries. Upon investigation and analysis, the accident cause were equipment operational defects and fault in the use of equipment.

In response to the causes of the occupational injuries, the Group has adopted a number of improvement measures:

- >> installing safety protection equipment on the devices that caused the accidents;
- >> working out relevant safe operation procedures for all the operations, such as: revise the rules for safe forklift operation;
- >> strengthening workshop skills, safety guidance and training, conducting training and assessment for all the relevant personnel after revision of safety procedure documents;
- >> strengthening the supervision and management of machine tools operation safety, so as to ensure proper use of machinery;
- >> providing adequate knowledge on accidents via email and morning meetings, strengthening work safety education during morning meetings, so as to prevent similar accidents.

This year, the Group did not find any health and safety-related non-compliance cases.

EMPLOYEES VALUE

Development and Training

"Taking both integrity and ability, choose the right persons" is Jutal's long-standing employment philosophy. Jutal values employees' on-the-job training and professional technical training, encourages employees for career planning through Jutal's training and development systems, so as to bring employees' talents into full play, and help them realize visions. Jutal has formulated and implemented *Internal Training Management Measures*, provide management skill training for all the management personnel, and provide skill training for operating personnel on operating tools and equipment, so that employees have more opportunities to share work-related knowledge and skills. The Group has also strengthened to make all the relevant personnel be familiar with operation laws and regulations, improve work processes, reduce unnecessary work defects and improve work efficiency through internal training.



Internal Training Management Measures specifies internal training responsibilities of HR department and other department heads, as well as training contents and subsidies of duties.

Jutal encourages its employees to act as internal trainers, so as to promote and share their knowledge and experience, and has formulated *Trainer Management Methods*, sets out the methods of internal trainer qualifications recognition and encouragement. Trainers with good performance will be granted internal trainer qualification certificates, and be provided with relevant benefits. In addition to internal training, Jutal also arranges the training of external trainers. *Trainer Management Methods* regulates the procedures, requirements and detailed rules for external trainer appointment, and lists their duties and benefits as well.

Each of the Group's operating subsidiaries formulates annual training plans and selects proper training methods, training topics, suggested training time, class hours and budget for employees in different departments

This year, the Group organized various external and in-house trainings, including staff operating system and equipment operation, occupational safety, hazard identification and risk assessment, product inspection, software operation and word processing.

Labor Standards

Jutal understands that child and forced labor violate fundamental human rights and international labor conventions, and poses a threat to sustainable social and economic development. According to the *Labor Law of the People's Republic of China* and *Employee Handbook*, the Group strictly complies with the legal requirements during the recruitment process and prohibits the employment of persons under age 16 and any forced or involuntary labor. The Group would review the actual age of new hires, including checking identity information and making detailed records.

This year, the Group did not find any non-compliance cases in relation to violation of child and forced labor.

RESPONSIBLE OPERATION

Supply Chain Management

Proper supply chain management is essential to the Group's business sustainability and operating cost management. The Group values partnerships with its suppliers and contractors and regards them as important business partners, hope to establish a long-term and stable supply chain through cooperation. Jutal has formulated and implemented *Supplier Management Procedures*, established a general procedure for qualified suppliers resources, grading, auditing, registration and performance management. Effective suppliers management enables the Group to provide qualified products and services and reduce potential risks in procurement. *Supplier Management Procedures* describes suppliers review procedures, review criteria and qualification requirements, of which the requirement for health, safety, and environmental management system is included.

The Group requires that a supplier should involve all its personnel and external service personnel into the environmental management system and occupational health and safety management system, understand the responsibilities on environmental protection, occupational health and safety of both parties, and should identify, evaluate and control environmental factors and hazards in fabrication and service projects. Staff and external service personnel are required to have their professional certificates, service contracts and service processes examined, and receive environmental and occupational health safety training. For example, special labor protection suppliers are required to provide production license, product certificate, safety sign, and



relevant requirements that comply with national standards or industrial standards. Suppliers of dangerous chemicals such as paints and gases should be qualified for manufacturing and operating hazardous chemicals, meet national laws and regulations on environmental protection and safety in terms of transportation, quality and packaging and show their hazardous chemicals transportation certificate.

RESPONSIBLE OPERATION

Product Responsibility

The Group values the quality and safety of its products and services and is committed to providing customers with high quality products, satisfactory engineering design and technical support services. The Group develops and implements a series of management measures to control the storage, transportation and inspection of raw materials to finished products. The quality control system conforms to ISO9000 standard and all products fabricated under the ISO9000 quality management system are managed in accordance with the Group's *Product Release Inspection Process*. Only the parts and products that pass the clearance inspection can enter the next process, and the unqualified products are handled as per *Nonconforming Product Control Procedures*. *Product Release Inspection Process* applies to pressure vessels, pipelines and steel structures. The release inspection, including heat treatment release, pressure test release, sand blasting (galvanization) release and delivery release, simulates the environment in which the product is used and intensify protection treatment so as to ensure product quality and minimize the environmental and social risks caused by unqualified products when in use.

The Group's *Code of Conduct for Trade* protects the customers' privacy and rights.

During the reporting period, the Group did not find any non-compliance cases in relation to product responsibilities.

Anti-corruption

As a responsible enterprise, Jutal is committed to preventing corruption, bribery, extortion, fraud and money laundering. The Group has formulated *Code of Conduct for Trade* which sets out the behavior management requirements for employees engaged in business and marketing in their daily work, for example, employees cannot solicit or receive commissions from relevant companies that have businesses with the Group. If an employee receive gifts or commissions during business contacts, such gifts or commissions shall be given to the Group according to the gift management policy, and be reported on the *Gifts and Commissions Submission Registration Form*. Employees shall not use company resources for personal gains.

This year, the Group did not find any corruption-related reports, lawsuits and non-compliance cases.

COMMUNITY ENGAGEMENT

Jutal has always been committed to the needs of the communities in which it operates, and is committed to connecting and cooperating with companies in the communities to grow together.

In the future, the Group will further understand the needs of communities where Jutal operates to identify the area of contribution the Group should focus on, formulate specific community investment policies and plans, and strengthen the connection between each operating subsidiary and the local communities.



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Subject Areas	Content	Page/ Remark
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JUTAL

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