

# Environmental, Social and Governance Report 2018

**JUTAL**

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

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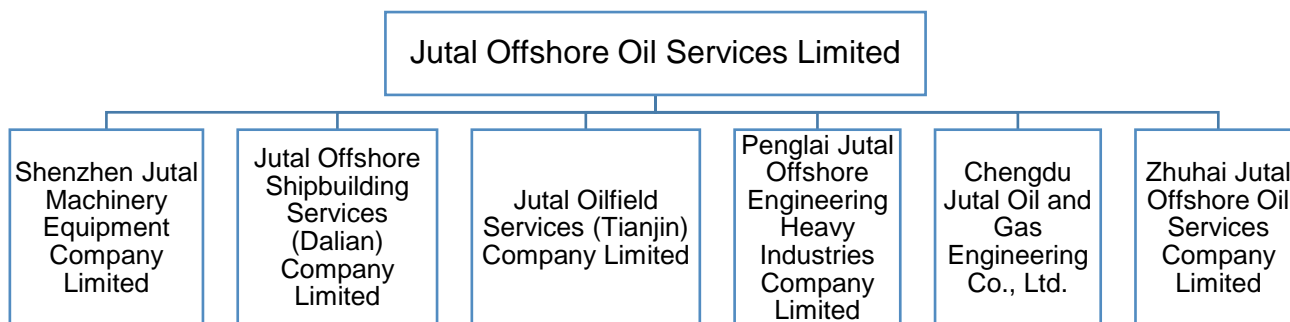
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## ABOUT JUTAL

Established in 1995, Jutal Offshore Oil Services Limited (the "Company") went through years of growth and planning, and has established a number of subsidiaries around key China sea areas (collectively "Jutal" or the "Group"). The Group's core business services include provision of integrated services for oil and gas industries, as well as other energy and refining and chemical industries. Its products and services include offshore engineering, oil and natural gas chemical plants onshore modular construction, construction of FPSO (i.e. floating production storage and offloading) units, oil and natural gas processing equipment, and so on.



In 2018, the Group made a profound transition to the management structure and business operation, from site facilities, customer resources to operation system to optimise resource allocation and achieve more efficient management through re-organised allocation and integration. At the same time, the safety and quality system integration in Penglai and Zhulai sites are basically finished, with all safety, environmental and quality indicators resulting with good performance. To satisfy the needs of construction projects and undertake more projects, the Group expanded and improved the facilities in the Penglai site, which is managed by Penglai Jutal Offshore Engineering Heavy Industries Company Limited ("Penglai Jutal"), to increase the production capabilities and efficiency.

The Group fully leverages the advantages of its two key fabrication sites located in Zhuhai and Penglai, and is committed to continuously providing customers with advanced engineering solutions and high-end equipment manufacturing in the business areas of oil and natural gas related facilities and equipment; and becoming an equipment and project supplier with core technology in energy saving and environmental protection, natural gas treatment and refinery.

### **Jutal's vision**

Based on integrity and reputation; committing itself to giving back to the country as a member of the industry; adhering to pioneering technologies, outstanding quality and customer satisfaction, building Jutal into an international pioneer in offshore oil engineering, to repay customers, shareholders, employees and society.

## ABOUT THIS REPORT

As the Company's third *environmental, social and governance ("ESG") report*, it shares the sustainability progress of Jutal between January and December 2018 ("this year") and its future plans and goals. The report is prepared in both Chinese and English, and has been uploaded to the website of the Company's website at [www.jutal.com](http://www.jutal.com) and that of the Stock Exchange of Hong Kong [www.hkexnews.hk](http://www.hkexnews.hk).

### Reporting Boundary

The report focuses on 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, as well as provision of technical support services for shipbuilding industry. The report covers the environmental, social and governance work of the Group's key sites of operation, including the offices in Shenzhen headquarters, Tianjin, Chengdu, Dalian, Zhuhai and Penglai (the "offices"), and fabrication sites in Tianjin, Zhuhai and Penglai (the "fabrication sites"). The report does not cover operations of the Group located outside mainland China.

### Reporting Standards

This report is prepared in accordance with the 'comply or explain' provisions in *the ESG Reporting Guide* (the "Guide") under Appendix 27 of *the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited*. The Group adheres to the four stipulated principles, namely materiality, quantitative, balance and consistency in preparing the report. To provide stakeholders with a more comprehensive understanding of the Group's environmental, social and governance performance, the report also includes selected social key performance indicators under the 'recommended disclosures' of the Guide.

### Data Preparation

The Group has established internal controls and a formal review process to ensure that information presented in the report is accurate and reliable. The report was confirmed and approved by the Board on 28 June 2019.

### Opinion and Feedback

Stakeholders' opinions and suggestions can help the Group to develop a more detailed and sound sustainability strategy. If you have any questions or suggestions regarding the content or format of the report, please contact the Group through the following channels:

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## MESSAGE FROM THE MANAGEMENT

*“Continue to deepen communication with stakeholders to collect their views - this will enable us to identify and respond to environmental and social risks in a timely manner, grasp opportunities and make continuous progress.”*

It is indeed an honor for me to publish Jutal's third environmental, social and governance report. Issues related to sustainability directly impact the operation and future development of the energy industry. To promote sustainability, we focus on building a green plant, collaborating with employees and strengthening community investment.

To effectively manage the environmental and social performance and measures of the Group, we plan to increase board participation in addition to the existing Safety and Health Environment Committee. We will implement a General Manager Accountability System on environmental and social issues, and set up a dedicated sustainability representative to ensure that the management directly monitors the progress of policy implementation and the overall sustainability performance of the Group.

Different sustainability issues will cause impact on corporate development. In response to these emerging risks and opportunities, we have identified environmental, social and governance as the important issues of our corporate development, as we believe this will have a positive impact on shareholders, employees and the community. During day-to-day operations, we develop specific strategies for procedures of higher carbon emissions, such as reviewing suppliers' environmental performance while optimising our manufacturing capabilities so as to reduce environmental impact.

At present, risks including safety, environmental pollution and corruption are of the Group's highest concern. These issues not only damage the company, but also affect the community and a broader range of stakeholders. The management of the Group has taken a number of response measures, which are detailed in the report for stakeholders' reference. The Group will continue to regularly take the risk and opportunity assessments and make early preparations.

Stakeholders' input is crucial to maintain the corporate sustainability. This year we commissioned a consultancy to conduct stakeholder engagement to understand their opinion, which leads us to focus on three issues in the report: emissions, use of natural resources and safety and health. We look forward to receiving readers' feedback on the report. Looking to the future, we will continue to strengthen communication with stakeholders to collect their views. This will enable us to identify and respond to environmental and social risks in a timely manner, grasp opportunities and make continuous progress.

Jutal Offshore Oil Services Limited  
CEO  
Cao Yunsheng



## SUSTAINABILITY GOVERNANCE

The Board of Directors of the Company is committed to upholding high standards of corporate governance and believes that sound corporate governance can effectively lead Jutal to establish and achieve long-term strategies and goals. Led by the Board of Directors, Jutal fulfills its duties to ensure its operations comply with all applicable rules, regulations, and procedures, as well as the relevant codes and standards, in order to maintain a high standard of accountability and transparency while understanding and reacting to the opportunities and risks brought by sustainability.

Environmental and social issues cover all aspects of the Group's operations. To effectively integrate sustainability ideals into the business, the Board of Directors will further explore on establishing a sustainability structure in the future on the basis of the existing health and safety environmental management system. The structure will cover strategic planning, risk reviews and execution, comprising the Company's directors and representatives of the management, and staff representatives of relevant departments including financial, human resources, safety, health and environment, quality control, equipment and facilities, site maintenance, procurement, technology and operation. The structure will be responsible for formulating the Group's sustainability strategies and to evaluate and execute sustainability policies, measures and goals.

### Risk Management

Sound risk management is inevitable to sound corporate governance and sustainable development. The Group has established the risk management and internal control systems, in which the Board of Directors is responsible for the formulation of strategies, business targets and risk preference; and the review of the effectiveness of the risk management and internal control systems together with the Audit Committee. Each business unit and department should identify risks that may impact the achievement of business target, to analyse and assess the significance of those risks with the management and report the results to the Board of Directors.

In the process of risks identification, the Group is aware of sustainability related risk factors such as workplace safety, chemical pollution, air emissions, waste handling, and employee corruption. In response, regulations are formulated, including *the Employees Health and Workplace Occupational Health Management Procedures*, *the Safety Manual*, *the Hazardous Chemicals Control Procedures*, *the Waste Collection, Labelling, Storage and Handling Procedures* and *the Laws and Regulations Identification and Compliance Assessment Control Procedures*.

### **Future Plan**

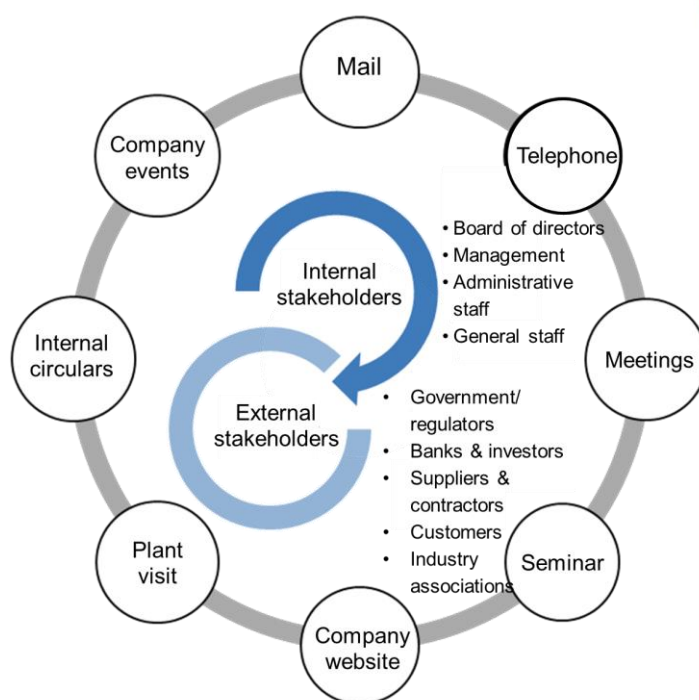
Acknowledging that the current risk management and internal control systems do not fully cover sustainability issues, the Group will consider establishing a corporate risk management working team to identify potential environmental and social issues to be included in the corporate risk management system.

# STAKEHOLDER ENGAGEMENT

## Main Means of Stakeholder Engagement This Year

Stakeholder engagement is a significant part of the business management of Jutal. The Group's stakeholders include groups or individuals materially influencing or affected by the Group's business, including employees, shareholders, investors, suppliers, customers, regulators and industry associations.

Stakeholders can understand the Group's work and performance in environmental protection and community care through various communication channels and voice their opinion. Their views can help the Group review the potential risks and opportunities in sustainability, prioritise different issues and formulate the relevant policies and measures.



## Material Sustainability Issues

Same as last year, Jutal commissioned an external consultant to conduct stakeholder engagement through management interview. Through exploration of sustainability policies and strategies, Jutal identified the key environmental and social issues to its business and stakeholders to be the focus of the report.



### Future Plan

Jutal will continuously increase interaction with stakeholders to help the Group improve its sustainability policies and measures through diverse communication channels.



## ENVIRONMENTAL PROTECTION

Jutal has established a health, safety and environmental management system according to the international occupational safety and health management system OHSAS18001 and environmental management system standard ISO14001, to ensure projects can be carried out in a safe and environmentally-friendly manner. Under this system, the Group has formulated and followed the Occupational Health, Safety and Environment Policy to establish specific measures on emissions management, increasing the efficiency of use of resources and reduce the environmental impact of the operation.

### Energy Saving and Carbon Reduction

Jutal understands that systematic and continuous data collection and performance reporting can help it to review the effectiveness of measures and formulate improvement plans. This year, it continues to commission a professional consultancy to conduct carbon assessment to quantify the greenhouse gas (“GHG”) emissions of the operation. The carbon assessment is conducted according to *the GHG Emissions Accounting Methods and Reporting Guidelines for Mechanical Equipment Manufacturers (Trial)* published by the National Development and Reform Commission of the People's Republic of China and with reference to international standard ISO14064-1 and the GHG Protocol. The assessment result shows that, over 76% of carbon emissions came from purchased electricity of Scope 2, which were mainly used in office equipment (such as lighting and office systems, etc.) and machinery operation in fabrication sites. The Group's second largest source of carbon emission was the emissions of carbon dioxide gas shielded welding of Scope 1, which accounted for 13 percent of the total carbon emissions. For the results of carbon assessment, please refer to the Key Performance Indicator Summary.

To reduce GHG emissions, the Group adopted a series of measures. For example, Zhuhai Jutal Offshore Oil Services Company Limited (“Zhuhai Jutal”) abides by *the Law of the People's Republic of China on Conserving Energy*, *Energy Conservation Regulations for Guangdong Province*, formulates *the Electricity Conservation Management Procedure* to provide guidance for employees in saving energy and improving energy efficiency in production and in daily life. Shenzhen headquarters and Zhuhai Jutal replaced lighting equipment in their offices and fabrication sites; Penglai Jutal and Zhuhai Jutal formulated annual energy saving goals and targets, directed each department to achieve the targets and successfully achieved the target of annual electricity consumption of below 15,000 MWh. At the same time, the Group enhanced employees' electricity saving awareness in all offices and fabrication sites through promotional slogans, education and training. Use of public transport was also encouraged to reduce use of private cars.

Apart from GHG, Jutal's operation will also produce air emissions. The Group's air emissions were mainly volatile organic compounds (VOCs) produced in prefabricated pipe spray painting and particulates produced in prefabricated pipe sand blasting, nitrogen oxides, sulphur oxides and particulates produced by fabrication sites and offices production equipment, kitchen equipment and vehicle consumption of fossil fuels. This year, the reporting boundary expands to include Penglai Jutal, because its production of nitrogen oxides, sulphur oxides and particulates from fuel combustion accounted for 98%, 95% and 98% of the total emissions. In particular, the main sources of emissions were air emissions of vehicle consumption of petrol and diesel.

Fabrication sites are equipped with environmentally-friendly disposal systems, which includes installation of painting mist filters, anti-explosion centrifugal fans and organic solvent adsorption device and disposal of air pollutions produced in industrial processes such as spray painting, welding and sand blasting to achieve the emissions reduction target. To further reduce emissions, Zhuhai Jutal introduced activated carbon absorption devices and catalytic combustion device for desorption, which reduced the production of VOCs such as xylene by 0.1%, fulfilling the yearly target. For quantification results of this year's air emissions, please refer to the Key Performance Indicator Summary of the report.



## Water Conservation and Wastewater Management

Jutal is committed to water conservation in different operation processes and ensuring proper sewage discharge. The Group adopts diverse water saving measures in fabrication sites and offices, including regular inspection of water supply network to prevent gas leak, water leak and dripping water. Promotion and education of water saving methods will be provided to employees to achieve efficient utilisation of water resources. The fabrication sites and offices sourced water from municipal networks to fulfil production and domestic needs. There were no issues in sourcing water fit for purpose. For quantification results of this year's water consumption, please refer to the Key Performance Indicator Summary of the report.

The wastewater produced in the operation were mainly production wastewater in fabrication sites and domestic wastewater in offices. Jutal abides by the requirements of national laws and regulations to ensure that wastewater meets *the Wastewater Quality Standards for Discharge to Municipal Sewers* before discharge to sewage treatment plant through the municipal sewage network.

## Use of Materials and Waste Management

The Group carefully considers the life cycle of all materials used in order to reduce its environmental impact by measures such as adopting green procurement, improving the production process and recycling and reuse. Penglai Jutal executes strict craftsmanship production management to reduce the rate of unqualified products and reduce wastage of raw materials. Zhuhai Jutal will conduct inventory management of the leftover materials to increase the efficiency of use of resources.

The day-to-day operation of offices involves considerable use of paper. The Group advocates double-sided printing, paper recycling and encouraging employees to reduce paper use through electronic office. As a result of the nature of its business, no packaging materials were used in the Group's fabrication sites and offices.

The main waste of Jutal was non-hazardous waste, including waste metal and steel, waste timber, waste cardboard boxes, office paper and other domestic waste. At the same time, Zhuhai Jutal, Penglai Jutal and Jutal Offshore Shipbuilding Services (Dalian) Company Limited ("Dalian Jutal") together produced a total of approximately 109 tonnes of hazardous waste, including waste paint (residue), waste paint barrels, waste stained with paint, waste lubricant barrel, waste lubricant, waste mineral oil and waste spray paint.

The Group formulated *the Waste Safety Management Regulations* to list the types and definitions of waste and the methods of control and disposal. It requires the sites operation to sort, separately store and dispose of waste. Wastes collected should be stored in a centralised manner to facilitate standardised management.

With regard to office operation, the Group also actively promoted waste reduction measures to encourage employees to reuse and turn waste into resources. Batteries recycling boxes were set up in the Shenzhen headquarters in response to the municipal promotion of waste sorting and recycling in Shenzhen City to gradually implement sorting and recycling management of other categories of waste. At the same time clearer sorting and recycling guidelines were provided to employees to encourage waste reduction at the source.

For the quantification results of this year's hazardous and non-hazardous waste, please refer to the Key Performance Indicator Summary of the report. The Group will resell non-hazardous waste to recyclers, or it will be collected by the relevant municipal departments. Hazardous waste will be handled by qualified contractors.

## The Environment and Natural Resources

Apart from effective management of emissions and use of resources, Jutal pays equal attention to the impact on the environment and natural resources caused by its operation. The Group conducts environmental impact assessment of new or reconstructed projects, as well as identifies and assesses different mitigation measures, in order to prevent, reduce and remedy the potential impact of the project. In its daily operation, the Group follows the requirements of the ISO14001 standards to consider the environmental impact of activities, products and services. Management documents such as *the Environmental Operation Control Procedures* are formulated to enhance control of the relevant factors and reduce environmental risks.

To ensure compliance of environmental management activities, the Group values access, update and application of laws and regulations, standards and other requirements. Penglai Jutal executes *the Laws and Regulations Identification and Compliance Assessment Control Procedures* to identify laws and regulations in relation to health, safety and environment applicable to its business activities, to establish channels to access these laws and other requirements, and to confirm the compliance of each activity. This year, Jutal abided by laws and regulations such as *the Environmental Protection Law of the People's Republic of China*, *the Law of the People's Republic of China on the Prevention and Control of Water Pollution* and *the Atmospheric Pollution Prevention and Control Law of the People's Republic of China*. There were no cases of non-compliance with laws and regulations in relation to emissions and other environmental issues.

## EMPLOYMENT AND LABOUR PRACTICE

Jutal values every employee and is committed to building a quality and safe working environment for them and providing ample space for career development.

### Health and Safety

The Group established a OHSAS18001:2007 certified occupational health and safety management system. It also formulated *the Safety Manual*, which includes specific occupational safety measures to provide guidance on safety topics such as materials management, employee behaviour, emergency response and management of related parties. At the same time, through on-site safety patrol, regular safety risk assessment, and communication with employees on safety matters, the Group understands and reviews execution of safety measures to reduce work-related injury and safety incidents. To ensure that employees have sufficient safety skills and safety awareness, the Group also regularly arrange related training for employees and encourage all employees to actively participate in safety management, inspection and rectification of safety hazards, correction of conduct that breaches regulations to create a Group safety culture that involves the participation of all employees.

The Group understands that more safety risks are involved in the operation of fabrication sites than offices. To ensure production operation safety and increase the capability of emergency response, Zhuhai Jutal refer to the relevant laws and regulations such as *the Emergency Response Law of the People's Republic of China* to formulate *the Integrated Emergency Response Plan* to identify risks of incidence such as electric shock, radiation, typhoon, heavy rain, mechanical injury, fire and explosion, fall from height, traffic accidents, hazardous chemical spills and epidemic. Specific emergency response plans were formulated to provide guidance on the handling of incidence. Besides, Zhuhai Jutal has developed an emergency response structure led by the emergency rescue command centre with seven teams to coordinate and manage emergency response.



<b><u>Evacuation team</u></b> Comprised of the person-in-charge of the production department and all office departments. Responsible for the protection, quarantine and command of proper evacuation of people in the vicinity.	<b><u>Firefighting team</u></b> Comprised of part-time firefighters of the Company's security team. Responsible for extinguishing fires and controlling the scope of fire.	<b><u>Rescue team</u></b> Comprised of the management organisation of the production department. Responsible for on-site emergency rescue, including treating trapped and injured persons and moving valuables and equipment.	<b><u>Medical team</u></b> Comprised of professional doctors or nurses. Responsible for preliminary treatment on injured persons and providing rescue instructions and medical treatment where the on-site rescue team cannot handle.
<b><u>First aid team</u></b> Comprised of external qualified and trained rescuers. Responsible for preliminary medical treatment of injured persons.	<b><u>Communications team</u></b> Comprised of the Human Resources and Corporate Governance Department. Responsible for external communications, distribution of incident information and seeking external resources where necessary and arranging internal emergency vehicles.		<b><u>Logistics team</u></b> Comprised of the equipment and facilities department. Responsible for securing supply of emergency supplies required in rescue.

Penglai Jutal also formulated *the Emergency Preparation and Control Response Procedures*, which provides guidance on the control and handling of potential safety and environment incidents or emergency situations to minimise or eliminate possible injury and loss and harmful environmental impact.

This year, there were neither safety incidents nor work-related fatalities within the Group. Nevertheless, Zhuhai site recorded three cases of work-related injury. The injured employees had received timely and proper treatment. Work injury compensation were paid according to laws and regulations such as *the Regulation on Work-Related Injury Insurance* and the Group's regulations. The Group also arranged incident investigators to conduct an investigation of the work injury incidents and produce detailed investigation reports. Upon investigation, the three incidents were due to employees' lack of relevant work experience and safety awareness. Therefore, the Group implemented relevant improvement measures, including emphasising operation safety associated with the incident during the morning assembly of each production team, enhancing skill training for front-line workers and enhancing working environment safety management.

Work-related injury			
Number of employees injured	Incidence of work-related injury per 1,000 employees	Lost days due to work-related injury	Rate of lost days due to work-related injury
3	1.1	77	0.01%

Apart from safety management of the working environment, Jutal also pays attention to personal health of employees. The Group provides rest rooms, ventilation facilities and drinking water at sites of work and arranges regular checkups for employees.

The Group abides by the relevant laws and regulations, such as *the Production Safety Law of the People's Republic of China*, *the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases* and *the Fire Control Law of the People's Republic of China*. During this year, there were no cases of non-compliance with laws and regulations in relation to health and safety.

## Employment System

Jutal ensures that employees' acknowledgment of the Group's employment arrangements on recruitment and promotion, remuneration and welfare, working hours and rest days and equal opportunities through *the Employees Handbook* and a series of management systems established by the Human Resources and Corporate Governance Department, such as *the Personnel Management Policy*, *Employees Rest Periods Policy*, *Employees Remuneration Management Policy*, *Employees Welfare Management Policy* and *Employees Attendance Management Regulations*.

The Group upholds the principles of openness, fairness and justice to conduct recruitment through various channels such as internal recruitment, media recruitment advertisement, campus recruitment, recruitment event and partnership with other organisation. Current employees are entitled to discretionary bonus based on their roles and performance, achievement and contribution at work and honours attained.

Jutal has established and maintained a multi-tier welfare system to provide effective protection for employees to increase their level of satisfaction and sense of belonging. In terms of statutory benefits, the Group fulfills its legal responsibilities and duties by ensure full and on-time payment of various social insurance, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and birth insurance as well as housing fund. With regard to corporate benefits, the Group provides lunch, accommodation, communications allowance, business insurance, education training, annual welfare and health checkups. At the same time, to encourage work-life balance, the Group provides additional holidays and benefits, including annual leave, company leave, marriage and compassionate leave, breastfeeding leave, paternity leave, etc.

As at end of 2018, the total workforce of all fabrication sites and offices was 2,724. The Group provides equal employment opportunities for persons of different genders and ages. Although the male-to-female ratio of employees was 7.7:1 which was attributed to the characteristics of the engineering industry, there was a substantial decrease compared to last year<sup>1</sup>. The Group is equipped with a young and energetic team with a reasonable age composition. Employees under 40 accounted for 73% of the total workforce. With regard to employee turnover, the employee turnover rate of Dalian Jutal was relatively high due to structural adjustment of business. For more key performance indicators related to employment please refer to the Key Performance Indicator Summary of the report.

The Group abides by the relevant laws and regulations, such as *the Labour Law of the People's Republic of China*, *the Labour Contract Law of the People's Republic of China* and *the Social Insurance Law of the People's Republic of China*. There were no cases of non-compliance with laws and regulations in relation to employment.

### **Future Plan**

The Group is committed to building an inclusive, diverse and non-discriminatory working environment. It plans to continuously review the current employment system and improve its diversity and non-discrimination policies during the process of policy formulation, to provide more detailed guidance on equal opportunities for employees.

<sup>1</sup> In 2017, the ratio of male-to-female employees of the Group was 11.5:1.



## Development and Training

Jutal values employee development. In response to the functional needs of different departments, it organises training for employees of different positions and ranks to continuously improve a training system that leads employees to grow. The fabrication sites and offices also formulate appropriate training management systems and plans according to its development needs. For example, Zhuhai Jutal formulated and executed *the Internal Training Management Measures* to stipulate the training content, internal training application process, allowance, etc; *the Employees Education Training Control Procedures* of Penglai Jutal details the company's training requirements for professional employees such as various new employees, operators of special type of work, internal auditor, important environmental roles, high-risk roles, etc.

Besides, Jutal provides clear career development direction and promotion opportunities for employees and supports their professional and personal development. The Employee Handbook stipulates that the Group provides employees with two streams of career development, which are the technical stream and management stream, to encourage employees to enhance professional skills according to their own situation or improve coordination and management abilities. The Group also promises to develop room for employee career development by providing assistance to their career development planning according to the employees' performance and employees' choices of development, to achieve co-development of employees and Jutal.

## Labour Standards

Jutal's *Personnel Management Policy* requires the Human Resources Department to adopt effective procedures to conduct background check of prospective employees. When new employees report to duty, their identity documents should be checked by designated human resources staff to prevent the hiring of persons below the legal working age. The Group also prohibits all forms of forced labour. *The Employee Handbook* stipulates that the labour contract should be signed by the employee voluntarily and employees enjoy the right to terminate the labour relation.

The Group abides by the relevant laws and regulations such as *the Labour Law of the People's Republic of China*, *the Law of the People's Republic of China on the Protection of Minors* and *the Provisions on the Prohibition of Using Child Labour*. During this year, there were no cases of non-compliance with laws and regulations in relation to child labour or forced labour.

# OPERATIONS MANAGEMENT

Under the fierce market competition nowadays, customers' demands for products and services keeps increasing. With a firm belief that reliable, fair, high quality and transparency are the key to long-term partnership, Jutal is committed to becoming a professional and trusted business partner.

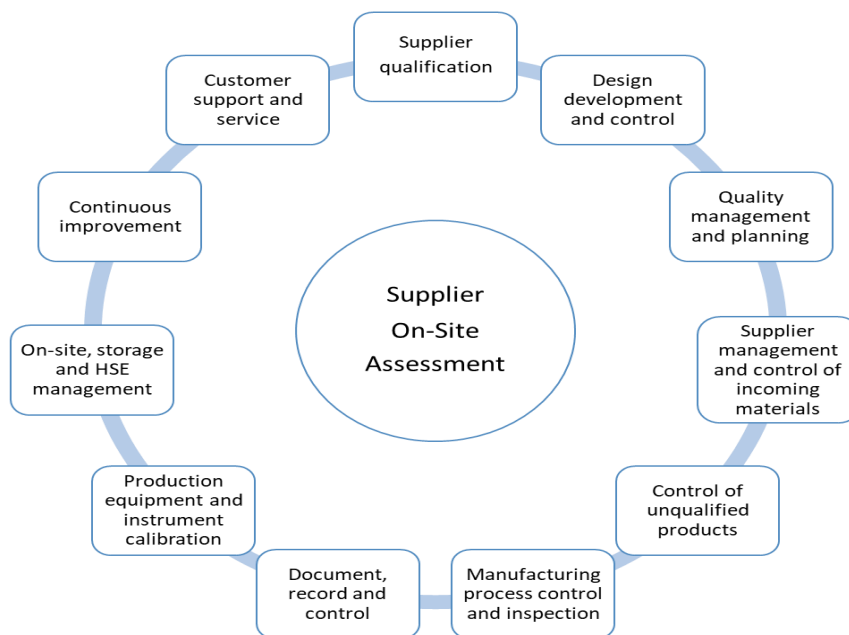
## Supply Chain Management

This year, over 600 domestic and overseas suppliers provided product raw materials and services for Jutal. To effectively manage and control the suppliers, the Group formulated *the Supplier Management Procedures* to reduce potential risks in the process of procurement by establishing standard procedures in the management of suppliers' resources, ranking, assessment, registration and performance.

As the key body for supplier management, the Group's Procurement Department is responsible for sourcing, assessing and monitoring suppliers as well as assisting in and supervising supplier improvement when problems are identified. The Quality Control Department, HSE Department, Technical Department, Equipment and Facilities Department and Project Department participated in supplier qualification assessment to offer opinion on quality assurance, contract fulfilment, design and development and technical capabilities. The participation of various departments also guarantees adherence to standards, fairness and transparency of the assessment.

During the assessment, the Group pays attention not only to the suppliers' financial situation, professional qualifications, technical capabilities and reputation, but also to their environmental and social risks. Suppliers are required to include persons working for them and external service staff in their environmental/occupational health and safety management system. In supplier investigation, Jutal makes enquiry of suppliers' quality, environment, occupation safety and health management systems to prioritise suppliers with the relevant system certifications. Besides, to support local economy and reduce carbon emissions produced during transportation of materials and products, the Group selects local suppliers whenever practicable.

The Group may conduct on-site supplier assessment according to purchasing needs. The assessment group conducts supplier assessment according to *the Supplier On-Site Assessment Form* to see if the product fulfils the requirement, and communicate with suppliers on issues spotted in a timely manner. After the on-site assessment, the assessment group will formulate *the Supplier On-Site Assessment Report* to be the final assessment basis of partnership.



The Group has in place *the Qualified Supplier Directory*. Qualified suppliers approved by the Deputy General Manager and General Manager will be included. The Group conducts monthly and yearly performance management on suppliers in the directory to urge suppliers to remedy inadequacies and problems spotted in the assessment within a prescribed timeframe. If there was no improvement within the timeframe, the supplier will be removed from *the Qualified Supplier Directory* and be disqualified as a partner.

## Product Responsibility

Having been certified with the ISO9001 quality management system, Jutal adopts the relevant standards in the system in day-to-day production and operation to optimise management and enhance the efficiency. To implement the quality management system, the Group combines the guiding principles of quality policies to formulate a series of operation procedures to provide guidance for various project and manufacturing procedures to ensure the provision of quality products and services.

### Quality Policy

Continuously enhance quality awareness among employees, strictly implement comprehensive quality management, strive to provide satisfactory products and sound services for customers, endeavor to build a first-class, international reputation.



For example, Zhuhai Jutal implements quality control of the entire process from raw materials management, manufacturing, inspection, after-sale quality through procedural documents such as *Warehousing Management Procedures*, *Secondary Warehouse Management Procedures*, *Project Material Labeling and Tracking Procedures*, *Product Process Inspection Control Procedures*, *Unqualified Product Control Procedures (Product)* and *After-sales Service Management Procedures*. Zhuhai Jutal also formulate detailed management rules for various procedures, to regulate a series of inspection processes such as project material, product sandblasting, product coating, pressure testing, heat treatment, product dimensions, appearance of product seam welding, product release and process inspection, to support the implementation of the *Product Process Inspection Control Procedure*.

To ensure the normal use and operation of products and enhance customer experience, the Project Department collects and organises customer request of after-sales service via means such as telephone and mail and arranges the relevant professional staff to discuss the issue. The department will inform the person-in-charge of the relevant department to arrange the relevant staff to visit the site when the need of on-site repair is confirmed. Besides, the Group will conduct research learning to improve the product management mechanism based on the issues, opinion and suggestion reflected by customers. This year, Jutal did not receive any complaints related to product or services and met the Group's quality target.

The Group's marketing and promotion is conducted in compliance with the requirements of the law. The management is responsible for the supervision and approval of the accuracy of the information released to ensure there is no misleading information. At the same time, Jutal respects customer privacy and upholds the principles of data confidentiality. Employees are prohibited from disclosing confidential information such as customer information without clear authorisation or when they are not carrying out duties. The relevant policies are detailed in the Group's *Code of Conduct for Trade*. The Group did not receive any complaints with regard to violation of customer privacy or disclosure of customer information.

This year, the Group abides by the relevant laws and regulations, such as *the Product Quality Law of the People's Republic of China*. There were no cases of non-compliance with laws and regulations in relation to product responsibility.

### Anti-corruption

The Group strives to promote a corporate culture of integrity and trust. *The Code of Conduct for Trade* stipulates that employees cannot accept or provide gifts or entertainment that violates laws and regulations, code of conduct, ethical standards and business practices. Each subsidiary should formulate specific anti-corruption systems and terms according to their operation. Penglai Jutal formulated *the Anti-Business Bribery Management System*, which not only regulates employee behaviour but also covers anti-corruption and anti-bribery work management of customers, suppliers, services providers and contractors who have business and economic affiliations with the company. All employees are required to study the system during induction. Training will be subsequently organised by the Fairness and Integrity Steering Group.

Employees cannot engage in unlawful conduct or unethical behaviour that may damage the Group's interests, or breach trust and authority. The Fairness and Integrity Steering Group has set up a reporting box and reporting telephone number to encourage employees and parties with business affiliations to report misconduct such as business bribery. When a report is received, the Fairness and Integrity Steering Group will organise the relevant staff to conduct investigation, determine investigation results such as disciplinary actions, termination of employment and transfer to judicial institutions, as well as report the result to the Group for approval of implementation.

The Group abides by the relevant laws and regulations, including *the Criminal Law of the People's Republic of China*. There were no cases of reports, legal cases or cases of non-compliance with laws and regulations in relation to corruption this year.

## COMMUNITY INVESTMENT

Jutal cares about community investment and is dedicated to partnering with various key stakeholders to understand and respond to the needs of community where it operates. Currently, while the Group has not formulated specific working plan on community investment, the relevant policies and plans are included in the discussion agenda, to guide the Group to actively increase social engagement, support social charitable projects, which allow Jutal to achieve long-term, stable and healthy development when giving back to society.

## KEY PERFORMANCE INDICATOR SUMMARY

### Environmental Performance

Environmental Key Performance Indicator	2018	Unit
<b>Type of emissions and the relevant emission data</b>		
Nitrogen Oxides	7,490	kg
Sulphur Oxides	161	kg
Particulates	6,405	kg
Volatile organic compounds <sup>2</sup>	1,269	kg
<b>GHG emissions</b>		
Scope 1 - Direct emissions <sup>3</sup>	4,052	tonnes of carbon dioxide equivalent
Scope 2 - Energy indirect emissions <sup>4</sup>	13,547	tonnes of carbon dioxide equivalent
Scope 3 - Other indirect emissions <sup>5</sup>	305	tonnes of carbon dioxide equivalent
Total GHG emissions	17,904	tonnes of carbon dioxide equivalent
GHG Intensity (by number of employees)	6.52	tonnes of carbon dioxide equivalent /employee
GHG Intensity (by turnover)	12.05	tonnes of carbon dioxide equivalent / RMB 1,000,000
<b>Generation of hazardous waste</b>		
Total generation of hazardous waste <sup>6</sup>	108.8	tonne
Hazardous waste intensity (by number of employees)	0.04	tonne/employee
Hazardous waste intensity (by turnover)	0.07	tonne / RMB 1,000,000
<b>Generation of non-hazardous waste</b>		
Total generation of non-hazardous waste	2,530.2	tonne
Non-hazardous waste intensity (by number of employees)	0.92	tonne/employee
Non-hazardous waste intensity (by turnover)	1.70	tonne / RMB 1,000,000

<sup>2</sup> The quantification of this year's production of volatile organic compounds only includes emissions of the operation of fabrication sites located in Zhuhai Jutal and Penglai Jutal.

<sup>3</sup> Scope 1 includes equipment owned or controlled by the Group, i.e. liquefied natural gas consumed by production facilities, natural gas consumed by kitchen equipment, gasoline and diesel consumed by vehicles, and carbon dioxide emitted by carbon dioxide gas shielded welding.

<sup>4</sup> Scope 2 includes emissions of the Group's electricity consumption.

<sup>5</sup> Scope 3 includes emissions due to employees' air business travel.

<sup>6</sup> This year, the quantification of hazardous waste only includes emissions from fabrication sites located in Zhuhai Jutal and Penglai Jutal, as well as the operation of Dalian Jutal.



## Environmental Performance (cont'd)

Environmental Key Performance Indicator	2018	Unit
<b>Total energy consumption</b>		
Direct energy		
Gasoline	1,362	MWh
Petrol	2,511	MWh
Liquefied natural gas	11,690	MWh
Natural gas	2,120	MWh
Indirect energy		
Electricity <sup>7</sup>	17,679	MWh
Total energy consumption	35,362	MWh
Energy intensity (by number of employees)	12.87	MWh /employee
Energy intensity (by turnover)	23.8	MWh / RMB 1,000,000
<b>Total water consumption<sup>8</sup></b>		
Total water consumption	560,079	cubic metre
Water intensity (by number of employees)	203.89	cubic metre / employee
Water intensity (by turnover)	376.91	cubic metre / RMB 1,000,000
<b>Packaging material used in finished products<sup>9</sup></b>		
Consumption of packaging materials	N/A	-

<sup>7</sup> Excluding electricity consumption of Dalian Jutal.

<sup>8</sup> Excluding water consumption of Dalian Jutal and Chengdu Jutal.

<sup>9</sup> The Group's business does not involve use of packaging materials.

## Social Performance

Number of employees	Region	Gender	Age				Distribution by region
			Below 30	31-40	41-50	Above 50	
	Chengdu	Male	0	6	8	3	20
		Female	0	2	0	1	
	Dalian	Male	79	132	121	50	412
		Female	4	11	12	3	
	Tianjin	Male	31	42	29	7	122
		Female	0	10	3	0	
	Shenzhen	Male	32	88	68	30	239
		Female	5	9	7	0	
	Zhuhai	Male	134	237	85	7	524
		Female	30	23	6	2	
	Penglai	Male	371	609	216	47	1,430
		Female	44	100	39	4	
	Distribution by age		722	1,263	591	148	2,747

Total male workforce	2,432
Total female workforce	315
Total male-to-female ratio	7.7 : 1

	Region						Age				Gender		Total
	Cheng-du	Da-lian	Tian-jin	Shen-zhen	Zhu-hai	Peng-lai	Below 30	31-40	41-50	Above 50	Male	Female	
Rate of new hires	25%	28%	12%	17%	9%	5%	15%	11%	7%	8%	10%	15%	11%
Employee turnover rate	25%	80%	25%	12%	17%	20%	43%	29%	23%	16%	31%	29%	31%

Number of suppliers <sup>10</sup>	Mainland China	599
	Overseas	37

<sup>10</sup> Excluding suppliers of Dalian Jutal and Chengdu Jutal. The headquarters does not involve specific business practices; therefore, there were no supplier information in the headquarters.



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