



**KIM HENG**  
**OFFSHORE & MARINE HOLDINGS LIMITED**

# THE WIND OF CHANGE

An Established Integrated Offshore & Marine  
Value Chain Services Provider

SUSTAINABILITY REPORT 2019

This Sustainability Report has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this Sustainability Report, including the correctness of any of the statements or opinions made or reports contained in this Sustainability Report.

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## BOARD STATEMENT

The Board of Directors at Kim Heng Offshore and Marine Holdings (“**Kim Heng**” and together with its subsidiaries, “**the Group**”) is pleased to present our sustainability report of the Group for the financial period ended 31 December 2019 (“**FY2019**”).

This is our third consecutive sustainability report, demonstrating our commitment to the sustainability reporting journey. Sustainability considerations continue to form part of our business strategy and the Board continues to monitor the management of material Environment, Social and Governance (ESG) factors across the Group.

Sustainability reporting has encouraged us to understand the complex expectations of our stakeholders and has highlighted how these can impact our growth. Using these insights, we have been able to develop a strategic outlook focusing on a long-term perspective.

The Group has been able to benefit from cost reductions due to the identification and addressing of any potential areas of leakages, which is a result of the measuring and monitoring of our energy, water and waste levels. The Group also firmly believes that in order to achieve long-lasting success, we need to continue to emphasize the development and growth of our employees.

With the current Covid-19 situation unfolding, our Group has worked tirelessly to implement our Business Continuity Plan, ensuring all our employees and communities stay safe, whilst undertaking our utmost efforts to retain all our personnel. This report is however based on information from FY2019, which was unaffected by the recent pandemic, and will therefore not include the Business Continuity Plan in this year’s sustainability report.

The Group will continue to engage with our stakeholders and work to improve our sustainability efforts, with the aim of building a more sustainable and resilient business.

Through our sustainability and reporting efforts, the Group continues to advance our progress towards fulfilling our mission and vision, positioning ourselves as an organisation that makes a positive impact towards a sustainable global economy.

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## ABOUT THIS REPORT

This sustainability report is structured on the data and information covering the financial period 1 January 2019 – 31 December 2019. The Group undertakes the sustainability reporting process on an annual basis.

The sustainability report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. The sustainability report aligns with the reporting requirements of Rules 711(A) and 711(B) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Catalist Rules**”).

The information presented in this report has not undergone independent assurance. The Group may consider undertaking independent assurance in our future reports as our reporting processes mature.

A soft copy of this report can be found on our website at [www.kimheng.com.sg](http://www.kimheng.com.sg). Please reach out to our sustainability team at [Sustainability@kimheng.com.sg](mailto:Sustainability@kimheng.com.sg) with any comments or questions.

## SUSTAINABILITY AT KIM HENG OFFSHORE AND MARINE HOLDINGS LIMITED

### ABOUT US

With over 50 years of experience, Kim Heng Offshore & Marine Holdings Limited (“**Kim Heng**”) and its subsidiaries (collectively, the “**Group**”) is an offshore marine service contractor who specialises in engineering, procurement, construction and installation support. With a very strong resource base, Kim Heng is able to tap from a wealth of expertise throughout the organisation and has developed a range of capabilities in the Offshore Renewable, Marine, Oil & Gas industries. Our fully integrated comprehensive solutions include marine transportation and towage, mooring installation of floating production storage and offloading, subsea marine cable installation, drilling supports, horizontal directional drilling, vessel/rig maintenance and refurbishment, fabrication and newbuilding.

The Group’s operations are primarily located in Singapore, with two shipyards strategically located at 9 Pandan Crescent and 48 Penjuru Road. The shipyards, with a combined waterfront of 205 meters, enable Kim Heng to carry out a multitude of services. Kim Heng has built its brand over the years and has established relationships with world renowned customers from over 25 countries in the regions of Taiwan, Southeast Asia, USA, Latin America, Australasia, Middle East and Europe.

### EXPANSION OF BUSINESS CAPABILITIES

This year, we expanded our business operations to include offshore wind farming solutions and horizontal directional drilling. We see an increasing interest in renewable energy among customers and aim to contribute towards this clean energy transition.



### OFFSHORE WIND FARM SOLUTION

- Fabrication of different offshore turbine foundations, monopolies, tripods, jackets, suction buckets and gravity base structures
- Provision of newbuild Crew Transfer Vessel (CTV) for report & maintenance works

### HORIZONTAL DIRECTIONAL DRILLING (HDD)

- Experienced turnkey contractor capable to undertake in submarine cable laying and pulling

### OWNER & OPERATOR OF OFFSHORE SUPPORT VESSELS

- Marine transportation and towage services
- Marine salvage and oil spill response

### OFFSHORE SUPPORT SERVICES

- Construction and fabrication works of components for drilling rigs and vessels
- Installation of offshore production modules and systems
- Supply of offshore drilling and production equipment
- Logistics, general shipping, warehousing & inventory management

### SHIPBUILDING & SHIP REPAIR

- Newbuilding of vessels (Tugs, Pipe-Lay Barges, Power Barges, Accommodation Work Barges etc.)
- Purchase and refurbishment of vessels for onselling
- Afloat repairs, maintenance and refurbishment of offshore rights, platforms & vessels

### HEAVY EQUIPMENT RENTAL & SALES

- Leasing, sale, maintenance, import and export of heavy equipment
- Wide range of equipment and machineries including crawler, lorry and mobile cranes

## OUR SUSTAINABILITY APPROACH

Our primary goal at Kim Heng is to be a one-stop provider of comprehensive range of products and services that caters to different stages of marine infrastructure projects and offshore oil & gas projects from oil exploration to field development and oil production.

We aim to do this by delivering the finest integrated solutions accompanied by first class customer service. Our core values encapsulate what Kim Heng stands for in its everyday operations and how we strive to maintain long-term sustainability in our operations.



An essential part of the Groups business philosophy is that of Corporate Responsibility (CR) and is a key consideration in our daily operations. In our day-to-day operations, as well as when launching new services or working with our partners, the Group always takes, i) the socioeconomic influence and ii) the environmental impact that our actions may have on the wider community, into consideration. It is the Group's view that a socially responsible business is one that is valued by the community and all of its stakeholders.

## SUSTAINABILITY GOVERNANCE

While the Group considers sustainability to be a part of our business philosophy, it is important to note how sustainability is governed and driven throughout the organisation in our daily operations.

The Board takes overall responsibility in overseeing sustainability management at Kim Heng. A sustainability committee, comprising of senior management including the Chief Financial Officer and the Head of Corporate Services, is responsible for driving the Group's overarching sustainability strategy and channelling the implementation of sustainability initiatives in the day-to-day operations of business managers. These managers in their respective functions become responsible for implementation, measuring, monitoring and reporting back to the committee on the progress. These managerial functions extend across business units including, Human Resources, Operational Safety, Health and Environment, and Procurement.

**STAKEHOLDER ENGAGEMENT**

Engagement with our stakeholders is a crucial and essential part of our strategic business planning. Our engagement provides the Group with valuable insight on stakeholder expectations, allowing us to improve on our operations and sustainability performance. We have identified a group of key stakeholders, based on both their dependence and influence on our business. The table below also describes the mechanism of engagement with our key stakeholders and the material topics that are of greatest concern to them.

Key Stakeholders:

- Customers
- Employees
- Shareholders and Investors
- Government and Regulators

Table 1. Table of Key Stakeholders and Material Concerns

Stakeholder	Engagement Mechanism	Material Concerns
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Continuous and regular dialogue with customers to understand their needs and expectations</li> <li>• On-the-job customer feedback</li> <li>• Post-job completion and performance feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Product and Service Quality</li> <li>• Timely Supply of Products and Services</li> <li>• QHSSE Excellence</li> <li>• Environmentally friendly solutions</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Safety and additional needs-based training sessions</li> <li>• Orientation programmes and employee handbook for new joiners</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Welfare</li> <li>• Training and Development</li> <li>• Health and Safety</li> </ul>
<b>Shareholders &amp; Investors</b>	<ul style="list-style-type: none"> <li>• Press releases, corporate website, announcements via SGXNet and Annual Reports</li> <li>• Annual General Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Stability</li> <li>• Corporate Governance</li> </ul>
<b>Government &amp; Regulators</b>	<ul style="list-style-type: none"> <li>• Regular engagement and dialogue with government and regulators such as Ministry of Manpower, SGX-ST, National Environment Agency and Marine Port Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Compliance</li> <li>• Regulatory and Compliance Risk</li> </ul>

## MATERIALITY ASSESSMENT

Materiality is a crucial step for most businesses to ensure that their strategy is targeted and relevant. Kim Heng considers our materiality to be a critical input into our corporate sustainability strategy, as it ensures that we engage our stakeholders with the information that is most relevant to them and our business.

Our material topics were determined in the materiality assessment that was conducted in FY2017, when we undertook our reporting journey, which included interviews with internal stakeholders and a management workshop. The Group believes that these material topics are still relevant in the current year and have decided to continue reporting on these topics as there have been no significant changes to our business strategy and market environment. Further, through the continuation of reporting on these material topics, we are able to ensure consistency across our reports and narrate improvement across these topics.

There are 6 material topics that have been strategized across the three pillars of sustainability; environmental, social and economic.



## ENVIRONMENTAL

Environmental considerations are increasing rapidly both at the national and global level. Governments, organisations and stakeholders are realising the financial risks and opportunities associated with environmental management. The shipping industry can play a role towards a clean energy transition and Kim Heng is committed to be a part of this effort.

### RESOURCE MANAGEMENT

As with the majority of industry operations, the Group's operations make use of energy primarily through electricity and marine gas oil. These are fossil fuel heavy sources of energy, making it an important area of consideration for our resource management. Another important consideration is water management. Ships and vessels make use of ballast water, which can be harmful to the environmental biodiversity of the waters, should it be disposed of irresponsibly. The final area of consideration in resource management is our waste generation, which occurs through the fabrication of offshore platforms as well as the building and repairing of vessels. All three areas of our resource consumption are impactful on the environment and hence require effective management.

The industry in which we operate is subject to a number of environmental regulations regarding air pollution, ballast water discharge and waste. Our sustainability journey and our environmental footprint has enabled us to reframe these regulations from a 'compliance exercise' to an 'opportunity to minimise waste and leakages in our business. Kim Heng believes in the benefits that sustainability efforts can have on the bottom line.

Kim Heng operates with the ISO 14001 Environmental Management System (EMS) as well as the ISO 9001:2008 Quality Management System (QMS). We make use of these systems to apply a precautionary approach towards addressing and managing our environmental footprint.

We are proud to report that FY2019 had zero reported incidents of environmental non-compliance. The Group has maintained compliance with all environmental regulations and requirements.

The management approach and performance is addressed for each of our three resource management considerations separately.

## ENERGY AND EMISSIONS

### MANAGEMENT APPROACH

The International Maritime Organisation has established regulations to provide a practical approach to management of operations and fleet efficiency performance, the Ship Energy Efficiency Management Plan (SEEMP).

In line with our efforts last year, we still maintain our International Energy Efficiency Certificate accreditation and our International Air Pollution Prevention Certificate accreditation. This demonstrates our alignment to MARPOL Annex VI regulations<sup>1</sup>, as well as our control of the nitrogen oxide emissions of our vessels.

The upcoming global sulphur cap that is planned for implementation industry-wide in 2020, has already been addressed by Kim Heng last year. We maintain our stance on using fuel that falls within the acceptable range of 0.37% to 0.5% sulphur levels.

In FY2019, the Group expanded operations to include offshore wind energy services. These services facilitate the production of renewable energy, highlighting our commitment towards sustainability and innovation.

Beyond our environmental efforts, Kim Heng is aiming to foster and develop a 'green culture' within all areas of our organisation and have continued the Group's efforts in achieving an Eco-Office Labelling Certificate.

### PERFORMANCE

In continuation from last year's report, the Group has included both electricity consumption of our shipyards and fuel consumption of our vessels. We have also included both scope 1 and scope 2 carbon emissions based on the consumption values.

Table 2. Energy Consumption and Emission Results for FY2019

	FY2017	FY2018	FY2019
Electricity Consumption (kWh) – shipyard	967,160	1,008,328	1,554,981
Fuel Consumption (ton) – vessels	Not reported	8,543,059	19,226,913
Direct Scope 1 Emissions (ton) <sup>2</sup>	Not reported	27,389,048	61,641,483
Indirect Scope 2 Emissions (ton) <sup>3</sup>	Not reported	422,691	651,226

The increase in electricity and fuel consumption levels, and subsequently the emissions levels, is due to the overall increase in business activity which is in line with the revenue increase for FY2019.

## WATER DISCHARGE AND CONSERVATION

### MANAGEMENT APPROACH

The Group continues to abide by our established ballast water management plan, which requires all ships to have:

- i. a ballast water management plan
- ii. a ballast water record book and
- iii. the International Ballast Water Management Certificate for all ships in operation.

All our vessels continue to be in compliance with either the D1 standard (which specifies requirements for ships to exchange ballast water in open seas, away from coastal areas) or D2 standard (which requires ships to conform to the maximum amount of viable organisms allowed to be discharged, including specified indicator microbes harmful to human health), depending on when they were built. Further, our vessels are accredited with the International Ballast Water Management Certificate. Beyond these regulations, our vessels are still in compliance with MARPOL Annex 1 regulation on prevention of oil pollution. They are accredited with the International Oil Pollution Prevention (IOPP) certificate.

<sup>1</sup> MARPOL Annex VI - Regulations for the Prevention of Air Pollution from Ships

<sup>2</sup> We use the emission factor of 3.206 grams CO<sub>2</sub> per gram fuel, for calculation of CO<sub>2</sub> emissions [Source: <http://www.imo.org/en/OurWork/Environment/PollutionPrevention/AirPollution/Documents/Third%20Greenhouse%20Gas%20Study/GHG3%20Executive%20Summary%20and%20Report.pdf>]

<sup>3</sup> We use the emission factor of 0.4188 kg CO<sub>2</sub>/kWh, for calculation of CO<sub>2</sub> emissions [Source: <https://www.ema.gov.sg/Singapore-Energy-Statistics-2019/Ch02/index2>]



Our office and shipyard operations continue to make use of rainwater harvesting and reuse.

This year, we have undertaken to measure and monitor water consumption and discharge with a higher degree of scrutiny, to identify areas of water waste reduction. We have implemented measures to record more usage data regarding our utility and vessel usage.

## PERFORMANCE

The Group expanded its water consumption data collection to include shipyards as well as 5 vessels. This is primarily the reason for the sharp increase in water consumption values, however an additional contributing factor is that the charterers of the vessels increased the water consumption due to their specific operational requirements. Similar to the increase in energy, the increase in water consumption values can be attributed to the overall increase in business activities and revenue.

Table 3. Water Consumption Results for FY2019

	FY2017 (m <sup>3</sup> )	FY2018 (m <sup>3</sup> )	FY2019 (m <sup>3</sup> )
Total Water Consumption	15,256	21,328	61,219

## WASTE MANAGEMENT

### MANAGEMENT APPROACH

Kim Heng continues to comply with the MARPOL Annex V – Regulations for prevention of pollution by garbage and has strict waste management procedures and guidelines that have been developed with reference to local and international standards.

### PERFORMANCE<sup>4</sup>

As a result of the ongoing journey towards improved waste collection data, the Group has continued its enhancement of the data collection process to include data tracking of an additional vessel. Furthermore, the Group has also included the shipyards in the waste collection data for FY2019. This results in the reporting of 5 vessels and both shipyards in FY2019, as opposed to 4 vessels in FY2018. This accounts for the fact that there is a significant increase in the waste disposal value this year. An additional contributing factor to the increase in waste disposal was the overall increase in vessel utilisation and charter.

As we continue to improve our waste collection process, we aim to continue to improve our reporting on waste collection.

Table 4. Waste Disposal Results for FY2019

	Vessels (m <sup>3</sup> )	Shipyards (m <sup>3</sup> )	Total (m <sup>3</sup> )
Waste Disposal (m <sup>3</sup> )	221.69	73,355.09	73, 576.78

## FUTURE OUTLOOK AND PERFORMANCE INDICATORS

- We are still in the process of investigation for the installation of solar panels and LED lighting solutions in our operations, as we aim to increase the use of cleaner energy.
- Kim Heng aims to reduce our energy, water and waste levels by 2% by the year 2022, from the base year 2017.
- We aim to achieve a Green Office Label certification by year 2023.
- The Group aims to develop and organise an environmental awareness campaign in the future.
- Maintain compliance with environmental regulations and requirements.

<sup>4</sup> This indicator is reported in reference to GRI Standards instead of in accordance with the GRI Standards Core Option for the following reasons:

- Information on waste type (i.e. hazardous or non-hazardous) is currently not available
- Information on waste disposal method is currently not available

Offshore Buoy Maintenance Works



Offshore Platform Works



Offshore Structural Installation



Offshore Construction Works

# Sustainability

Stepping towards sustainable energy future

## SOCIAL

### HEALTH AND SAFETY

One of our primary ambitions is to make Kim Heng shipyards and worksites, safe and healthy places to work. We recognise that due to the nature of some of our operations, the safety of our on-site crew and vessel workers can be at risk, but the Group is committed to ensuring that our staff are safe at work.

### MANAGEMENT APPROACH

The Group adheres to the best-in-class health & safety standards to ensure that the necessary safety measures are implemented across the organization. Our stringent health, safety and environment (HSE) policy, outlining the key requirements for all employees, is in place and is implemented and monitored by key designated HSE personnel. These designated HSE personnel also monitor any HSE-related issues for the shipyards as well as the vessels. Their scope of operation also extends to the attainment of relevant certifications to ensure that the Group remains compliant.

Similar to FY2018, our stringent risk mitigation measures are complemented with additional comprehensive risk assessments carried out by the HSE Risk Management Team, comprising Head of Shipyard, HSE Manager and HSE Committee members, on a regular basis, to ensure all areas of safety are in check.

The Group recognises that in order to effectively prevent any failures in the safety of its workers, it is the responsibility of each and every person to follow the correct procedures. This ensures a safe working environment for all. We continue to reiterate that it is each employee's responsibility to halt any unsafe acts or behaviour should the working procedure be incorrect, or should they encounter unsafe equipment or working conditions.

We have also introduced Safety Observations, in which attention is drawn to special situations where safety is significantly improved as a result of safe acts or safe behaviours, improved equipment status or improved procedures, with an objective to inculcate safe work practices among employees. These Safety Observations have been included into our operations through Standard Operating Procedures (SOPs). This has allowed us to remain confident that we are actively reducing the risks of accidents, injuries or illnesses to our employees and the local community.

As a result of our commitment to our employees' health and safety within our organization and processes, we have been converted from OHSAS18001:2008 to ISO45001:2018, a new standard of Occupational Health and Safety Management System. Under the new standard, organisations will have to look beyond their own internal health and safety issues and consider what their interested stakeholders, including investors, peers and regulators, expect from them.

Additionally, we have maintained the following certifications:

- BIZSAFE STAR
- ISO14001:2015: Environmental Management System
- ISO 22:000 - ISPS and ISM - International Ship and Port Security (ISPS) and International Safety Management code (ISM) certified shipyard
- Our vessels carry medical supplies and equipment as per International Maritime Organization (IMO) and World Health Organization (WHO) conventions

During FY2019, the Group participated in a "Combined Fire Evacuation Drill" with the client's vessel and also conducted a "Security Drill", to enhance emergency preparedness.

- In October 2019, Kim Heng conducted a combined fire evacuation drill with the client's vessel to ensure emergency procedures and systems are well functioning. All participants were familiarized with the procedures and their roles and responsibilities
- In November 2019, a security drill was conducted as per ISPS requirement, to ensure participants are aware of response procedures and to validate the response procedures for handling such a case. The salient points learnt are to be incorporated into the Standard Operating Procedures (SOP) and Port Facility Security Plan (PFSP) as applicable.



**PERFORMANCE**

Our annual performance indicates that there were no workplace fatalities, although there is a record of 5 reportable incidents of which only 4 were indicated as minor injuries. The diagrams below indicate frequency and severity throughout FY2019<sup>5</sup>. In these diagrams it is important to note that Kim Heng considers employees to include all permanent and temporary staff as well as workers hired as sub-contractors.

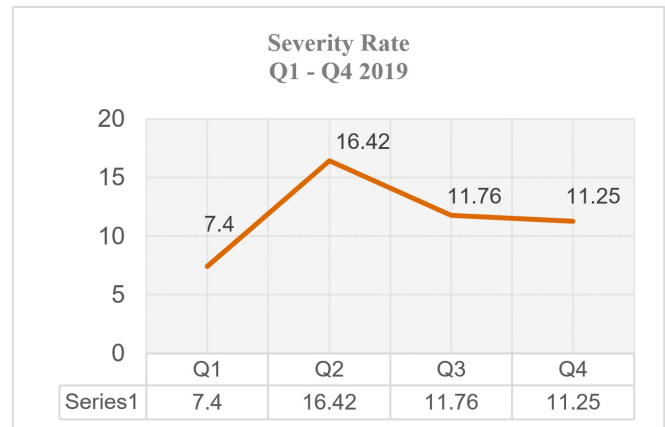
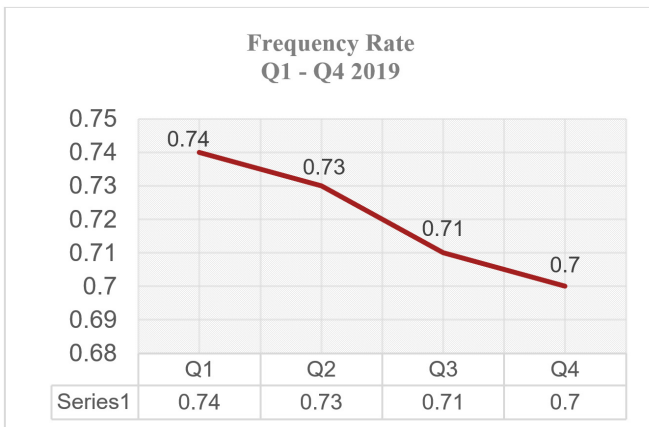


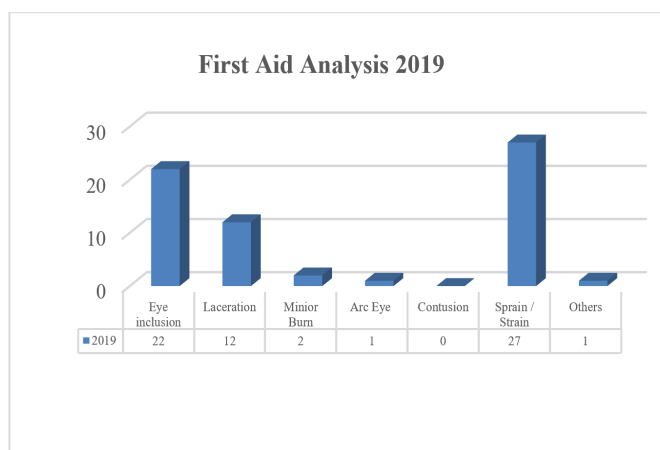
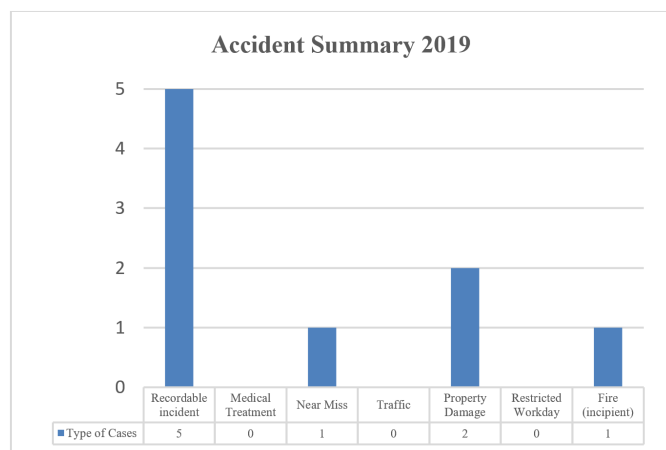
Table 5. Accident, Incident, Injury and Fatality Results for FY2019.

	For Employees	For non-employees whose work and/or workplace is controlled by our organization
Number of Fatalities as a result of Work-Related Injury	0	0
Number of High-Consequence Work-Related Injury (excluding fatalities)	4	0
Number of Recordable Work-Related Injury	5	0
Number of Hours Worked	1,137,704	0
Rate of Fatalities as a result of work-related injuries (%)	Nil	Nil
Rate of High-Consequence Work Related Injury (%)	0.70	Nil
Rate of Recordable Work-Related Injury (%)	0.87	Nil

<sup>5</sup> Frequency Rate (FR)  
(Number of injury x 200,000) / Number of hours worked

Severity Rate (SR)  
(Number of lost days due to injury x 200,000) / Number of hours scheduled to be worked

The Group has further investigated each of these incidents, as well as non-recordable incidents to gain a holistic view of the overall health and safety of our operations. The accident summary and first aid analysis below demonstrate the extent to which these injuries occurred and assist us in identifying areas of potential risk and opportunities for improvement moving forward.



**FUTURE OUTLOOK AND PERFORMANCE INDICATORS**

- Maintain zero workplace fatalities
- To lower incident frequency rate and severity rate for every year
- Ensure every personnel being socially responsible towards the work environment

**HUMAN CAPITAL DEVELOPMENT**

The Group regards our employees as our greatest asset. It is because of them that we are able to achieve success and growth. It is important for us to maintain continuous employee development, provide competitive employee benefits and ensure fair and safe working conditions, so that we retain our staff and are positioned as an attractive organisation for new talent.

FY2019 saw a significant increase in our total number of employees. This is primarily due to our expansion of operations into two new business units as well as the need for additional manpower on a large new project.

Table 6. Total number of employees in FY2019

	FY2019		FY2018	
	Male	Female	Male	Female
<b>Permanent contract</b>	215	39	243	29
<b>Temporary contract</b>	254	7	79	1
<b>Total</b>	469	46	322	30
	Male	Female	Male	Female
<b>Full time</b>	469	46	322	30
<b>Part time</b>	0	0	0	0



LNG Tanker's Anchor & Chains Recovery



Offshore Wind Farm Support

## MANAGEMENT APPROACH

### FAIR EMPLOYMENT

Kim Heng continues our approach to providing diverse and equal opportunities to all our employees. Our policy on maintaining fairness and non-judgement regarding race, religion or nationality when assessing candidates continues to be paramount. The Group takes pride in assessing shortlisted candidates based solely on qualifications, relevant experience, skills and knowledge.

Our staff are encouraged to speak to their immediate superior should they have any grievances. Depending on the gravity of the grievance or issue raised, either the superior will resolve the issue, or escalated to HR or senior management as applicable and wherever necessary.

### TRAINING AND DEVELOPMENT

The Group is aware of the importance of providing continuous learning and upskilling for our employees. This allows for the continuous advancement of skills amongst our workforce. Kim Heng provides targeted training for specific job scopes, for example, Construction Safety Orientation Course (CSOC) for crane operators, Shipyard Safety Instruction Course (SSIC) for shipyard workers, and Basic Offshore and Emergency Induction Training (BOISIET) for workers involved in offshore projects.

For FY2019, the Group decided to provide additional training to foreign workers to upskill them in specific areas of operation. The Group contributed a total of SGD \$25,237 to training and development in FY2019.

The list below provides a comprehensive overview of all training provided and the number of attendees per training.

Table 7. Total List of Training Offered in FY2019.

COURSE NAME	TOTAL HEADCOUNT
APPLY WSH IN CONSTRUCTION SITES (MALAY)	6
AWSH IN CONSTRUCTION SITES (CSOC) – RECERTIFICATION	1
BASIC OFFSHORE SAFETY INDUCTION & EMERGENCY TRAINING AND TRAVEL SAFELY BY BOAT (BOSIET)	1
BRIEFING ON THE RECOMMENDATIONS OF THE TRIPARTITE WORKGROUP	2
CLASSIFICATION AND THE HARMONISED SYSTEM	1
COMPANY/SHIP SECURITY OFFICER (CSO/SSO) TRAINING COURSE	2
CREWING MANAGEMENT	4
CUSTOMS COMPETENCY TEST FOR DECLARANTS	1
CUSTOMS PROCEDURES COURSE	1
DESIGNATED PERSON ASHORE (DPA) TRAINING COURSE	2
EFFECTIVE SMS IMPLEMENTATION: DPA REQUIREMENTS	1
FIRE SAFETY MANAGER COURSE	1
HAZMAT TRANSPORT DRIVER PERMIT (HTDP) COURSE	4
HEAVY VEHICLE CLASS 5	1
ISPS CODE FOR COMPANY SECURITY OFFICERS (CSO)	1
LNG AND GAS DEVELOPMENT WORKSHOP	1
MARINE METAL SCAFFOLDING COURSE	7
OCCUPATIONAL FIRST AID COURSE (REFRESHER)	10
OFFSHORE PROJECT HEAVYLIFT CHARTERING SEMINAR	4
PILOTAGE EXEMPTION REFRESHER COURSE	1
PORT FACILITY SECURITY OFFICER COURSE	1
RULES OF ORIGIN / FREE TRADE AGREEMENTS COURSE	1
SAFETY COURSE FOR SHIP SUPPLIER PERSONNEL	2
SEMINAR ON COMMON GST ERRORS & ZERO RATINGS	2
SHIPYARD SAFETY INSTRUCTION COURSE FOR WORKERS GENERAL TRADE (SSIC GT)/RECERT	3
SHIPYARD SAFETY INSTRUCTION COURSE FOR WORKERS-PAINTERS TRADE	8
SHIPYARD SUPERVISORS SAFETY COURSE	2
SSIC GENERAL TRADE	1
SUPERVISE MARINE WORK FOR WSH (SMWW)	1
TIMESPAY8 PAYROLL TRAINING	2
WAH COURSE SUPERVISOR	2
WORK-AT-HEIGHT COURSE FOR WORKERS	8
WORKSHOP TO ENHANCE SAFETY OF CRANE OPERATION (WESCO)	2
WSQ - PERFORMING RIGGER & SIGNALMAN TASK (ENGLISH)	1
YEAR END WORKSHOP	2



## EMPLOYEE BENEFITS

Kim Heng continues to comply with the Ministry of Manpower's (MOM) mandatory requirements for employee benefits. In FY2019, we increased the salary of our foreign workers in order to maintain a competitive compensation package, which is within the industry market rates.

## PERFORMANCE

In FY2019, our new employee hires and our turnover rate is inclusive of onshore staff, as well as the crew from our Bridgewater vessels.

Table 8. New Employee Hire & Turnover for FY2019

New Employee Hires	
Total # of Employee Hires	164
# of new employee hires by age group	
<30 yrs.	39
30-50 yrs.	120
>50 yrs.	5
# of new employee hires by gender	
Men	149
Women	15
Employee Turnover	
Total # of Employee Turnovers	169
# of employee turnovers by age group	
<30 yrs.	37
30-50 yrs.	120
>50 yrs.	12
# of employee turnovers by gender	
Men	151
Women	18

The total employee count includes 120 seafarers, who are employed on short-term employment contracts or rotate out every quarter. The high turnover rate was contributed by the increase in number of short-term employment contracts of the vessels crews who were employed on a short-term basis based on operational needs.

## FUTURE OUTLOOK AND PERFORMANCE INDICATORS

Kim Heng has adopted the share option schemes including Kim Heng Employee Share Option Scheme (Kim Heng ESOS) and a performance share plan known as the Kim Heng Performance Share Plan (Kim Heng PSP). The aim of the Kim Heng ESOS and the Kim Heng PSP is to retain and reward employees in the future. Kim Heng is looking to utilize these within the next few years.



Fabrication & Assembly of Blocks and Columns

# Resilience

In 2019, we have completed various fabrication jobs valued at an aggregate of S\$7million from a well-established customer.



Scrubber Fabrication



Scrubber Fabrication (External)



Scrubber Fabrication (Internal)

## ECONOMIC

### ETHICS AND ANTI-CORRUPTION

We recognise that our industry is sensitive to the area of ethics and corruption. We understand that any breaches of ethics and corruption can lead to significant reputational damage, legal consequences and loss of customers. Additionally, it puts the trust that we have built between our business and our stakeholders at great risk.

### MANAGEMENT APPROACH

The Group's approach to bribery and corruption continues to be zero tolerance. Through established policies, sound corporate governance and internal controls, we are able to strive for the utmost transparency and highest levels of corporate ethics.

Our established anti-bribery and corruption (ABC) policy continues to provide guidance to management and staff on the measures for mitigating risks involving bribery and corruption. Further, the policy aims to address regulatory requirements and marketplace expectations accordingly.

The whistle-blowing policy, set out in the Corporate Governance section of the FY2019 Annual Report, provides Kim Heng staff with the ability to discreetly and without repercussion, raise concerns on any suspicious wrongdoings, including improprieties in matters of financial reporting, fraudulent acts and other matters within the Group.

This year all employees were briefed, trained and received communications on the ABC policy. We also included the ABC policy in a handbook as part of our induction process for new employees. The whistleblowing and ABC policy also underwent review by the Audit and Risk Committee (ARC).

### PERFORMANCE

There have been no cases of bribery and corruption reported or any whistle-blowing reports received in FY2019.

### FUTURE OUTLOOK AND PERFORMANCE INDICATORS

1. We will continue to provide training on anti-bribery and corruption to all new hires.
2. We will continue to provide all our employees with refresher courses on anti-bribery and whistle-blowing policy on an annual basis.

### REGULATORY COMPLIANCE

The industry in which we operate is governed heavily by laws and regulations in the environmental, social and economic spheres of operation. Breaches of these laws and regulations can result in significant legal fines as well as reputational damage.

### MANAGEMENT APPROACH

Kim Heng has an established management policy of compliance with social and environmental laws. All staff continue to be informed and briefed on this policy. Additionally, Kim Heng has a code of ethics that clearly defines our adherence to all legal standards regarding dealings in securities, contracts and any other provisions. Furthermore, we abide strictly to all governing laws and regulations, both domestic and international.

### PERFORMANCE

The Group received no monetary fines, non-monetary sanctions, or have any open cases on social and economic non-compliance in FY2019.

### FUTURE OUTLOOK AND PERFORMANCE INDICATORS

We aim to maintain zero cases of social and economic non-compliance in our operations.



Completion of first Horizontal Directional Drilling (HDD) Works

## FINANCIAL STABILITY

Through ensuring financial stability, the Group is able to continue operations to provide livelihoods for our staff and serve our stakeholders.

## MANAGEMENT APPROACH

While the approach of FY2018, of improving our cash flow and lowering our credit risk, is still valid, we have also included the expansion of our operational services to include sustainable avenues.

## PERFORMANCE

The Group's financial performance improved in FY2019. The Group had successfully secured and completed various higher-value and higher margin contracts across new verticals and geographies during the financial year.

Revenue grew by 53% year-on-year (y-o-y) to S\$58.1 million in FY2019 from S\$38.1 million in FY2018. Gross profit margin increased to 27% in FY2019 from 14% in FY2018. The improvement was contributed from the offshore rig services and supply chains segment for works related to fabricating of modules, afloat repairs, maintenance of vessels and rig activation, along with the increased vessel chartering activities with improved charter rates and higher vessel utilisation rate.

The increase in gross profit margin in FY2019 was also due to an increase in contribution from the Group's higher margin businesses from its Marine & Offshore Support Services segment and vessels chartering activities. In addition, the Group had completed two Horizontal Directional Drilling (HDD) contracts during the FY2019 which was a testament to the Group's growing capability and competency in the HDD space to support our venture into renewable energy services for shallow water subsea cable laying and wind farm projects in Asia.

In FY2019, cost of sales increased by S\$9.8 million or 30% to S\$42.5 million. This was due to higher sales volume, in-line with the higher revenue generated. Consequently, gross profit increased by 190% y-o-y to S\$15.6 million in FY2019, up from S\$5.4 million in FY2018.

As of 31 December 2019, the Group's cash and cash equivalents stood at S\$3.1 million. The Group achieved a positive operating cash flow of S\$4.9 million for FY2019 as compared to a negative operating cash flow of S\$4.8 million in FY2018, due to improved operating performance and stringent credit control policy.

## FUTURE OUTLOOK AND PERFORMANCE INDICATORS

Moving forward, the Group intends to leverage its capabilities in the marine and offshore industry to expand into renewable energy sector, which is not directly impacted by the oil price. By venturing into the renewable wind energy sector, the Group can maximise its usage of its offshore assets and its technical knowledge.

The Group will also remain committed to the implementation of its cost cutting initiatives to effectively control costs, and to prudently identify strategic investment opportunities in the industry, while remaining prudent in managing its cash flow and cautious against overleveraging.

**MEMBERSHIPS / EXTERNAL CHARTERS  
CONVENTIONS / REGULATIONS**

- STCW Convention
- IMO Convention
- SOLAS
- MARPOL
- MLC

**CERTIFICATIONS**

- BizSAFE level 3
- ISO 22:000
- ISO 9:001
- ISO 14:001
- OHSAS 18:001
- TRACE ANTI BRIBERY
- BIZSAFE STAR
- ISPS AND ISM certified shipyard - International Ship and Port Security AND International ship management safety code
- Oil Spill IMO Level 3
- International Maritime Organisation Convention
- World Health Organisation Convention

**MEMBERSHIPS**

- Singapore Shipping Association
- ASMI - Association of Singapore Marine Industries
- Singapore Chinese Chamber
- Singapore Business Federation



## GRI STANDARDS CONTENT INDEX

GRI Content Index			
GRI Standard	Disclosure		Page number and/or URL
<b>GRI 101: Foundation 2018</b>			
General Disclosures			
<b>GRI 102: General disclosures 2018</b>	<b>Organisational profile</b>		
	102-1	Name of the organisation	1
	102-2	Activities, brands, products, and services	2
	102-3	Location of headquarters	2
	102-4	Location of operations	2
	102-5	Ownership and legal form	1
	102-6	Markets served	2
	102-7	Scale of the organisation	Refer to annual report
	102-8	Information on employees and other workers	12
	102-9	Supply chain	2
	102-10	Significant changes to the organisation and its supply chain	2
	102-11	Precautionary Principle or approach	5
	102-12	External initiatives	20
	102-13	Membership of associations	20
	<b>Strategy</b>		
	102-14	Statement from senior decision-maker	1
	<b>Ethics and integrity</b>		
	102-16	Values, principles, standards, and norms of behaviour	3, 18
	<b>Governance</b>		
	102-18	Governance structure	3
	<b>Stakeholder engagement</b>		
	102-40	List of stakeholder groups	4
	102-41	Collective bargaining agreements	Not applicable
	102-42	Identifying and selecting stakeholders	4
	102-43	Approach to stakeholder engagement	4
	102-44	Key topics and concerns raised	4
	<b>Reporting practice</b>		
	102-45	Entities included in the consolidated financial statements	Refer to annual report
	102-46	Defining report content and topic Boundaries	1, 3, 5
	102-47	List of material topics	5
	102-48	Restatements of information	No restatements
	102-49	Changes in reporting	No changes
	102-50	Reporting period	1
	102-51	Date of most recent report	31 December 2018
	102-52	Reporting cycle	1
	102-53	Contact point for questions regarding the report	1
	102-54	Claims of reporting in accordance with the GRI Standards	1

## GRI STANDARDS CONTENT INDEX

Reporting practice			
	102-55	GRI content index	21 - 23
	102-56	External assurance	1
Material Topics			
Energy Consumption			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	6
	103-2	The management approach and its components	6
	103-3	Evaluation of the management approach	6
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organisation	6
<b>GRI 305: Emissions 2016</b>	305-1	Direct (Scope 1) GHG emissions	6
	305-2	Energy Indirect (Scope 2) GHG emissions	6
Water Consumption			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	6
	103-2	The management approach and its components	6 - 7
	103-3	Evaluation of the management approach	6 - 7
<b>GRI 303: Water 2016</b>	303-3	Water withdrawal by source	7
Waste management			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	7
	103-2	The management approach and its components	7
	103-3	Evaluation of the management approach	7
<b>GRI 306: Effluents and waste 2016</b>	306-2	Waste by type and disposal method	7
Environmental Compliance			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	5
	103-2	The management approach and its components	5
	103-3	Evaluation of the management approach	5
<b>GRI 307: Non-compliance 2016</b>	307-1	Non-compliance on environmental laws and regulations	5
Employment			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	12 - 15
	103-2	The management approach and its components	12 - 15
	103-3	Evaluation of the management approach	12 - 15
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	15
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	15



## GRI STANDARDS CONTENT INDEX

Occupational Health and Safety			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	10
	103-2	The management approach and its components	10
	103-3	Evaluation of the management approach	10
<b>GRI 403: Occupational Health &amp; Safety 2016</b>	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	11 - 12
Anti-corruption			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	18
	103-2	The management approach and its components	18
	103-3	Evaluation of the management approach	18
<b>GRI 205: Anti-corruption 2016</b>	205-2	Communications and training about anti-corruption policies and procedures	14, 18
Regulatory Compliance			
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	18
	103-2	The management approach and its components	18
	103-3	Evaluation of the management approach	18
<b>GRI 419: Socioeconomic Compliance</b>	419-1	Non-compliance with laws and regulations in the social and economic area	18

## ABBREVIATIONS:

- ABC: ANTI-BRIBERY AND CORRUPTION
- ARC: AUDIT RISK COMMITTEE
- BOISIET: BASIC OFFSHORE AND EMERGENCY INDUCTION TRAINING
- BWM: BALLAST WATER MANAGEMENT
- CSOC: CONSTRUCTION SAFETY ORIENTATION COURSE
- CTV: CREW TRANSFER VESSEL
- EMS: ENVIRONMENTAL MANAGEMENT SYSTEM
- ESG: ENVIRONMENT, SOCIAL, GOVERNANCE
- ESOS: EMPLOYEE SHARE OPTION SCHEME
- GRI: GLOBAL REPORTING INDEX
- HDD: HORIZONTAL DIRECTIONAL DRILLING
- HSE: HEALTH, SAFETY AND ENVIRONMENT
- IMO: INTERNATIONAL MONETARY ORGANIZATION
- IOPP: INTERNATIONAL OIL POLLUTION PREVENTION
- ISM: INTERNATIONAL SHIP MANAGEMENT
- ISO: INTERNATIONAL ORGANIZATION FOR STANDARDIZATION
- ISPS: INTERNATIONAL SHIP AND PORT FACILITY SECURITY CONVENTION
- MARPOL: INTERNATIONAL CONVENTION FOR THE PREVENTION OF POLLUTION FROM SHIPS
- MLC: MARITIME LABOUR CONVENTION
- MOM: MINISTRY OF MANPOWER
- OHSAS: OCCUPATIONAL HEALTH AND SAFETY ASSESSMENT SERIES
- PFSP: PORT FACILITY SECURITY PLAN
- QMS: QUALITY MANAGEMENT SYSTEM
- SEEMP: SHIP ENERGY EFFICIENCY MANAGEMENT PLAN
- SOP: STANDARD OPERATING PROCEDURE
- SSIC: SHIPYARD SAFETY INSTRUCTION COURSE
- STCW: INTERNATIONAL CONVENTION ON STANDARDS OF TRAINING, CERTIFICATION AND WATCHKEEPING FOR SEAFARERS
- WHO – WORLD HEALTH ORGANISATION





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