



# EMBRACING THE NEW ENERGY CHANGE

SUSTAINABILITY REPORT 2020

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 Ltd. ("**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 2020 ("**FY2020**").

In FY2020, we successfully expanded our market presence in the renewable energy space. We achieved new revenue amounting to approximately S\$11.9 million from the Offshore Wind Farm projects in Taiwan, representing 31.3% of the Group's total revenue for FY2020. This provides strong validation for the Group to diversify our business and evolve into a sustainable and clean energy solutions provider. Building on the foundations laid in 2019, we established several new entities to capitalise on the offshore wind farms and marine construction opportunities in Asia. As a result of the strong forecasted growth in the renewable energy market, the Group sought approval for the diversification of its business to include the new renewable energy support business. We endeavour to develop our capabilities and our workforce through technology advancements and robust training programmes to ready ourselves for the international expansion across new markets in the renewable energy space.

During the COVID-19 pandemic, our business faced disruptions and demand reduced due to project delays across the board. Singapore implemented the Circuit Breaker measures from April to June 2020 and our operations halted as a result. We responded quickly to the COVID-19 pandemic and implemented business continuity plans to minimise business interruptions. Amidst these difficult times, we prioritised the physical health and safety as well as the mental well-being of our staff and workers. We implemented safe management measures at the workplace and strictly comply with the COVID-19 guidelines and regulations imposed by the local government. We will continue to remain vigilant in the fight against the COVID-19 outbreak and ensure that all employees strictly comply with the COVID-19 safety regulations.

On behalf of the Board, I would like to express my sincere thanks to our hardworking team of management and staff, and all our shareholders for their continued support. We remain committed to driving long-term sustainable growth and shareholder value.

**THOMAS TAN KENG SIONG**

**Executive Chairman & Chief Executive Officer**

## ABOUT THIS REPORT

This sustainability report is structured on the data and information covering the financial period 1 January 2020 – 31 December 2020. 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.

EMBRACING THE NEW ENERGY CHANGE

# SUSTAINABILITY AT KIM HENG LTD.

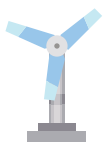
## ABOUT US

With over 50 years of experience, Kim Heng Ltd. (“**Kim Heng**”) and its subsidiaries (collectively, the “**Group**”) is an established integrated offshore and marine value chain services provider. Strategically based in Singapore, the Group offers a one-stop 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.

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 the Group to carry out a multitude of services, including offshore rig repair, maintenance and refurbishment, fabrication, vessel newbuilding and afloat repairs. As a one stop solutions provider in offshore logistics, the Group has a fleet of quality anchor handling tugs, barges and cranes for both sale and rent. It also provides other services such as maintenance, trading and sale of heavy equipment. The Group has built its brand over the years and has established relationships with world-renowned customers from over 25 countries in the regions of Southeast Asia, USA, Latin America, Australasia, Middle East and Europe.

## DIVERSIFICATION OF BUSINESS

Last year, we diversified our business operations to include offshore wind farm solutions and horizontal directional drilling. We see an increasing interest in renewable energy support services among customers and aim to continue contributing towards this clean energy transition.



### OFFSHORE WIND FARM SUPPORT SERVICES

- Fabrication & installation of different offshore turbine foundations, monopiles, tripods, jackets, suction buckets & gravity base structures
- Operation & maintenance services
- Marine transportation of windfarm components



### HORIZONTAL DIRECTIONAL DRILLING (“HDD”)

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



### 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



### OWNER & OPERATOR OF OFFSHORE SUPPORT VESSELS

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



### 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 rigs, 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

# SUSTAINABILITY AT KIM HENG LTD.

## OUR SUSTAINABILITY APPROACH

Our primary goal 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 we stand for in our everyday operations and how we strive to maintain long-term sustainability in our operations.

### OUR CORE VALUES

#### SAFETY FIRST

We take pride in offering our customers the highest standard, without compromising safety standards and operational effectiveness.

#### INNOVATION

We proactively seek to improve the performance and efficiency of our business so that we will always be one step ahead.

#### CUSTOMER FOCUS

Our understanding of your business and mastery of the industry enable us to respond with better and faster decisions to meet your expectations.

### QUALITY ASSURANCE, ZERO ACCIDENT ENVIRONMENT AND CLIENT SATISFACTION

Corporate Responsibility is a key consideration in our daily operations. In our day-to-day operations, and when launching new services or working with our partners, the Group takes into consideration the socioeconomic influence and the environmental impact that our actions may have on the wider community. 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 the Group's sustainability management. 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 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>• Employee safety during the COVID-19 outbreak</li> <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>• Safety Against COVID-19</li> <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>



# SUSTAINABILITY AT KIM HENG LTD.

## MATERIALITY ASSESSMENT

Materiality is a crucial step for most businesses to ensure that their sustainability strategy is targeted and relevant. We consider 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 and influential 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. The Group has reviewed and believed that these material topics are still relevant in the current context and have decided to continue reporting on these topics as there have been no significant changes to our business strategy and market environment. However, this year we have faced the unprecedented impacts from COVID-19 and emphasised our sustainability efforts to address this challenge.

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 the Group is committed to be a part of this effort.

### RESOURCE MANAGEMENT

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 water bodies, should it be disposed irresponsibly. The final area of consideration in resource management is waste, 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 several environmental regulations regarding air pollution, ballast water discharge and waste. Our sustainability journey has enabled us to reframe these regulations from a ‘compliance exercise’ to an ‘opportunity to minimise waste and leakages in our business’. The Group believes in the benefits that sustainability efforts can have on the triple bottom line.

The Group 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 always strive to operate in strict compliance with all environmental regulations and requirements. In FY2020, we achieved zero reported incidents of environmental non-compliance.

## Energy and Emissions

### Management Approach

The International Maritime Organisation (“**IMO**”) has established the Ship Energy Efficiency Management Plan (“**SEEMP**”) as a regulation to provide a practical approach in managing ship operations and fleet efficiency performance. This year, we remained compliant with the SEEMP and all vessels were issued an approved SEEMP Certificate of Compliance.

In FY2020, we also conducted the annual Recognised Organisation class survey on all vessels and maintained compliance with the MARPOL Annex VI regulations<sup>1</sup> on air pollution. As a result of our efforts in 2020, all vessels remain accredited with the International Energy Efficiency Certificate and International Air Pollution Prevention Certificate. This demonstrates our alignment to MARPOL Annex VI regulations and our control of the nitrogen oxide emissions of our vessels.

Under the IMO MARPOL treaty, the IMO 2020 regulation limits sulfur in ships’ fuel to a maximum of 0.50% and came into force globally on 1 January 2020. The Group maintains its stance on using fuel that falls within the acceptable range of 0.37% to 0.5% sulphur levels. Our vessels are Anchor Handling Tug Supply (“**AHTS**”) vessels that run on marine gas oil (“**MGO**”), and we commonly use 0.5% sulfur MGO and, where available, Low Sulphur Marine Gas Oil (“**LSMGO**”) that has a sulfur content of less than 0.1%.

In FY2020, due to the COVID-19 outbreak, the expansion of our offshore wind farm support services were disrupted. Nevertheless, we will continue to develop these services to facilitate the production of renewable energy, highlighting our commitment towards sustainability and innovation.

Beyond environmental efforts for our vessels, the Group is aiming to foster and develop a ‘green culture’ within all areas of our organisation and have continued the investigation into achieving an Eco-Office Labelling Certificate.

### Performance

In FY2020, there were two shipyards and eight vessels in operation. The Group includes both electricity consumption of our shipyards and fuel consumption of our vessels in the energy consumption data collection. 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 FY2020

	FY2018	FY2019	FY2020
Electricity Consumption (kWh) – shipyard	1,008,328	1,554,981	1,131,629
Fuel Consumption (ton) – vessels	8,543,059	19,226,913	10,117,000
Direct Scope 1 Emissions (ton) <sup>2</sup>	27,389,048	61,641,483	32,435,102
Indirect Scope 2 Emissions (ton) <sup>3</sup>	422,691	651,226	462,271

The reduction in electricity and fuel consumption levels, and subsequently the emissions levels, was primarily due to the overall decrease in business activity brought by the COVID-19 pandemic.

<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 0.4085, for calculation of CO<sub>2</sub> emissions [Source: <https://www.ema.gov.sg/singapore-energy-statistics/Ch02/index2>]



## Water Discharge and Conservation

### Management Approach

The Group continues to abide by our established ballast water management (“**BWM**”) plan, which requires all ships to have:

- i. a BWM plan;
- ii. a ballast water record book; and
- iii. the International Ballast Water Management Certificate.

In FY2020, all our vessels maintained compliance with either the applicable 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). In addition, our vessels are accredited with the International Ballast Water Management Certificate. Beyond these regulations, all vessels have the Shipboard Marine Pollution Emergency Plan (“**SMPEP**”) implemented onboard and they operate in compliance with the MARPOL Annex 1 regulation on prevention of oil pollution. They are accredited with the International Oil Pollution Prevention (“**IOPP**”) certificate.

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

This year, all vessels were required to report their monthly water consumption and the management monitored and verified the water consumption with a high degree of scrutiny. This allowed us to identify areas of water waste reduction and implement water conservation across the Group.

### Performance

In FY2020, we are reporting the water consumption data of the shipyards and 8 out of 11 vessels in operation.

Table 3. Water Consumption Results for FY2020

	FY2018 (m <sup>3</sup> )	FY2019 (m <sup>3</sup> )	FY2020 (m <sup>3</sup> )
Total Water Consumption	21,328	61,219	64,222

The increase in total water consumption was primarily due to the increase in the number of vessels from 5 to 11 (of which 8 were operational) in year 2020.

## Waste Management

### Management Approach

The Group complies 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. We continued to adhere to these standards over the year.

**Performance<sup>4</sup>**

In FY2020, we are reporting the waste collection data of the shipyards and eight vessels in operation.

Table 4. Waste Disposal Results for FY2020

	Vessels (m <sup>3</sup> )	Shipyards (m <sup>3</sup> )	Total (m <sup>3</sup> )
Waste Disposal (m <sup>3</sup> )	191.61	619,630	619,821.61

**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. Due to current COVID-19 restrictions, there have been delays in conducting feasibility studies for both yards and we endeavour to complete this evaluation by 2021 if the COVID situation improves.
- We aim 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 2022 within 5 years of our base year 2017. As there were plans to sell the 48 Penjuru yard in year 2019/2020, the Green Office Label certification was halted till 4Q2020. With the current COVID-19 situation, we do foresee a delay in the certification.
- The Group aims to develop and organise an environmental awareness campaign in the future.
- Maintain compliance with environmental regulations and requirements.



BW131 Positioning and Anchor Handling for Accommodation Work Barge

<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



The vessels provide transportation, assembly & installation of wind turbine components



## OUR FLEET

Our expansion drive increased from 5 to 11 AHTS & AHT in the year of 2020.

## HEALTH AND SAFETY

The Group endeavours to make its shipyards and worksites safe and healthy for all employees and contractors. 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 organisation. 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 FY2019, 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. This year, we expanded our HSE Risk Management Team to include Risk Management Team Leaders from every department, ensuring more accountability along the reporting streams that are now specific to each job function.

The Group recognises that in order to ensure the safety of its workers, it is the responsibility of every employee 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 stay vigilant against any unsafe act or behaviour, such as incorrect working procedures, unsafe equipment and working conditions.

We have also implemented Safety Observations to inculcate safe work practices among employees. The Safety Observations illustrate best practices for controlling workplace hazards and improving occupational health and safety through safe acts and behaviours, improved equipment status and improved procedures. We included these Safety Observations in the Standard Operating Procedures (“**SOP**”) to ensure the implementation of these safe practices and procedures. We strive to actively reduce the risks of accidents, injuries and illnesses for the health and safety of our employees and to an extent, the local community.

As a result of our commitment to our employees’ health and safety within our organisation and processes, we achieved the ISO45001:2018 certification for Occupational Health and Safety Management System. By conforming with this standard, we are able to implement and maintain an Occupational Health and Safety Management System that improves occupational health and safety, eliminates hazards, minimises occupational health and safety risks associated with our activities.

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

In FY2020, the Group conducted two fire evacuation drills to enhance the emergency preparedness of our workers.





## Performance

In FY2020, there were no workplace fatalities, although there were six recordable work-related injuries. The diagrams below indicate frequency and severity throughout FY2020<sup>5</sup>. In these diagrams it is important to note that the Group considers employees to include all permanent and temporary staff as well as workers hired as sub-contractors.

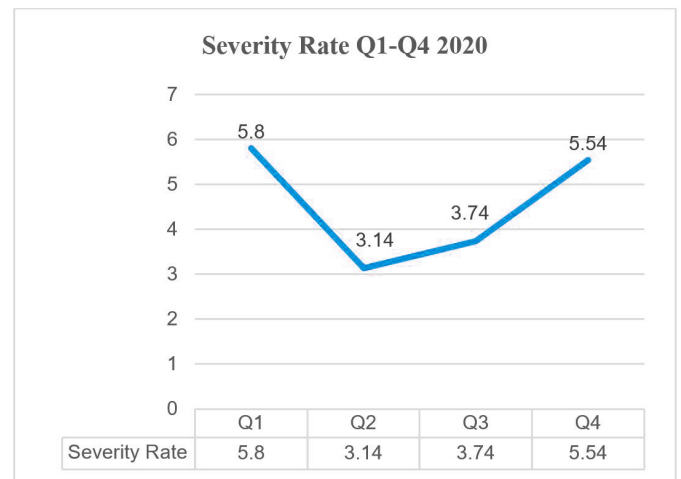
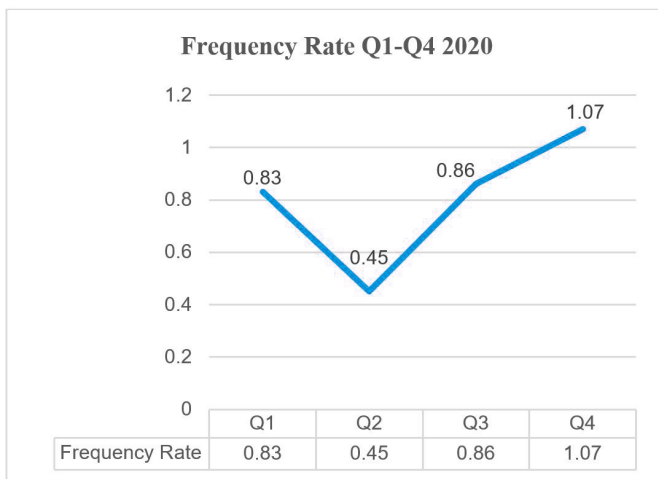
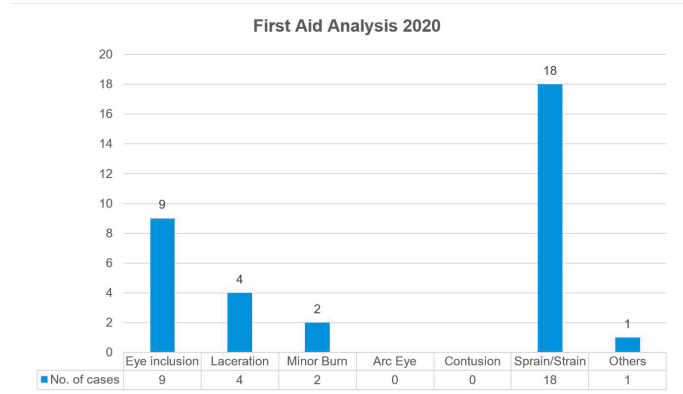
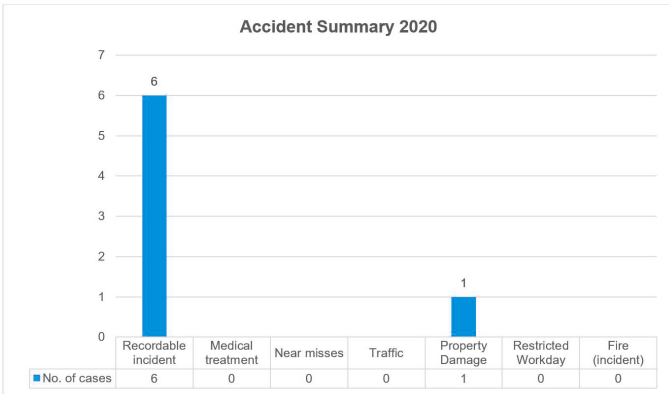


Table 5. Accident, Incident, Injury and Fatality Results for FY2020.

	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)	0	0
Number of Recordable Work-Related Injury	6	0
Number of Hours Worked	938,428	NA
Rate of Fatalities as a result of work-related injuries (%)	0	0
Rate of High-Consequence Work Related Injury (%)	0	0
Rate of Recordable Work-Related Injury (%)	1.3	0

<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
- Lower incident frequency rate and severity rate for every year
- Ensure every personnel being socially responsible towards the work environment

## SAFETY AGAINST COVID-19

In FY2020, the COVID-19 outbreak adversely impacted all industries and challenged our operations. Due to the pandemic, the local government implemented regulatory requirements and guidelines to contain the outbreak. Singapore implemented the Circuit Breaker measures from April to June 2020 and our operations halted as a result. Although our business faced disruptions and demand reduced due to project delays across the board, we prioritised the health and safety of our staff and workers amidst these difficult times.

To ensure the safety of our workers living in the dormitory, they were quarantined in their dormitories even after the Circuit Breaker period. We also built Temporary Living Quarters to ensure that safe distancing measures can be successfully implemented in dormitories. Besides ensuring the physical health and safety of our workers, we are also deeply concerned with their mental well-being, and we have counsellors to constantly check on their mental health and counsel them when needed.

In compliance with the regulations, we updated all employees on the current regulations and Safety Management Measures, such as daily temperature taking, work-from-home arrangements for office staff and the alternate team working arrangements when staff are back to work. Additionally, we stay abreast and comply with guidelines and regulations imposed by the Singapore government pertaining to the pandemic.

The Group will continue to remain vigilant in the fight against the COVID-19 outbreak and ensure that all employees strictly comply with the COVID-19 safety regulations.

## HUMAN CAPITAL DEVELOPMENT

The Group regards our employees as our greatest asset in the achievement of success and growth. We always prioritise employee development, provide competitive employee benefits and ensure fair and safe working conditions to ensure staff retention and talent attraction.

Table 6. Total number of employees in FY2020

	FY2020		FY2019	
	Male	Female	Male	Female
Permanent contract	225	33	215	39
Temporary contract	251	1	254	7
Total	476	34	469	46

	Male	Female	Male	Female
	Full time	476	34	469
Part time	0	0	0	0

## Management Approach

### Fair Employment

The Group continues its 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 grievance management involves staff discussing any issues with their immediate superior. Depending on the gravity of the grievance or issue raised, it will either be resolved by the supervisor, or escalated to the Human Resource department or senior management where 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. We provide 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.

In FY2020, due to the COVID-19 pandemic, our training schedule was disrupted, and planned trainings were cancelled as Singapore entered the Circuit Breaker period. Training centres resumed partially during Phase 2 post Circuit Breaker, with restrictions on the availability of training courses and headcount. Despite the economic slowdown in 2020, we foresee a recovery in the economy and more business opportunities in 2021. In preparation for the increase in business activities next year, we developed training plans to continue to upskill our employees and ensure our competitiveness in the market.

As the Group continues to venture into the Windfarm sector, we endeavour to equip our employees with Global Wind Organization (“**GWO**”) training standards. These trainings include, GWO Basic Safety Training, GWO First Aid, GWO Working At Height, GWO Sea Survival, GWO Fire Awareness and GWO Manual Handling.

The Group contributed a total of SDG \$17,450 to training and development in FY2020. The list below provides a comprehensive overview of all training provided and the number of attendees per training.



Scrubber Lift-off

Table 7. Total List of Training Offered in FY2020

COURSE NAME	TOTAL HEADCOUNT
ELECTRICAL WIRING COURSE	4
APPLY WSH IN CONSTRUCTION SITES (MALAY)	1
SHIPYARD SUPERVISORS SAFETY COURSE	2
WSQ OPERATE FORKLIFT TRAINING COURSE (W/O CLASS 3 LICENSE)	1
OCCUPATIONAL FIRST AID COURSE	2
BOSIET COURSE	1
MARINE METAL SCAFFOLDING COURSE FOR SCAFFOLDERS	5
WSQ OPERATE FORKLIFT TRAINING COURSE (W/O CLASS 3 LICENSE)	1
PILOTAGE EXEMPTION REFRESHER COURSE FOR CREW	1
SC101 CUSTOMS PROCEDURES	1
SAFE MANAGEMENT OFFICERS TRAINING COURSE (SMO)	2
SAFE MANAGEMENT OFFICERS COURSE FOR CONSTRUCTION	2
WORKSHOP FOR CEO/TOP MANAGEMENT (BIZSAFE LEVEL 1)	1
DEVELOP A RISK MANAGEMENT IMPLEMENTATION PLAN	1
CONSTRUCTION SAFETY ORIENTATION COURSE (RE-CERTIFICATION) - MANDARIN	2
SUPERVISE METAL SCAFFOLD IN MARINE INDUSTRY (SMSMI)	1
PPVC LIFTING COURSE FOR CRAWLER CRANE OPERATORS	12
MANAGE WORKPLACE SAFETY AND HEALTH IN SHIPBUILDING AND SHIP REPAIR (MWSHSSR)	1



### Employee Benefits

The Group continues to comply with the Ministry of Manpower’s (“**MOM**”) mandatory requirements for employee benefits. In FY2020, we adjusted the salary of our foreign workers in order to maintain a competitive compensation package, which is within the industry market rates.

### Performance

In FY2020, our new employee hires and our turnover rate is provided below. This is inclusive of onshore staff, as well as the crew from our Bridgewater vessels.

Table 8. New Employee Hire & Turnover for FY2020

New Employee Hires	
Total # of Employee Hires	164
# of new employee hires by age group	
<30 yrs.	32
30-50 yrs.	119
>50 yrs.	13
# of new employee hires by gender	
Men	157
Women	7

Employee Turnover	
Total # of Employee Turnovers	146
# of employee turnovers by age group	
<30 yrs.	30
30-50 yrs.	102
>50 yrs.	14
# of employee turnovers by gender	
Men	138
Women	8



Heavy Lifting of Block

The total employee count includes 247 seafarers, who are employed on short-term employment contracts or rotate out every quarter. The turnover in 2020 was lower than 2019 due to fewer seafarers being rotated out due to the COVID-19 restrictions.

### Future Outlook and Performance Indicators

The Group is still in the process of adopting 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 initiate these plans within the next few years.



HDD Work Barges Working in Taiwan's offshore wind farm



## GAINING TRACTION ON RENEWABLE ENERGY

Moving forward, we intend to focus on this growing global trend in providing opportunities for our offshore renewables segment in the long term. This is based on our expectations of increased contract wins for renewable projects and continued international expansion across new markets.

## **ETHICS AND ANTI-CORRUPTION**

We recognise that ethics and corruption is a sensitive area in our industry. We understand that any breach 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 maintains its zero-tolerance approach to bribery and corruption. Through established policies, sound corporate governance and internal controls, we 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, as set out in the Corporate Governance section of the FY2020 Annual Report, provides our staff with the ability to raise concerns on any suspicious wrongdoings discreetly and without repercussion, 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.

### **Performance**

There have been no cases of anti-bribery and corruption reported or any whistle-blowing reports received in FY2020.

### **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**

The Group has an established management policy regarding the compliance with social and environmental laws. All staff continue to be informed and briefed on this policy. Additionally, we have 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 FY2020.



### **Future Outlook and Performance Indicators**

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

## **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 improving cash flow and lowering credit risk is still valid, we have also included the diversification of our operational services to include sustainable avenues alike to the offshore windfarm.

### **Performance**

The Group's financial performance declined in FY2020 due to the COVID-19 pandemic that resulted in project delays across the board and led to reduced demand of our services.

In FY2020, revenue fell by 35% year-on-year to S\$37.6 million from S\$58.1 million in FY2019. The reduction of S\$20.5 million in revenue was driven by reduced demand across the board due to project delays caused by COVID-19 pandemic. Gross profit margin reduced to 20% in FY2020 from 27% in FY2019. The reduction in revenue was driven by reduced demand across the board due to project delays caused by COVID-19 pandemic.

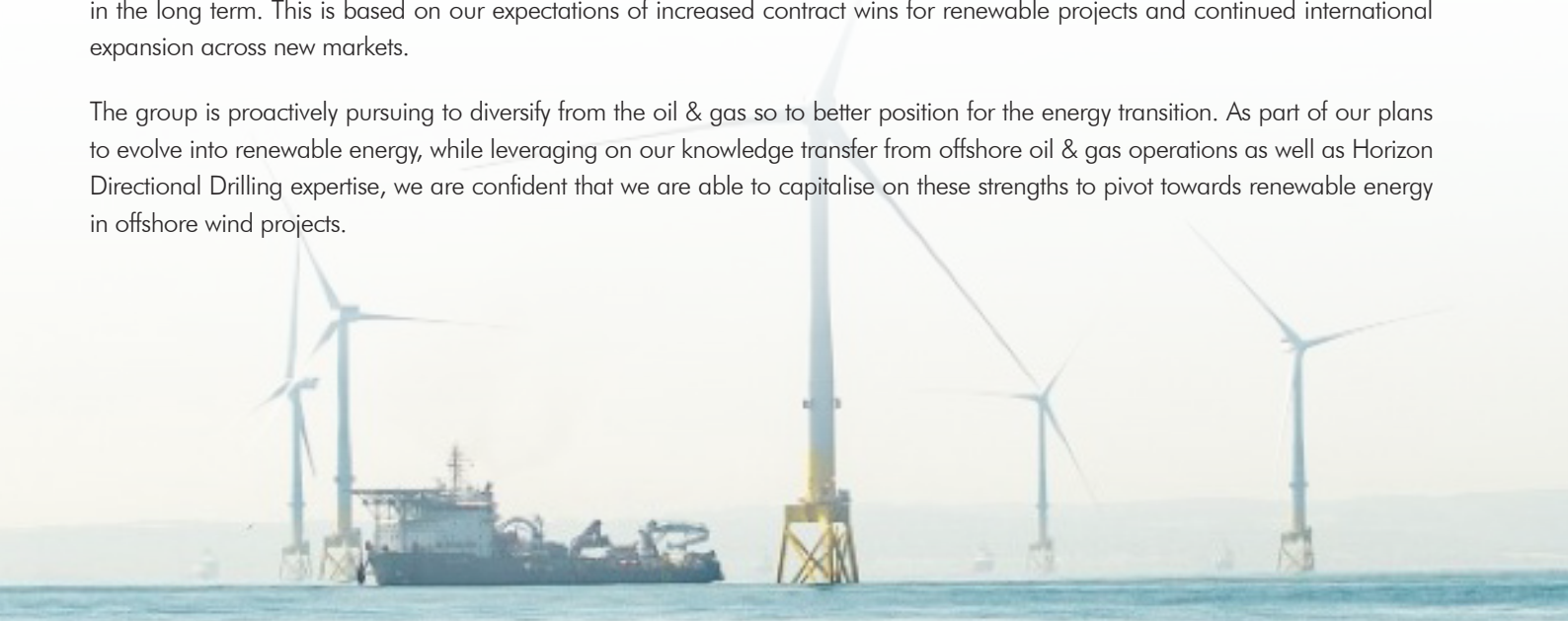
In FY2020, cost of sales decreased by S\$12.3 million or 29% to S\$30.2 million in FY2020 from S\$42.5 million in FY2019. Consequently, gross profit decreased by S\$8.2 million or 52% to S\$7.4 million in FY2020 from S\$15.6 million in FY2019.

As of 31 December 2020, the Group's cash and cash equivalents stood at S\$6.2 million. The Group achieved a positive operating cash flow of S\$3.6 million for FY2020 as compared to a positive operating cash flow of S\$4.9 million in FY2019, due to lower revenue and profitability.

### **Future Outlook and Performance Indicators**

Moving forward, we intend to focus on the growing global trend in providing opportunities for our offshore renewables segment in the long term. This is based on our expectations of increased contract wins for renewable projects and continued international expansion across new markets.

The group is proactively pursuing to diversify from the oil & gas so to better position for the energy transition. As part of our plans to evolve into renewable energy, while leveraging on our knowledge transfer from offshore oil & gas operations as well as Horizon Directional Drilling expertise, we are confident that we are able to capitalise on these strengths to pivot towards renewable energy in offshore wind projects.





## 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 (“WHO”) 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>		
<b>General Disclosures</b>		
<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	13
	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	19
	102-13 Membership of associations	19
	<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, 17
	<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	5
	<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	28 May 2020
	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
	102-55 GRI content index	20 - 22
	102-56 External assurance	1

# GRI STANDARDS CONTENT INDEX

<b>Material Topics</b>			
<b>Energy Consumption</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	5
	103-2	The management approach and its components	5 - 6
	103-3	Evaluation of the management approach	5 - 6
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	6
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	6
	305-2	Energy Indirect (Scope 2) GHG emissions	6
<b>Water Consumption</b>			
GRI 103: Management Approach 2016	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
GRI 303: Water 2016	303-3	Water withdrawal by source	7
<b>Waste management</b>			
GRI 103: Management Approach 2016	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
GRI 306: Effluents and waste 2016	306-2	Waste by type and disposal method	8
<b>Environmental Compliance</b>			
GRI 103: Management Approach 2016	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
GRI 307: Non-compliance 2016	307-1	Non-compliance on environmental laws and regulations	5
<b>Employment</b>			
GRI 103: Management Approach 2016	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
GRI 401: Employment 2016	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

<b>Occupational Health and Safety</b>			
GRI 103: Management Approach 2016	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
GRI 403: Occupational Health & Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	11-12
<b>Anti-corruption</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	17
	103-2	The management approach and its components	17
	103-3	Evaluation of the management approach	17
GRI 205: Anti-corruption 2016	205-2	Communications and training about anti-corruption policies and procedures	17
<b>Regulatory Compliance</b>			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	17
	103-2	The management approach and its components	17
	103-3	Evaluation of the management approach	17
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	17



## EMBRACING THE NEW ENERGY CHANGE

# ABBREVIATIONS

- ABC: Anti-bribery and Corruption
- AHTS: Anchor Handling Tug Supply
- 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
- 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
- LSMGO: Low Sulphur Marine Gas Oil
- 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
- QMS: Quality Management System
- SEEMP: Ship Energy Efficiency Management Plan
- SMPEP: Shipboard Marine Pollution Emergency 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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