

SUSTAINABILITY REPORT 2020



 **NamCheong**®

TABLE OF CONTENTS

03

BOARD STATEMENT

04

OVERVIEW

05

**STAKEHOLDER
ENGAGEMENT**

06

**MATERIAL
ESG FACTORS**

07

**SAFETY
MANAGEMENT SYSTEM**

09

**ENVIRONMENTAL
PROTECTION**

11

COMPLIANCE

12

**HUMAN RESOURCES
OVERVIEW**

13

PUBLIC SERVICE

14

**BUSINESSS
RESILIENCE**

15

GRI CONTENT INDEX





BOARD STATEMENT

2020 was an unprecedented year for Nam Cheong Limited (“**Nam Cheong**”) since our humble beginnings as Nam Cheong Dockyard in 1968. The COVID-19 pandemic led to extensive country lockdowns, border closures and supply chain disruptions.

Crude oil price crashed in April 2020 before recovering gradually in the second half of 2020. This was driven by the coronavirus-induced global lockdowns, sudden dip in economic activity and negative sentiments. Reduced oil demand, suspension and postponement of drilling projects, as well as reduced capital expenditure by oil companies adversely impacted the Offshore Support Vessel (“**OSV**”) sector in terms of new build orders and charter volumes.

Notwithstanding the difficult circumstances, Nam Cheong Limited (“**Nam Cheong**”) and its subsidiaries (“**the Group**”) saw an increase in overall Group revenue in 2020, contributed by the sale and delivery of two vessels and steady growth in vessel chartering revenue. It was all hands on deck as the Board and Management focused on managing the COVID-19 situation, keeping operations going on a steady keel and responding to our customers’ needs.

The prolonged nature of the COVID-19 pandemic was a stark reminder that much as Nam Cheong’s leadership had to pay attention to day to day matters, we needed to look beyond the horizon and ensure that the business remains viable and resilient

over the long term. Hence the company doubled down on implementing sustainability policies and practices in 2020, as this would benefit all stakeholders and keep the company thriving in the years ahead.

Based on inputs from Management, the Board reviewed the material environmental, social and governance (“**ESG**”) risks as well as new opportunities brought about by external circumstances. We assessed that last year’s material factors – **safety first, environmental protection, compliance, caring for employees and giving back to the community** – remained relevant. We identified an additional material factor for 2020, **business resilience**. Importantly, the Board worked closely with the Management to implement and monitor the progress of various initiatives relevant to the ESG factors. This allowed Nam Cheong to respond quickly to changing market conditions.

This is the fourth edition of Nam Cheong’s annual sustainability report. It signifies our collective and continued commitment to running the business in a responsible, transparent and balanced manner. On behalf of all the Board Members, I would like to thank the Nam Cheong Management and staff for their hard work and commitment amidst challenging times. I am confident that sustainability will help us navigate a course towards safer and better times ahead for all our stakeholders.

Tan Sri Datuk Tiong Su Kouk
Executive Chairman

OVERVIEW

Nam Cheong first adopted the Global Reporting Initiative (“GRI”) Standards for the 2019 Sustainability Report in view of the GRI’s global recognition and stature as the leading sustainability reporting standard adopted by major corporations. We have decided to retain the GRI Standards for this year’s Sustainability Report, which has been prepared in accordance with the GRI Standards: Core option.

This report complies with the Singapore Exchange (“SGX”)’s Listing Rule 711A, which requires every listed issuer to prepare an annual sustainability report no later than 5 months after the end of the financial year. This sustainability report is for Nam Cheong’s financial year from 1 January to 31 December 2020 and covers the five primary reporting components as stipulated in SGX’s Listing Rule 711B, namely:

- Material environmental, social and governance factors;
- Policies, practices and performance;
- Targets;
- Sustainability reporting framework; and
- Board statement.



STAKEHOLDER ENGAGEMENT

Our stakeholders have a material voice and value-add to Nam Cheong's operations, hence ongoing stakeholder engagement is essential to Nam Cheong's long-term success. This was especially the case in 2020 when we needed to be close to our stakeholders to understand how they were impacted by the COVID-19 situation and what Nam Cheong could do in responding to their needs and expectations.

There are several sets of important stakeholders with whom we engage regularly through formal and informal means. While we had to scale back our face-to-face interactions in line with social distancing requirements in 2020, this was compensated by adopting online communication channels. Stakeholders' feedback and suggestions are invaluable in helping Nam Cheong fine-tune our business strategy and ensure we operate in a transparent and accountable manner.

The stakeholder groups, modes of engagement and salient concerns are summarised in the adjacent table.



Stakeholder Groups	Engagement Modes	Salient Concerns
1. Customers	<ul style="list-style-type: none"> Marketing materials and promotional events Customers' feedback (Including through electronic channels) Consistent meetings and regular networking 	<ul style="list-style-type: none"> Fair and transparent business practices Safe and reliable operations Cost-effective services
2. Suppliers & Business Partners	<ul style="list-style-type: none"> Regular meetings and networking sessions, including virtual meetings Correspondences through email and letters 	<ul style="list-style-type: none"> Fair and transparent business practices Good governance
3. Investors	<ul style="list-style-type: none"> Annual General Meetings Comprehensive Investor Relations section on the corporate website (http://www.namcheong.com.my/) SGXNet announcements Briefings to analysts, investors and media Press releases 	<ul style="list-style-type: none"> Sound ESG policies and processes Safe, efficient and competitive operations Long-term business viability
4. Government & Regulatory Agencies	<ul style="list-style-type: none"> Regular correspondences, e.g. policy changes and COVID-19 related reporting and compliance matters Interactions via corporate service providers such as the company secretary and share registrar 	<ul style="list-style-type: none"> Strong compliance practices, particularly in adhering to government regulations and guidelines on COVID-19 Vigilance in environmental protection as well as occupational health and safety
5. Employees	<ul style="list-style-type: none"> Two-way communication and feedback through various channels Training and development programmes Performance appraisals 	<ul style="list-style-type: none"> Competitive pay and benefits package Training and upgrading opportunities Fair employment practices Focus on workplace safety, health and job security
6. Community	<ul style="list-style-type: none"> Corporate Social Responsibility ("CSR") programmes Media coverage 	<ul style="list-style-type: none"> Provision of social and economic opportunities Caring organization, including efforts to help the community arising from the economic impact of COVID-19

MATERIAL ESG FACTORS

Identifying Material ESG Factors

In line with the GRI reporting principles, NCL's material factors are those with significant economic, environmental, social and governance impacts on the wider community, and which would substantively influence the assessment and decision making of the key stakeholders.

Similar to the previous year, we followed a multi-step approach in identifying the material ESG factors in 2020:

- We consulted our stakeholders and noted their salient concerns.
- We reviewed external sustainability developments and trends, such as the urgency to tackle COVID-19 as a health and economic crisis, and work towards a global and green economic recovery.
- We considered what our international peers were focusing on in terms of their ESG policy and programmes.
- Nam Cheong's Management shortlisted the ESG factors and scrutinised the impact, risk profile and efforts to deal with the challenges.
- The material ESG factors were subsequently reviewed and approved by the Board.

After considering the concerns of the various stakeholder groups and assessing the external and internal impacts, we assessed that the 2019's material ESG factors continued to be relevant for 2020:

1. **Safety first** – Workplace safety, safe operations and chartering.
2. **Environmental protection** – Improving fuel efficiency, reducing carbon emissions and implementing proper waste management.
3. **Compliance** – Conformity with environmental, safety, labour and anti corruption regulations and procedures.
4. **Caring for employees** – Training, competency building and fair employment practices.
5. **Giving back to the community** – Providing economic opportunities and community assistance.

Because of the volatile economic climate and concerns from various stakeholders, we identified an additional material ESG factor for 2020:

6. **Business resilience** – Adapting and responding quickly and effectively to external and internal business shocks.

Materiality Assessment

The table below elaborates why we assess the factors to be material and their significance to our stakeholders

Materiality Factors	Why Is It Material?	Why Is It Significant to Stakeholders?
1. Safety first	We remain fully committed to placing safety first, safeguarding life and limb, and addressing health and safety-related risks across all our workplaces. This ensures that operations can be carried in a smooth and responsible manner, especially given the COVID-19 situation in 2020.	Safety is critical to building a trusting relationship with our employees, business partners and other stakeholders. We have a duty of care towards the people who work for and with us, which includes implementing comprehensive measures to deal with COVID-19 health risks.
2. Environmental protection	Responsible usage of resources (such as fuel and water) reduces the environmental impact on the ecology and makes us a prudent and cost-effective organization.	This is an ongoing effort that contributes towards a cleaner, greener and healthier environment as well as improves our economic performance.
3. Compliance	As a listed entity accountable to our shareholders and the wider community, we must uphold strong corporate governance standards and adhere to the rules of the land. In particular, there is zero tolerance towards any form of corruption, bribery or other unethical practices.	Strong governance and corporate reputation have a long-term bearing on our stakeholders' trust and willingness to invest in and work with us.
4. Caring for employees	We strive to be a socially conscious business by taking care of the local community on an ongoing basis. The community's continued support is critical to the long-term viability and prosperity of Nam Cheong.	Our stakeholders will perceive Nam Cheong as a good corporate citizen and trusted brand.
5. Giving back to the community	We strive to be a socially conscious business by giving back to the local community on an ongoing basis. The community's continued support is critical to the long-term viability and prosperity of Nam Cheong.	Our stakeholders will perceive Nam Cheong as a good corporate citizen and trusted brand.
5. Business resilience	We aim to build a culture of innovation, efficiency and agility to take advantage of new opportunities, so that we can weather through crises such as the COVID-19 pandemic and become a stronger organization.	Our stakeholders expect us to create value throughout good and adverse times.

SAFETY FIRST

At Nam Cheong, safety is of paramount importance across our shipyards, offices, operations and chartering business. This forms the backbone of smoothly-run and incident-free operations vital for sustainable long-term growth.

Corporate COVID-19 Safety Measures

We initiated our COVID-19 safety measures in February 2020, in view of the emerging international risks. Our approach was to comply with all local safety and quarantine regulations, keep abreast of the latest advisories, minimise face-to-face interactions, and provide all employees with the necessary safety equipment and work support.

We issued and regularly updated a set of Standard Operating Procedures on Workforce Safety and Readiness, which was communicated to all employees. The comprehensive suite of measures, which continued into 2021 because of the prolonged nature of the pandemic, included the following:

- Implement a Business Continuity Plan whereby employees rotate between working from home and at the office, in compliance with the prevailing regulatory requirements in Malaysia and Singapore.
- Use audio and video conferencing means to conduct meetings where possible.
- Minimise all forms of travel, unless it is essential. Any travel requires the prior approval of the staff's Head of Department. Upon return from business travel, the staff is required to clear a COVID-19 diagnostic test prior to returning to work.
- Nominated Safety Wardens will take temperatures at the workplaces on a daily basis.
- All staff have to check in using the QR Code system, use hand sanitizers, observe the 1 metre safe distancing requirement, and wear a face mask at work at all times.
- Any staff who has symptoms of fever, cough and shortness of breath is required to seek immediate medical attention. Any medical leave or quarantine orders must be strictly complied with.
- An Emergency Response Team has been set up to deal with any suspected case of COVID-19 infection in the office.



Safety Management System

SKOM Sdn Bhd (formerly known as SK Offshore and Marine Sdn Bhd) ("**SKOM**") was established by Nam Cheong in 2016 as the dedicated ship management subsidiary to enhance control, safety and operational efficiency. Nam Cheong's SKOM Safety Culture follows the International Maritime Organisation ("**IMO**") Safety Management System ("**SMS**") code.

Nam Cheong has put in place internal and external audit programmes to ensure that we comply with the IMO standards. In 2020, the American Bureau of Shipping ("**ABS**") and Lloyds Register were appointed as SKOM's external auditors to ensure compliance with the IMO's International Safety Management ("**ISM**"), International Ship and Port Facility Security ("**ISPS**") and Maritime Labour Convention ("**MLC**") requirements.

SKOM has a dedicated Health, Safety, Security, and Environment ("**HSSE**") team. The 7-person team is in charge of two areas – Strategic and Operations. The Strategic HSSE portfolio covers quality, tender vetting, training, procedure development and administrative tasks. The Operations HSSE portfolio looks into the day-to-day operational tasks, client interfacing and vessel audits.

Onboard Safety Policies and Procedures

A Business Continuity Plan was developed in March 2020, with a drill carried out onboard SK Paragon in March 2020 in Labuan. This was one of the first ships to carry out a drill for COVID-19 outbreak onboard the vessel prior to regulations introduced by health authorities.

The following COVID-19 management guidelines were adopted onboard our vessels in 2020:

- Crew change quarantine requirements were implemented.
- Provision of COVID-19 Personal Protective Equipment ("**PPE**") such as face masks, isolation gowns and hand sanitizers.
- Daily sanitation routines and temperature log monitoring.
- All personnel were required to be screened prior to boarding the vessels, which included valid Rapid Test Kit ("**RTK**") and Polymerase Chain Reaction ("**PCR**") tests, temperature checking and 14 days' movement history declaration.
- Shore leave was restricted and granted only for medical purposes with management's approval.
- Risk Assessments and Standard Operating Procedures ("**SOPs**") were developed for managing close contacts and positive cases onboard, which included transferring of close contacts and positive cases from platform to ship and to shore, as well as the management of their belongings and food delivery to isolation rooms until they were transferred onshore.

In addition, our vessels had to comply with the local authorities' health and safety requirements. For instance, crew were subjected to quarantine upon movements between districts and required to standby within designated hotels prior to signing on.

SAFETY FIRST (CON'T)

Safety Targets and Performance

SKOM aims to have zero personal injuries with a target of zero Loss Time Injury (“LTI”) every year. Loss Time Injury refers to any injury sustained by an employee resulting in the employee missing work. SKOM’s safety performance from 2016 to 2020 is shown below.

Key Metrics	2016	2017	2018	2019	2020
Man Hours	130,190	488,579	1,005,245	1,793,120	2,718,593
Fatalities	0	0	0	0	0
Loss Time Injury (LTI) based on Days Away from Work Cases	0	0	0	0	0
Restricted Work Cases	0	0	0	0	1
Medical Treatment Cases	1	1	3	1	0
Total Recordable Cases	1	1	3	1	1
Total Recordable Incident Rate (TRIR) based on 200,000 hours	1.536	0.409	0.597	0.1	0.07
Total Recordable Case Frequency (TRCF) based on 1,000,000 hours	7.6	2.0	2.9	0.55	0.37



From 2016 to 2020, SKOM achieved exponential growth in man-hours while ensuring zero workplace incident fatalities and LTI. This is a testament to ongoing efforts in boosting safety standards and developing a safety-first culture onboard the vessels, which includes having a detailed Hazards and Effects Management process as codified in the Risk Management Manual.

SKOM’s Total Recordable Incident Rate (“**TRIR**”) and Total Recordable Case Frequency (“**TRCF**”) ratios had trended downwards during this period. The performance for 2020 was better than the previous years and was within our long-term target of keeping the TRCF to below 0.5, which is the industry benchmark.

Employees’ active feedback and involvement – such as through Unsafe Act, Unsafe Condition (“**UAUC**”) observations and submissions – are important inputs for the annual review and approval of safety policies. As part of the overall HSSE plan, SKOM runs a Health Risk Assessment (“**HRA**”) programme for employees. HRA materials are periodically cascaded to all employees to promote awareness and encourage them to take personal responsibility in health and wellness matters.

ENVIRONMENTAL PROTECTION

Cleaner Fuel and Climate Action

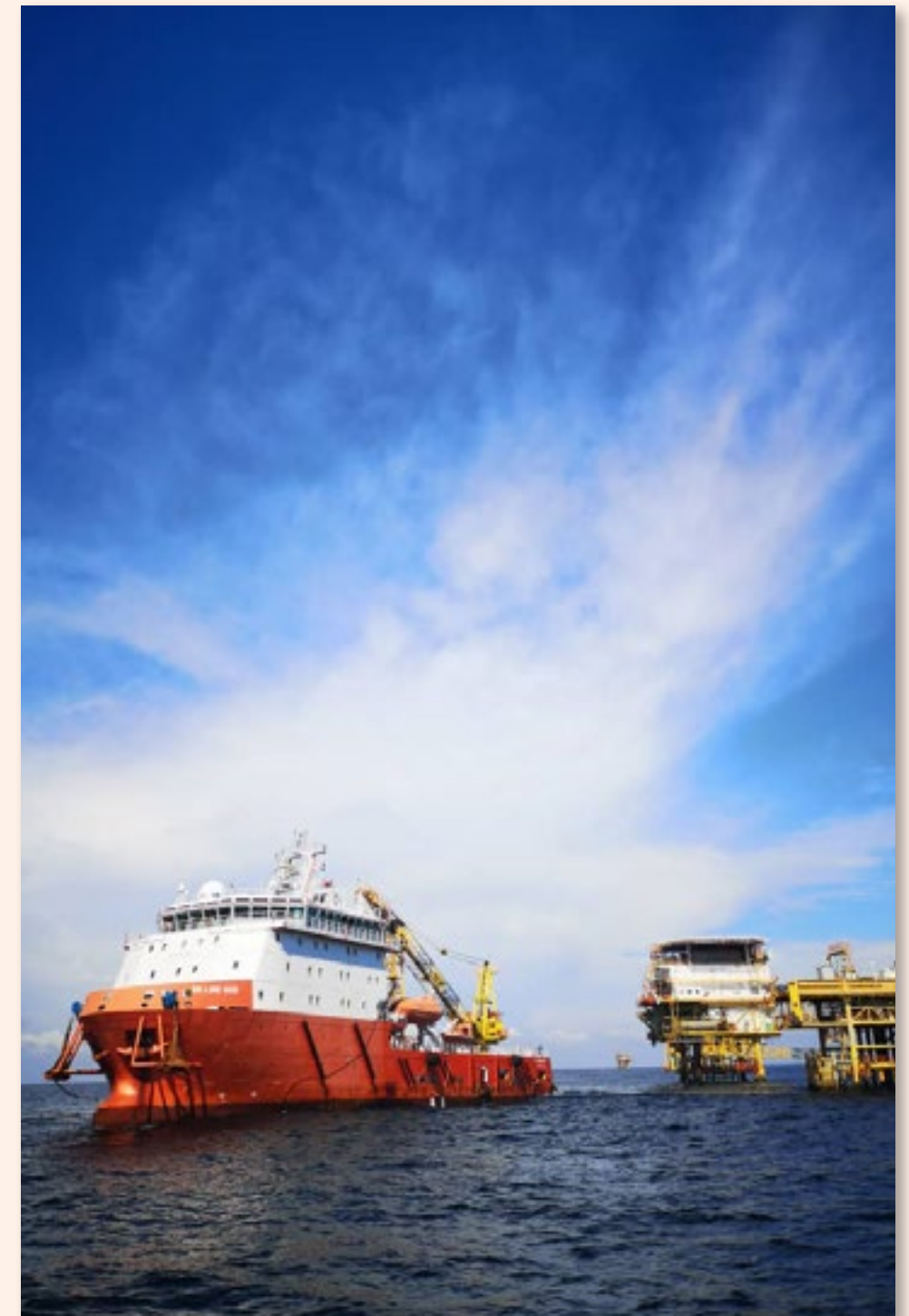
Nam Cheong has a strong focus on building and operating a fuel-efficient fleet. This makes our product and service offerings cost-effective and competitive in the market place. It also helps us to protect the environment by reducing air pollution and carbon emissions.

The IMO is committed to minimizing greenhouse gas (“GHG”) emissions from international shipping and aims to reduce carbon intensity across international shipping by at least 40% by 2030 and pursuing efforts towards 70% by 2050. Furthermore, the IMO aims to reduce absolute carbon emissions by at least 50% by 2050.

The IMO has articulated a GHG strategy that includes design and technical measures, operational measures and innovation-centred measures. Collectively, this will reduce carbon emissions progressively and measurably from the business-as-usual scenario.

On 1 January 2020, the IMO’s new limit on the sulphur content in the fuel oil used by ships came into effect. This rule limits the sulphur content onboard ships operating outside designated emission control areas to 0.5% m/m (mass by mass), a significant reduction from the previous limit of 3.5%. This will have strong health and environmental benefits globally because sulphur dioxides are not only harmful to human health, they can lead to acid rain and ocean acidification, thus impacting crops, forests and aquatic species.

- Nam Cheong supports the IMO’s policies through the following policies and actions:
- We design vessels with advance technologies that are fuel efficient, environmentally friendly, operationally flexible and cost-effective. Our current NCP4000E and NCA80E vessel models incorporate the latest marine technologies and fuel efficiency elements such as the use of medium speed diesel engines for main generators (instead of high-speed diesel) and lean concept electric drives, which results in lower CO2 emissions by about 7% to 10%.
- In our daily operations, the Engineering team holds regular internal meetings to improve efficiency, optimize fuel usage and discuss ways to comply with the latest regulations. One of the current studies is incorporating battery-powered electric propulsion as an operational measure to reduce carbon emissions, e.g. using the electric propulsion’s battery power partially at sea and fully in port areas.
- We invest in research and development. We are keeping a close watch on the latest energy efficient machinery, promoting greater use of diesel electric propulsion with potential of integrating battery hybrid and/or use of dual fuel (liquefied natural gas (“LNG”) or bio-fuel) engines, hull coatings, big data acquisition and analytics, automation and unmanned control, optimizing vessel size and hull shape, speed optimization, speed reduction and weather routing. In the long term, we aim to replace marine fuel oil fully with low carbon LNG, carbon-neutral bio-fuels or even zero carbon fuel (such as hydrogen and ammonia).



ENVIRONMENTAL PROTECTION (CON'T)

Fuel Usage

SKOM tracks the fuel usage of its operating fleet through a Daily Average Fuel Consumption Report submitted by each vessel. The table below shows 2020's aggregate annual fuel usage for the fleet under SKOM's management and the estimated carbon emissions.

Fleet Overview	Aggregate Fuel Usage in 2020	Estimated Carbon Emissions (Scope 1) ¹
<ul style="list-style-type: none"> Anchor Handling Tug Supply Vessels – 15 Platform Supply Vessels – 6 Accommodation Work Boats – 5 Accommodation Work Barge – 1 Standby Vessel - 1 	48,000 tonnes (marine gas oil)	139,502 tonnes (CO ₂) ²

¹ According to the GHG Protocol Corporate Standard, Scope 1 emissions are direct emissions from an organization's owned or controlled sources.

² The conversion from fuel usage to CO₂ emissions is based on the IMO's emission factor of 3.2.

SKOM encourages prudent fuel oil usage through operational guidelines such as Fuel Management Plans and providing consumption benchmarks for the vessels to adhere to. SKOM does not set targets on the fuel usage and carbon emissions because it does not control the chartered vessels' movements, which are determined by SKOM's customers. SKOM will continue to track the fuel usage and explore ways to work with its customers on improving fuel efficiency and reducing the operations' carbon footprint.

Waste Management

SKOM has a target of no harm to the environment. The vessels under SKOM track the amount, type and discharge point of all vessel-generated waste. All waste is recorded as hazardous and non-hazardous waste. Since 2019, SKOM has included the tracking of cargo residuals and tank washing wastes. There is also an e-waste category, which includes any electronic equipment, including its components, sub-assemblies and consumables when disposed of as waste materials. SKOM adheres to the International Convention for the Prevention of Pollution from Ships ("**MARPOL**"), which prescribes that no waste is to be discharged into the sea to minimise pollution and reduce adverse impact on marine life.

Ballast water is used to stabilize vessels at sea. While it is critical for safe and efficient operations, it can pose ecological issues if not managed properly due to marine species carried in the ballast water. To prevent the unintended transfer of invasive species and impact on indigenous marine life, the International Convention for the Control and Management of Ships' Ballast Water and Sediments ("**BWM Convention**") was adopted by the IMO Member States and came into force on 8 September 2017. SKOM's vessels comply with the Convention, such as implementing a ballast water management plan and carrying a ballast water record book. Nam Cheong had taken the proactive step of implementing Regulation D-3 of the Convention on some vessels built in 2012, ahead of the Convention's enforcement in 2017. Regulation D-3 requires that ballast water management systems must be approved by the IMO.

SKOM's operations in 2020 did not record any adverse impact on nature areas or biodiversity. The vessels' cargo handling systems were designed to contain any onboard oil spills and minimise the environmental impact. Thanks to well-documented procedures and staff vigilance, there were no recorded incidents of onboard oil spills in the Safety Management System.



COMPLIANCE

Compliance Philosophy

Compliance and good governance are critical for Nam Cheong as an established and publicly listed corporate citizen. Compliance, insofar as adhering to applicable domestic and international laws and regulations, cuts across all our areas of work.

Our corporate philosophy towards ensuring good compliance is as follows:

- The external environment is dynamic and we have to constantly adapt and pivot how we conduct our business, which includes understanding new rules and mitigating governance risks, particularly with reference to the COVID-19 situation.
- We constantly educate our people on regulatory matters and instil in them the individual and collective responsibility to follow all rules and report any form of wrongdoing.
- We have an in-house compliance unit to advise on key compliance issues, clarify doubts and provide an added level of assurance.

Nam Cheong keeps a watchful eye on several business-critical areas: safety, labour laws, environmental protection as well as anti-bribery and anti-corruption. These areas are important because any infringements can result in business disruptions, impact to life and limb, as well as reputational loss. There are various SOPs in place to check on the performance and compliance standards, including onboard the vessels. Safety, labour matters and environmental protection are material ESG factors and have been discussed in the other sections of this Sustainability Report.

Anti-Bribery and Anti-Corruption

Nam Cheong has in place a clear and extensive anti-bribery and anti-corruption policy that applies to all employees and external business partners. Critical aspects of this policy include:

- The Company's officers and employees shall be responsible for upholding the anti-bribery and anti-corruption policy and adhering to relevant laws in any jurisdiction where our business operates.
- We are committed to conducting business in an ethical and honest manner, and implementing systems to prevent bribery.
- We have zero tolerance for bribery and corrupt activities.
- Any officer, employee or business partner who commits a violation, fails to report potential violations or misleads or hinders investigators inquiring into potential violations shall be subject to disciplinary action.

Any non-compliance will be handled in accordance with the internal processes in place, which will include whether any punishment is deemed appropriate. In any event of a major non-compliance (such as criminal activity), a police report will be lodged accordingly.

In 2020, there were no cases of corruption or bribery-related investigations or disciplinary actions.

Whistle Blowing System

Nam Cheong has a Whistle Blowing System for employees to confidentially report on any form of improper behaviour, which includes alleged corruption or bribery-related activities.

Employees can provide their whistle blowing observations and concerns in writing, through the telephone or in person. All reports are sent directly to Nam Cheong's Human Resource Department and to the Audit Committee.

Nam Cheong shall investigate any received disclosures fully and promptly. All disclosures are treated with the strictest confidence and employees who report any suspicious activities in good faith will be protected against possible retaliation.

In 2020, we did not receive any disclosures of alleged corruption or bribery-related activities through the Whistle Blowing System.

CARING FOR EMPLOYEES

Human Resource Overview

Nam Cheong focuses on the comprehensive development and wellbeing of all staff, and our Human Resource (“HR”) policies are communicated to all staff through briefings and the employee handbook. We constantly cultivate a positive work environment at all levels that empowers and motivates all employees to learn, grow and contribute. This is recognising that our people make the difference in running safe and smooth operations, keeping our customers happy, and ensuring that our business practices are honest and sustainable.

2020 was a challenging year for the business and our people because of the extensive impact of COVID-19. We implemented a pay adjustment exercise to moderate our wage costs, and tapped on government wage subsidies for eligible employees in Malaysia and Singapore. A recruitment freeze was implemented in April 2020. The various measures enabled us to sustain employment without the need for retrenchment.

In 2020, we had 231 (compared to 245 in 2019) onshore employees on our payroll, of whom 99% were based in Malaysia and 1% in Singapore at the end of the year. The 231 employees excluded offshore crew who were engaged on short-term contracts based on vessel on/off requirements.

We adhere strictly to the labour laws in Malaysia and Singapore, including the statutory retirement ages. When an employee reaches his or her retirement age and is eligible for re-employment, Nam Cheong will provide an option of a fixed term contract, renewable annually.

Training and Development

Nam Cheong continued our longstanding focus on training and development to enhance our people’s functional efficiency and long-term employability. We invested in a 12% increase in total training hours in 2020 compared to 2019, despite facing challenges such as cancellation of classroom training, reduction in claimable funding from the government, and the need to transition and adapt to online classes.

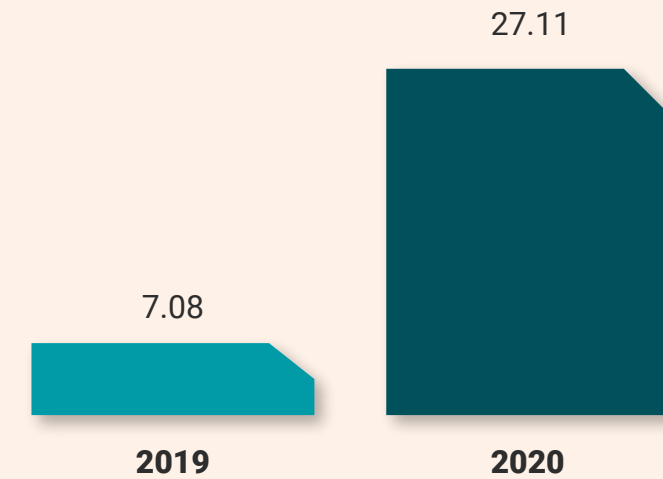
Our training courses focused on the following areas:

- Leadership Management for supervisory level.
- NAV and NS5 Workboat training on the new implementation of NS5 fleet management system.
- Project Management for Marine Operation supervisor level.
- Crew Management for Marine Operation crewing personnel.
- Dynamic Positioning Awareness for Marine operation’s technical service and Operation personnel.
- 3G Flux Core Arc Welding (“**FCAW**”) for semi-skilled workers from Miri.

Nam Cheong adheres to strict standards in terms of the training delivery and outcomes. All of Nam Cheong’s internal and external courses are selected in accordance to respective industry and charter requirements and best practices. Trainers will have to be registered with or accredited by the relevant industry authorities such as SkillsFuture Singapore and the Malaysian Human Resources Development Fund.

Nam Cheong is committed to equipping its workforce with the necessary knowledge and skills. 133 of our 231 employees took part in training in 2020. Training hours per onshore employee increased significantly from 7.08 hours in 2019 to 27.11 hours in 2020 because of the substantial investment in 3G FCAW training. This exceeded our target of 8 hours of training per onshore employee. For offshore crew, the training periods ranged from 1 to 4 days, depending on each customer’s needs and compliance requirements.

Training Hours Per Employee



In 2020, 175 of our offshore staff strength of 245 were eligible for performance evaluation and all 175 employees went through the exercise. This was to assess which employees would qualify for promotion and career development opportunities.

GIVING BACK TO THE COMMUNITY

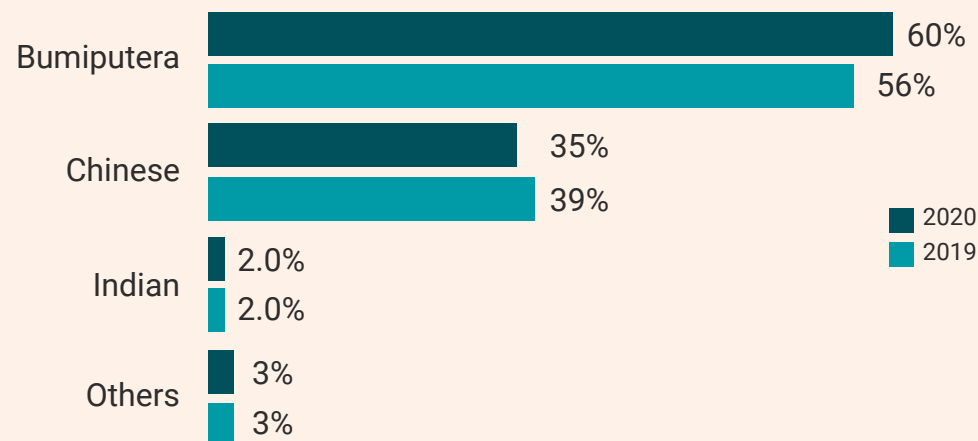
Employment and Economic Opportunities

As a company founded in 1968, Nam Cheong's salient community contributions have consistently been in creating steady employment and economic opportunities for Malaysians and Singaporeans, the two countries where our company operates. This is in line with our belief that the best way to help the local community is to provide meaningful and stable jobs.

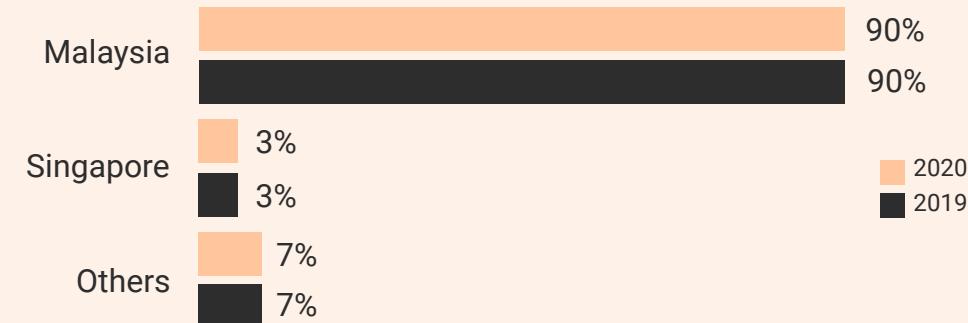
It is stated in our recruitment policies that *"The principle of equal employment prohibits discrimination in employment on the basis of race, colour, religion, gender, national origin, age and disability unrelated to job requirement, genetic information or other protected status."* Equal employment allows Nam Cheong to attract good people from a wider talent pool and contribute back across social boundaries. There were no incidents or reports of any form of employment discrimination in 2020.

In 2020, our workforce had a 26:74 female to male gender ratio and drew from diverse ethnic and national backgrounds, as shown in the charts below.

Onshore Employees by Ethnicity



Onshore Employees by Nationality



Public Service

In 2020, Nam Cheong's Executive Chairman Tan Sri Datuk Tiong continued to serve on various school boards and was an active volunteer in various clan and business associations. This included Tai Sri Datuk Tiong serving as the Honorary Life President of the Sibu Chinese Chamber of Commerce and Industry and the Honorary President of The Associated Chinese Chambers of Commerce and Industry of Sarawak ("**ACCIS**"). Such public service platforms allowed Nam Cheong to engage the local communities, understand their developmental needs so that we could contribute more effectively through economic and social means.

Community Giving

Our employees carried out a charity fund raising campaign, BERSAMAMU, in November 2020, raising RM 9,316 for Mercy Malaysia. Mercy Malaysia ("**MERCY**") is a non-profit organization founded in 1999 that provides medical relief, sustainable health development, risk reduction and other humanitarian services in 32 countries. In March 2020, MERCY launched a COVID-19 Pandemic Fund to meet the medical and other essential needs of marginalised groups within Malaysia.



BUSINESS RESILIENCE

The COVID-19 crisis has demonstrated the fragility of global supply chains and unpredictability of business conditions. COVID-19 has been preceded by the spread of Severe Acute Respiratory Syndrome (“SARS”) and Middle East Respiratory Syndrome (“MERS”), and it is conceivable that even after the global economy recovers from COVID-19, there could be other global pandemics in the future.

In a world where the only certainty is uncertainty, Nam Cheong must continually look at how it has to manage better for resilience whereby we take active measures to cushion against business shocks, prepare for the recovery, and strengthen ourselves organisationally when times are good. This way, we can ride out the volatility that is brought about by business cycles and global crises. Whether our measures to develop and sustain business resilience have been successful would be reflected in Nam Cheong’s corporate performance over the long-term.

Driving Innovation

One critical aspect of business resilience is driving innovation so that we stay ahead of our competition in meeting customers’ needs. One of the two vessels built and delivered in 2020 from was a NCA80E Anchor Handling Tug Supply (“AHTS”) vessel, which was designed in-house and used a fuel-efficient diesel-electric propulsion system to reduce carbon emissions. We also launched a new NS5 Fleet Management System for our OSV chartering system.

We monitor market developments very closely so that we can develop new service and product offerings to capture new opportunities. For instance, because of the urgent global push towards decarbonisation of power production, fixed offshore wind turbines have been growing rapidly and we are looking at the potential for OSV services to serve this emerging market segment.

Diversification and Efficiency

Another two aspects of managing for resilience are diversifying our revenue streams and running efficient operations throughout the organization. In 2007, we expanded beyond our core shipbuilding business by starting vessel chartering operations. This strategy has served us well as vessel chartering has become a major contributor to the top line, especially in 2020.

At all levels of the organization, we constantly stress the need to run operations efficiently as this reduces costs and allows us to serve our customers better. In 2020, most of our staff worked remotely and made good use of Microsoft Office 365, particularly the built-in tools such as Teams and SharePoint to facilitate virtual communications and collaboration. There was also a greater awareness and acceptance on the implementation of a “paperless” office as documents were routed, approved and stored electronically. This speeded up work processes and reduced the use of paper.



GRI CONTENT INDEX

GRI Standards		Page Number/External Reference
GRI 102: GENERAL DISCLOSURES		
Organisation Profile		
102-1	Name of the organization	Page 1
102-2	Activities, brands, products and services	Corporate website (http://www.namcheong.com.my/)
102-3	Location of headquarters	Corporate website
102-4	Location of operations	Corporate website
102-5	Ownership and legal form	Corporate website
102-6	Markets Served	Corporate website
102-7	Scale of the organisation	Corporate website
102-8	Information on employees and other workers	Page 12 (Human Resource Overview)
102-9	Supply chain	Corporate website
102-10	Significant changes to organisation and its supply chain	Nil
102-11	Precautionary principle or approach	Nam Cheong is committed to environmental protection. If there are reasonable grounds for us to exercise caution, even if scientific evidence is unavailable or inconclusive, we will endeavour to minimize any environmental harm
102-12	External initiatives	Page 7 (IMO Safety Management System code), page 9 (IMO Greenhouse Gas Strategy)
102-13	Membership of associations	Page 13 (Public Service)
Strategy		
102-14	Statement from senior decision maker	Page 3 (Board Statement)
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Page 11 (Compliance Philosophy)
Governance		
102-18	Governance structure	Corporate website

GRI CONTENT INDEX

GRI Standards		Page Number/External Reference
Stakeholder Engagement		
102-40	List of stakeholder groups	Page 5 (Stakeholder Engagement)
102-41	Collective bargaining agreements	Nam Cheong's employees are not covered under any collective bargaining agreement
102-42	Identifying and selecting stakeholders	Page 5 (Stakeholder Engagement)
102-43	Approach to stakeholder engagement	Page 5 (Stakeholder Engagement)
102-44	Key topics and concerns raised	Page 5 (Stakeholder Engagement)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Annual Report available on the corporate website
102-46	Defining report content and topic boundaries	Page 4 (Overview)
102-47	List of material topics	Page 6 (Material ESG Factors)
102-48	Restatements of information	Nil
102-49	Changes in reporting	Nil
102-50	Reporting period	Page 4 (Overview)
102-51	Date of most recent report	May 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Enquiries can be emailed to: (enquiry@ncl.com.sg)
102-54	Claims of reporting in accordance with GRI Standards	Page 4 (Overview)
102-55	GRI content index	Page 15 (GRI Content Index)
102-56	External assurance	Nil
TOPIC-SPECIFIC STANDARDS		
Safety		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 6 (Material ESG Factors)
103-2	The management approach and its components	Page 7 (Safety Management System), Page 11 (Compliance)
103-3	Evaluation of the management approach	Page 8 (Safety Targets and Performance)

GRI CONTENT INDEX

GRI Standards		Page Number/External Reference
GRI 403: Occupational Health and Safety		
403-1	Occupational health and safety management system	Page 7 (Safety Management System)
403-2	Hazard identification, risk assessment, and incident investigation	Page 7 (Safety Management System)
403-3	Occupational health services	Page 7 (Safety Management System)
403-4	Worker participation, consultation, and communication on occupational health and safety	Page 8 (Safety Targets and Performance)
403-5	Worker training on occupational health and safety	Page 8 (Safety Targets and Performance)
403-6	Promotion of worker health	Page 8 (Safety Targets and Performance)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 7 (Safety Management System)
403-8	Workers covered by an occupational health and safety management system	Page 7 (Safety Management System)
403-9	Work-related injuries	Page 8 (Safety Targets and Performance)
403-10	Work-related ill health	Page 8 (Safety Targets and Performance)
Environmental Protection		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 6 (Material ESG Factors)
103-2	The management approach and its components	Page 9 (Cleaner Fuel and Climate Action), Page 10 (Waste Management), Page 11 (Compliance)
103-3	Evaluation of the management approach	Page 9 (Cleaner Fuel and Climate Action), Page 10 (Waste Management)
GRI 305: Emissions		
305-1	Direct (Scope 1) GHG emissions	Page 9 (Fuel Usage)

GRI CONTENT INDEX

GRI Standards		Page Number/External Reference
GRI 306: Effluents and Waste 2016		
306-1	Water discharge by quality and destination	Page 10 (Waste Management)
306-2	Waste by type and disposal method	Page 10 (Waste Management)
306-3	Significant spills	Page 10 (Waste Management)
306-4	Transport of hazardous waste	Page 10 (Waste Management)
306-5	Water bodies affected by water discharges and/or runoff	Page 10 (Waste Management)
Compliance		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 6 (Material ESG Factors)
103-2	The management approach and its components	Page 11 (Compliance)
103-3	Evaluation of the management approach	Page 11 (Compliance)
GRI 205: Anti-Corruption		
205-1	Operations assessed for risks related to corruption	Page 11 (Anti-Bribery and Anti-Corruption)
205-2	Communication and training about anti-corruption policies and procedures	Page 11 (Anti-Bribery and Anti-Corruption)
205-3	Confirmed incidents of corruption and actions taken	Page 11 (Anti-Bribery and Anti-Corruption)
Human Resource		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 6 (Material ESG Factors)
103-2	The management approach and its components	Page 12 (Human Resource Overview)
103-3	Evaluation of the management approach	Page 12 (Human Resource Overview)

GRI CONTENT INDEX

GRI Standards		Page Number/External Reference
GRI 404: Training and Education		
404-1	Average hours of training per year per employee	Page 12 (Training and Development)
404-2	Programs for upgrading employee skills and transition assistance programs	Page 12 (Training and Development)
404-3	Percentage of employees receiving regular performance and career development reviews	Page 12 (Training and Development)
Community Impact		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 6 (Material ESG Factors)
103-2	The management approach and its components	Page 13 (Employment and Economic Opportunities)
103-3	Evaluation of the management approach	Page 13 (Employment and Economic Opportunities)
GRI 406: Non-Discrimination		
406-1	Incidents of discrimination and corrective actions taken	Page 13 (Employment and Economic Opportunities)
GRI 413: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	Page 13 (Public Service)
413-2	Operations with significant actual and potential negative impacts on local communities	Nil
Business Resilience		
103-1	Explanation of the material topic and its boundary	Page 14 (Business Resilience)
103-2	The management approach and its components	Page 14 (Business Resilience), (Driving Innovation), (Diversification and Efficiency)
103-3	Evaluation of the management approach	Page 14 (Business Resilience)



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