



# BUILDING A STRONG FUTURE

## COMPLETE MARINE SOLUTION

### SUSTAINABILITY REPORT 2021



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 2021 (“**FY2021**”).

We present our fifth consecutive sustainability report, highlighting our ongoing commitment to the sustainability reporting journey and the continuous integration of sustainability into our business strategy and operations. Sustainability considerations continue to form part of our business strategy and the Board continues to monitor the management of material Environment, Social and Governance (“**ESG**”) factors across the Group.

In FY2021, we successfully expanded our market presence in the renewable energy space. We achieved new revenue amounting to approximately S\$17.9 million from the Offshore Wind Farm projects in Taiwan, representing 28.3% of the Group’s total revenue for FY2021. 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 potential 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.

As we transit to a world living with COVID-19, we continue to ensure the highest standards of safety for our employees. We have also placed particular emphasis on the mental well-being of our workforce. We continue to uphold 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 attentive to the ever-changing nature of the pandemic and ensure strict compliance with all 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 2021 – 31 December 2021. 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 in order to align with best practice reporting standards. The sustainability report aligns with the reporting requirements of Rules 711(A) and 711(B) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Catalist Rules**”).

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

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

## SUSTAINABILITY AT KIM HENG 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 Kim Heng 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. Kim Heng has built its brand over the years and has established relationships with world renowned customers from over 25 countries in the regions of Southeast Asia, USA, Latin America, Australasia, Middle East and Europe.

### DIVERSIFICATION OF BUSINESS

In 2019, the Group has expanded our business operations to include offshore wind farming solutions and horizontal directional drilling. As a result, we have successfully expanded our market presence in the renewable energy space. As climate change and sustainability shift to the forefront of business strategies across the globe, we continue to see a push towards renewable energy services and support solutions aiding in the transition to clean energy.

Our services include:



#### 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 wind farm components



#### Horizontal Directional Drilling (“HDD”):

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



#### Owner and Operator of Offshore Support Vessels:

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



#### Offshore Support Services:

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



#### Shipbuilding and 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



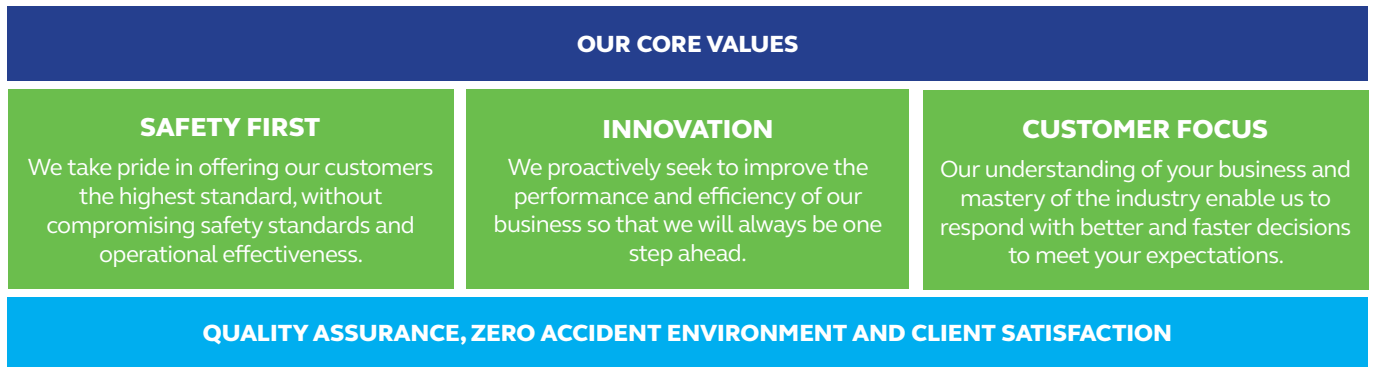
#### Heavy Equipment Rental and Sales:

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

## OUR SUSTAINABILITY APPROACH

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

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



Corporate Responsibility (“**CR**”) is a key consideration in our daily operations. The Group takes into consideration the socioeconomic influence and the environmental impact that our actions may have on the wider community in our day-to-day operations, when launching new services and when working with our partners. Kim Heng understands that a socially responsible business is one that is valued by the community and all of its stakeholders.

## SUSTAINABILITY GOVERNANCE

Kim Heng considers sustainability as part of our business philosophy, however it is necessary to account for how sustainability is governed and driven throughout the organisation in our daily operations.

The Board takes overall responsibility in overseeing sustainability management at Kim Heng. A Sustainability Committee composed of senior management, including the Chief Financial Officer and the Head of Corporate Services, lead the Group’s overarching sustainability strategy and channel 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 critical component to our strategic business planning. Stakeholder engagement enables the Group to gain valuable insight on stakeholder expectations, allowing us to improve on our operations and sustainability performance. The group of key stakeholders was identified 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
Customers	<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>
Employees	<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>
Shareholders & Investors	<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>
Government & Regulators	<ul style="list-style-type: none"> <li>• Regular engagement and dialogue with government and regulators such as Ministry of Manpower, SGX-ST, National Environment Agency and Marine Port Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Compliance</li> <li>• Regulatory and Compliance Risk</li> </ul>

## MATERIALITY ASSESSMENT

To effectively ensure that a sustainability strategy remains targeted and relevant, it is crucial for a business to assess ESG materiality. Kim Heng considers our materiality to be a critical input into our corporate sustainability strategy, as it ensures that we engage our stakeholders with the information that is most relevant and influential to them and our business.

Our material topics were determined in a materiality assessment that was conducted in FY2017 when we undertook our reporting journey. The Group believes that these material topics are still relevant in the current context. Due to no significant changes to our business strategy and market environment, the Group has decided to continue with reporting on these topics.

In recent years, however, we have faced 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 in importance on both a local and a global scale. With the release of the Intergovernmental Panel on Climate Change Sixth Assessment Report as well as the Conference of Parties (COP26) taking place in late 2021, governments, organisations and stakeholders are demonstrating the need for targeted action against climate change and environmental management. Kim Heng is committed to playing a role in the clean energy transition in the shipping industry.

### RESOURCE MANAGEMENT

The two primary sources of energy used in our operations are electricity and marine gas oil. As these fuels are currently reliant on fossil fuels, it is pertinent to ensure the efficient management of these resources. Water management is also critical to our operations, as ships and vessels make use of ballast water which can be harmful to water ecosystems and can diminish marine biodiversity if improperly disposed of. The last area of consideration in our resource management is the effective management of waste. Majority of our waste management is targeted at the fabrication of offshore platforms as well as the building and repairing of vessels. These three areas of consideration have high levels of impact on the environment, encouraging Kim Heng to ensure our impacts are minimised and our resources are effectively managed.

The industry we operate in is subject to several environmental regulations regarding air pollution, ballast water discharge and waste treatment. Our sustainability journey allows us to reframe these regulations from a ‘compliance exercise’ to an ‘opportunity to minimise waste and optimise operations in our business’. Kim Heng believes in the benefits that sustainability efforts can have on the triple bottom line.

Kim Heng operates with the ISO 14001 Environmental Management System (“**EMS**”) as well as the ISO 9001:2008 Quality Management System (“**QMS**”). Using these systems, we apply a precautionary approach towards tackling and managing our environmental footprint.

The Group always strives to operate in strict compliance with all environmental regulations and requirements. In FY2021, we achieved zero reported incidents of environmental non-compliance. In FY2021, our vessels continue to be in compliance with existing MARPOL regulations, as well as MARPOL Annex V’s new changes for waste management.

## ENERGY AND EMISSIONS

### MANAGEMENT APPROACH

The International Maritime Organisation (“**IMO**”) has established the Ship Energy Efficiency Management Plan (“**SEEMP**”) as a regulation, which provides a practical approach in managing ship operations and fleet efficiency performance. In FY2021, we remained compliant with the SEEMP and all vessels were issued an approved SEEMP Certificate of Compliance.

In FY2021, we also conducted the annual Recognised Organisation (“**RO**”) class survey on all vessels and maintained compliance with the MARPOL Annex VI regulations<sup>1</sup> on air pollution. This allowed all our vessels to 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 emissions of our vessels.

Under the IMO MARPOL treaty, the IMO 2020 regulation limits sulphur in ships’ fuel to a maximum of 0.50%. Kim Heng maintains its stance on using fuel that falls within the acceptable range of 0.37% to 0.5% sulphur levels, as per ISO 14596:2007 (Determination of Sulphur Content). In 2021, our fleet included 80% of our vessels that fall within the range of 0.037% - 0.1% sulphur levels, whereas the remaining 20% of our vessels use 0.4% sulphur, still falling within the accepted MARPOL range. Our Anchor Handling Tug Supply (“**AHTS**”) vessels run on Marine Gas Oil (“**MGO**”) as opposed to the traditionally used Marine Fuel Oil (“**MFO**”). All MGO supplied is considered Low Sulphur Marine Gas Oil (“**LSMGO**”) that has a sulphur content of less than 0.1%.

The use of LSMGO is our first choice when bunkering, with majority of our bunker suppliers complying with the last LSMGO requirements to supply EUPO Diesel at 0.1% Sulphur. The marine department has also stepped-up inspection and audits on the vessel maintenance in compliance with emission and energy efficiency.

In addition to Kim Heng’s environmental efforts for our vessels, we aim to foster and develop a ‘green culture’ within all areas of our organisation. In FY2021, we achieved the Eco-Office Labelling Certification, driven by Singapore Green Label, with the aim of guiding offices in the implementation of environmentally friendly practices and eco-consciousness among staff.

### PERFORMANCE

In FY2021, there were two shipyards and nine vessels in operation. Energy consumption data includes both electricity consumption of our shipyards and fuel consumption of our vessels. We have also included both scope 1 and scope 2 carbon emissions based on the consumption values.

Table 2. Energy Consumption and Emission Results for FY2021<sup>2</sup>

	FY2019	FY2020	FY2021
Electricity Consumption (kWh) – shipyard	1,554,981	1,131,629	1,199,097
Fuel Consumption (ton) <sup>3</sup> – vessels	16,442	8,564	22,532
Direct Scope 1 Emissions (ton) <sup>4</sup>	52,711.99	27,454.97	72,236.89
Indirect Scope 2 Emissions (ton) <sup>5</sup>	651,226	462,271	489,232

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

<sup>2</sup> Emission boundaries are set as per the approved class according to the IAPP. Emissions are based on marker calculations.

<sup>3</sup> Fuel consumption is captured in tons (as units of measure), to aptly link the relevant consumption to the corresponding Scope 1 emissions.

<sup>4</sup> We use the emission factor of 3.206 grams CO2 per gram fuel, for calculation of CO2 emissions Source: <https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/Fourth%20IMO%20GHG%20Study%202020%20-%20Full%20report%20and%20annexes.pdf>

<sup>5</sup> We use the emission factor of 0.4080, for calculation of CO2 emissions Source: <https://www.ema.gov.sg/singapore-energy-statistics/Ch02/index2>



The increase in electricity and fuel consumption levels, and subsequently the emissions levels, was primarily due to the overall increase in the size of our fleet and vessel utilisation rate.

## WATER DISCHARGE AND CONSERVATION

### MANAGEMENT APPROACH

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

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

In FY2021, all our vessels remained in compliance with either the D1 standard (which specifies requirements for ships to exchange ballast water in open seas, away from coastal areas) or D2 standard (which requires ships to conform to the maximum amount of viable organisms allowed to be discharged, including specified indicator microbes harmful to human health), where applicable. Furthermore, our vessels are accredited with the International Ballast Water Management Certificate. Beyond these regulations, all vessels operate in compliance with the MARPOL Annex 1 regulation on prevention of oil pollution, have the Shipboard Marine Pollution Emergency Plan (“**SMPEP**”) implemented onboard, and are accredited with the International Oil Pollution Prevention (“**IOPP**”) certificate.

In addition, our office and shipyard operations continue to make use of rainwater harvesting and reuse.

Kim Heng continues to carry out manual verification and calculation of fresh water consumption daily and monthly. This financial year, all vessels continue 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. However, due to the nature of space and equipment limitations, we are still investigating water conservation measures on board vessels.

### PERFORMANCE

In FY2021, the water consumption data of the shipyards and nine vessels in operation are reported.

Table 3. Water Consumption Results for FY2021

	FY2019 (m <sup>3</sup> )	FY2020 (m <sup>3</sup> )	FY2021 (m <sup>3</sup> )
Total Water Consumption	61,219	64,222	161,864

The increase in total water consumption was primarily due to the increase in vessel utilisation.



Wind turbine installation



HDD works for Changfang & Xidao (CFXD) offshore windfarm



HDD works for Yunlin offshore windfarm

## WASTE MANAGEMENT

### MANAGEMENT APPROACH

Kim Heng complies with the MARPOL Annex V – Regulations for prevention of pollution by garbage. We have implemented strict waste management procedures and guidelines that have been developed with reference to local and international standards, which we continue to adhere to over the years.

Furthermore, Kim Heng has increased our waste management efforts this financial year by adding recycling bins to some of our operating locations.

### PERFORMANCE <sup>6</sup>

In FY2021, the waste collection data of the two shipyards and nine vessels in operation are reported.

Table 4. Waste Disposal Results for FY2021

	Vessels (m <sup>3</sup> )	Shipyards (m <sup>3</sup> )	Total (m <sup>3</sup> )
Waste Disposal (m <sup>3</sup> ) for FY2021	404	482,260	482,664
Waste Disposal (m <sup>3</sup> ) for FY2020	192	619,630	619,822

The increase in waste relating to vessels is due to an increase in fleet size, increase in crew size and increased utilization of vessels.

<sup>6</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



Pipe conduit pullback operation in Yulin, Taiwan



Near shore cable pulling works in Taiwan



Loading of drilling equipment & food supply for drillship

#### FUTURE OUTLOOK AND PERFORMANCE INDICATORS

- We have achieved a Green Office Label certification in FY2021 meeting the requirement to achieve by 2023 within 5 years of our base year 2017.
- We are currently investigating the installation of solar panels and LED lighting solutions in our operations and exploring the switch from diesel vans and lorries to Electric Vehicles (EV) as we transition to cleaner energy sources.
- Kim Heng aims to reduce our energy, water and waste levels by 2% per annum in the next two years for our office premises, from the base year 2017.
- The Group aims to develop and organise an environmental awareness campaign in the future.
- Maintain compliance with environmental regulations and requirements.

# NAVIGATING TOWARDS SUCCESS

Our long term strategy is to enhance our competitiveness & capabilities to own and operate a comprehensive fleet of AHTS, AHT, Tugs & Barges and Fast Crafts to provide anchor handling operation and other support services for your offshore operation needs.





Bridgewater131 - Towing a semi submersible rig



## SOCIAL

### HEALTH AND SAFETY

Kim Heng strives to keep our shipyards and worksites a safe and healthy environment for our employees and contractors. We understand that the nature of some of our operations may put the safety of our on-site crew and vessel workers at risk, and are therefore committed to ensuring that all 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. We have stringent health, safety and environment (“**HSE**”) policies in place to outline the key requirements for employees, implemented and monitored by key designated HSE personnel. HSE personnel also monitor HSE-related issues for shipyards and vessels, as well as attain all relevant certifications, to ensure the Group remains compliant.

In continuation from previous years, our stringent risk mitigation measures are complemented with additional comprehensive risk assessments carried out on a regular basis, to ensure all areas of safety are in check. These risk assessments are undertaken by the HSE Risk Management Team, comprising Head of Shipyard, HSE Manager and HSE Committee members as well as the recent expansion to include Risk Management Team Leaders from every department thus ensuring more accountability along reporting streams specific to job function.

Kim Heng believes that every employee has a responsibility to follow the correct procedures, in order to achieve a safe working environment for all. We continue to reiterate that all employees must stay vigilant against any unsafe act or behaviour, such as incorrect working procedures, unsafe equipment and working conditions.

We have continued to maintain individual Safety Observations to illustrate the best practices for controlling workplace hazards, improving occupational health and safety through safe acts and behaviours, improved equipment status and improved procedures. These Safety Observations in the Standard Operating Procedures (“**SOP’s**”) ensure safe work practices among employees. We actively aim to 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 ISO45001:2018 (Occupational Health and Safety Management Systems) certified company, we conform to health and safety standards and are able to implement processes that improve our employee’s health and safety, eliminate hazards and minimise health and safety risks associated with our organisation’s activities.

Additionally, we have also 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 FY2021, we were unable to conduct an “emergency fire drill” due to COVID-19 safe management measures, such as safe distancing and no social gatherings at the workplace.

However, we conducted a “fire-fighting exercise” among the Emergency Response Team (ERT) in April 2021.

## PERFORMANCE

In FY2021, there were no workplace fatalities, although there were three Lost Time Incidents<sup>7</sup> and three recordable work-related injuries. The diagrams below indicate frequency and severity throughout FY2021<sup>8</sup>. 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.

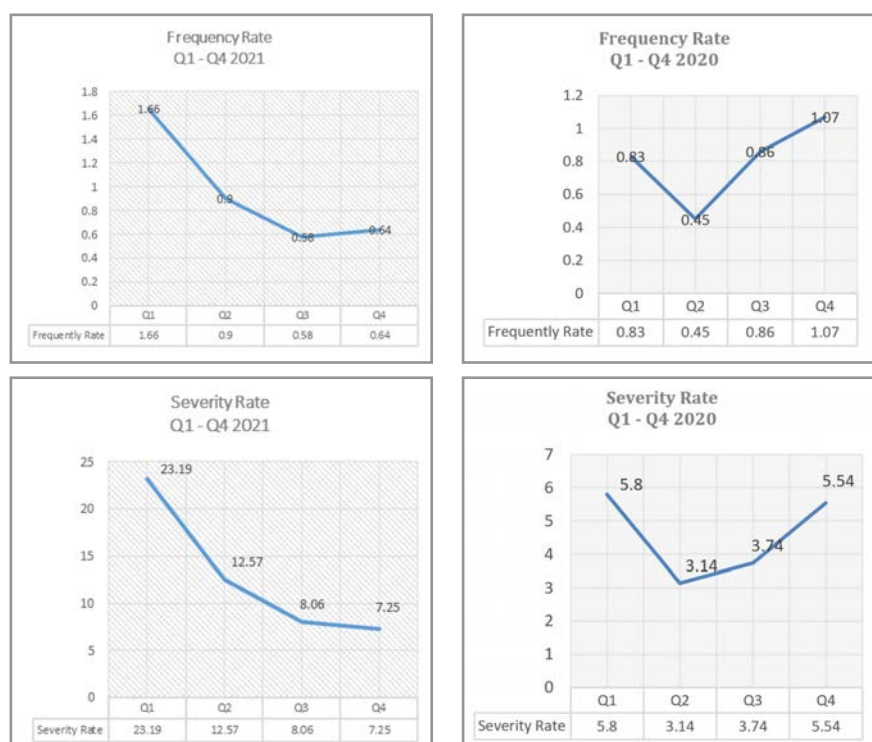


Table 5. Accident, Incident, Injury and Fatality Results for FY2021.

	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	3	0
Number of Hours Worked	983,428	N/A
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 (%) <sup>9</sup>	0.6	0

<sup>7</sup> Lost Time Incidents = Work-related accidents with medical leave of more than 3 consecutive days

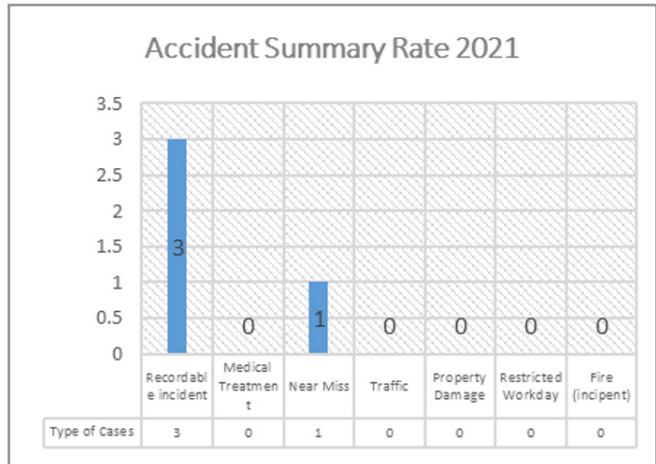
<sup>8</sup> Frequency Rate (FR) (Number of injury x 200,000) / Number of hours worked Severity Rate (SR) (Number of lost days due to injury x 200,000) / Number of hours scheduled to be worked

<sup>9</sup> Rate of Recordable Work-Related Injury (Number of cases x 200,000) / Number of hours worked

To gain a holistic view of the overall health and safety of our operations, the Group further investigated each of these incidents, as well as non-recordable incidents. The accident summary and first aid analysis below illustrate the severity of the injuries, assisting us in identifying risks as well as opportunities for improvement.

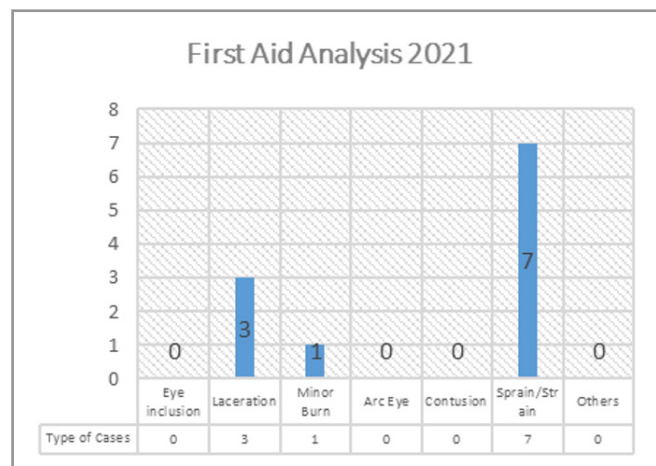
### Accident Summary 2021

Types of cases	No. of cases
Recordable incident	3
Medical treatment	0
Near misses <sup>10</sup>	1
Traffic	0
Property Damage	0
Restricted Workday	0
Fire (incident)	0



### First Aid Analysis 2021

Types of cases	No. of cases
Eye inclusion	0
Laceration	3
Minor Burn	1
Arc Eye	0
Contusion	0
Sprain/Strain	7
Others	0



### FUTURE OUTLOOK AND PERFORMANCE INDICATORS

Our key targets for FY2022 include:

- Maintain zero workplace fatality cases
- No more than 3 Lost Time Incidents
- No cases of Property Damage and Fire Explosion
- Lower incident frequency rate and severity rate
- Ensure every personnel is socially responsible in the work environment

<sup>10</sup> Any incident that nearly results in either damage to equipment, harm to people or impact on environment.



## SAFETY AGAINST COVID-19

In FY2021, regulations and Safe Management Measures remain the norm across all industries. The Government has continued engaging with third parties who conduct workplace inspections to ensure our compliance with regulations.

With support from infection prevention experts, as well as with consultation with employees, we conduct regular risk assessments for COVID-19 in the workplace. This allows us to determine the potential risk of occupational exposure in different jobs, work tasks and work settings, in order to plan and implement appropriate measures to tackle and mitigate risks.

We maintain our Safe Management Measure and ensure all employees comply. Employees, who are close contacts of confirmed cases or have a Health Risk Warning, are required to work from home, monitor their health daily and take ART tests. We also disinfect the desks of COVID positive employees. In addition, employees had to do weekly ART tests for early detection of cases and prevent the spread of the virus.

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.

## HUMAN CAPITAL DEVELOPMENT

The Group regards our employees as the backbone of our business, success and growth. We continue to prioritise employee development, as well as provide competitive employee benefits and ensure fair and safe working conditions to ensure staff retention and talent attraction.

FY2021 saw an overall increase in total number of employees due to the increase in vessel utilisation, increase in vessel acquisition and increase in operational fleet size.

Table 6. Total number of employees in FY2021

	FY2020		FY2021	
	Male	Female	Male	Female
Permanent contract	225	33	231	43
Temporary contract	251	1	269	0
Total	476	34	500	43

	FY2020		FY2021	
	Male	Female	Male	Female
Full time	476	34	500	43
Part time	0	0	0	0

## MANAGEMENT APPROACH

### FAIR EMPLOYMENT

Kim Heng continues providing diverse and equal opportunities to all our employees. Our policy on maintaining fairness and non-judgement regarding race, religion, nationality, age or family status when assessing candidates continues to be paramount. The Group prides ourselves in assessing shortlisted candidates based solely on qualifications, relevant experience, skills and knowledge. In FY2021, we have employed matured workers as well as employees of different races.

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 (“HR”) department or senior management where necessary.

## TRAINING AND DEVELOPMENT

Kim Heng understands the importance of providing upskilling and training programmes for our employees, which enables continuous skill enhancement in our workforce. We provide training targeted towards specific job scopes, such as Shipyard Safety Instruction Course (“**SSIC**”) for shipyard workers, and Basic Offshore and Emergency Induction Training (“**BOSIET**”) for workers involved in offshore projects. Our annual safety training programme was also conducted this financial year.

This financial year, we were able to equip our employees with Global Wind Organization (“**GWO**”) training standards, a goal we set last year as we ventured into the Windfarm sector. These trainings include, GWO Basic Safety Training, GWO First Aid, GWO Working At Height, GWO Sea Survival, GWO Fire Awareness and GWO Manual Handling.

All trainings were conducted in line with prevailing Safe Management Measures, or alternatively in an online capacity.

In FY2021, the Group contributed a total of SDG \$55,836 to training and development, and there was an average of 15.88 hours of training per employee. The list below provides a comprehensive overview of all training provided and the number of attendees per training.

COURSE NAME	TOTAL HEADCOUNT
APPLY WORKPLACE SAFETY AND HEALTH IN SHIPYARD – SSIC-GENERAL TRADE	14
BUILDING CONSTRUCTION SUPERVISORS SAFETY COURSE (BCSS)	1
BOSIET Course	6
BOSIET Refresher Course (FOET)	1
CRAWLER CRANE OPERATION COURSE	2
GWO: BST - FIRE AWARENESS/FIRST AID	1
GWO: BST - FIRE AWARENESS/MANUAL HANDLING/FIRST AID	1
GWO: BST - FIRE AWARENESS/MANUAL HANDLING/SEA SURVIVAL/FIRST AID	10
GWO: BST - WORKING AT HEIGHT	16
HAZMAT TRANSPORT DRIVER COURSE	3
MANAGE WORKPLACE SAFETY AND HEALTH IN SHIPBUILDING AND SHIP REPAIR	3
MARINE METAL SCAFFOLDING SUPERVISOR CLASS	3
OCCUPATIONAL FIRST-AID COURSE (REFRESHER)	7
OCCUPATIONAL FIRST-AID COURSE WITH CPR + AED	4
OVERVIEW OF EMPLOYMENT LAW IN SINGAPORE	2
SAFE MANAGEMENT OFFICERS TRAINING COURSE (SMO)	6
SHIPYARD LOW LEVY TRAINING - 3G SMAW	1
APPLY WORKPLACE SAFETY AND HEALTH IN SHIPYARD - SSIC - GENERAL TRADE (RECERT)	9
SHIPYARD SAFETY INSTRUCTION COURSE FOR WORKERS - HOT WORK (SSIC-HW)	14
SUPERVISORY TRAINING IN ART SELF-SWAB (SYNCHRONOUS E-LEARNING)	34
WSQ PERFORM WORK AT HEIGHT COURSE	7
WSQ PERFORMING RIGGER AND SIGNAL TASKS	1

Table 7. Total List of Training Offered in FY2021.

## EMPLOYEE BENEFITS

Kim Heng continues to comply with the Ministry of Manpower’s (“**MOM**”) mandatory requirements for employee benefits. In FY2021, due to the manpower shortages brought about by COVID-19 restrictions, we adjusted the salary of our foreign workers in order to maintain a competitive compensation package, which is within the industry market rates.

To improve employee well-being, we ensure employees can directly communicate with supervisors, management or the HR department in an open and fair manner. Any feedback received is brought to management’s attention and subsequent action and downward feedback is conveyed back to employees where applicable and appropriate.

We ensure our staff undergo annual appraisals to inform their performance. The appraisal process also provides employees with areas of growth and development. As an approach to handling employee exits, we conduct exit interviews to find out their reasons for leaving, in order to improve talent retention.

## PERFORMANCE

New Employee Hires	
Total # of Employee Hires	183
<30 yrs.	23
30-50 yrs.	148
>50 yrs.	12
# of new employee hires by gender	
Men	166
Women	17

In FY2021, our new employee hires and our turnover rate is inclusive of onshore staff, as well as the crew from our Bridgewater vessels.

Table 8. New Employee Hire & Turnover for FY2021

Employee Turnover	
Total #of Employee Turnovers	171
<30 yrs.	19
30-50 yrs.	141
>50 yrs.	11
# of employee turnovers by gender	
Men	159
Women	12

The total employee count includes 238 seafarers, who are employed on short-term employment contracts or rotate out every quarter. The turnover in 2021 was higher than 2020 due to more seafarers rotated out with the easing of COVID-19 restrictions this financial year. We have also recruited 269 short-term crew for newly purchased vessels.

## FUTURE OUTLOOK AND PERFORMANCE INDICATORS

Kim Heng is working on adopting the share option schemes including Kim Heng Employee Share Option Scheme (“**Kim Heng ESOS**”) as well as a performance share plan known as the Kim Heng Performance Share Plan (“**Kim Heng PSP**”), with the aim of retaining and rewarding employees in the future. We intend to initiate these plans within the next few years, and want to ensure that the company stays viable and ready for any projects tender.



# SUPPORTING THE SHIFT TO SUSTAINABILITY THROUGH RENEWABLE ENERGY



HDD works in CFXD offshore windfarm, Taiwan



Bridgewater163 towing an FSO



Marine support for positioning of drilling rig

## ECONOMIC

### ETHICS AND ANTI-CORRUPTION

Kim Heng understands that ethics and corruption is a sensitive area in our industry. We recognise that breaches of ethics and corruption can result in reputational damage, legal consequence and loss of customers. Furthermore, 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. We continuously strive for the highest level of transparency and corporate ethics, instilling established policies and ensuring sound corporate governance and internal controls.

Our established anti-bribery and corruption (“**ABC**”) policy continues to provide management and staff guidance on measures to reduce risks of bribery and corruption. Furthermore, the policy intends to address regulatory requirements and marketplace expectations accordingly.

Kim Heng’s whistle-blowing policy enables our staff to raise concerns about any suspicious wrongdoings discreetly and without repercussion, including improprieties in matters of financial reporting, fraudulent acts and other matters within the Group.

All employees are briefed, trained and received communications on the ABC policy and the whistle-blowing policy, and the policy is easily accessible on a shared drive. The ABC policy is also provided in a handbook as part of the induction process for new employees. The whistleblowing and ABC policy also underwent review from the Audit and Risk Committee (“**ARC**”).

### PERFORMANCE

There have been no cases of anti-bribery and corruption reported or any whistle-blowing reports received in FY2021.

### 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.



Wind turbine installation



New Sany SCC12500A crawler crane commissioned

## REGULATORY COMPLIANCE

The Offshore and Marine industry is heavily governed by environmental, social and economic laws and regulations. Non-compliance with these regulations can result in significant legal fines as well as reputational damage.

### MANAGEMENT APPROACH

Kim Heng has an established management policy regarding the compliance with social and environmental laws. We continue to ensure all staff are informed and briefed on this policy. We adhere strictly to all legal standards regarding dealings in securities, contracts and any other provisions, as is defined in our Code of Ethics. 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 FY2021.

### FUTURE OUTLOOK AND PERFORMANCE INDICATORS

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

## FINANCIAL STABILITY

By ensuring financial stability, it allows the Group to continue operations, 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, Kim Heng has diversified our operation services to include growth avenues in sustainable energy areas, aiming to leverage on the transition to cleaner and greener energy sources.

## PERFORMANCE

The Group's financial performance improved in FY2021 as compared to FY2020.

In FY2021, revenue increased by 68% year-on-year (“**YoY**”) to S\$63.2 million from S\$37.6 million in FY2020. The increase in revenue was driven by increased demand across the various chartering and marine offshore activities. Gross profit margin increased to 25% in FY2021 from 20% in FY2020.

In FY2021, cost of sales increased by S\$17 million to S\$47.2 million from S\$30.2 million in FY2020. Consequently, gross profit increased by S\$8.6 million or 116% to S\$16.0 million in FY2021 from S\$7.4 million in FY2020.

As of 31 December 2021, the Group's cash and cash equivalents stood at S\$8.3 million. The Group achieved a positive operating cash flow of S\$3.7 million for FY2021 as compared to a positive operating cash flow of S\$3.6 million in FY2020.

## FUTURE OUTLOOK AND PERFORMANCE INDICATORS

Moving forward, our focus is on providing opportunities for the 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.

Kim Heng is proactively pursuing diversification from oil & gas, to better position ourselves 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 (“**HDD**”) 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 Convention
- Eco-Office Certification

### MEMBERSHIPS

- Singapore Shipping Association
- ASMI - Association of Singapore Marine Industries
- ANSI National Accreditation Board
- Singapore Chinese Chamber
- Singapore Business Federation
- IADC - International Association of Drilling Contractors
- Asia Wind Energy Association
- Singapore Logistics Association



## GRI Standards Content Index

GRI Content Index			
GRI Standard	Disclosure	Page number and/or URL	
GRI 101: Foundation 2018			
General Disclosures			
GRI 102: General disclosures 2018	Organisational profile		
	102-1	Name of the organisation	01
	102-2	Activities, brands, products, and services	02
	102-3	Location of headquarters	02
	102-4	Location of operations	02
	102-5	Ownership and legal form	01
	102-6	Markets served	02
	102-7	Scale of the organisation	Refer to Annual Report for FY2021
	102-8	Information on employees and other workers	15
	102-9	Supply chain	02
	102-10	Significant changes to the organisation and its supply chain	02
	102-11	Precautionary Principle or approach	05
	102-12	External initiatives	NA
	102-13	Membership of associations	22
	Strategy		
	102-14	Statement from senior decision-maker	01
	Ethics and integrity		
	102-16	Values, principles, standards, and norms of behaviour	03
	Governance		
	102-18	Governance structure	03
	Stakeholder engagement		
	102-40	List of stakeholder groups	04
	102-41	Collective bargaining agreements	NA
	102-42	Identifying and selecting stakeholders	04
	102-43	Approach to stakeholder engagement	04
	102-44	Key topics and concerns raised	05
	Reporting practice		
	102-45	Entities included in the consolidated financial statements	Refer to Annual Report for FY2021
	102-46	Defining report content and topic Boundaries	01, 03, 05
	102-47	List of material topics	05
	102-48	Restatements of information	No reinstatements
	102-49	Changes in reporting	No changes
	102-50	Reporting period	01
	102-51	Date of most recent report	28 May 2021
	102-52	Reporting cycle	01
	102-53	Contact point for questions regarding the report	01
	102-54	Claims of reporting in accordance with the GRI Standards	01
	102-55	GRI content index	23-25
	102-56	External assurance	No external assurance

Material Topics			
Energy Consumption			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	06
	103-2	The management approach and its components	06-07
	103-3	Evaluation of the management approach	06-07
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	06
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	06
	305-2	Energy Indirect (Scope 2) GHG emissions	06
Water Consumption			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	07
	103-2	The management approach and its components	07
	103-3	Evaluation of the management approach	07
GRI 303: Water 2016	303-3	Water withdrawal by source	07
Waste management			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	08
	103-2	The management approach and its components	08
	103-3	Evaluation of the management approach	08
GRI 306: Effluents and waste 2016	306-2	Waste by type and disposal method	08
Environmental Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	05
	103-2	The management approach and its components	05
	103-3	Evaluation of the management approach	05
GRI 307: Non-compliance 2016	307-1	Non-compliance on environmental laws and regulations	05
Employment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	15
	103-2	The management approach and its components	15-17
	103-3	Evaluation of the management approach	15-17
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	15-17
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	16-17

Occupational Health and Safety			
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 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	12-15
Anti-corruption			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	20
	103-2	The management approach and its components	20
	103-3	Evaluation of the management approach	20
GRI 205: Anti-corruption 2016	205-2	Communications and training about anti-corruption policies and procedures	20
Regulatory Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	21
	103-2	The management approach and its components	21
	103-3	Evaluation of the management approach	21
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	21

## ABBREVIATIONS:

- ABC: Anti-bribery and Corruption
- ANSI: The American National Standards Institute
- ARC: Audit and Risk Committee
- ASMI: Association of Singapore Marine Industries
- BOISIET: Basic Offshore and Emergency Induction Training
- EMS: Environmental Management System
- ESG: Environment, Social and Governance
- ESOS: Employee Share Option Scheme
- GRI: Global Reporting Initiative
- HDD: Horizontal Directional Drilling
- HSE: Health, Safety and Environment
- IADC: International Association of Drilling Contractors
- IMO: International Monetary Organization
- IOPP: International Oil Pollution Prevention
- ISM: International Ship Management
- ISO: International Organization for Standardization
- ISPS: International Ship and Port Facility Security Convention
- MARPOL: International Convention for the Prevention of Pollution from Ships
- MLC: Maritime Labour Convention
- MOM: Ministry of Manpower
- OHSAS: Occupational Health and Safety Assessment Series
- QMS: Quality Management System
- SEEMP: Ship Energy Efficiency Management Plan
- SOP: Standard Operating Procedure
- SSIC: Shipyard Safety Instruction Course
- STCW: International Convention on Standards of Training, Certification and Watchkeeping for Seafarers





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