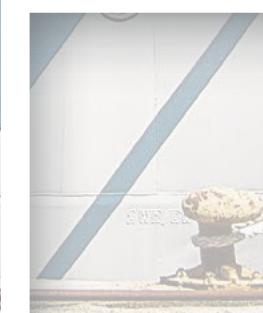
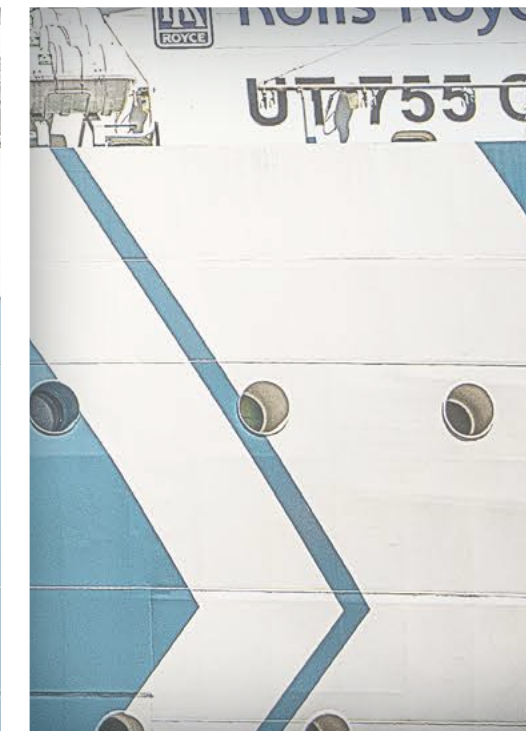




## SUSTAINABILITY REPORT

# 2022





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## BOARD STATEMENT

While the COVID-19 pandemic situation had improved globally, there were macroeconomic uncertainties triggered by Russia's invasion of Ukraine in February 2022. This induced oil price fluctuations and fears of recession, which in turn led to volatility in the offshore and marine sector.

Against this challenging industry outlook, Nam Cheong Limited ("Nam Cheong") and its subsidiaries ("the Group") stayed the course and grew overall Group revenue from RM286.2 million in FY2021 to RM365.7 million in FY2022, driven by higher utilisation in vessel chartering. In line with the revenue growth, gross profit increased by 58% year-on-year to RM100.7 million in FY2022.

While sustaining positive financial performance and restructuring the remaining liabilities with creditors are key priorities for the Nam Cheong Board and Management, the Group remains committed to formulating and implementing long-term environmental, social and governance ("ESG") strategies to manage risks and safeguard the Group's long-term resilience. The Board has considered the full spectrum of ESG issues – such as climate change and impacts from the economic uncertainty – in its corporate oversight and strategy formulation. As a shipbuilder and fleet operator, Nam Cheong is looking ahead to capitalize on new opportunities, such as the demand for more efficient and low-carbon Offshore Support Vessels ("OSVs").

Based on interactions with various stakeholders, the Board had assessed that FY2021's material ESG factors – safety first, environmental protection, compliance, caring for employees, giving back to the community, and business resilience – continued to be relevant for FY2022. The Board worked closely with the Management to implement and monitor the progress and outcomes of various ESG initiatives. This included embarking on climate risk assessment, which is addressed in this Sustainability Report, and adopting a Board diversity policy.

This is the sixth edition of Nam Cheong's annual sustainability report, which affirms the Group's philosophy in 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, all staff and business partners for their effort and teamwork in weathering through a long and challenging COVID-19 pandemic. Now that the worst has come to pass, let us continue to work together, integrate ESG into our daily work, and create shared prosperity for the Group and the wider society.

**Tan Sri Datuk Tiong Su Kouk**  
Executive Chairman





# OVERVIEW

## Reporting Scope

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 Sustainability Report 2022, which has been prepared in accordance with the GRI Universal Standards 2021. No external assurance was sought for this report.

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 4 months after the end of the financial year. This sustainability report covers the Group’s Offshore Support Vessel (“OSV”) building and chartering operations headquartered in Malaysia for the financial year from 1 January to 31 December 2022. The report includes the six primary reporting components as stipulated in SGX’s Listing Rule 711B, namely:



The Group has adopted a phased approach in climate-related reporting commencing with this year’s report. This phased approach has referenced SGX’s Practice Note 7.6 Sustainability Reporting Guide. The TCFD Disclosures table at the end of this report indicates our progressive alignment with the eleven TCFD recommendations.

We welcome readers’ feedback on this sustainability report. Please email us at: [enquiry@ncl.com.sg](mailto:enquiry@ncl.com.sg).



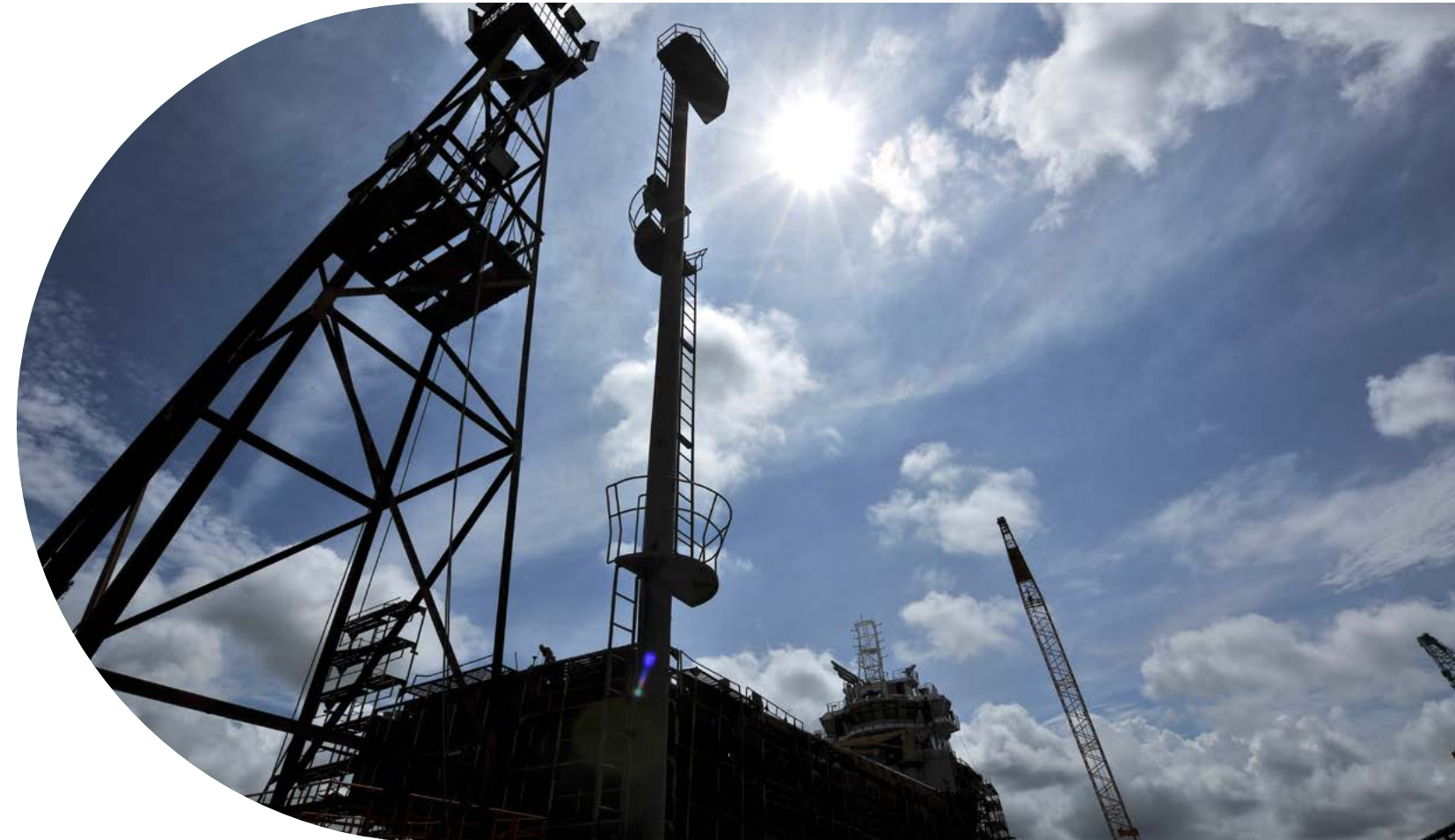


## Sustainability Governance

Nam Cheong is committed to achieving high corporate governance standards. We believe in good corporate governance to sustain stakeholders' confidence and protect their interests. To ensure that we run our operations and grow our business with integrity, we have implemented robust governance policies and procedures to ensure compliance and transparency in our business conduct.

The Board oversees the corporate governance and sustainability strategy of the Group, and provides guidance to Management on the development of policies and management structures to implement, monitor and report on ESG performance. The Board takes into consideration sustainability issues as part of its strategic formulation, as well as how the Group should achieve positive impacts and minimise negative impacts on the economy, environment and community, so as to contribute to national and international sustainable development policies and programmes. All Board Members have attended sustainability training.

The Board receives regular reports on ESG-related issues from the business units and may delegate the management of ESG impacts to Management. Furthermore, all issues of critical concern are surfaced to the Board expeditiously. Managers from the business units are involved in the development of Nam Cheong's sustainability policies, and as well as integrating the appropriate sustainability policies and procedures into their areas of operation with operational guidance from the CEO.



## Risk Management

The Board has the overall responsibility for Nam Cheong's sustainability strategy, including climate-related risks and opportunities. The Board has established a separate Risk Management Committee ("RMC") chaired by the CEO to oversee risk governance in the Group and maintain a sound system of risk management and internal controls. The RMC monitors and assists the Board in determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

The RMC reviews regularly the Group's policies and procedures, business and operational activities, to identify areas of significant risks as well as to determine appropriate measures to control and mitigate these risks and subsequently report these findings to the Audit Committee ("AC") and Board.

The Group has started its climate risk reporting journey in FY2022 by identifying the climate-related risks (this is reported in the "Climate Risk Assessment" section under Environmental Protection) and reviewing our Scope 1 and Scope 2 emissions. To strengthen oversight, the RMC will progressively incorporate climate-related risks into its overall risk universe for ongoing monitoring and management.



# 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. We build and maintain mutually beneficial relationships with all stakeholders through regular, two-way 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 gradual post-pandemic recovery in 2022 and easing of restrictions on travel, physical meetings and onsite work across the world enabled the Group to step up engagement efforts through various face-to-face and online channels. The stakeholder groups, modes of engagement and salient concerns are summarised in the table below.



Stakeholders Engagement Table

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



# MATERIAL ESG FACTORS

## Identifying Material ESG Factors

Nam Cheong’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. The Board, with Management’s inputs, has determined the identified ESG factors as material to the business and that these factors are considered in setting strategic objectives and providing corporate oversight.

Nam Cheong adopted a multi-step approach in identifying the material ESG factors for 2022:

- We engaged stakeholders and noted their current concerns.
- We monitored external sustainability developments and industry trends, such as how geopolitical events impacted the offshore and marine industry.
- We examined what our industry peers were focusing on in terms of their salient ESG concerns and initiatives.
- 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.
- Under the Board’s oversight, Nam Cheong’s Management would be responsible for the ongoing implementation, tracking and reporting of the various ESG factors, policies and initiatives.

After considering the concerns of the various stakeholder groups and assessing the external and internal impacts, we assessed that the 2021’s material ESG factors continued to be relevant for 2022:



**Safety first** – Workplace safety, safe operations and chartering.



**Caring for employees** – Training, competency building and fair employment practices.



**Environmental protection** – Improving fuel efficiency, reducing carbon emissions and implementing proper waste management.



**Giving back to the community** – Providing economic opportunities and community assistance.



**Compliance** – Conformity with environmental, safety, labour and anti corruption regulations and procedures.



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

In view of the growing impact of climate change to the global economy and community well-being, the Group has widened the scope of the Environmental protection material factor to include climate risk reporting.



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.	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.
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. Monitoring and reducing our corporate emissions is in line with global efforts on climate action.	This is an ongoing effort that contributes towards a cleaner, greener and healthier environment as well as improves our economic performance. Furthermore, our stakeholders would want Nam Cheong to identify and respond to climate-related risks.
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 business practices.	Strong governance and corporate reputation have a long-term bearing on our stakeholders' trust and willingness to invest in and work with us.

Materiality Factors	Why Is It Material?	Why Is It Significant to Stakeholders?
4. Caring for employees	Our people are critical assets to implementing organisational strategies and creating value for stakeholders. We aim to look after our employees' livelihoods and personal development needs, thus becoming a choice employer.	Sound employment policies and practices are essential to attracting, developing and retaining diverse, skilled and committed employees.
5. Giving back to the community	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.
6. 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 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 Safety Measures

Our objective is to minimise health risks to individuals and business disruptions to the Group as much as possible. We complied with all local safety, vaccination and quarantine regulations, kept abreast of the latest developments and best practices, and provided all employees with the necessary safety equipment and work support. As a business headquartered in Malaysia, we ensured that our measures were aligned with the Ministry of Health of Malaysia (Kementerian Kesihatan Malaysia)’s applicable regulations and advisories, as well as with our chartering clients’ requirements.

We issued and regularly updated a set of Standard Operating Procedures (“SOPs”) on Workforce Safety and Readiness, which was communicated to all employees. While COVID-19 regulations and restrictions were progressively relaxed in Malaysia and other regional countries, the Group continued to be vigilant in enforcing strict safety measures. Our comprehensive suite of measures 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.
- 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 sand 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. With an average vessel age of less than 6 years, SKOM operates one of the youngest fleets in Malaysia. The Group’s 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 2022, the American Bureau of Shipping (“ABS”) and Lloyds Register continued to be 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.

In 2022, SKOM continued to maintain a 6-member Health, Safety, Security, and Environment (“HSSE”) team 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 covers day-to-day operational tasks, client interfacing and vessel audits.





**Onboard Safety Policies and Procedures**

Onboard drills were carried out on a monthly, quarterly and six-monthly basis across all our vessels in line with the Annual Drill Matrix.

The following COVID-19 management guidelines continued to be practised onboard our vessels in 2022:

- Crew change quarantine requirements.
- Provision of COVID-19 Personal Protective Equipment (“PPE”) such as face masks, isolation gowns hand sanitizers.
- Proper disposal of used PPE.
- 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 PCR tests, temperature checking and 14 days’ movement history declaration.
- Shore leave was carefully managed and granted only for medical purposes with management’s approval.
- Risk Assessments and 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.

Our vessels had to comply with the local authorities’ health, safety and border control requirements. For instance, crew were subjected to quarantine upon movements between districts and required to standby within designated hotels prior to signing on. The quarantine period and Polymerase Chain Reaction (“PCR”) tests were maintained in accordance with the Standard Operating Procedures (“SOPs”) for sign on vessels, while restrictions on physical training continued to be in place.





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 2018 to 2022 is shown below.

Key Metrics	2018	2019	2020	2021	2022
Man Hours	1,005,245	1,793,120	2,718,593	2,292,125	2,353,104
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	1	0	0
Medical Treatment Cases	3	1	0	1	0
Total Recordable Cases	3	1	1	1	0
Total Recordable Incident Rate (TRIR) based on 200,000 hours	0.597	0.1	0.07	0.09	0
Total Recordable Case Frequency (TRCF) based on 1,000,000 hours	2.9	0.55	0.37	0.44	0

From 2018 to 2022, SKOM had an overall increase in man-hours while ensuring zero workplace incident fatalities and LTI. This was the outcome of vigilant efforts in sustaining 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 had a good safety record in 2022 with zero Total Recordable Cases and zero Total Recordable Case Frequency (“TRCF”). Our annual target is to maintain the TRCF at 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.

We carried out a “Risk Based Health Screening” programme onboard our work barge SK Majestic during her charter to an external client. A total of 450 health screenings was carried out in 2022, covering approximately 110 crew.





# ENVIRONMENTAL PROTECTION

## Climate Risk Assessment

We started to identify climate-related risks relevant to our business in FY2022. Climate change would expose our operations to physical risks and transition risks. Physical risks include physical damage from extreme weather events (e.g. water damage from floods and infrastructural damage from tornados), business disruption due to facility shut down, and costs/provisions for repairs. Transition risks are business-related risks that follow societal and economic shifts toward a low-carbon future. These risks can include policy and regulatory risks, rising compliance and insurance costs, obsolete infrastructure, technological risks, market risks and reputational risks.

Our preliminary identification of the physical and transition risks as well as assessment of the qualitative impacts are summarised in the table below.

## Physical Risk Assessment

### Catastrophic extreme weather events – Such as hurricanes and wildfires

- Extreme weather and knock-on effects
- Disruption to operations
- Adverse impacts are often unpredictable and location-specific
- Costs to repair or replace damaged or destroyed assets, value impairment
- Property downtime and business disruption
- Potential for increased insurance costs or reduced/no insurance availability

### Gradual changes in weather patterns – Such as higher temperatures, rising sea levels, increasing frequency of heavy rain and wind, and decreased rainfall

- Increased wear and tear or damage to assets, leading to increasing maintenance costs
- Increased operating costs due to need for additional or alternative resources (energy and/or water) to operate infrastructure and movable assets, i.e. some of the risks and impacts can be indirect
- Cost of investment in adaptation measures, such as elevating buildings or incorporating additional cooling methods
- Potential for increased damages from catastrophic events
- Potential for increased insurance costs or reduced/no insurance availability

## Transition Risk Assessment

**Market risks** – The possibility that markets and industries vulnerable to climate change will become less attractive to investors over time. This can lead to rising capital costs for building and maintaining infrastructure to manage climate risks

- Reduced demand for shipping vessels that run on fossil fuels
- Reduced asset value
- Changing customer requirements and contract risks

**Policy and regulation risks** – E.g. climate risk disclosure, tougher building standards, carbon pricing and emissions caps

- Increased cost of doing business due to new disclosure requirements and compliance measures
- Increased ongoing taxes, e.g. from carbon pricing of emissions
- Additional capital investment to comply with stricter regulation

**Resource and technology risks** – Changes in the availability, pricing and supply volatility of key resources, as well as technology-related risks

- Increased costs and reduced net operating income due to higher prices for energy, water and physical materials
- Additional capital expenditures to adapt buildings/assets to operate with reduced/ alternative resources
- New engine, fuel, and systems technology risks of being applicable and fit for purpose

**Reputational risks** – Growing stakeholder preference to work with companies incorporating climate risk into investment decisions and operations

- Risk to brand and market perception if the company is not on par with industry peers in managing climate risks
- Lower liquidity and/or reduced attractiveness of assets that have not incorporated climate mitigation

Nam Cheong is adopting a progressive strategy towards understanding and managing climate-related risks. For 2023 and beyond, we would look into tracking and managing these climate-related risks comprehensively, as well as integrating them into the Group's overall risk management policies and processes. Climate change presents new opportunities for innovation as well, such as reducing the carbon footprint of OSVs through electrification, adoption of sustainable fuels and digitalization.





### Use of Cleaner Fuel

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 marketplace. 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.

Nam Cheong’s target is to support and align the IMO’s environmental goals and regulations. In 2022, our vessels continued to use Marine Gas Oil, which has only 0.05% of sulphur content, which is well within the IMO’s upper limit of 0.5% sulphur content.

Nam Cheong supports the IMO’s policies through the following policies and actions:

- 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 potentially zero carbon fuel (such as hydrogen and ammonia).
- We design vessels with advance technologies that are fuel efficient, environmentally friendly, operationally flexible and cost-effective. We initiated the shipbuilding of diesel-electric OSVs as early as 2010, recognising that this form of propulsion can achieve potential fuel consumption by 30% when coupled with more efficient operations. From 2013 to 2022, we built and delivered 33 diesel-electric OSVs to various clients across the world. This includes 10 NCA80E electric-driven Anchor Handling Tug Supply (“AHTS”) Vessels, which are in operations globally. In 2022, we worked on improving the NCA80E design, taking into consideration the latest regulatory requirements, available technologies and lessons learnt from fleet operations.
- 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 method 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.



Scope 1 and Scope 2 Emissions

We have referenced the GHG Protocol Corporate Standard in scoping and reporting our corporate emissions for 2022. The Group’s Scope 1 direct emissions come from burning of marine fuel for SKOM’s operating fleet.

SKOM tracks the fuel usage of its operating fleet through a Daily Average Fuel Consumption Report submitted by each vessel. The table below shows 2022’s aggregate annual fuel usage for the fleet under SKOM’s management and the estimated Scope 1 carbon emissions.

Fleet Overview	Why Is It Material?	Why Is It Significant to Stakeholders?
<ul style="list-style-type: none"><li>Anchor Handling Tug Supply Vessels – 15</li><li>Platform Supply Vessels – 6</li><li>Accommodation Work Boats – 5</li><li>Accommodation Work Barge – 1</li><li>Standby Vessel - 1</li></ul>	44,564 tonnes (marine gas oil)	142,872.2 tonnes of CO <sub>2</sub> <sup>1</sup>

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. In 2022, one of our corporate clients started a fuel efficiency drive for vessels under their charter, and SKOM supported by operating the vessels under the capping limits set by the client.

The Group’s Scope 2 emissions come from the operations in Malaysia. We used a total of 651,480 kWh of electricity in 2022, a 5% increase compared to the 620,000 kWh used in 2021. The 2022 electricity consumption comprised 119,967 kWh at our offices and 531,513 kWh at our shipyard in Miri, Sarawak. Taking into consideration the grid emission factors in different parts of Malaysia, the Group’s Scope 2 emissions amounted to 245.2 tonnes of CO<sub>2</sub><sup>2</sup> in 2022.

The Group’s total Scope 1 and Scope 2 emissions was 143,117.4 tonnes of CO<sub>2</sub> in 2022.

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. 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.

In 2022, SKOM maintained its compliance with 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.

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. In 2022, SKOM’s vessels complied with the Convention, such as implementing a ballast water management plan and carrying a ballast water record book.

SKOM’s operations in 2022 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.

<sup>1</sup>The conversion from fuel usage to CO2 emissions is based on the IMO’s emission factor of 3.206 for marine gas oil as published in the Fourth IMO Greenhouse Gas Study, 2020.

<sup>2</sup>This is based on Malaysia’s grid emission factors of 0.585 kgCO2/kWh for Peninsular Malaysia, 0.525 kgCO2/kWh for Sabah and 0.330 kgCO2/kWh for Sarawak, as published in the Institute for Global Environmental Strategies (“IGES”) List of Grid Emission Factors, October 2022.



# 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 how we conduct our business, which includes understanding new rules and mitigating governance risks.
- 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 business-critical and ESG areas such as 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. We have policies and processes in place to safeguard our operations and people, as well as remediate any negative impacts.

There are comprehensive 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.

In 2022, there were no cases of regulatory non-compliance. Our target is to maintain 100% compliance with all applicable laws and regulations.

### 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 according to the decision of the internal inquiry, 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 2022, there were no cases of corruption or bribery-related investigations or disciplinary actions. Our target is to maintain zero cases of bribery or corruption.

### 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 disclosures are sent directly to Nam Cheong’s Human Resource Department.

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 2022, 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.

In 2022, we had 244 (compared to 224 in 2021) onshore employees on our payroll with 40 new joiners and 44 resignations. The 244 employees excluded offshore crew who were engaged on short-term contracts based on vessel on/off requirements. We conducted several hiring exercises in 2022, such as to fill marine services roles that support our OSV chartering business. Hiring of offshore crew follows the Maritime Labour Convention (“MLC”) requirements.

We adhere strictly to the labour laws in Malaysia and other locations where we operate, 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. None of our employees are represented by any labour union.

To ensure that employees are remunerated fairly and competitively, we provide salaries that are commensurate with the employee’s education, work experience and skillsets. Given that wage levels are market-driven and vary across seniority and job scope, we do not track or disclose the annual total compensation ratio between the organisation’s senior management and the median compensation for all employees.

## Training and Development

In 2022, Nam Cheong continued our longstanding focus on training and development to enhance our people’s functional efficiency and long-term employability, despite ongoing challenges such as restrictions on classroom training, reduction in claimable funding from the government, and the need to adapt to online classes.

In 2022, we delivered a total of 2658.5 training hours, which averaged out to 10.8 training hours per onshore employee. 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.

Most training courses were online bite-sized programmes for large groups, with an emphasis on critical areas such as digitalization; health, safety and environment (“HSE”); and anti-bribery and anti-corruption (“ABAC”). The training programmes included the followed:

- ISO 9001: 2015 Interpretation.
- ISO 9001: 2015 Internal Auditor Training.
- Occupational First Aid Skills and CPR.
- Integrated Management System Requirement Training (based on ISO 14001:2015 and ISO 45001:2018).
- Awareness Training of ISO 45001:2008 Occupational Health and Safety Management System
- IT Risk Management.
- Internal Auditing of Cyber Risk Management for the Maritime Industry.
- Effective Employee Relations Handling.
- Best Practices in Docking Management.
- Emergency Preparedness and Crisis Management.
- Handling Grievances and Domestic Inquiry.

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 with respective industry and charter requirements and best practices. Trainers will have to be registered with or accredited by the relevant industry authorities such as the Malaysian Human Resources Development Fund.

In 2022, 164 of our onshore staff strength of 244 were eligible for performance evaluation and all 164 employees went through the exercise. This was to assess which employees would qualify for promotion and career development opportunities.





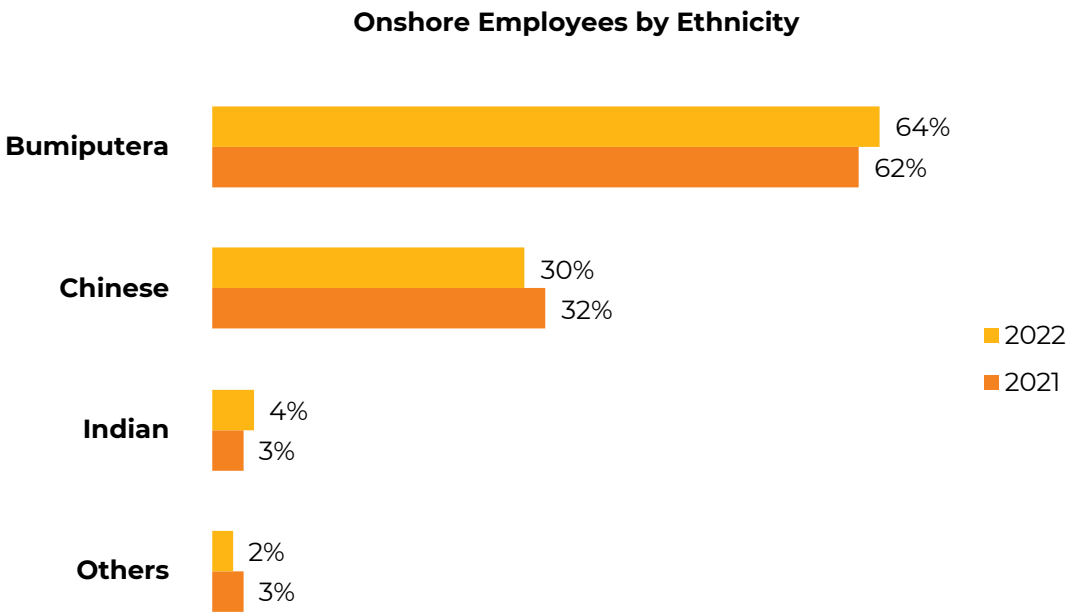
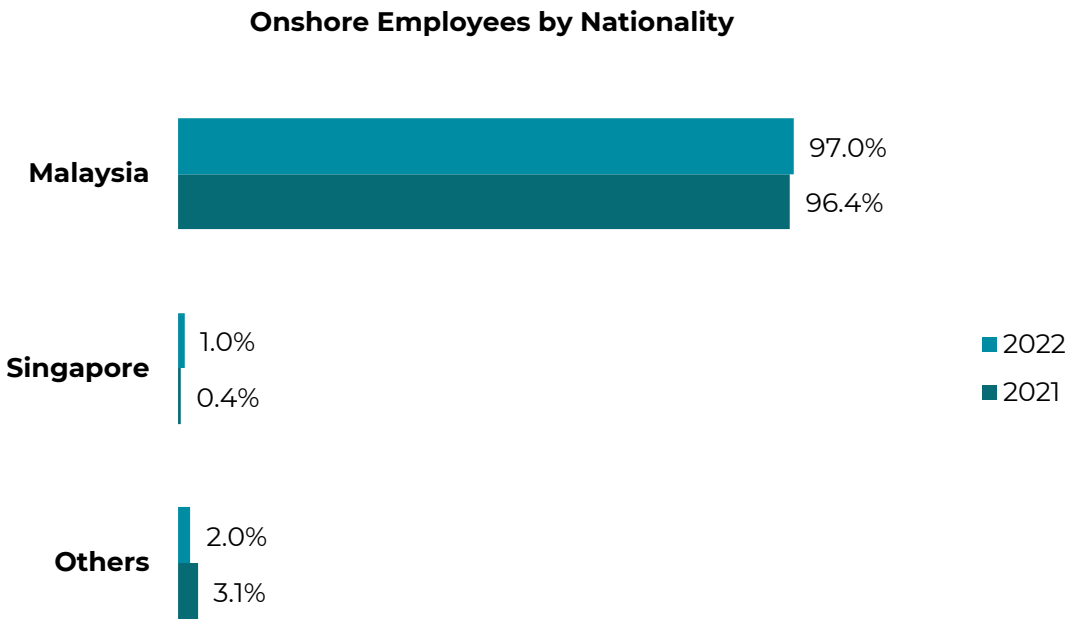
# GIVING BACK TO THE COMMUNITY

## 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 in countries where we operate and hire from. 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 2022.

In 2022, our workforce had a 26:74 (compared to 24:76 in 2021) female to male gender ratio with 19% (compared to 9% in 2021) aged 50 and above. While most of our workers were Malaysian nationals, there was ethnic diversity as shown in the charts below. Our target is to maintain workforce diversity by continuing efforts to recruit across different nationalities, ages and gender.







15 of our employees based in Kuala Lumpur donated blood to the National Blood Centre.



We sponsored beverages for Universiti Malaysia Sabah ("UMS") Labuan's Sports Day.

### Community Giving

In 2022, Nam Cheong and our employees supported various charitable and community causes in Malaysia. This included providing financial assistance to SKOM staff who were affected by the floods at Kemaman, Terengganu in December 2022. Our target is to continue providing volunteer opportunities to our staff, and being responsive to community requests for financial and in-kind support.



We provided financial sponsorship to the Malaysia Marine Department, Terengganu to mark Day of the Seafarer 2022, which was part of the global initiative led by the IMO to recognise the invaluable contributions seafarers make to international trade and the world economy.



We donated 21 mattresses to an orphanage at Kompleks Kebajikan Hamidah Yakup located in Miri, Sarawak.



## BUSINESS RESILIENCE

In FY2022, Nam Cheong continued to look at managing better for resilience whereby we could take active measures to cushion against business shocks, prepare for the recovery, and strengthen ourselves organisationally. This way, we can ride out the volatility brought about by business cycles and global crises as well as improve 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. In 2022, we continued to expand usage of the NS5 Fleet Management System for our OSV chartering services. We pushed for digitalization measures across the organization to streamline processes and improve efficiency.

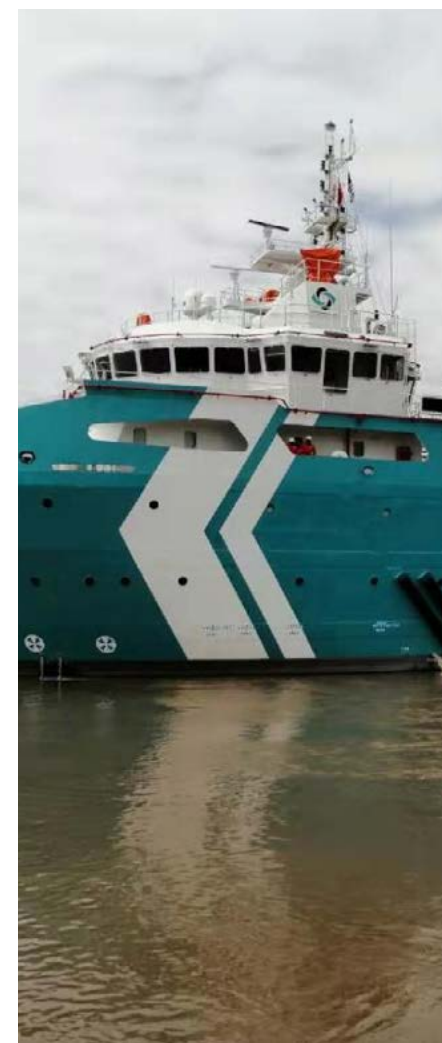
We continued to keep a close eye on market developments so that we could develop new service and product offerings to capture new opportunities. Our vessels were involved in supporting the development of an offshore windfarm in Taiwan, which would help the country to accelerate the adoption of renewable energy and decarbonize its power generation.

### 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 revenue contributor, especially in 2021 and 2022.

At all levels of the organization, we constantly stress the need to run operations. In 2022, we continued our efforts in optimizing staffing levels, adopting efficiency measures, and minimizing administrative and travelling expenses.

We had made progress in discussions with trade creditors and successfully restructured substantial amount of trade debts, which would enhance the financial sustainability and resilience of the organization.





# GRI CONTENT INDEX

Nam Cheong Limited has reported in accordance with the GRI Standards 2021 for the period 1 January 2022 to 31 December 2022.

GRI Standard	Disclosure	Reference	Page
<b>GRI 2: General Disclosures 2021</b>			
2-1	Organizational details	Corporate website ( <a href="http://www.namcheong.com.my/">http://www.namcheong.com.my/</a> )	4
2-2	Entities included in the organization’s sustainability reporting	Reporting Scope	4
2-3	Reporting period, frequency and contact point	Reporting Scope	
2-4	Restatements of information	Nil	
2-5	External assurance	Nil	
2-6	Activities, value chain and other business relationships	Corporate website	
2-7	Employees	Human Resource Overview	16
2-8	Workers who are not employees	Human Resource Overview	16
2-9	Governance structure and composition	Corporate Governance, Annual Report	
2-10	Nomination and selection of the highest governance body	Corporate Governance, Annual Report	
2-11	Chair of the highest governance body	Corporate Governance, Annual Report	
2-12	Roles of the highest governance body in overseeing the management of impacts	Sustainability Governance	5
2-13	Delegation of responsibility for managing impacts	Sustainability Governance	5
2-14	Roles of the highest governance body in sustainability reporting	Sustainability Governance	5
2-15	Conflicts of interest	Corporate Governance Report, Annual Report	

GRI Standard	Disclosure	Reference	Page
2-16	Communication of critical concerns	Corporate Governance, Annual Report	
2-17	Collective knowledge of the highest governance body	Corporate Governance, Annual Report	
2-18	Evaluation of the performance of the highest governance body	Corporate Governance, Annual Report	
2-19	Remuneration policies	Human Resource Overview	16
2-20	Process to determine remuneration	Human Resource Overview	16
2-21	Annual total compensation ratio	Human Resource Overview	16
2-22	Statement on sustainable development strategy	Sustainability Governance	5
2-23	Policy commitments	Sustainability Governance	5
2-24	Embedding policy commitments	Sustainability Governance	5
2-25	Processes to remediate negative impacts	Compliance Philosophy	15
2-26	Mechanisms for seeking advice and raising concerns	Whistle Blowing System	15
2-27	Compliance with laws and regulations	Compliance Philosophy	15
2-28	Membership associations	Nam Cheong is an Ordinary Member of the Malaysia OSV Owners’ Association (“MOSVA”)	
2-29	Approach to stakeholder engagement	Stakeholder Engagement	6
2-30	Collective bargaining agreements	Nam Cheong’s employees are not covered under any collective bargaining agreement	



GRI Standard	Disclosure	Reference	Page
<b>GRI 3: Material Topics 2021</b>			
3-1	Process to determine material topics	Identifying Material ESG Factors	7
3-2	List of material topics	Materiality Assessment	8
3-3	Management of material topics	Materiality Assessment	8
<b>Safety</b>			
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	Safety Management System	9
403-2	Hazard identification, risk assessment, and incident investigation	Safety Management System	9
403-3	Occupational health services	Safety Management System	9
403-4	Worker participation, consultation, and communication on occupational health and safety	Safety Targets and Performance	11
403-5	Worker training on occupational health and safety	Safety Targets and Performance	11
403-6	Promotion of worker health	Safety Targets and Performance	11
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety Management System	9
403-8	Workers covered by an occupational health and safety management system	Safety Management System	9
403-9	Work-related injuries	Safety Targets and Performance	11
403-10	Work-related ill health	Safety Targets and Performance	11

GRI Standard	Disclosure	Reference	Page
<b>Environmental Protection</b>			
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	Scope 1 and Scope 2 Emissions	14
305-2	Energy indirect (Scope 2) GHG emissions	Scope 1 and Scope 2 Emissions	14
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	Waste Management	14
306-2	Waste by type and disposal method	Waste Management	14
306-3	Significant spills	Waste Management	14
306-4	Transport of hazardous waste	Waste Management	14
306-5	Water bodies affected by water discharges and/or runoff	Waste Management	14
<b>Compliance</b>			
GRI 205: Anti-Corruption			
205-1	Operations assessed for risks related to corruption	Anti-Bribery and Anti-Corruption	15
205-2	Communication and training about anti-corruption policies and procedures	Anti-Bribery and Anti-Corruption	15
205-3	Confirmed incidents of corruption and actions taken	Anti-Bribery and Anti-Corruption	15



GRI Standard	Disclosure	Reference	Page
Human Resource			
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Training and Development	16
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Development	16
404-3	Percentage of employees receiving regular performance and career development reviews	Training and Development	16
Community Impact			
GRI 406: Non-Discrimination			
406-1	Incidents of discrimination and corrective actions taken	Employment and Economic Opportunities	17
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Community Giving	18



TCFD DISCLOSURES

TCFD Thematic Areas	Recommended Disclosures	References and Remarks
<b>1. Governance</b> Disclose the organization’s governance around climate-related risks and opportunities	a) Describe the board’s oversight of climate-related risks and opportunities	The Board oversees the corporate governance structure and sustainability strategy of the Group, including climate-related issues. See the <b>Sustainability Governance</b> section.
	b) Describe management’s role in assessing and managing climate-related risks and opportunities	The Management implements, monitors and reports on ESG performance, including climate-related issues. See the <b>Sustainability Governance</b> section.
<b>2. Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Nam Cheong is adopting a progressive strategy towards managing climate-related risks. See the <b>Climate Risk Assessment</b> section.
	b) Describe the impact of climate-related risks and opportunities on the organization’s business, strategy, and financial planning	Nam Cheong is adopting a progressive strategy towards managing climate-related risks. See the <b>Climate Risk Assessment</b> section.
	c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Nam Cheong is adopting a progressive strategy towards managing climate-related risks. Scenario analysis will be conducted post-FY2022.

TCFD Thematic Areas	Recommended Disclosures	References and Remarks
<b>3. Risk Management</b> Disclose how the organization identifies, assesses, and manages climate-related risks	a) Describe the organization’s processes for identifying and assessing climate-related risks	See the <b>Risk Management</b> section.
	b) Describe the organization’s processes for managing climate-related risks	The Risk Management Committee tracks and manages all enterprise risks, including climate-related risks. More details of the Committee’s responsibilities can be found in the Group’s Annual Report.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management	The Risk Management Committee will progressively incorporate climate-related risks into its overall risk universe for ongoing monitoring and management.
<b>4. Metrics and Targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Nam Cheong is adopting a progressive strategy towards managing climate-related risks. Specific metrics will be developed post-FY2022.
	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	See the <b>Scope 1 and Scope 2 Emissions</b> section.
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Nam Cheong is adopting a progressive strategy towards managing climate-related risks. Targets will be formulated post-FY2022.





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