

Beng Kuang Marine Limited

Sustainability Report 2018

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Introduction – Statement by the Board

Despite the challenging market conditions and intense competition, the Group remains positive in pursuing our mission and will continue to actively explore business opportunities, reduce costs and improve operational efficiencies.



Dear Stakeholders,

2018 marks the second year of Beng Kuang Marine Limited (together with our subsidiaries, the "Group")'s sustainability journey. The Group hereby presents our second Sustainability Report which outlined our initiatives and achievements on Environmental, Social, and Governance ("ESG") topics for the financial year ended 31 December 2018 ("FY2018").

The Group recognises the importance of sustainability and view sustainability as an opportunity to create value for our business and stakeholders. The Group endeavours to continue to improve the management of our environmental impacts by reducing resource usage and minimising waste.

The Board of Directors (the "Board") have provided guidance and support to ensure that the Group's business strategies align to our sustainability objectives. The Group is cognizant of our role as a responsible corporation and the Board has placed significant emphasis on monitoring the sustainability performance of the Group. Following the materiality assessment conducted last year, the management of the Group has been implementing and aligning company-wide sustainability strategy to work towards the sustainability targets set by the Board.

The Board is committed to enhance the sustainability performance and refine our reporting approach continuously through identifying, understanding and responding to evolving ESG challenges related to our business.

As 2018 drew to a close, the Group would like to take this opportunity to thank our customers, partners, employees and various stakeholders who have been supporting us in one way or another throughout our sustainable journey.

About this Report

Reporting Standards

This is the Group's second sustainability report for the financial year ended 31 December 2018. This report had been prepared with reference to the latest Global Reporting Initiative ("GRI") Standards: Core Option for our robust regime and international applicability. In the preparation of our reports, we kept our disclosures to be in line with the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules 711A and 711B. In addition, we have looked into using the principles of stakeholder inclusiveness, sustainability context, materiality and completeness to put together a comprehensive report for our stakeholders. And for our quality, we have applied the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness. Please refer to GRI Context Index, which summarises information of our report.

Scope

This Report covers the operations of Beng Kuang Marine Limited in Singapore and Indonesia.

Reporting Boundaries and Standards

The Report is also prepared in accordance with GRI Principles for defining report content, including:

- Materiality: focusing on issues that impact business growth and are of utmost importance to stakeholders;
- Stakeholder Inclusiveness: responding to stakeholder expectations and interests;
- Sustainability Context: presenting performance in the wider context of sustainability; and
- Completeness: including all information that is of significant economic, environmental and social impact to enable stakeholders to assess the Company's performance.

Assurance

We did not seek external assurance for this sustainability report. We have relied on internal verification to ensure the accuracy of data.

Accessibility

This report is available for download on our website at www.bkmgroup.com.sg as well as on Singapore Exchange Network ("SGXNET") as part of our environmental conservation efforts.

Feedback

We welcome and value our stakeholders' suggestions and feedback. Please address all feedback and suggestions to bkm@bkmgroup.com.sg

Organisational profile

Vision

We aspire to be the Preferred Partner in providing total solutions for the offshore and marine industries.

Mission

We will strategically develop and execute our business profitably, bearing safety and innovations in mind, through total integration of solutions, together with the support from our employees to customers and partners.

Beng Kuang Marine Pte Ltd was incorporated on 8 January 1994 in Singapore as a private limited company and was converted to a public limited company and renamed as Beng Kuang Marine Limited on 30 August 2004.

The Group is principally engaged in Infrastructure Engineering, Corrosion Prevention, Supply & Distribution and Shipping businesses.

Infrastructure Engineering Division ("IE Division")

Our Infrastructure Engineering Division has been accredited with ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators and vessel owners alike. We provide a spectrum of turnkey engineering services from planning and project management to implementation involving procurement, fabrication, corrosion prevention, testing, installation and pre-commissioning of steel work modules and structures mainly for customers in the marine, offshore oil and gas industries. We are currently operating two waterfront fabrication yards, a 1 hectare yard on the western side of Singapore along Benoi Basin, and 32.8 hectare yard on the eastern side of Batam Island, Kabil. In 2014, we have extended our services to include in-situ offshore platform and support vessel repairs, sandwich plate system (SPS) overlay treatment, implementation and installation of fire-fighting equipment and fire detection system. In 2015, we invested in an engineering company which is engaged in the manufacturing of pedestal cranes, marine and offshore deck equipment and supply of ship spares.

- **Shipbuilding/ Conversion**
- **Offshore Construction**
- **Turnkey Projects**
- **Sandwich Plate System (SPS) Licensee**
- **Offshore Asset Integrity Management**
- **Project Management Services**
- **Shop Blasting & Painting**
- **Thermal Spray Coating**
- **Supply of Cranes and Deck**

Corrosion Prevention Division ("CP Division")

Our past vast record and reputation for reliability have enabled us to secure appointments such as "Resident Contractor" to provide corrosion prevention services in several established shipyards in Singapore and Batam, Indonesia. Our customers include Keppel Group of companies, Singapore Technologies Group of companies and DDW-PaxOcean Group of companies.

- **Abrasive & Non-Abrasive Blasting**
- **Paint Application**
- **Processing & Distributing of Copper Slag**
- **Rental of Machineries and Equipment**

Supply and Distribution Division ("SD Division")

SD Division carries over 400 types of products (marine hardware equipment, tools and other products) under our house brands like MASTER, PROMASTER and SPLASH, all of which are commonly used in the marine, offshore, oil and gas, construction and other industries.

- **Personal protective Equipment**
- **Blasting Equipment & Accessories**
- **Welding Equipment & Accessories**
- **Painting Equipment & Accessories**
- **Other General Hardware Products**

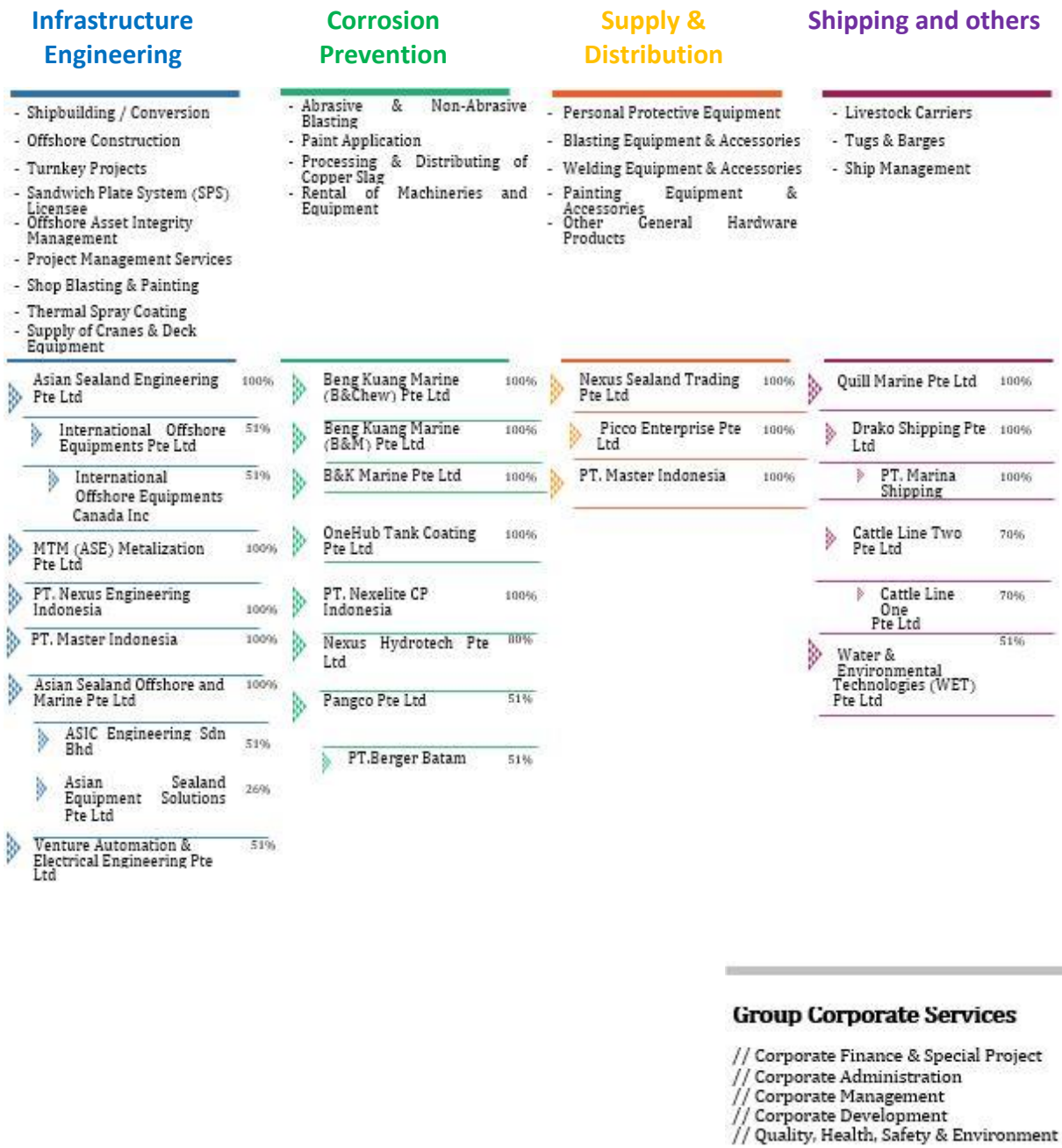
Shipping Division ("SH Division")

The Shipping Division has a total fleet of 8 vessels. The 2 livestock vessels trade from Australia to Vietnam, China, Indonesia and Malaysia and occasionally to South African countries. The 4 tugs and 2 barges are all deployed in Indonesian waters, transporting mainly coal and building materials such as sand and aggregates.

- **Livestock Carriers**
- **Tugs & Barges**
- **Ship Management**

Corporate Business Structure

Beng Kuang Marine Limited



Group Corporate Services

// Corporate Finance & Special Project
// Corporate Administration
// Corporate Management
// Corporate Development
// Quality, Health, Safety & Environment

*Percentage is computed based on Beng Kuang Marine Limited's effective interest in subsidaries

Supply Chain Management

The Group's main suppliers consist of raw material suppliers, equipment manufacturers, water distributors and suppliers of Marine and Industrial Hardware. The Group has conducted screening and assessment on our suppliers based on the criteria set out in the Group's Procurement Policy on a regular basis. We review factors such as industry track record, reputation and certifications to ensure our suppliers comply with local, environmental, health and safety rules and regulations.

The Group engages with our suppliers regularly to align our requirements and expectations to ensure seamless operations and sustainable business practices.

Membership of Associations

The Group is a member of The Association of Singapore Marine Industries ("ASMI"). ASMI is a non-profit trade association formed in 1968 to promote the interests of the marine industry in Singapore. ASMI represents a wide cross-section of the Singapore ship repair, shipbuilding and rig building industry. The major ship repair yards, rig builders and shipbuilders in Singapore as well as most of the established local and foreign manufacturers and suppliers of marine and offshore components, and major marine and offshore engineering companies are among its members. It also represents marine and offshore engineering contractors and companies whose activities are directly related to the industry including classification societies and marine consultants.

ASMI
ASSOCIATION OF SINGAPORE MARINE INDUSTRIES

Member since 1 August 2004

The Group is a member of The Singapore Business Federation ("SBF"). SBF is the apex business chamber championing the interests of the Singapore business community in the areas of trade, investment and industrial relations. It represents 25,800 companies, as well as key local and foreign business chambers.

SINGAPORE BUSINESS FEDERATION
Apex Business Chamber

Member since 4 January 2002

Stakeholder Engagement

The Group reaches out to our key stakeholders actively through various channels to understand the expectations of both our internal and external stakeholders in order to identify ESG issues of significance to our business. The Group strives to incorporate their feedback into our planning and actions whenever appropriate and relevant to our business.

Customers

The Group strives to provide quality products and services to our customers. Customers are encouraged to send us their feedback. Feedback obtained is reviewed and relevant follow up actions are taken to better serve our customers. Regular communications with customers helped us further understand their requirements and expectations.

Employees

Our people are the core of our business and also the key to achieve long term sustainable business goals. Through regular trainings, meetings and performance appraisals, we are able to encourage critical thinking, enhance work performance, staff morale and contribute to employee's satisfaction to ensure that employees' contribution is aligned to the Group's business goals.

Suppliers

Supplier management is important to us to ensure seamless business operations. Stringent supplier selection, screening and evaluations are performed following the guidelines set out in the Group's Procurement Policy. The Group engages suppliers regularly through various channels including e-mails and telecommunications and provides feedbacks on the products and services provided to increase efficiency and productivity which helps to improve our business operations.

Shareholders and Investors

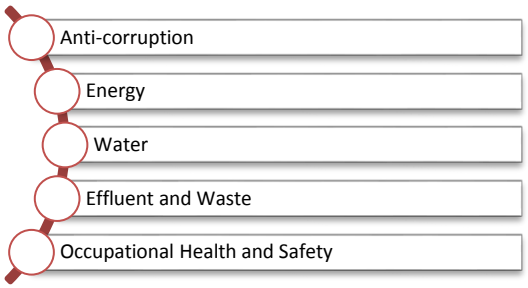
Shareholders and investors play an important role in the financing, operations and control aspects of our business. The Group is committed to maintaining a high standard of corporate governance within the Group to ensure timely and transparent reporting of the management accounts to our investors and shareholders. Shareholders have the opportunity to interact with the Board and Senior Management at our Annual General Meeting. The Group's Management works with the Board of Directors to address queries from investors.

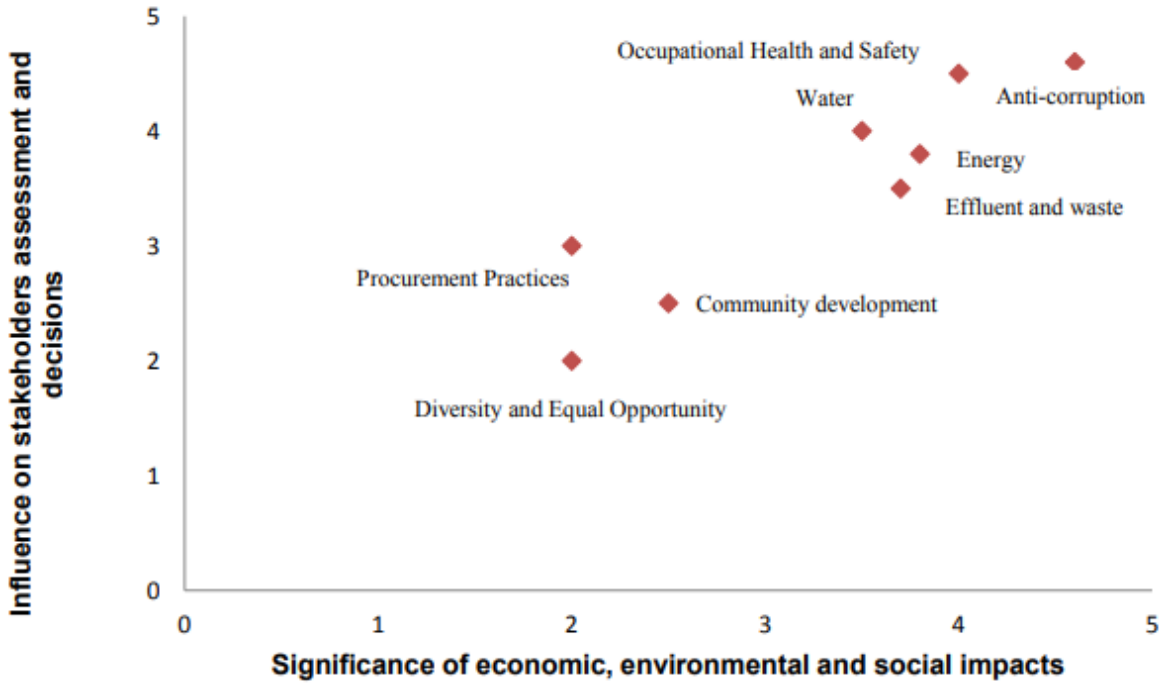
Government and Regulators

The Group performs regular monitoring, evaluation and audits on our financial information and internal controls to ensure our activity complies with the exiting regulatory and industry standards and guidelines. The Group is firmly committed to complying with all legal and regulatory requirements.

Materiality Assessment

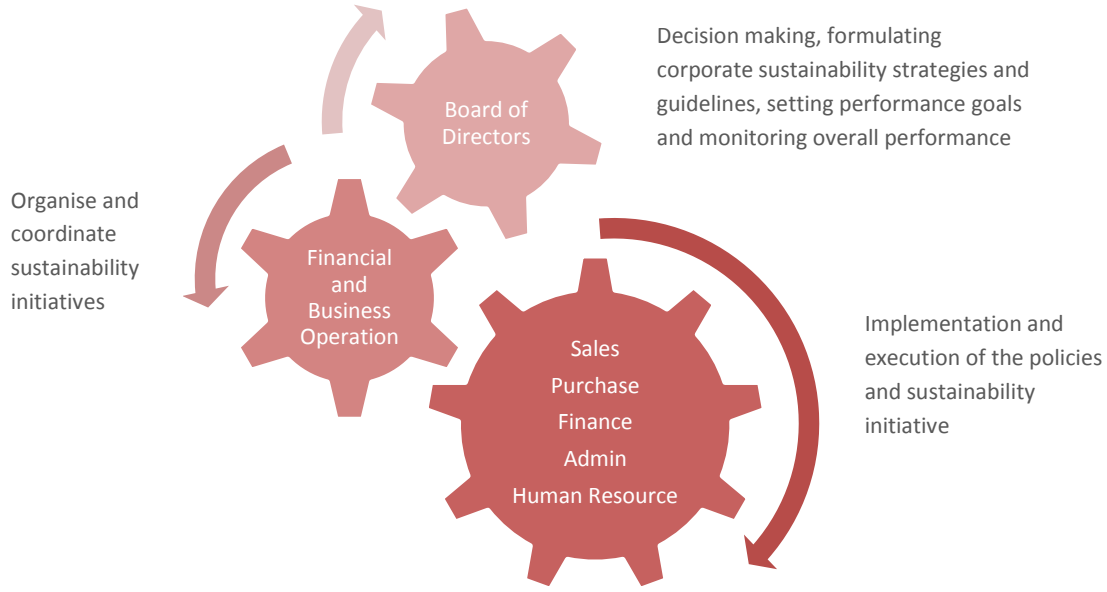
The ESG topics first identified in FY 2017 were re-assessed through our continuous stakeholder engagement process and have confirmed that these 5 topics remain important. The material issues are identified based on the significance of our ESG and economic impacts and the degree of influence they have on stakeholder assessments and decisions.





Sustainability Approach

With our vision and core values in mind, we integrate sustainability into the way we operate. The Group's sustainability efforts are led by Chief Executive Officer ("CEO") and supported by the department heads from various functional divisions in the Group. Our sustainability performance is also regularly communicated to the Board, who oversees the Group's sustainability strategy.



Corporate Governance

The Group observes a high standard of corporate governance within the Group to ensure accountability and transparency in conducting our business. The Group has established policies and procedures in place to safeguard against fraud and protect the interests of our stakeholders. A risk management framework has been adopted to identify, review and manage key risks arising from the management and operations of the Group's operating segments.

The Group has complied with the principles and guidelines set out in the Code of Corporate Governance 2012 and the SGX listing rules. We also perform regular monitoring, evaluation and audit our internal policies and procedures to ensure our activity complies with the exiting regulatory requirements.

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets. Policies and procedures for various business operations are established to provide guidelines to employees and also to address financial, operational and compliance risks and the internal controls in place are reviewed by management, the Audit Committee and the Board.

An enterprise risk management ("ERM") framework has been set up with the help of internal auditors and supervised by the Board and Audit Committee to continuously identify and address relevant strategic, operational, financial and compliance risks of the Group.

The Group is committed to run our business with integrity and has zero tolerance towards fraud, bribery and other misconducts. The Group has also put in place a Code of Conduct including anti-corruption policies and whistle-blowing arrangement whereby the employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the AC Chairman. Arrangements are in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

The Group's Code of Conduct, Conflict of Interest and anti-corruption policies illustrates the guidelines on key ethical issues which explicitly emphasises on dishonest, illegal, fraudulent, corrupt or other serious improper conduct which are communicated to all employees as and when necessary. Directors are also required to make declaration to uphold the Group's spirit and core values of not engaging in unethical practices.

The Group strives to preserve our past zero record of corruption cases.

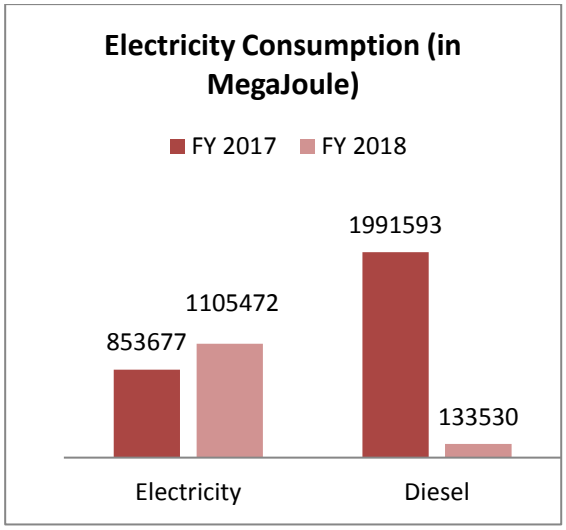
For further details on Corporate Governance, kindly refer to our 2018 Annual Report pages 14 – 25.

Environment

The Group remains dedicated to our responsibility to protect the environment. The Group aims to reduce our environmental footprint as part of our efforts to address stakeholders' increasing focus on environmentally sustainable businesses.

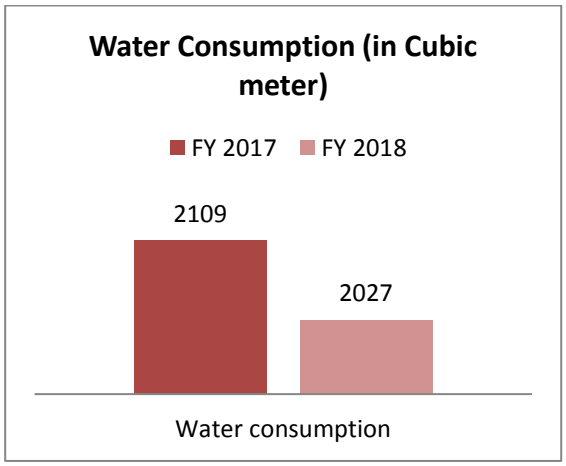
Energy

The Group has been monitoring our energy consumption rate and is taking effort to conserve electricity. The Group made efforts to create awareness and encourage employee to adopt energy saving habits. During the year, there is an increase in the electricity consumption due to the increase in projects especially in the first quarter of 2018. The Group continuously reviews the production processes and explores for new solutions for energy conservation. We believe that reducing environmental footprint can contribute to increased productivity, reduced pollution, lower consumption of natural resources and improved financial performance.



Water

The Group prioritises the minimisation of precious water resources. The Group takes advantage of new technologies and solutions to reduce fresh water consumption and increase water usage efficiency. The total water consumption of the Group consists of potable water (water from local catchment and imported water), NEWater (treated wastewater from sewage) and recycled water.

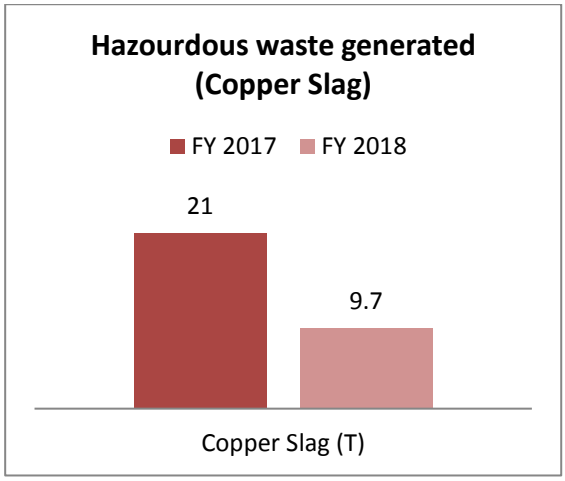


Effluents and Waste

The Group strives to meet our responsibility to protect the environment to the best of our ability. The Group maintains our efforts on waste management through the 3'R's strategy to minimise waste generation and to properly treat waste generated responsibly. Environmental policy on waste management including collection, transportation, storage, treatment and disposal of hazardous and non-hazardous wastes is regularly reviewed by the management and audited to ensure compliance with relevant laws and regulations. Waste shall be recycled whenever possible to minimise waste disposal. Only licensed waste collectors will be engaged to collect the hazardous waste from the Group's premise.

The Group also ensures that our business operations comply with all relevant environmental laws and regulations.







The Group seeks continuous effort in our environmental impact management by reducing resource usage and minimising waste.

Occupational Health and Safety ("OHS")

Our employees' health and safety at workplace is our top priority. We are also committed to comply with applicable regulatory requirements to prevent injuries and illnesses at work place. As a testament to our commitment to implement the highest standards of workplace safety, we are OHSAS 18001:2007 certified by the Workplace Safety and Health Council Singapore (WHSC).

Occupational health and safety policies are established and regularly reviewed to identify, mitigate and report risks and communicate best practices throughout the organisation. Safety procedures are monitored by assigned Safety Officers. Machineries and equipment are monitored for safety hazards and repairs and maintenance are performed on a regular basis by authorised examiner. We also proactively promote awareness of workplace health and safety and provide adequate training to our employees.

We maintained zero fatalities across our offices and work sites in FY 2018 and no major non-conformity has been reported from the OHSAS 18001:2007 audit carried out in September 2018. We are firmly committed to maintain this record.

OHS Objectives

- Reduce the Major Injury Accident Frequency Rate ("AFR") and Accident Severity Rate ("ASR") to below 1.2 and 100 per million man hours worked
- Reduce the Minor Injury AFR and ASR to below 6.5 and 50 per million man hours worked.
- To reduce the safety contravention of company employees and sub-contractor employees as a benchmark of previous year data

GRI Context Index

General Standard Disclosure		Page Reference and Reasons for Omission, If Applicable
Organisational Profile		
GRI 102: General Disclosures	**102-1** Name of the organisation	Cover page
	102-2 Activities, brands, products, and services	Page 3
	102-3 Location of headquarters	Page 3
	102-4 Location of operations	Page 3
	102-5 Ownership and legal form	Page 3
	102-6 Markets served	Page 3 - 4
	102-7 Scale of the organisation	Page 3 - 4
	102-8 Information on employees and other works	Page 7
	102-9 Supply chain	Page 6
	102-10 Significant changes to the organisation and its supply chain	Page 1
	102-11 Precautionary Principle or approach	Page 1
	102-12 External Initiatives	Page 11
	102-13 Membership of association	Page 6
	Strategy	
	102-14 Statement from senior decision-maker	Page 1
	Governance	
	102-18 Governance structure	Page 10
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Page 7
	102-41 Collective bargaining agreements	The management has not adopted any collective bargaining agreement
	102-42 Identifying and selecting stakeholders	Page 7
	102-43 Approach to stakeholder engagement	Page 7
	102-44 Key topics and concerns raised	Page 8

GRI Context Index (Cont'd)

GRI Standard		Page Reference and Reasons for Omission, If Applicable
Organisational Profile (Cont'd)		
GRI 102: General Disclosures	**102-45** Entities included in the consolidated financial statements	Refer to Annual Report
	102-46 Defining report content and topic Boundaries	Page 7
	102-47 List of material topics	Page 8
	102-48 Restatements of information	N/A
	102-49 Changes in reporting	N/A
	102-50 Reporting period	Page 2
	102-51 Date of most recent report	Page 1
	102-52 Reporting cycle	N/A
	102-53 Contact point for questions regarding the report	Page 2
	102-54 Claims of reporting in accordance with the GRI Standards	Page 2
	102-55 GRI content index	Page 14
	102-56 External assurance	N/A
Material Topics – Anti-Corruption		
GRI 205: Anti-Corruption	**205-1** Operations assessed for risks related to corruption	Page 10
	205-2 Communication and training about anti-corruption policies and procedures	Page 10
	205-3 Confirmed incidents of corruption and actions taken	Page 10
Material Topics – Energy		
GRI 302: Energy	**302-1** Energy consumption within the organisation	Page 11
	302-2 Energy consumption outside of the organization	Page 11
	302-3 Energy intensity	Page 11
	302-4 Reduction of energy consumption	Page 11
	302-5 Reductions in energy requirements of products and services	Page 11
Material Topics – Water		
GRI 303: Water	**303-1** Water withdrawal by source	Page 11
	303-2 Water sources significantly affected by withdrawal of water	Page 11
	303-3 Water recycled and reused	Page 11

GRI Context Index (Cont'd)

GRI Standard		Page Reference and Reasons for Omission, If Applicable
Material Topics – Effluents and Waste		
GRI 306: Effluents and Waste	**306-1** Water discharge by quality and destination	Page 12
	306-2 Waste by type and disposal method	Page 12
	306-3 Significant spills	Page 12
	306-4 Transport of hazardous waste	Page 12
	306-5 Water bodies affected by water discharges and/or runoff	Page 12
Material Topics – Occupational Health and Safety		
GRI 403: Occupational Health and Safety	**403-1** Workers representation in formal joint management–worker health and safety committees	Page 13
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 13
	403-3 Workers with high incidence or high risk of diseases related to their occupation	Page 13
	403-4 Health and safety topics	Page 13