

BENG KUANG MARINE LIMITED

SUSTAINABILITY REPORT 2021

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Introduction – Statement by the Board



Chua Beng Yong
Executive Chairman

Dear Stakeholders,

On behalf of our Board of Directors (our "Board"), we are pleased to present the annual Sustainability Report (the "Report") of Beng Kuang Marine Limited's (together with its subsidiaries, collectively the "Group", "We", "Our" or "Beng Kuang Group"). This Report is prepared in accordance with the Global Reporting Initiative ("GRI") guidelines on Environmental, Social and Governance ("ESG") topics, in relation to the Financial Year ended 31 December 2021 ("FY2021").

To begin with, we would like to express our gratitude towards all our stakeholders for their trust in us over the years, and especially with regards to the sustainability journey we have embarked on.

The Group strongly believes that sustainability is a key factor in staying resilient and remaining competitive in the market. As a socially responsible corporation, our Group aims to minimise our carbon footprint through environment conservation efforts, such as embracing key strategies surrounding "Reduce, Reuse, Recycle" principles. Meanwhile, we also work towards providing a safe and conducive working environment for all our employees in the Group. Our Group is determined to maintain sustainable and long-standing business relationships with key stakeholders. Feedback from both internal and external stakeholders are received and taken into consideration when developing and reviewing our sustainable business strategy.

We are thankful for our Board of Directors (the "Board"), who have provided guidance and support to ensure that our sustainable practices are in line with the Group's business strategy and are incorporated in the business. The Board has provided oversight for the overall corporate governance practices of the Group and continues to closely monitor the Group's sustainability efforts through regular meetings to review and approve the Group's major strategic plans, including sustainability projects.

Amid the global Covid-19 pandemic, our Group has strictly followed all safe management instructions issued by the local authorities to prioritise and safeguard the well-being of our employees. We will continue to be alert for changes in regulations in order to fully protect our employees and customers while our operations recover to pre-Covid-19 levels.

On behalf of the Board, I would like to take this opportunity to thank our staff for their dedication and contributions in these trying times, as well as our customers, suppliers, partners, and shareholders for their continued support as we strive to improve in the years ahead.

About this Report

Reporting Standards

This Report was prepared in accordance with Rule 711A and 711B of the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard Listing Manual and to the guideline set out in SGX-ST's Practice Note 7.6 Sustainability Reporting Guide. The Report was also prepared with reference to the guidelines of the Global Reporting Initiative ("GRI") Standards – Core Option and its reporting principles.

Risk management procedures are in place to identify key business risks, and management regularly reviews our Group's strategic position, operational, financial and compliance risks through careful checks. Our Group has also designed processes, whenever possible, to collect and/or estimate, assess and report on the data in this Report.

Scope

This Report covers the operations of Beng Kuang Marine Limited (headquartered in Singapore) in Singapore and Indonesia for FY2021 (1 January 2021 to 31 December 2021).

Reporting Principle

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.

We have used the above principles for defining report content to guide our selection of material topics.

Assurance

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

Accessibility

A soft copy of this Report is available on our official website at www.bkmgroup.com.sg as well as on Singapore Exchange Network ("SGXNET"). Hard copies will not be published as part of our efforts for environmental conservation.

Feedback

Your feedback and suggestions are valued and welcomed on the contents of the Report. We can be reached through email at bkm@bkmgroup.com.sg.

Organisational Profile

VALUE

- Believe
- Beyond
- Become

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 Limited (together with its subsidiaries called Beng Kuang Group) was founded in 1994 and has been listed on Singapore Exchange since 15 October 2004. With a multi-pronged business model, Beng Kuang Group continues to strive to be the "Preferred Partner" in providing total solutions for the offshore and marine industries. Forging ahead with an innovative and operating mindset, the Beng Kuang Group team aims to create new value propositions for our customers and align our business activities towards new market trends and opportunities.

What we do:






Infrastructure Engineering

> Shipbuilding / Conversion

> Offshore Construction

> Turnkey Projects

> Sandwich Plate System (SPS) License

> Offshore Asset Integrity Management

> Project Management Services

> Supply of Deck Equipment

> Rental of Industrial Equipment & Machinery

Corrosion Prevention

>Abrasive & Non-Abrasive Blasting

>Plant Application

>Rental of Machineries and Equipment

>Shop Blasting & Painting

>Thermal Spray Coating

Supply and Distribution

>Personal Protection Equipment

>Blasting Equipment & Accessories

>Welding Equipment & Accessories

>Painting Equipment & Accessories

>Other General Hardware Products

Shipping

>Livestock Carrier

>Tugs & Barges

>Ship Management

Supply Chain Management



Raw material suppliers, equipment manufacturers, water distributors and suppliers of marine and industrial hardware remain as the main suppliers of our Group, and we work hard to maintain strong and long-term relationships with them. We believe that by keeping healthy ties with our suppliers, we are better able to assure smooth operations and long-term business practices. In accordance with the Group's established procurement policy and controls, all new suppliers are screened, and current suppliers are assessed on a regular basis for compliance with our procurement practices. Factors such as industry track record and quality of goods and services delivered are reviewed to ensure compliance with local, health and safety rules and regulations.

During the pandemic, we experienced some disruption in our supply chain during the initial months of the outbreak. However, as the world emerged from its battle with the pandemic, most of our suppliers have resumed their operation and have since met our delivery timeline.

Membership of Associations

Associate of Singapore Marine Industries ("ASMI")

Beng Kuang Marine Limited is a member of the ASMI.

ASMI is a non-profit trade association formed in 1968 to promote the interests and advancement of the marine industries in Singapore. ASMI represents the different sectors of the marine and offshore industry. Its members include big and small shipyards, local and foreign manufacturers and suppliers of marine equipment and components, marine engineering and consultancy companies as well as many others whose business activities are directly related to the industry.

Singapore Business Federation ("SBF")

Beng Kuang Marine Limited is a member of SBF.

The Singapore Business Federation (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 27,200 companies, as well as key local and foreign business chambers.

The Association of Process Industry ("ASPRI")

MTM Engineering Pte Ltd (100% subsidiary of the Group) is a member of ASPRI.

Established in 1997, ASPRI is a membership-based trade association that represents the interest of companies in Singapore's Process Industry. This includes the petroleum, petrochemical, specialty chemicals and pharmaceutical sectors. Our membership comprises mainly Engineering Service Providers (ESPs) that support the Process Industry in the areas of plant maintenance and plant construction.

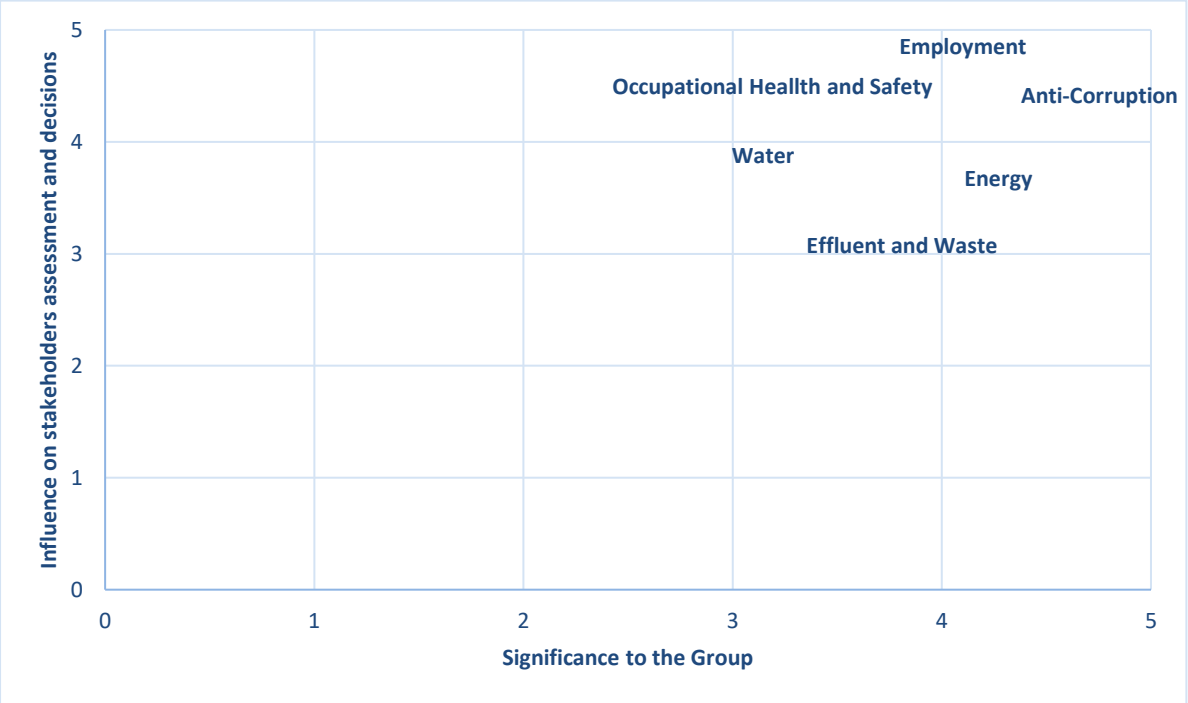
Stakeholder Engagement

Our Group considers that having a healthy and communicative relationship with our key stakeholders is critical to achieving our sustainability and business objectives. We use a variety of methods to communicate with our stakeholders, to allow us to better understand their expectations and assist in the identification of any Environmental, Social and Governance ("ESG") issues that are relevant to our business operations.

In view of safe distancing regulations, our engagements with stakeholders have pivoted such that most of our discussions with suppliers, customers, and shareholders have taken place virtually. The Group will continue to work with its valued stakeholders to incorporate all suitable and relevant feedback and suggestions into its strategies and business operations.

Stakeholder Group	Engagement Methods	Stakeholder Expectations
Customers	- Feedback through emails - Customer satisfaction survey	- Good product and service quality
Employees	- Periodic townhall meetings - Periodic staff performance appraisals - Trainings for skills and career development - Company events	- Staff performance and skills - Staff morale - Safe and conducive working environment
Suppliers	- Regular supplier meetings - Emails and telecommunications	- Long-term and good business relationship - Feedback on suppliers' products and services
Shareholders and Investors	- Annual General Meeting - Emails and telecommunications - Company events	- Timely and transparent financial statements - Financial results - Investor relations
Government and Regulators	- Consultations - Discussions	- Regulatory and industry standards and guidelines compliance

Materiality Assessment



Material Topics

Through active engagements with our stakeholders, we then assess factors which have a significant impact on the economy, environment, and society. Through this process, the previously identified topics continue to be deemed important and relevant in FY2021 and they are continued to be reviewed periodically.

In line with the principles to define reporting content, we have taken the following steps to derive the material topics:

1. Based on engagement with stakeholders and the Group's knowledge of our risk environment, we identified the risks which are likely to be of significant impact to the Group;
2. We then ranked the risks in order of impact to the Group's operations and importance to stakeholders; and
3. We prioritise the risks with an ESG impact, the impact to stakeholders' decision making process, and the overall significance to the Group, to place them in the materiality matrix below.

The Sustainability Material Topics covered for FY2021 are:



Anti-Corruption



Environment - Water, Energy, Waste



Employment



Occupational Health and Safety

Corporate Governance

Anti-corruption

The Group is committed to a high level of corporate governance to ensure accountability and transparency in our business activities. Whistleblowing and Interested Person Transactions Policies and Procedures have been established and updated regularly to protect the Group from potential fraud and to protect stakeholder interests. We are pleased to announce that no reports have been made during the year.

Our Group is committed to maintaining a zero-tolerance stance against all forms of corruption and unethical business conduct. We encourage all our employees to report any violations or concerns directly to the Chairman of the Audit Committee. All reports will be treated confidentially to protect the whistle blowers, independent investigations will be conducted and appropriate follow-up measures will be taken for reports made in good faith.

Meanwhile, Interested Person Transactions are closely monitored by the Board in accordance with Chapter 9 of the Listing Manual of SGX-ST Mainboard Rules. All transactions with Interested Person are documented and reviewed quarterly by the Audit Committee to ensure that transactions are conducted at arm's length basis and do not harm the interests of the Company and its minority shareholders.

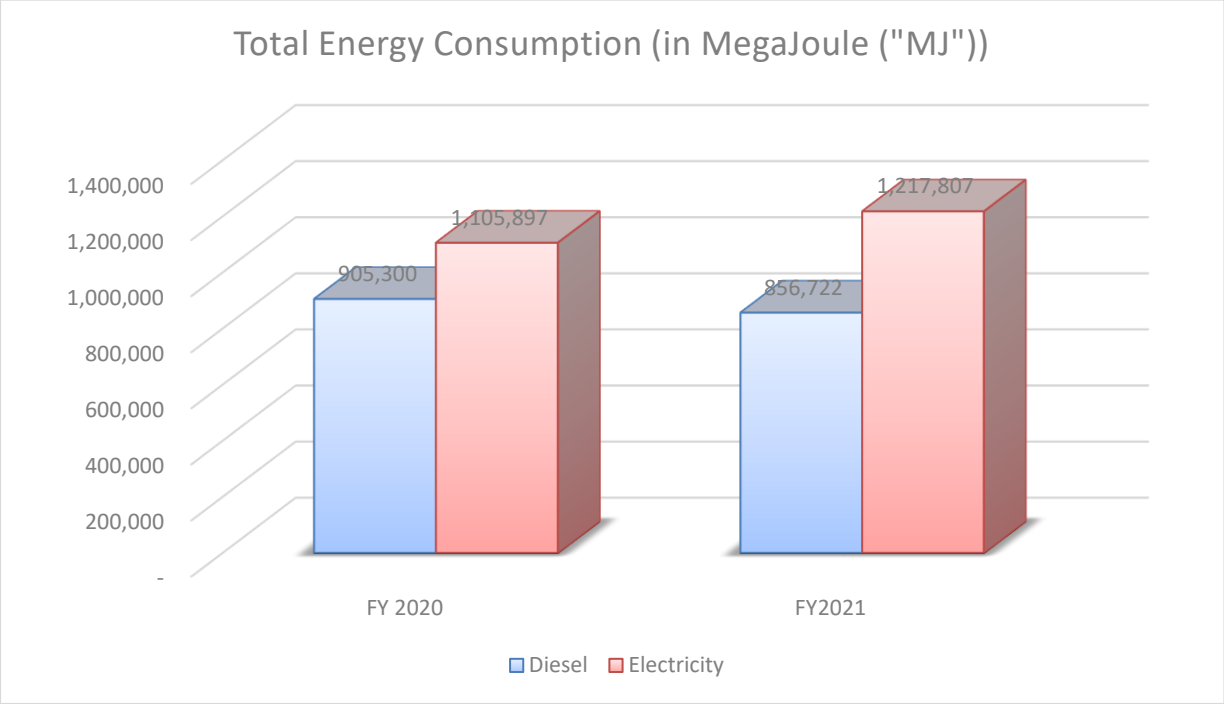


For further details on Corporate Governance, kindly refer to pages 14 – 40 of our Annual Report.

Environment

Our Group is committed to protecting the environment by integrating environmental considerations into our business operations. In addition to complying with local environmental legislation and adopting external initiatives such as “Reduce, Reuse, Recycle” initiated by the National Environment Agency, we have also experimented with innovative energy-saving techniques and implementing more environment-friendly measures such as installing solar panels at our office premises to generate energy. We have also worked with our customers, suppliers, and employees in adopting a more environmentally friendly business operation such as promoting e-invoices, reducing packaging, and thus reducing our carbon footprint.

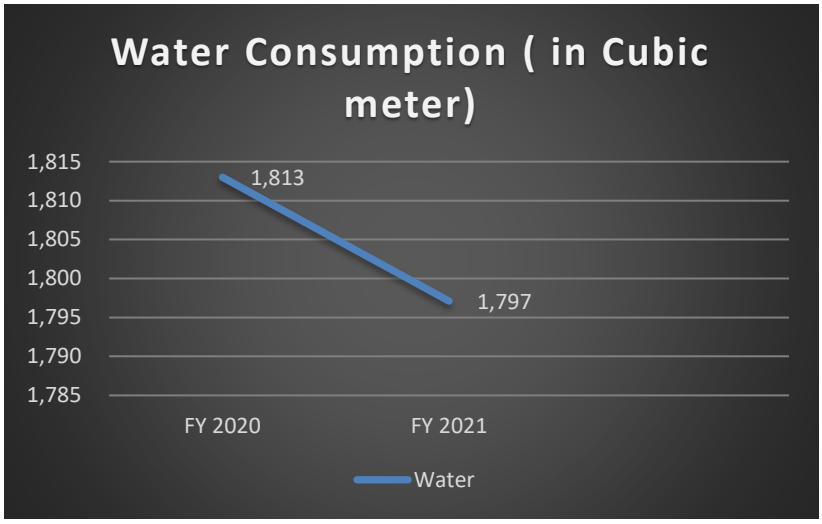
Energy



Our diesel consumption decreased from 905,300 MJ in 2020 to 856,722 MJ in 2021. Meanwhile, our electricity consumption increased from 1,105,897 MJ in 2020 to 1,217,807 MJ in 2021. The decrease of 48,578 MJ or 5.4% for diesel consumption is due to a decrease in blasting and painting works, which is the main driver of diesel consumption. As the restriction of Covid-19 started to ease during the year, our workers had started resuming their work and we also saw an increase in fabrication works. These are our main components using electricity and thus accounted for the increase of 111,910 MJ or 10% for electricity consumption.

Our group believes that through judicious use of energy, we will achieve both reduction in carbon footprint and improvement in our financial performance. Moving forward, we will continue exploring and implementing new measure for energy conservation while cultivating the habits of energy conservation in all our employees.

Water

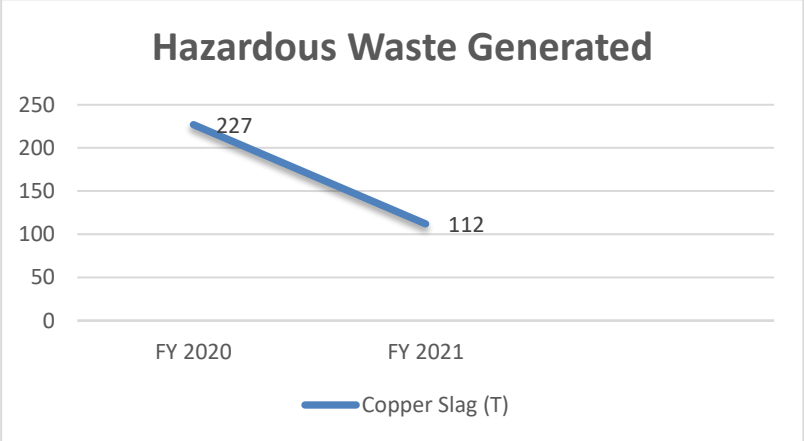


As a result of our constant effort on energy saving, we have managed to conserve our water consumption with a slight decrease from 1,813 m^3 in 2020 to 1,797 m^3 in 2021 despite workforce resumption.

Water scarcity has always been a concern to our country. Sources of our sustainable water consumption include water from local catchments, imported water from Malaysia, treated water from wastewater and desalinated water from sea. As a socially responsible corporation, it is our duty to support our society and nation in water conservation by fostering employee with water saving habits and exploring new technologies to further reduce water consumption.

Effluents and Waste

Copper Slag is the main hazardous waste generated from our business operations. In FY2021, a decrease of 115 tons or 50.1% in copper slag generation was recorded. This was mainly due to a decrease in blasting and painting works, the main activities producing Copper Slag.

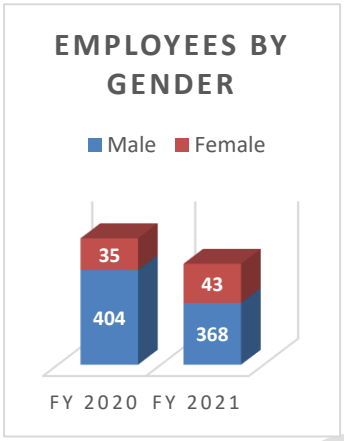


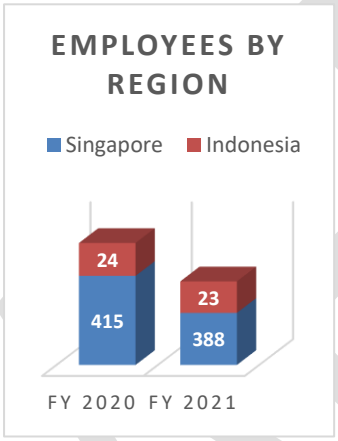
Our Group has contracted a waste collector approved by the National Environment Agency to collect and dispose of the copper slag produced by our business operations. In addition to pricing, other factors such as reputation and environmental responsibility were also taken into our considerations when selecting a suitable waste collector, to ensure that the hazardous waste is collected and treated safely and correctly to prevent any damage to our society and environment.

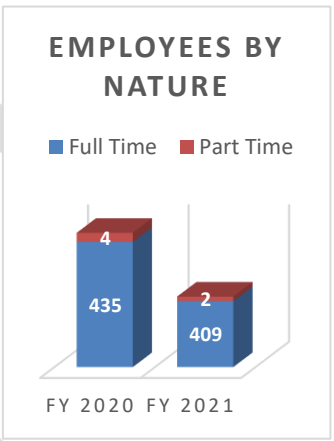
Employment

Talent plays a key role in ensuring our Company's success. Employees are at the core of our operations and are essential in ensuring that we are able to deliver top quality services. The Group is determined to promote diversity and fair employment practices, while ensuring meritocracy in awarding staff with salary increment and promotion based on their performance.

Our workforce







Given the laborious nature of our industry, our employee gender mix comprises of a larger portion of male employees. Our recruitment process focuses primarily on talent, aptitude, and the work ethic of our applicants rather than gender. All our employees are given mandatory benefits, including maternity and paternity leave. Additionally, employees at Assistant Manager level and above are insured under the Company's General Hospitalisation and Surgical and Personal Accident Insurance.

The table below shows the change in employees' statistics for Financial Year 2020 and 2021.

Year	FY 2020	FY 2021
No. of employees at the beginning of reporting period	536	439
No. of new hires	53	66
No. of resigned/terminated employees	150	94
No. of employees at the end of reporting period	439	411
New hire rate (%)	12.1%	16.1%
Turnover rate (%)	34.2%	22.9%

With the easing of Covid-19 restriction in Singapore, more workers are returning to the workplace. Hence, we are now able to hire more workers in preparation of work resumption. With our continuing efforts towards building a Beng Kuang Family, we have successfully lowered our employee's turnover in FY2021 (22.9%) as compared to FY2020 (34.2%).

Parental Leave

The Group values a good working environment and recognises the positive impact brought upon having parental bonds. As such, employees are strongly encouraged to make use of the parental leave benefits granted. The below table shows the utilisation of different categories of parental leave taken by the employees

Category of Parental Leave Utilised (Days)		
Leave Type	**FY 2020**	**FY 2021**
Childcare	13	14
Maternity	5	2
Paternity	2	2
Extended Childcare	6	8
Shared Parental	0	0
Number of employees who returned to work after leave	26	26
Number of employees who returned are still employed after 12 months	26	26

Since the outbreak of Covid-19, our Group had implemented strict measures in terms of operational discipline to ensure the safety of our employees. We have developed a Business Continuity Plan and offered flexible working arrangements to our staff where possible.

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Occupational Health and Safety ("OHS")

Monitoring work-related hazards and risks remains one of our top priorities to ensure our employees' safety. We have appointed employees from a pool of management staff, process and facility engineers, technical personnel, supervisors, production operators and maintenance staff to form a Risk Management Team. They will conduct monthly safety inspection, prepare safety statistics, and discuss in the monthly Health and Safety Committee meeting to evaluate and assess the adequacy of the risk management process in placed.

As a showcase of our determination, we have been ISO 45001 certified for our OHS Management System, which covers all our employees, business activities and workplaces. We are also Bizsafe Level 4 certified by the Workplace Safety and Health Council Singapore ("WHSC"), and in full compliance with the Workplace Safety and Health (Risk Assessment) Regulation.

Policies and procedures for OHS were also established and put in place to minimise the possibility of health and safety issues at our workplaces and offices. All employees are allowed to report any hazard which cannot be controlled personally to the appropriate personnel through email, WhatsApp or the Hazard Observation & Notification Card ("HON") and all these reports are then reviewed and investigated by the Health and Safety Committee.

We have also provided our employees with OHS trainings. Below are a few examples of OHS trainings provided during the year:

- Occupational First Aid Course
- WSQ Operate Forklift
- WSQ Operate Boom Lift
- Confined Space Course

In FY2022, we target to maintain our OHS objectives and continue to strive to reduce the total number of work-related injuries. We will also reinforce the importance of safe work practices through safety trainings provided.

GRI Context Index

General Standard Disclosure		Page Reference and Reasons for Omission, If Applicable
Organisational Profile		
I 102: General Disclosures	**102-1** Name of the organisation	Cover page
	102-2 Activities, brands, products, and services	Page 4
	102-3 Location of headquarters	Page 2
	102-4 Location of operations	Page 2
	102-5 Ownership and legal form	Page 3
	102-6 Markets served	Page 2
	102-7 Scale of the organisation	Page 3 - 4
	102-8 Information on employees and other workers	Page 10
	102-9 Supply chain	Page 5
	102-10 Significant changes to the organisation and its supply chain	Page 5
	102-11 Precautionary Principle or approach	Page 2
	102-12 External Initiatives	Page 3
	102-13 Membership of association	Page 6
	Strategy	
	102-14 Statement from senior decision-maker	Page 1
	Governance	
	102-18 Governance structure	Annual Report
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Page 7
	102-41 Collective bargaining agreements	There were no 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 8
	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	11 April 2022
	102-52 Reporting cycle	Annually
	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 16 - 18
	102-56 External assurance	No external assurance was sought for this Report
Material Topics – Anti-Corruption		
GRI 205: Anti-Corruption	**103-1** Explanation of the material topic and its Boundary	Page 10
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	205-3 Confirmed incidents of corruption and actions taken	
Material Topics – Energy		
GRI 302: Energy	**103-1** Explanation of the material topic and its Boundary	Page 11
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	302-1 Energy consumption within the organisation	
Material Topics – Water		
GRI 303: Water	**103-1** Explanation of the material topic and its Boundary	Page 12
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	303-1 Water withdrawal by source	

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	**103-1** Explanation of the material topic and its Boundary	Page 12
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	306-2 Waste by type and disposal method	
Material Topics – Employment		
GRI 401: Employment	**103-1** Explanation of the material topic and its Boundary	Page 13
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	401-1 New employee hires and employee turnover	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
Material Topics – Occupational Health and Safety		
GRI 403: Occupational Health and Safety	**103-1** Explanation of the material topic and its Boundary	Page 15
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	403-1 Occupational health and safety management system	
	403-2 Hazard identification, risk assessment, and incident investigation	
	403-4 Worker participation, consultation, and communication on occupational health and safety	
	403-5 Worker training on occupational health and safety	
	403-8 Workers covered by an occupational health and safety management system	