

BENG KUANG MARINE LIMITED

SUSTAINABILITY REPORT 2017

Sustainability Report

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Sustainability Report – Board Statement

The Board of Directors of Beng Kuang is pleased to publish Beng Kuang Marine’s first sustainability report.

The Board believes that sustainability is integral to the Group’s strategy and operation. It is about continuous improvement in identifying, understanding and responding to evolving environmental, social and governance (“ESG”) challenges that our business faces. We believe that ESG considerations help us better understand the challenges and impacts on our operations and assist us in striving to move in a sustainable direction.

The management has taken efforts to seek the opinion of many stakeholders to understand the needs and expectations of our key stakeholders and have adopted a materiality analysis to identify material sustainability issues which are relevant to our businesses. We have reviewed topics covering social, economic and environmental issues and assessed them against our stakeholders’ concerns and interests.

In the pursuit of our growth, we remain committed to conserving the environment, preserving natural resources and developing our people.

Our sustainability efforts are led by senior management who ensures that our commitments to sustainable development are in line with our business objectives. The Board has considered the Group’s sustainability objectives despite the current global challenges the world faces which include climate change, shortage of natural resources and urbanization, we are still exploring strategic opportunities that may deliver greater long-term value. We reaffirm our focus on the long-term goal of delivering value to all our stakeholders.



Sustainability Report – About this Report

About this Report

Report Background

Our Company recognises the importance and virtuous cycle of improvement of sustainability reporting. We are happy to present our first sustainability report which covers reporting period from 1 January 2017 to 31 December 2017.

We have adopted the Global Reporting Initiative (“GRI”) Standards: Core options, the latest set of standards issued by the GRI Global Sustainability Standards Board in preparing our first sustainability report.

We have not sought external assurance for this 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.

Accessibility

The Company does not print out this sustainability report as part of our environmental conservation efforts. Current electronic edition of the report is available at: <http://ir.chartnexus.com/bengkuangmarine/sustainabilityreports.php>

Feedback

Our stakeholders’ feedback is important to us. Please address all feedback to bkm@bkmgroun.com.sg

Sustainability Report – About this Report

Risk Assessment and Management (Precautionary Principle or approach)

The Board, supported by the Audit Committee (“AC”), oversees the Group’s system of internal controls and risk management. The AC’s primary role is to assist the Board in ensuring the integrity of financial reporting and providing assurance that there is a sound system of internal controls in place. It is supported by Group Internal Audit, who provides independent assurance to the AC to ensure that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness. Complete portfolios of risks were identified and assessed by management using the Enterprise Risk Management (“ERM”) framework and appropriate risk mitigation strategies had been adopted to address these risks strategically.

A comprehensive set of governing policies and procedures of the main business processes such as cost management, supply chain management, financial risks, human resource and operational health and safety were established to provide guidance to the employees in managing each of these key risk areas. External assurance is engaged to perform audit on the effectiveness of the policies and procedures and any material non-compliance or failures in internal controls and recommendations for improvements are reported to the management and AC.

As a testament to our commitment to quality, health and safety, many of our subsidiaries have been accredited with the ISO and OHSAS certifications.

Sustainability Report – Organisational Profile

Organisational Profile

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 (the “Group”) on 30 August 2004.

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

Infrastructure Engineering

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 Equipment

Corrosion Prevention

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

Supply and Distribution

Personal Protective Equipment
Blasting Equipment & Accessories
Welding Equipment & Accessories
Painting Equipment & Accessories
Other General Hardware Products

Shipping

Livestock Carriers
Tugs & Barges
Ship Management

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.

Sustainability Report – Organisational Profile

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.

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.

Shipping Division (“SH Division”)

The Shipping Division has a total fleet of 16 vessels. The 2 livestock vessels trade from Australia to Vietnam, China, Indonesia and Malaysia and occasionally to South African countries. The 14 tugs and barges are all deployed in Indonesian waters, transporting mainly coal and building materials such as sand and aggregates.

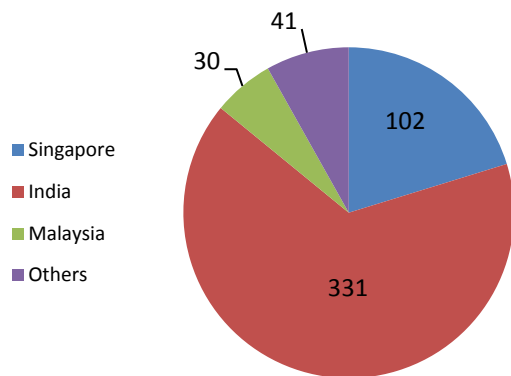
Supply Chain Management

The Group’s main suppliers consist of raw material suppliers, equipment manufacturers, water distributors and suppliers of Marine and Industrial Hardware. We are committed to continue to build on ensuring a sustainable supply chain.

Our Group Procurement Policy provides guidelines and control principles for various stages of the procurement process such as selection and evaluation of suppliers to minimize supply chain risk and other negative impact and also to enhance flexibility so as to ensure sufficient resources and effective capabilities. We also take effort to ensure diversification of suppliers which we believe that supplier diversity commitment not only adds economic value to our stakeholders as it drives price and service competition between the Group’s existing and potential suppliers and enhances innovation and encourages the growth of diverse business.

Sustainability Report – Organisational Profile

Employee by Nationality



Others include Myanmar, Bangladeshi, Thailand, Canadian, Philippines and China

Human Capital

As at 31 December 2017 the Group has employed 504 employees, 50 % of whom have been with us for at least 5 years.

The Group had established fair and transparent reward system to motivate employees' progression and continuously enhance their skills and competency and work qualities through ongoing training programs and on the job practice, which we believe will ultimately enhance corporate performance as a whole. Human resource system had been put in place to recruit and retain talents based on equal opportunities.

Employee by employment contract & gender

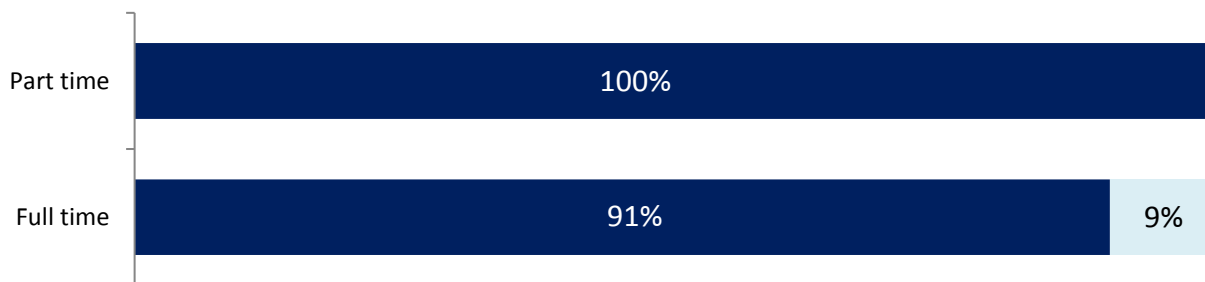


Table 2

■ Male ■ Female

Employee by organisation activities & gender

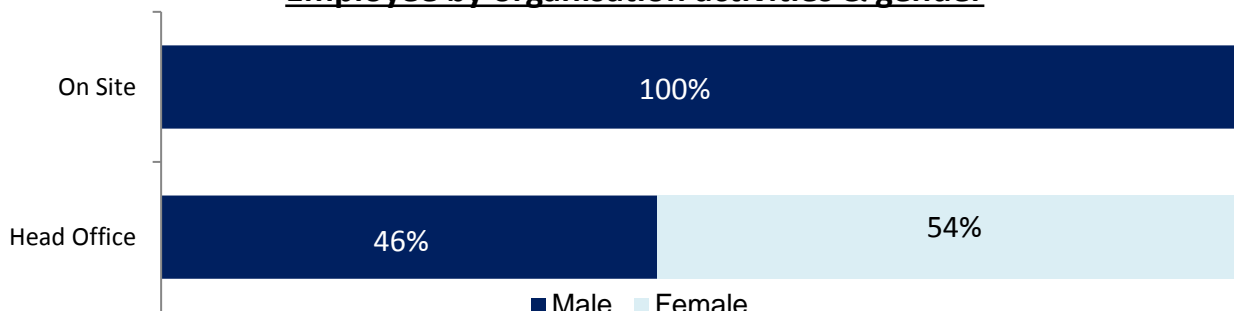


Table 3

Table 1 illustrates our employee structure as at 31 December 2017.

Table 2 illustrates the number of part timer against full timer by gender.

Table 3 illustrates the gender structure by organization activities

Sustainability Report – Organisational Profile

External Initiatives

Despite 2017 being a difficult year for the Group as the marine and offshore oil and gas markets remained depressed, our Group believes in delivering value beyond numbers and build a group which

- **BELIEVE:** To be able to **BELIEVE** in ourselves
- **BEYOND:** To be able to dream **BEYOND** the expectations
- **BECOME:** To be able to achieve who we want to **BECOME**

Membership of Association

We stay abreast of the latest developments and best practice of the marine and offshore oil and gas operation management through our membership and participation in external organization such as the Association of Singapore Marine Industries (ASMI). The management is committed to enhancing the skills and knowledge of our work force through attending training and upgrading courses conducted to increase operational efficiency and serve our clients better.

Sustainability Report – Corporate Governance and Sustainability Approach

Governance

The Group is committed to continually enhancing shareholder value by maintaining high standards of behavior and integrity and complies with all laws and regulations.

The Group is led by an effective Board which comprises of executive, non-executive and independent directors from diverse backgrounds with varied expertise in different fields. The Board of Directors, together with the Audit Committee, Remuneration Committee and the Nominating Committee is entrusted with the responsibility of the overall management of the business and corporate affairs of the Group. The Board has assigned responsibility for overseeing sustainability to the Group's Sustainability Reporting committee. The Board remains committed to sustainability and reviews its initiatives against strategic objectives.

Full profiles of Directors are available on pages 8 and 9 of the 2017 Annual Report.

Sustainability Approach

With our vision and core values in mind, we integrate sustainability into the way we operate.

Our sustainability efforts are led by our senior management who ensures that the Group's business objectives are in line with our commitments to sustainable development. Senior management is responsible for on-going communication to the Board of Directors.

Our Group's senior management determined focus areas where our Group can have the greatest economic, environmental and social impact, as well as the areas that are most important to our stakeholders.

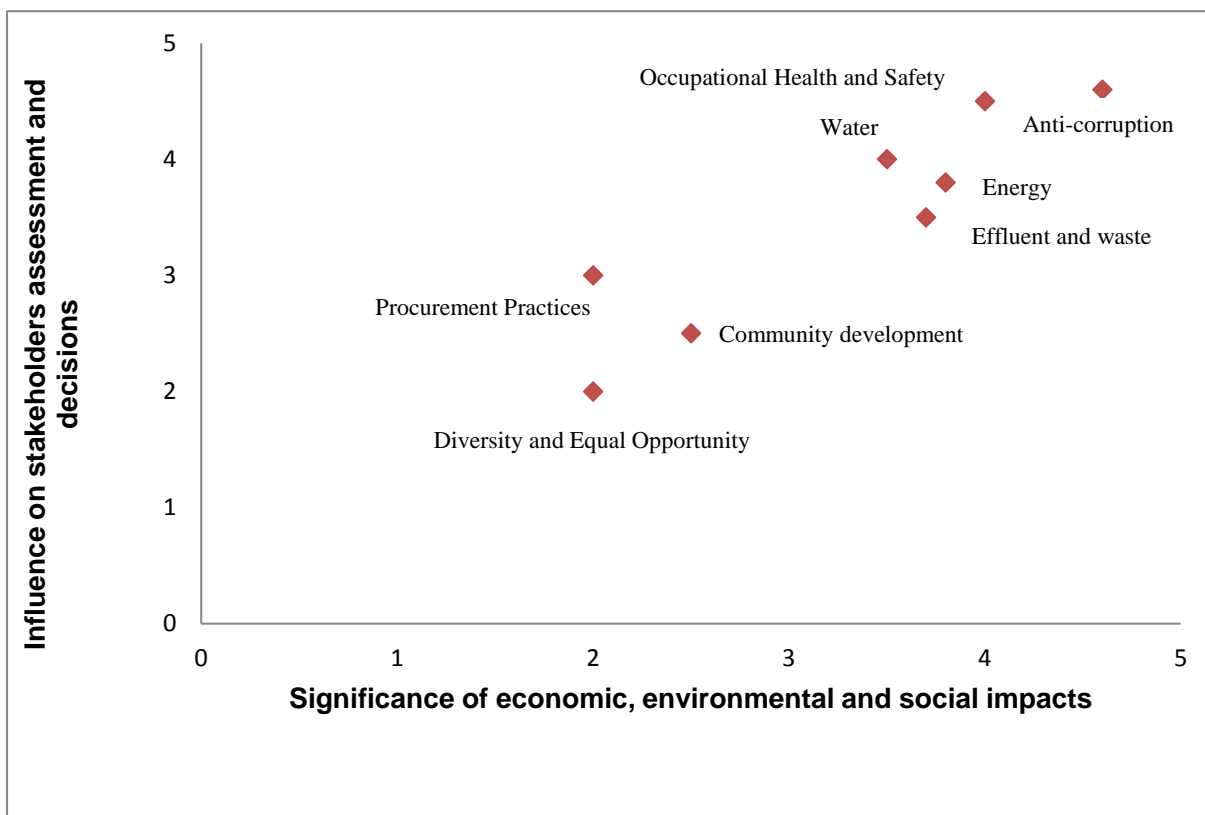
Our Group has taken efforts to seek the opinion of many stakeholders either in a casual or formal way. We aspire to understand the needs and expectation of our key stakeholder groups which are significant to our Group's value creation strategy and strive to build mutual beneficial relationships.

Sustainability Report – Material Topics

Defining the Materiality Issues

Our 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. We develop our material topics in the light of fresh stakeholder feedback, new trends in sustainability, challenges facing the industries, experts' views and our own business goals. We therefore focus our sustainability efforts and reporting on these issues.

We have identified and compiled 5 relevant sustainability issues for developing this report. The issues were further deliberated and narrowed down through our engagement process with stakeholders.



Sustainability Topics Selected

- Anti-Corruption
- Energy
- Water
- Effluent and Waste
- Occupational Health and Safety

Sustainability Report – Stakeholder Engagement

Accountability to Stakeholders

We strive to understand the expectations of both our internal and external stakeholders in order to identify ESG issues of significance to our business. We identified our stakeholder groups based on their level of influence in our business. We regularly engage with and consult our diverse groups of stakeholders. Where appropriate and relevant to our businesses, we incorporate their feedback into our planning and actions.

The feedback arising from our stakeholder engagements, which includes inputs on our sustainability reporting and materiality, has helped us strengthen the relevance of our reporting and approach to managing the Company’s material issues.

Our Stakeholders	Key	How We Engage Them	Key Topics
Employees		<ul style="list-style-type: none"> • Periodic townhall meetings • Performance appraisals • Company events 	<ul style="list-style-type: none"> • Performance and skills • Staff morale
Customers		<ul style="list-style-type: none"> • Feedback from customers • Customers satisfaction surveys 	<ul style="list-style-type: none"> • Products and services quality
Governments		<ul style="list-style-type: none"> • Consultations • Discussions 	<ul style="list-style-type: none"> • Regulatory and industry standards and guidelines
Shareholders		<ul style="list-style-type: none"> • Annual General Meeting • Emails 	<ul style="list-style-type: none"> • Financial results • Investor relations
Suppliers		<ul style="list-style-type: none"> • Regular meetings • Emails and tele-communications 	<ul style="list-style-type: none"> • Feedback on their products and services

Sustainability Report – Topic Specific Disclosure

Anti-corruption

Business integrity is fundamental to our business. Our Group places great importance to “two-way” communication with its stakeholders by remaining transparent, efficient and open.

We implement systems and processes to ensure accountability and responsibility throughout the organisation and across our relations with our stakeholders as we believe that good corporate governance establishes and maintains an ethical environment within the Group, which serves the interests of all shareholders and stakeholders.

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 strives to preserve its past zero record in corruption cases. We strictly enforce our values to our employees and ensure that our stand on corruption is clear.

The Group’s Code of Conduct 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 to not engage in unethical practices.

Sustainability Report – Topic Specific Disclosure

Environment

Environment protection is one of the key guiding principles in our Group. Environmental considerations have been integrated into our business operations through continually improve our business processes and ensure that we comply with the environmental laws and regulations. We also work with our partners, suppliers and customers to operate in more environmentally responsible way wherever possible. For subsequent reporting, we will do an analysis of data from preceding report for target setting purposes. We will continue to enhance our environmental compliance policies and explore ways in utilising technological improvement in order to maximise the efficient usage of our natural resources.

Energy

The Group aims to minimise the impact of its activities on the environment through continuous improvements on our operations and processes. We believe that reducing environmental footprint can contribute to increased productivity, reduced pollution, lower consumption of natural resources and improved financial performance.

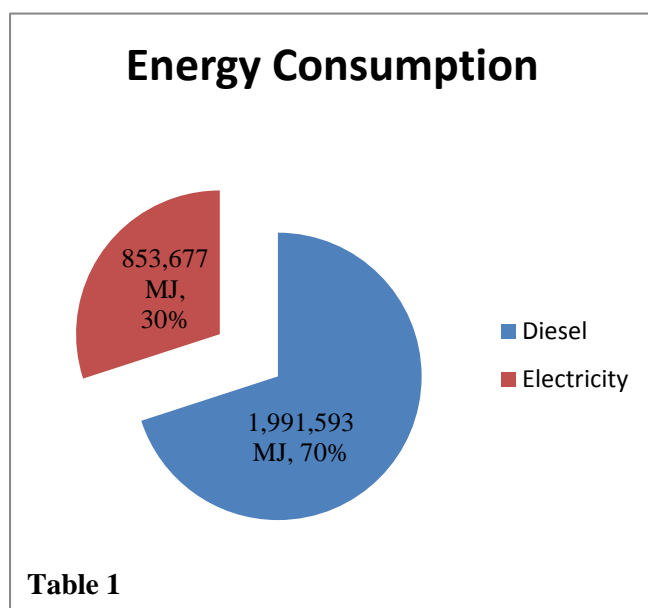


Table 1 illustrates our energy consumption as at 31 December 2017. The electricity consumption data was derived from monthly electricity bill from SP Services Ltd while the diesel consumption data was from internal records of diesel withdrawal.

As part of the Group initiatives on energy efficiency, we promote the use of energy-efficient equipment and devices. Our office building is equipped with energy efficient LED lighting to reduce our electrical consumption. In addition, we encourage our employees to switch

off the office lights during lunch hour and to ensure all electrical facilities are switched off after work and when not in use.

Sustainability Report – Topic Specific Disclosure

Water

Water is essential but limited resource on earth. The Group strives to continue to strengthen our water conservation efforts through water saving initiatives throughout our business. Water efficient fittings are extensively installed in our facility to further support this cause. We will continue to create awareness of water conservation among employees and monitoring of water usage.

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 totaling to 2109 m³ in FY 2017.

Effluents and Waste

The Group aims to ensure that environment laws and regulations are complied with at all time by allocating adequate resource for across our operations. We enforce stringent controls on the management of waste generated from our operation. All waste generated are collected by licensed waste collector.

Policies and procedures for waste management are in place to monitor and handling wastes generated from industrial activities. It also sets out the key regulatory requirements for collection, transportation, storage, treatment and disposal of hazardous wastes.

Total hazardous waste generated from our operations in FY 2017 as below:

Hazardous waste generated by type	Total weight
Copper Slag	21 T
Waste Paint	400 L

The amount of hazardous waste generated by us is handled responsibly in accordance with relevant laws and regulations.

We adopted the 3'R's strategy as our waste management strategy to minimise waste generation and to properly treat waste generated responsibly.

The 3Rs are incorporated in our daily activities as below:

Recycle: Waste such as steel, hard-core or wood and any other wastes are recycled whenever possible to minimise waste disposal.

Reduce: Minimise printing on paper, print double-sided instead of single-sided, using green energy whenever possible, promote electronic communication whenever possible. We also train and educate our employees to use materials efficiently to reduce wastage of materials.

Reuse: Using printed paper that is no longer needed for drafting and note-taking purposes, reuse old folders and refillable ink cartridges.

Sustainability Report – Topic Specific Disclosure

Occupational Health and Safety

Safety is one of the key focus areas for the management of the Group. We do our utmost to ensure that all workers and contractors work under a safe and healthy environment. We are also committed to comply with applicable regulatory requirements to prevent injuries and illnesses at work place.

Policies and procedures are in place to identify, mitigate and report risks and communicate best practices throughout the organisation. We have conducted risk assessments for all common tasks assigned to employees and safety procedures had been put in place. Safety Officers have been assigned at our shipyard who are responsible for monitoring and maintaining our safety procedures and monthly inspections are conducted internally to ensure all equipment are operational. Our machinery and equipment are monitored for safety hazards and repairs and maintenance are performed on a regular basis by authorised examiner. All our lifting equipment are certified by Ministry of Manpower.

Weekly talks and regular trainings are provided to all workers from time to time to ensure that health and safety risks are fully communicated and safety controls in place are strictly complied.

The Group has been accredited with OHSAS 18001:2007 Occupational Health and Safety Management Certification which will be assessed annually by professional third party assessment team. The framework helps us to align our practices with best-in-class international standards.

The Group is pleased to announce that no workplace fatality incident has happened in 2017 and no major non-conformity has been reported from the OHSAS 18001:2007 audit carried out. We are striving to maintain this record through continuous improvement of risk identification and management at the workplace and reviewing the effectiveness of our management approach to occupational health and safety regularly.

Sustainability Report – GRI Content Index

GRI Content 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 6-7
	102-3 Location of headquarters	Page 6
	102-4 Location of operations	AR17 page 63-68
	102-5 Ownership and legal form	AR17 page 63-68
	102-6 Markets served	AR17 page 63-68
	102-7 Scale of the organisation	AR17 page 02-03
	102-8 Information on employees and other works	Page 8
	102-9 Supply chain	Page 7
	102-10 Significant changes to the organisation and its supply chain	AR 17 page 04-07
	102-11 Precautionary Principle or approach	Page 5
	102-12 External Initiatives	Page 9
	102-13 Membership of association	Page 9
	Strategy	
102-14 Statement from senior decision-maker	Page 3	
Governance		
102-18 Governance structure	Page 10 AR17 page 08-09	
Stakeholder Engagement		
102-40 List of stakeholder groups	Page 12	
102-41 Collective bargaining agreements	The management has not adopted any collective bargaining agreement	
102-42 Identifying and selecting stakeholders	Page 12	
102-43 Approach to stakeholder engagement	Page 12	
102-44 Key topics and concerns raised	Page 12	

Sustainability Report – GRI Content Index

GRI Content Index (Cont'd)

General Standard Disclosure		Page Reference and Reasons for Omission, If Applicable
Organisational Profile (Cont'd)		
GRI 102: General Disclosures	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Page 4
	102-46 Defining report content and topic Boundaries	Page 4
	102-47 List of material topics	Page 10
	102-48 Restatements of information	N/A, this is our first report
	102-49 Changes in reporting	N/A, this is our first report
	102-50 Reporting period	Page 4
	102-51 Date of most recent report	Page 4
	102-52 Reporting cycle	Page 4
	102-53 Contact point for questions regarding the report	Page 4
	102-54 Claims of reporting in accordance with the GRI Standards	Page 4
	102-55 GRI content index	To be updated
	102-56 External assurance	N/A

Sustainability Report – GRI Content Index

GRI Content Index (Cont'd)

Topic Specific Disclosures		Page Reference and Reasons for Omission, If Applicable
Anti-Corruption		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 13
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 205: Anti-Corruption	205-1 Operations assessed for risks related to corruption	
	205-2 Communication and training about anti-corruption policies and procedures	
	205-3 Confirmed incidents of corruption and actions taken	
Energy		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 14
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 302: Energy	302-1 Energy consumption within the organisation	
	302-2 Energy consumption outside of the organization	
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	302-5 Reductions in energy requirements of products and services	
Water		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 15
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 303: Water	303-1 Water withdrawal by source	
	303-2 Water sources significantly affected by withdrawal of water	
	303-3 Water recycled and reused	

Sustainability Report – GRI Content Index

GRI Content Index (Cont'd)

Topic Specific Disclosures		Page Reference and Reasons for Omission, If Applicable
Effluents and Waste		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 15
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 306: Effluents and Waste	306-1 Water discharge by quality and destination	
	306-2 Waste by type and disposal method	
	306-3 Significant spills	
	306-4 Transport of hazardous waste	
	306-5 Water bodies affected by water discharges and/or runoff	
Occupational Health and Safety		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 16
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management–worker health and safety committees	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	
	403-3 Workers with high incidence or high risk of diseases related to their occupation	
	403-4 Health and safety topics	

Note:

The Company takes a phased approach to the adoption of GRI indicators and will review the relevance indicators marked “N/A” to its operations annually.