

SUSTAINABILITY REPORT 2021



BOARD STATEMENT

The COVID-19 pandemic started in 2020 and continued to cast a long shadow globally two years later. The global economy recovered in 2021, growing 5.9% compared to a contraction of -4.9% in 2020. Average crude oil price rebounded from US\$42 in 2020 to US\$71 in 2021. While the global offshore and marine sector saw a modest recovery compared to 2020, demand for new Offshore Support Vessels ("OSVs") and chartering services continued to be soft. Low scrap values, a fragmented industry of more than 1,000 operators and low idle costs had resulted in limited attrition and replacement of older OSVs as well as intense competition.

Against this challenging backdrop, Nam Cheong Limited ("Nam Cheong") and its subsidiaries ("the Group") saw a 5% year-on-year ("yoy") decrease in overall Group revenue in FY2021 to RM285.5 million, which was contributed by the vessel chartering division. The shipbuilding segment did not record any revenue as there was no vessel sale and delivery in FY2021. The Group embarked on a corporate-wide cost efficiency and rationalisation exercise in FY2021 to reduce selling and administrative expenses. Cost reductions and decreases in impairment made on property, plant and equipment contributed to the Group reporting a net profit of RM82.4 million in FY2021 compared to a net loss of RM404.3 million in FY2020.

While financial sustainability was top of mind for the Nam Cheong Board and Management, we continued to adopt a holistic approach towards all aspects of sustainability, notably in formulating environmental, social and governance ("ESG") strategies and actions to safeguard the Group's long-term resilience and

competitiveness. The Board had considered the full spectrum of ESG issues – such as climate change and socio-economic impact of the COVID-19 pandemic – in its corporate oversight and strategy formulation.

Based on inputs from Management, the Board concluded that FY2020'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 FY2021. Pursuant to this, the Board worked closely with the Management to implement and monitor the progress and outcomes of various ESG initiatives. One of the Board's priorities was ensuring the safety and well-being of all our staff, partners and vendors, given that there were several waves of infectious COVID-19 viral strains in 2021.

This is the fifth edition of Nam Cheong's annual sustainability report. It affirms our ongoing commitment to 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 and all staff for their hard work, grit and commitment this past year. I am confident that collectively, we can chart a safe and prudent path through this prolonged pandemic crisis and emerge as a stronger organisation for the future.

Tan Sri Datuk Tiong Su Kouk
Executive Chairman

OVERVIEW

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 used by major corporations. We have retained the GRI Standards for this Sustainability Report 2021, which has been prepared in accordance with the GRI Standards: Core option. 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 5 months after the end of the financial year. This sustainability report covers the Group’s OSV building and chartering operations headquartered in Malaysia for the financial year from 1 January to 31 December 2021. The report includes the five primary reporting components as stipulated in SGX’s Listing Rule 711B, namely:



**Material
environmental, social
and governance
factors.**



**Policies, practices
and performance.**



Targets.



**Sustainability reporting
framework.**



Board statement.

In December 2021, the SGX informed all issuers about changes to sustainability reporting. These changes, including new mandatory requirements of climate and board diversity disclosures, would take effect for issuers’ financial year commencing January 2022. The Group will review these requirements and ensure compliance for future years’ sustainability reporting.

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



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. This was especially the case in 2021 when we needed to understand how our stakeholders were impacted by the COVID-19 situation and what Nam Cheong could do to better respond to their needs and expectations.

There are several sets of important stakeholders with whom we engage regularly through formal and informal means. While we continued to limit face-to-face interactions in 2021, this was compensated by adopting online 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 stakeholder groups, modes of engagement and salient concerns are summarised in the following table.

Stakeholders Engagement Table

Stakeholder Groups	Engagement Modes	Salient Concerns
1. Customers	<ul style="list-style-type: none"> Marketing materials and promotional events Customers' feedback (including through electronic channels) Regular contact and networking 	<ul style="list-style-type: none"> Fair and transparent business practices Safe and reliable operations Cost-effective services
2. Suppliers & Business Partners	<ul style="list-style-type: none"> Regular meetings and networking sessions, including virtual meetings Correspondences through email and letters 	<ul style="list-style-type: none"> Fair and transparent business practices Good governance
3. Investors	<ul style="list-style-type: none"> Annual General Meetings Investor Relations section on the corporate website (http://www.namcheong.com.my/) SGXNet announcements Press releases 	<ul style="list-style-type: none"> Sound ESG policies and processes Safe, efficient and competitive operations Long-term business viability
4. Government & Regulatory Agencies	<ul style="list-style-type: none"> Regular correspondences, e.g. policy changes and COVID-19 related reporting and compliance matters Interactions via corporate service providers such as the company secretary and share registrar 	<ul style="list-style-type: none"> Strong compliance practices, particularly in adhering to government regulations and guidelines on COVID-19 Vigilance in environmental protection as well as occupational health and safety
5. Employees	<ul style="list-style-type: none"> Two-way communication and feedback through various channels Training and development programmes Performance appraisals 	<ul style="list-style-type: none"> Competitive pay and benefits package Training and upgrading opportunities Fair employment practices Focus on workplace safety, health and job security
6. Community	<ul style="list-style-type: none"> Corporate Social Responsibility ("CSR") programmes Media coverage 	<ul style="list-style-type: none"> Provision of social and economic opportunities Caring organization, including efforts to help the community arising from the economic impact of COVID-19



MATERIAL ESG FACTORS

Identifying Material ESG Factors

In line with the GRI reporting principles, NCL'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.

We followed a multi-step approach in identifying the material ESG factors in 2021:

- We consulted our stakeholders and noted their salient concerns.
- We reviewed external sustainability developments and industry trends, such as the need for greater international collaboration to tackle COVID-19 as a health and economic crisis, as well as the United Nations' Intergovernmental Panel on Climate Change ("IPCC")'s calls for urgent reduction in global emissions.
- We considered what our international peers were focusing on in terms of their ESG policy and programmes, such as the growing focus on decarbonization and environmental sustainability.
- 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.
- Upon the Board's approval, Nam Cheong's Management was responsible for the ongoing implementation, tracking and reporting of the various ESG policies and initiatives.

After considering the concerns of the various stakeholder groups and assessing the external and internal impacts, we assessed that the 2020's material ESG factors continued to be relevant for 2021:



Safety first

Workplace safety, safe operations and chartering.



Environmental protection

Improving fuel efficiency, reducing carbon emissions and implementing proper waste management.



Compliance

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



Caring for employees

Training, competency building and fair employment practices.



Giving back to the community

Providing economic opportunities and community assistance.



Business resilience

Adapting and responding quickly and effectively to external and internal business shocks.

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, especially given the evolving COVID-19 situation in 2021.	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, which includes implementing comprehensive measures to deal with COVID-19 health risks.
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.	This is an ongoing effort that contributes toward a cleaner, greener and healthier environment, as well as improves our economic performance.
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 toward 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.
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 crises such as the COVID-19 pandemic 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 COVID-19 Safety Measures

We continued to implement and refine our COVID-19 safety measures throughout 2021. Our annual target is to minimise health risks to individuals and business disruptions to the organization as much as possible. We complied with all local safety, vaccination and quarantine regulations, kept abreast of the latest developments and best practices, minimised face-to-face interactions, 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 on Workforce Safety and Readiness, which was communicated to all employees. In line with the statutory requirements and guidelines in 2021, we saw a gradual increase in working capacity to between 80% and 100%. 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 hand 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 workplace.

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 fleet age of less than 5 years, SKOM is one of the youngest operators 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 2021, 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 2021, SKOM maintained a dedicated 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 looks into the day-to-day operational tasks, client interfacing and vessel audits.

Onboard Safety Policies and Procedures

Onboard drills were carried out monthly in 2021. A Joint Ship to Shore Drill, in compliance with the ISM and ISPS codes, was carried out on 24 November 2021 using SK Paragon, one of our OSVs..

The following COVID-19 management guidelines were practised onboard our vessels in 2021:

- 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 Polymerase Chain Reaction (“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 affected personnel 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 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 2017 to 2021 is shown below.

Key Metrics	2017	2018	2019	2020	2021
Man Hours	488,579	1,005,245	1,793,120	2,718,593	2,292,125
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	0	0	0
Medical Treatment Cases	1	3	1	0	1
Total Recordable Cases	1	3	1	1	1
Total Recordable Incident Rate (TRIR) based on 200,000 hours	0.409	0.597	0.1	0.07	0.09
Total Recordable Case Frequency (TRCF) based on 1,000,000 hours	2.0	2.9	0.55	0.37	0.44

From 2017 to 2021, SKOM saw 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.

Total Recordable Cases had remained stable at one in each of the last three years, although SKOM’s Total Recordable Incident Rate (“TRIR”) and Total Recordable Case Frequency (“TRCF”) increased marginally from 2020 to 2021 because of the reduction in man hours of operation. 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. SKOM enhanced the HRA in 2021 by introducing the Body Mass Index and blood pressure monitoring programmes.

ENVIRONMENTAL PROTECTION

Cleaner Fuel and Climate Action

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 pursue efforts towards 70% by 2050. Furthermore, the IMO aims to reduce absolute carbon emissions by at least 50% by 2050.

The IMO has articulated a GHG strategy that includes design and technical measures, operational measures and innovation-centred measures. Collectively, this will reduce carbon emissions progressively and measurably from the business-as-usual scenario.

Nam Cheong's target is to support and align the IMO's environmental goals and regulations. In 2021, we complied with the IMO's current upper limit of 0.5% sulphur content (reduced from 3.5% before January 2020) of ships' fuel oil. This reduced limit would result in a 70% cut in total sulphur oxide emissions from shipping with positive health and environmental benefits globally.

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

- We design vessels with advanced technologies that are fuel-efficient, environmentally friendly, operationally flexible and cost-effective. Our NCP4000E and NCA80E vessel models incorporate the latest marine technologies and fuel efficiency elements such as the use of medium-speed diesel engines for main generators (instead of high-speed diesel) and lean concept electric drives, which would result in lower CO2 emissions by about 7% to 10%.
- 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.
- 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 biofuels or potentially zero-carbon fuel (such as hydrogen and ammonia).



SKOM tracks the fuel usage of its operating fleet through a Daily Average Fuel Consumption Report submitted by each vessel. The table below shows 2021's aggregate annual fuel usage for the fleet under SKOM's management and the estimated carbon emissions.

Fleet Overview

15

Anchor Handling
Tug Supply Vessels

6

Platform Supply
Vessels

5

Accommodation
Work Boats

1

Accommodation
Work Barge

1

Standby Vessel

Aggregate Fuel Usage in 2021



47,000 tonnes
(marine gas oil)



150,400 tonnes CO₂²
(-2.1% compared to 2020)

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. SKOM will continue to track fuel usage and explore ways to work with its customers on improving fuel efficiency and reducing the operations' carbon footprint.

Electricity Consumption

Our corporate office at KL Eco City and the Miri shipyard in Malaysia purchased and used 628,042 kWh of electricity in 2021, a significant reduction compared to the 943,841 kWh in 2020. The Scope 2 indirect emissions from this purchased electricity amounted to 367.4 tonnes of CO₂ emissions, a reduction of 33.5% compared to 2020, driven in part by the decreased work activities at the shipyard.

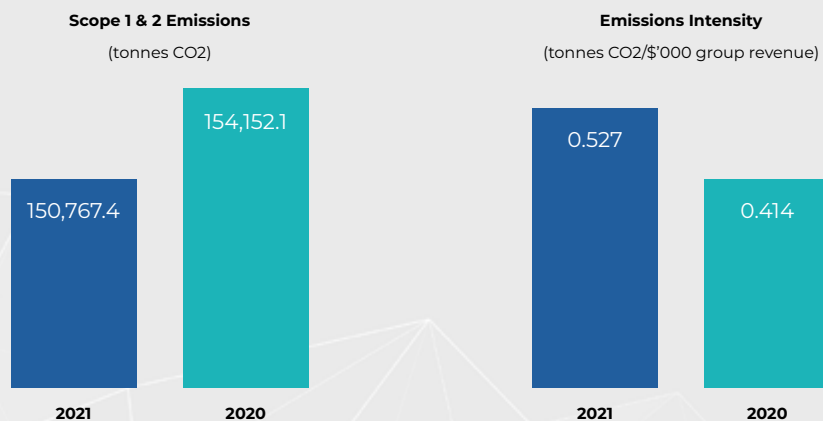
¹ According to the GHG Protocol Corporate Standard, Scope 1 emissions are direct emissions from an organisation's owned or controlled sources.

² The conversion from fuel usage to CO₂ emissions is based on the IMO's emission factor of 3.2.



Scope 1 and 2 Emissions and Emissions Intensity

Our corporate Scope 1 and 2 emissions as well as emissions intensity for 2021 and 2020 are shown in the charts below. Our target is to work with customers and other stakeholders to optimise and reduce the emission³ footprint in line with industry best practices.



³ This is based on Malaysia's grid emission factor of 0.585 kgCO₂/kWh, as published by Malaysian Green Technology and Climate Change Corporate, a government agency under the purview of the Ministry of Environment and Water (Kementerian Alam Sekitar dan Air).

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 2021, 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 any adverse impact on marine life.

Ballast water is used to stabilize vessels at sea. While it is critical for safe and efficient operations, it can pose ecological issues if not managed properly due to marine species carried in the ballast water. 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 2021, 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 2021 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.



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 several business-critical 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 on life and limb, as well as reputational loss. Our target is to maintain 100% compliance with all applicable laws and regulations. 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.

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 2021, there were no cases of corruption or bribery-related investigations or disciplinary actions.

Whistle Blowing System

Nam Cheong has a Whistle Blowing System for employees to confidentially report 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 2021, 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 2021, we had 224 (compared to 231 in 2020) onshore employees on our payroll. The 224 employees excluded offshore crew who were engaged on short-term contracts based on vessel on/off requirements. We conducted hiring exercises in 2021, such as to fill marine services roles that support our OSV chartering business.

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.

Training and Development

In 2021, 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.

For the year, we delivered a total of 2,271 training hours, which averaged out to 10.1 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**”). Specific training programmes included the following:

- ABAC Training and Implementations.
- Microsoft One Drive Familiarization.
- Shipbroker and chartering Contracts.
- Incident Investigation.
- HSE Report Writing Skills Training.

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 2021, 175 of our onshore staff strength of 224 were eligible for performance evaluation and all 175 employees went through the exercise. This was to assess which employees would qualify for promotion and career development opportunities.

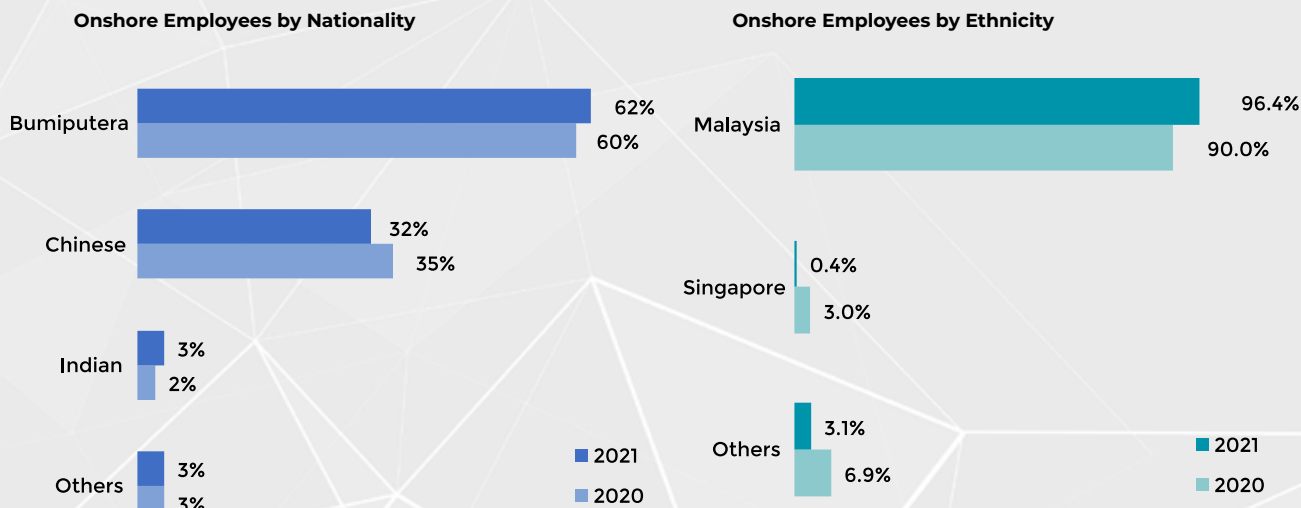
GIVING BACK TO THE COMMUNITY

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 2021.

In 2021, our workforce had a 24:76 female to male gender ratio with 9% aged 50 and above. While most of our workers were Malaysian nationals, there was ethnic diversity as shown in the following charts.



Community Giving

In 2021, Nam Cheong and our employees made donations towards various charitable causes in Malaysia. This included contributing pre-packed food and pre-loved clothing to an indigenous community – Kampung Orang Asli Bakar Leleh located in Selangor Darul Ehsan – and cash donations via the Malaysian Red Crescent Society to local residents affected by the 2021 floods.



BUSINESS RESILIENCE

The COVID-19 crisis demonstrated the fragility of global supply chains and unpredictability of business conditions. Nam Cheong must continually look at managing better for resilience whereby we take active measures to cushion against business shocks, prepare for the recovery, and strengthen ourselves organisationally when times are good. This way, we can ride out the volatility brought about by business cycles and global crises, and 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 2021, we completed the implementation of the new NS5 Fleet Management System for our OSV chartering services. We pushed for digitalization measures across the organization to streamline processes and improve efficiency. This included full implementation of a cloud-based IT system to promote cross-functional collaboration and full paperless claims by harnessing the current HR management system.

We continued to keep a close eye on market developments so that we could develop new service and product offerings to capture new opportunities. Because of the urgent global push toward decarbonisation of power production, deployment of fixed offshore wind turbines is growing and we are looking at the potential for OSV services to serve this emerging market segment.

Diversification and Efficiency

Another two aspects of enhancing 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.

At all levels of the organization, we constantly stress the need to run operations efficiently. In 2021, there was a corporate-wide cost rationalization exercise in which we optimized staffing levels and the use of office space. Administrative costs were lowered through reductions in marketing and travelling expenses as we shifted towards the use of online meetings to engage our customers and other stakeholders.

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



GRI CONTENT INDEX

GRI Standards		Page Number/External Reference
GRI 102: GENERAL DISCLOSURES		
Organisation Profile		
102-1	Name of the organization	Page 1
102-2	Activities, brands, products and services	Corporate website (http://www.namcheong.com.my/)
102-3	Location of headquarters	Corporate website
102-4	Location of operations	Corporate website
102-5	Ownership and legal form	Corporate website
102-6	Markets Served	Corporate website
102-7	Scale of the organisation	Corporate website
102-8	Information on employees and other workers	Page 13 (Human Resource Overview)
102-9	Supply chain	Corporate website
102-10	Significant changes to organisation and its supply chain	Nil
102-11	Precautionary principle or approach	Nam Cheong is committed to environmental protection. If there are reasonable grounds for us to exercise caution, even if scientific evidence is unavailable or inconclusive, we will endeavour to minimise any environmental harm
102-12	External initiatives	Page 7 (IMO Safety Management System code), page 9 (IMO Greenhouse Gas Strategy)
102-13	Membership of associations	Nam Cheong is an Ordinary Member of the Malaysia OSV Owners' Association ("MOSVA")
Strategy		
102-14	Statement from senior decision maker	Page 2 (Board Statement)
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Page 12 (Compliance Philosophy)
Governance		
102-18	Governance structure	Corporate website

GRI Standards		Page Number/External Reference
GRI 102: GENERAL DISCLOSURES		
Stakeholder Engagement		
102-40	List of stakeholder groups	Page 4 (Stakeholder Engagement)
102-41	Collective bargaining agreements	Nam Cheong's employees are not covered under any collective bargaining agreement
102-42	Identifying and selecting stakeholders	Page 4 (Stakeholder Engagement)
102-43	Approach to stakeholder engagement	Page 4 (Stakeholder Engagement)
102-44	Key topics and concerns raised	Page 4 (Stakeholder Engagement)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Annual Report available on the corporate website
102-46	Defining report content and topic boundaries	Page 3 (Overview)
102-47	List of material topics	Page 5 (Material ESG Factors)
102-48	Restatements of information	Nil
102-49	Changes in reporting	Nil
102-50	Reporting period	Page 3 (Overview)
102-51	Date of most recent report	May 2021
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Enquiries can be emailed to: enquiry@ncl.com.sg
	Significant changes to organisation and its supply chain	Nil
102-54	Claims of reporting in accordance with GRI Standards	Page 3 (Overview)
102-55	GRI content index	Page 16 (GRI Content Index)
102-56	External assurance	Nil

Topic-Specific Standards		Page Number/External Reference
Safety		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 5 (Material ESG Factors)
103-2	The management approach and its components	Page 7 (Safety Management System), Page 12 (Compliance)
103-3	Evaluation of the management approach	Page 8 (Safety Targets and Performance)
GRI 403: Occupational Health and Safety		
403-1	Occupational health and safety management system	Page 7 (Safety Management System)
403-2	Hazard identification, risk assessment, and incident investigation	Page 7 (Safety Management System)
403-3	Occupational health services	Page 7 (Safety Management System)
403-4	Worker participation, consultation, and communication on occupational health and safety	Page 8 (Safety Targets and Performance)
403-5	Worker training on occupational health and safety	Page 8 (Safety Targets and Performance)
403-6	Promotion of worker health	Page 8 (Safety Targets and Performance)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 7 (Safety Management System)
403-8	Workers covered by an occupational health and safety management system	Page 7 (Safety Management System)
403-9	Work-related injuries	Page 8 (Safety Targets and Performance)
403-10	Work-related ill health	Page 8 (Safety Targets and Performance)
Environmental Protection		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 5 (Material ESG Factors)
103-2	The management approach and its components	Page 9 (Cleaner Fuel and Climate Action), Page 11 (Waste Management), Page 12 (Compliance)
103-3	Evaluation of the management approach	Page 9 (Cleaner Fuel and Climate Action), Page 11 (Waste Management)
GRI 303: Water and Effluents		
303-1	Interactions with water as a shared resource	Page 11 (Waste Management)
303-2	Management of water discharge related impacts	Page 11 (Waste Management)
GRI 305: Emissions		
305-1	Direct (Scope 1) GHG emissions	Page 9 (Cleaner Fuel and Climate Action)
305-2	Energy indirect (Scope 2) GHG emissions	Page 11 (Electricity Consumption)
305-4	GHG emissions intensity	Page 11 (Scope 1 and 2 Emissions and Emissions Intensity)
GRI 306: Waste		
306-1	Waste generation and significant waste-related impacts	Page 11 (Waste Management)
306-2	Management of significant waste-related impacts	Page 11 (Waste Management)

Topic-Specific Standards		Page Number/External Reference
Compliance		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 5 (Material ESG Factors)
103-2	The management approach and its components	Page 12 (Compliance)
103-3	Evaluation of the management approach	Page 12 (Compliance)
GRI 205: Anti-Corruption		
205-1	Operations assessed for risks related to corruption	Page 12 (Anti-Bribery and Anti-Corruption)
205-2	Communication and training about anti-corruption policies and procedures	Page 12 (Anti-Bribery and Anti-Corruption)
205-3	Confirmed incidents of corruption and actions taken	Page 12 (Anti-Bribery and Anti-Corruption)
Human Resource		
GRI: 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 5 (Material ESG Factors)
103-2	The management approach and its components	Page 13 (Human Resource Overview)
103-3	Evaluation of the management approach	Page 13 (Human Resource Overview)
GRI 404: Training and Education		
404-1	Average hours of training per year per employee	Page 13 (Training and Development)
404-2	Programs for upgrading employee skills and transition assistance programs	Page 13 (Training and Development)
404-3	Percentage of employees receiving regular performance and career development reviews	Page 13 (Training and Development)

Topic-Specific Standards		Page Number/External Reference
Community Impact		
GRI 103: Management Approach		
103-1	Explanation of the material topic and its boundary	Page 5 (Material ESG Factors)
103-2	The management approach and its components	Page 14 (Employment and Economic Opportunities)
103-3	Evaluation of the management approach	Page 14 (Employment and Economic Opportunities)
GRI 406: Non-Discrimination		
406-1	Incidents of discrimination and corrective actions taken	Page 14 (Employment and Economic Opportunities)
GRI 413: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	Page 14 (Community Giving)
413-2	Operations with significant actual and potential negative impacts on local communities	Nil
Business Resilience		
103-1	Explanation of the material topic and its boundary	Page 15 (Business Resilience)
103-2	The management approach and its components	Page 15 (Business Resilience)
103-3	Evaluation of the management approach	Page 15 (Business Resilience)