

Strengthening
our focus on
growth

2017 annual report



sustainability report

message from the chairman

Dear Shareholders,

I am pleased to present to you Samudera's Sustainability Report. This report sets out our motivating principles and work ethics, as well as details of our best practices in workplace health and safety, gender balance and environmental initiatives.

We have prepared this report in accordance with the Global Reporting Initiative (GRI) Standards (2016). This globally recognised framework for understanding and reporting sustainability matters requires companies to identify material aspects for the organisation. Bearing first and foremost in mind the interest of our stakeholders, we have via cross-function discussions identified six material Environmental, Social and Governance (ESG) factors that drive our behaviour at Samudera.

These are:

- Generating and distributing economic value responsibly and ethically
- Strengthening the transport by sea to improve access to goods and merchandises
- Providing safe conditions during cargo handling operations
- Promoting best practices in oil spill management
- Accelerating employees' development across Samudera's operations
- Maintaining a strong compliance record

The Sustainability Report is designed to specifically discuss these drivers, along with details of our investments in training and community projects, as well as key measures of progress on reducing our environmental footprint.

Samudera places great emphasis on integrating environmental, social and governance responsibilities with our operational and development strategy, to ensure that the sustainability of the society and environment is not compromised. Our sustainability initiatives are managed by an executive team in our Singapore headquarters, with our Board of Directors providing oversight and counsel on the strategy and direction.

We have just begun our sustainability journey, but I am encouraged by what we have achieved so far and our ambitious commitments towards a greater future. I thank our employees for their ongoing effort in making Samudera a better place to work in, our customers for their renewed trust and all of you for your interest in our sustainability endeavour.

Masli Mulia
Executive Chairman

about this report

The year 2017 marked the start of Samudera's Sustainability Reporting journey. Over the years, we have recognised the importance of managing our business operations responsibly. We are pleased to present our first annual Sustainability Report, developed in accordance with the Global Reporting Initiative (GRI) Standards 2016: Core option. This report is formed with reference to the primary components set out in SGX Listing Rule 711B on a 'Comply or Explain' basis. Kindly refer to the GRI Content Index on page 32 to 33 of the Financial Report for the relevant references.

This report reiterates the Group's commitment towards sustainable development as we respond to the needs and concerns of a wide range of stakeholders. In the report, we also discuss the challenges facing the industry, and how we are working with the community towards long term value creation for all our stakeholders.

Scope and Period of the Report

We have prepared this Sustainability Report according to GRI Principles guidelines to provide you with a comprehensive picture of our business activities, results and commitments in the ESG spheres. The information and data contained in this Sustainability Report relate to Financial Year 2017 (1 January 2017 to 31 December 2017), and covers the practices of our two key subsidiaries in Singapore, namely,

- *Silkargo Logistics (Singapore) Pte Ltd* – an end-to-end worldwide logistics and freight forwarding service provider including air and sea transportation, custom process, shipping agency, warehouse and inland transportation for end users, and
- *Foremost Maritime Pte Ltd* – an entity which owns and charters dry-bulk carriers for the transportation of bulk shipping commodities in the International market

The exclusion of any geographical area or subsidiary, from the scope of reporting is attributable to its immateriality in relation to the Group as a whole. Moving forward, as we extend awareness and outreach of our sustainability reporting to our overseas operations, we will consider other subsidiaries in the reporting scope.

If you, as a stakeholder of the Group, have feedback on this report or a subject related to sustainability, do feel free to share it with us at: sustainability@samudera.id or (65) 6403 1687

sustainability report

managing sustainability

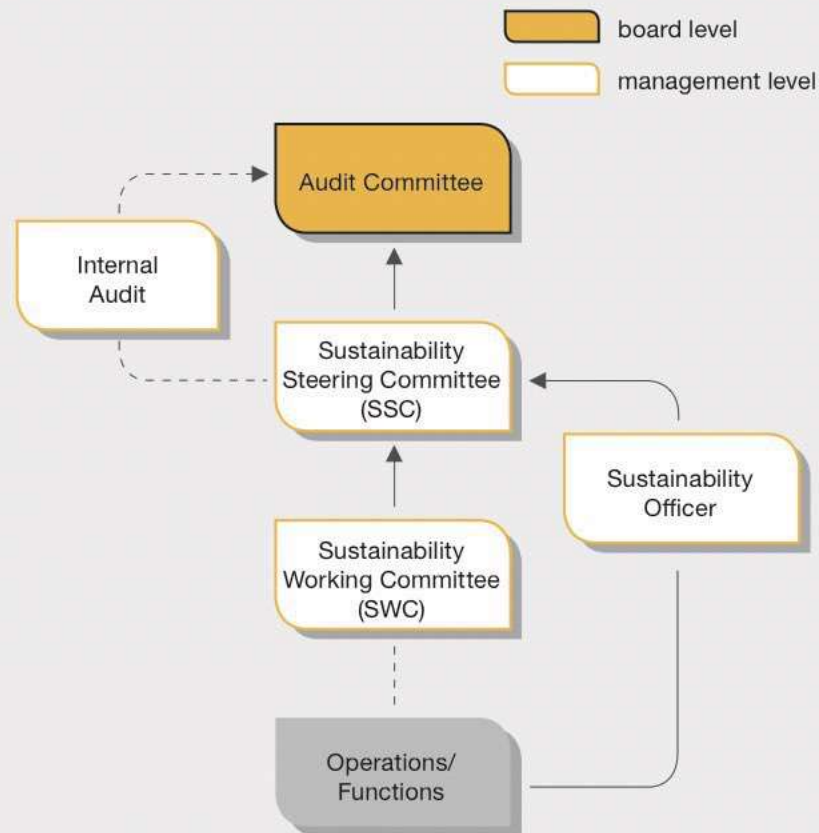
Sustainability Governance Structure

2017 marks the year in which the Group's sustainability strategy was formalised, following an internal review and approval by our Sustainability Steering Committee (SSC). Sustainability-related decisions are now undertaken at the half-yearly SSC meetings.

Who's involved?

The SSC is chaired by our Chief Executive Officer (CEO) and comprises Executive Directors and key divisional heads. It is responsible for setting the overall ESG direction and Sustainability Key Performance Indicators (KPI) after considering various ESG factors, practices and related opportunities.

To assist the SSC in its duties, we have also formed a Sustainability Working Committee (SWC) to drive the sustainability process. The SWC comprises representatives from all the departments and key business units. We have also appointed a Sustainability Officer to act as a liaison person between the SSC and SWC. The SWC convenes quarterly to discuss sustainability matters and review performance. The reporting structure is as follows:



The Board is ultimately responsible for the sustainability process, approval and oversight of the implementation of the Group's sustainability strategy.

Sustainability Across The Value Chain

We firmly believe that Sustainability enhances long term shareholder value and confidence, and promotes the right culture and behaviour. As we mature in our Sustainability practices, we hope to be able to align sustainability planning with our business unit planning, and integrate Sustainability monitoring with existing business monitoring and information systems. We have undertaken a broad range of initiatives to promote sustainability within our company and across our value chain as follows:

- **Safe Navigation of Vessels:** We have put in place contingency plans to deal with unexpected and emergency situations such as collisions, grounding and spills. One of our ship managers, PT. Samudera Indonesia Ship Management (SISM) has a training center in Jakarta to conduct various courses on environmental matters and safe operations on vessels. Our crew aboard each vessel also conducts oil spill drills regularly to ensure that they are prepared to deal with oil spills effectively and safely. We also extended incident management training to all partners across our owned and chartered vessels.
- **Environmental Management System (EMS):** We have developed an Environmental Management System (EMS) for this purpose. Our EMS is a comprehensive Standard Operating Procedure (SOP) that enables our ship crews as well as ship managers to monitor, evaluate and take corrective actions to ensure vessel compliance with international regulations on the prevention of pollution caused by gas emission, oil or noxious spill, marine accidents or poor garbage management.
- **Corporate Social Responsibility (CSR):** As part of our 2017 CSR initiatives, the Company made financial contributions to a school in Batam, Indonesia as well as to the Singapore Council of Women's Organisation (SCWO). In addition, our employees also participated in the NTUC Eco Run 2017, and Willing Hearts, a soup kitchen that prepares, cooks and distributes meals to the needy in Singapore.

These sustainability initiatives reflect our Management's commitment to our principal values of respecting employees, partners and the community.

Materiality Assessment

Through a workshop conducted in February 2017 that was attended by senior management and key internal stakeholders across departments and business units, we have identified six ESG factors that are material to Samudera, validated the sustainability governance structure and selected a globally recognised framework for reporting those factors.

The material ESG factors have been prioritised based on their significance to our business and importance to our stakeholders.

Engagement And Communication With Stakeholders

We believe that regular engagement and communication with stakeholders on our Sustainability initiatives are important to ensure that we cultivate the necessary support and buy-in. In this regard, we make it a point to continuously engage internal stakeholders of all levels on this matter.

Our key stakeholders include Board members, shareholders, regulators, port authorities, customers, ship managers, employees and crew members. We have developed a stakeholder matrix to identify, consider and respond to all stakeholders on their ESG expectations. We are also planning to implement specific platforms and modes of engagement to help amplify the voices of our stakeholders and put forward their proposals for the future.

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material factors - economic

- Economic performance

After years of overcapacity and excessive optimism about demand, the shipping industry finally saw a more balanced supply-demand situation in FY17, in the wake of a slowdown in newbuild orders and a general improvement in demand for shipping services. Against this backdrop, we managed to deliver a turnaround in performance.

You will be able to find a comprehensive discussion of our financial performance for FY17 in the Financial Report.

		FY17 (US\$'000)	FY16 (US\$'000)
Direct economic value generated	Revenue	283,701	260,466
Economic value distributed	Cost of Sales	266,033	245,860
	Interest Expenses	1,677	1,880
	Tax Expenses	314	1,507
Economic value retained	Profit (loss) after tax	5,798	(5,304)

Performance Measurement

Further details on our economic value can also be found throughout this Annual Report. An overview of our performance can be found on page 14 to 15, whilst our financial statements can be found in the Financial Report.

material factors - environmental

- Dangerous goods control
- Oil spill

Strengthening The Transport By Sea

The consequences of mishandling dangerous goods can be extremely far reaching, from potential serious bodily injury, to vessel damage and environmental crises caused by the chemical reaction of flammable, corrosive or toxic vapors. The risk to human beings goes against Samudera's most fundamental value of employee safety. In addition, incidents involving the mishandling of dangerous goods can potentially result in significant losses where there are fatalities or environmental pollution.

Poor practices relating to dangerous goods control can also lead to operational disruptions and costly environmental liabilities. Any such deterioration in Samudera's service integrity could adversely affect our ability to expand our operations or gain permits to access new maritime facilities.

Our dangerous goods loading and unloading activities frequently occur in ports where stowage and segregation of such dangerous goods fall under the purview of ship crews or officers with support from shore-based personnel. A large portion of our cargo are transshipment cargo and load on a 'shipper load and count' basis. Undeclared dangerous goods can go undetected onboard.

Management Approach

As part of our effort to protect crew members and the marine environment, we provide all relevant personnel with training on the safe handling and transportation of hazardous materials, helping them cultivate in-depth knowledge of the International Maritime Dangerous Goods (IMDG) code¹.

We ensure that all our crew members and officers are duly certified and have dedicated team in place for the handling and control of cargo shipment falling under the Dangerous Goods (DG) category.

Our Management also conducts annual reviews and verification on ship management and compliance with the Group's safety procedure and work processes. We investigate every incident to improve end-to-end control of dangerous goods.

Performance Measurement

Performance measurement	FY17
Number of significant incidents* involving dangerous goods	0

**Significant DG Cases refer to fires, explosions or accidents resulting in personal injury*

Target And Key Initiatives

Our target for FY18 is to maintain a zero-incident record relating to DG control.

In line with this, we are enhancing our procedure to ensure safe stowage of dangerous goods. We are in the midst of developing a computerised software programme to improve the control of carriage for dangerous goods and prevent human lapses. The new system will alert the ship stowage planner when dangerous goods are not properly stowed, so that the planner can take immediate corrective action.

Promoting Best Practices In Oil Spill Management

Oil spill cases have a disastrous impact on human life and the environment, and could result in an impairment to the Group's financial performance. In this regard, we are fully committed to conserving and protecting the environment in which we operate.

Management Approach

We have in place sound business practices to manage oil spills. All our vessels are covered by the Civil Liability Convention (CLC) Bunker Certificate², and have a Shipboard Procedure Manual (SPM) detailing the procedure for all bunkering operations, including the loading, discharge and internal transfer of cargo oil, bunker fuel oil and lubricating oil.

Apart from a stringent screening process for the selection of bunker suppliers, we hire competent crew members and provide them with adequate training and equipment to prevent incidents. This includes conducting drills throughout the year.

1 International Maritime Dangerous Goods Code is accepted as an international guideline to the safe transportation or shipment of dangerous goods or hazardous materials by water on vessel.

2 Certificate of Insurance or Other Financial Security in respect of Civil Liability for Oil Pollution Damage

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Performance Measurement

We are proud to announce that 100% of our vessels are in compliance with the applicable regulations on oil spillage and that none of our vessels have ever been involved in any accident that resulted in an oil spill.

Targets And Key Initiatives

We maintain a zero-vessel incident record involving oil spill and a 100% vessel-compliance rate for oil spill regulations in FY18. We will take the necessary actions to prevent the occurrence of oil spill incidents.

material factors - social

- Training
- Occupational Health and Safety

Our Commitment To Our Employees

Our people are our key assets. They are crucial in helping Samudera deliver on our quality service and safety commitments. In building up a workforce with multi-disciplinary skills, extensive knowledge and deep expertise, we provide a broad range of staff training programmes to equip our employees with leadership and management skills, financial reporting capabilities, maritime knowledge and operational excellence.

Management Approach

Over the years, we have invested in several training programmes covering information technology (IT) (e.g., VMware VSpher, CommVault Backup Administrator courses), dangerous goods management, container management, bunker mass flow metering, and customs declaration training among others. These programmes have been introduced with the objective of improving operational efficiency.

Since 2008, Samudera has also been offering onboard and onshore internship programmes for Cadets, with a dedicated training curriculum covering cruising and reporting period requirements.

Performance Measurement

Rebalancing the training offer

The table below shows the gender breakdown for average number of training hours in FY16 and FY17:

Gender	Training hours per employee	
	FY16	FY17
Male	4.10	3.80
Female	0.31	2.60
Overall	1.47	2.98

Our objective is to increase the overall training hours per employee to help our employees keep abreast of the latest developments in their respective fields of expertise amid today's dynamic environment. On this note, the overall number of training per employee was doubled year-on-year, from 1.47 hours in FY16 to 2.98 hours in FY17. In the past year, we have also been working to address the imbalance in the average number of training hours between

male and female employees. As a result, the difference in average training between male and female employees has been narrowed significantly from 3.79 hours in FY16 to 1.2 hours in FY17.

Target And Key Initiatives

We will maintain a diverse and relevant learning and development programme in our effort to broaden and deepen the knowledge and experience of our employees. In 2018, we have also set a target overall average training hours per employee of no less than three hours for both genders. We also intend to send a higher proportion of our office-based middle management staff for skills upgrading training.

We are constantly on the lookout for new courses conducted by key providers such as the Marine Port Authority, Singapore Shipping Association, and Indonesian National Shipowners' Association. Going forward, we will develop an annual training calendar to improve and expand the skillsets of our crew and staff.

Training employees on EHS issues

Integral to our Ship Energy Efficiency Management Plan (SEEMP) is our staff training programme on environmental issues and pollution. This training programme is based on the "4Rs" (reduce, reuse, recycle and recovery) and is aimed at promoting zero pollution. In addition, we also provide other relevant Health Safety and Environment (HSE) training to our crew as follows:

- Safe Navigation at All Time & Fleet Campaign (Safety)
- Safe Cargo Operation & Machinery Procedures (Safety)
- Maritime Labour Convention 2006 (Health)
- Port State Control Inspection (HSE)
- Hot Issue & Risk Assessment (HSE)

Sustainability In The Workplace

We believe that happy employees tend to be more motivated and less stressed out at work, which in turn increases productivity, improves attraction and retention, and reduces health-related costs such as absenteeism and medical leave. On this note, we are committed to promoting work-life balance among our employees.

Management Approach

Some initiatives that we have implemented over the past few years to improve workplace health and safety includes:

- group sporting activities, such as organised jogging sessions
- provision of fitness equipment such as stationery bicycles onboard our vessels
- seafarer medical check-up programmes
- drug and alcohol screening as part of our seafarer recruitment process
- introduction of procedures on occupational health and safety on board, such as SPM-321 Safety Procedures and SPM-811 Shipboard Personnel Procedures
- issue of personnel protective equipment (PPE) and safety equipment on board

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material factors - social

- monthly maintenance of PPE, safety equipment and fire extinguishers
- installation of oxygen detector, combustible gas meter and toxic gas meter on board every vessel
- weekly checks on cabin and accommodation for onboard hygiene control
- provision of first aid kits, hand sanitisers on board and in our offices
- regular inspection of office equipment
- Regular fire drill exercises

Performance Measurement

Our Human Resource Department, Ship Managers and Ship Captains are responsible for collecting safety data monthly and reviewing them during management meetings. Targets are then set or refined accordingly by our Management and Ship Managers and shared with our employees and crew.

Health and Safety Incidents*		FY17
1	Fatalities	0
2	Lost Work Day incidents resulting in hospitalisation	0

* Reportable injuries encountered by employees or crew members while discharging their duties during official hours and resulting in hospitalisation

Target And Key Initiatives

We intend to maintain a zero-incident/accident encountered by employees or crew members while discharging their duties during official hours resulting in fatality and hospitalisation. In line with this, we are looking forward to engaging an external consultant to assist in coordinating health management activities for our employees in 2018.

material factors - governance

- Compliance

A Strong Compliance Record

Samudera is committed to complying with international laws and regulations, including listing rules applicable in Singapore. Our Management firmly believes that this will protect our shareholders' interests and enhance shareholder value in the long term. As a reliable feeder shipping operator in Asia, it is vital for us to comply with the applicable legislation, various jurisdictions and port regulations where we operate.

Maintaining high standards of corporate governance will enable us to ensure greater corporate transparency, accountability, performance and integrity which are vital for stakeholders' trust and confidence. It will also help to ensure quality decision-making, adequate risk management and the protection of shareholders' interests.

Management Approach

The *Whistleblowing Policy* and dedicated reporting channel accessible to employees and external parties provide a reliable platform for all stakeholders to report improprieties or suspicious cases of non-compliance issues. Samudera's Employee Handbook provides guidance rules and regulations in relation to the Employment Act and Ethical code of conduct in which employees are to adhere to to defy corruption, bribery and workplace harassment. We have adopted an internal Code of Best Practices on dealings in securities to provide guidance to the officers, including Directors, of both the Group and our subsidiaries.

Our risk management and internal audit team carries out an enterprise risk management exercise on a regular basis to ensure that the key risks and internal control mechanisms are up-to-date and stay relevant.

Performance Measurement

No significant case on non-compliance with laws and regulations were reported in FY17. In addition, we have not been subject to any significant fines for non-compliance with socioeconomic or environmental local laws and regulations in FY17.

We take a proactive approach towards ensuring that we are in compliance with all relevant environmental legislations and regulations on oil, harmful substances, sewage, garbage and air pollution.

Target And Key Initiatives

For FY18, we intend to maintain a zero-incident record in relation to cases of non-compliance with laws and regulations.

We will provide training for our directors and selected employees to raise awareness on major changes to the existing regulations and any new applicable regulations relevant to the Group.