



SUSTAINABILITY REPORT 2016

**TOGETHER WITH COMMUNITY
SPREADING HARMONY
REAPING SUSTAINABILITY**

ABOUT THE SUSTAINABILITY REPORT

PT Mitrabahtera Segara Sejati (MBSS) Tbk - hereinafter referred to MBSS, the Company or “We” – published the Sustainability Report 2016 for the first time. Sustainability Report is scheduled to be published annually and contains information regarding the fulfillment of the Company’s sustainability responsibilities, covering the economic, environmental, and social aspects, during the period of January 1 to December 31, 2016.

The preparation of the Sustainability Report 2016 is referred to the Sustainability Reporting Guidelines (SRG) G4, which was published by the Global Reporting Initiatives (GRI).

MATERIALITY

All information in the report came from MBSS, the holding company and some of its subsidiaries that were relevant to the material aspect of reporting. In this report, the material aspect was determined through discussions with key figures in the Company and involved the opinions from internal and external parties. Special financial information presented in this report was consolidated.

Material aspects of the Sustainability Report 2016 was pulled together from in-depth discussions both physically and virtually. The first meeting was conducted in Jakarta in December 23, 2016 and tried to identify relevant material aspects, to explore report limitation considering the scope and effect of the Company existence and to decide the report format.

CONTACT RELATED REPORTS

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VISION, MISSION AND COMPANY VALUES

VISION

To be a world class company providing sea logistics and transshipment solutions recognized for operational excellence

MISSION

To provide high quality solutions in sea logistics and transshipment for coal and other bulk materials including oil and gas.



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MESSAGE FROM THE PRESIDENT DIRECTOR



2016 was a challenging year for PT Mitrabahtera Segara Sejati (MBSS) Tbk due to the continued depressed coal prices which was somewhat offset by a climb in prices towards the fourth quarter of the year. The new management led by the undersigned focused on reviewing key aspects of the business starting with safety management and culture to all commercial contracts, operational excellence including improved asset utilization and finally human capital productivity and competencies of both on shore and off shore employees.


This Sustainability report is a means to communicate all that we have done through 2016 and every attempt has been made to ensure the contents are factual and impartial and without prejudice.

This first sustainability report being published by MBSS with details of the CSR activities being pursued in 2016 is testimony to the importance the new management attaches to sustainability. The caveat here being MBSS has always pursued CSR activities since inception in 2011 (acquisition by Indika Group) but under the Group's guidance we felt it best to articulate our stance through a yearly report.

As in the case of community development, we have conducted a number of initiatives related to education, health and social, especially to the people affected by our business operations.

We are cognizant that this is only a start and will need more efforts to be expended over the next few years. As a subsidiary of Indika Energy Group, we will also seek guidance and synergies with the Group in our long term plans for established standards in the values and integrity within our business and in our commitment to CSR.

We have made significant progress in the designing, implementation and communication of our activities to shareholders, employers, government, employees, local communities, business partners, local suppliers and the media in 2016. Equally, in this journey of continuous learning and improvement, we have



identified a number of important issues and worked proactively to enable us achieve the established targets and Key Performance Indicators (KPI).

Our emphasis on health, safety and environment has struck a chord with our key long term customers with shared values. For instance, in 2016 we designed MQSHE, a system to improve health and safety in our business environment. This is an integrated system of ISM Code, ISO 9001:2008, OHSAS 18001:2008 and ISO 14001:2005. A number of programs have been implemented to increase awareness in the field of health among employees, among others are 3,992 hours onboard training for our crew and onshore training for our shore staff which includes 1,676 hours on health and safety, weekly safety talk in Head Office and site offices, National K3 Month, and safety & health bulletin/poster production.

In community development, we have conducted a number of initiatives related to education, health and social for the community affected by our business operations.

This Sustainability Report is a means to communicate all that we have done through 2016 and every attempt has been made to ensure the contents are factual and impartial and without prejudice.

Finally, a huge thanks to all the employees within MBSS who have enthusiastically participated and worked hard for the successful completion of the activities in 2016 and a special thanks to our customers, vendors and business partners who have supported us in our endeavors and placed trust in MBSS over the years. We are confident of doing better in 2017. MBSS pasti bisa !!!

CAPTAIN HARI ANANTHANARAYANAN
PRESIDENT DIRECTOR

EFFICIENT AND RELIABLE SERVICE

PT Mitrabahtera Segara Sejati (MBSS) Tbk is a leading provider of logistics solutions and integrated marine transportation of bulk materials in Indonesia, particularly coal. Having more than 20 years of experience in this business, MBSS has a reputation for the highest and reliable quality service. MBSS primarily serves the largest coal mines in Indonesia.

MBSS was established in Jakarta, Indonesia in 1994 as a shipping company. As time goes by, our facilities, fleet and scope of services grew and developed into a logistics services provider and major transportation that are able to meet the needs of clients consistently. In 2011, MBSS became one of the Companies listed in Jakarta Stock Exchange (now Indonesia Stock Exchange). In the same year, MBSS became a part of Indika Energy Group.

Applying international operation standards and industry best practices to ensure efficient and reliable service for customers, MBSS is committed to achieve sustainable growth through strategic decision making and reliable operational activities.



Through various strategies, MBSS aims to improve the resilience of the Company and to maintain client market share in facing today's challenging situation, to secure the long-term competitive future of the Company and Shareholders.

In the midst of strong pressure experienced by the industry due to falling coal prices, MBSS responded by working hand in hand with clients to find solutions together within the framework of a contract extension, improving the ability to serve the rental spot and long distance transportation, improving fleet management and productivity thus gaining optimum asset utilization.





HEADQUARTERS

PT Mitrabahtera Segara Sejati Tbk.

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MBSS provides 24-hour call center services to ensure every complaint can be addressed immediately and provides excellent service in order to achieve customer satisfaction.

Currently MBSS operate in Indonesia, covering five provinces with operations as follows:

- Swiss Niaga International, Palembang
- Muara Alam Sejahtera, Palembang
- Batara Resources, Palembang
- Bina Sinar Amiti, Palembang
- Sriwijaya Bara Logistic, Palembang
- Lafarge semen, Palembang
- Bukit Prima Bahari, Palembang
- Adaro Project, Kelanis
- Arutmin Project, Satu
- BCS Project, Sebu
- Antang Gunung Meratus (AGM) Project, Sungai Puting
- Indo Asia Cemerlang, Sungai Danau



OPERATIONAL MAP



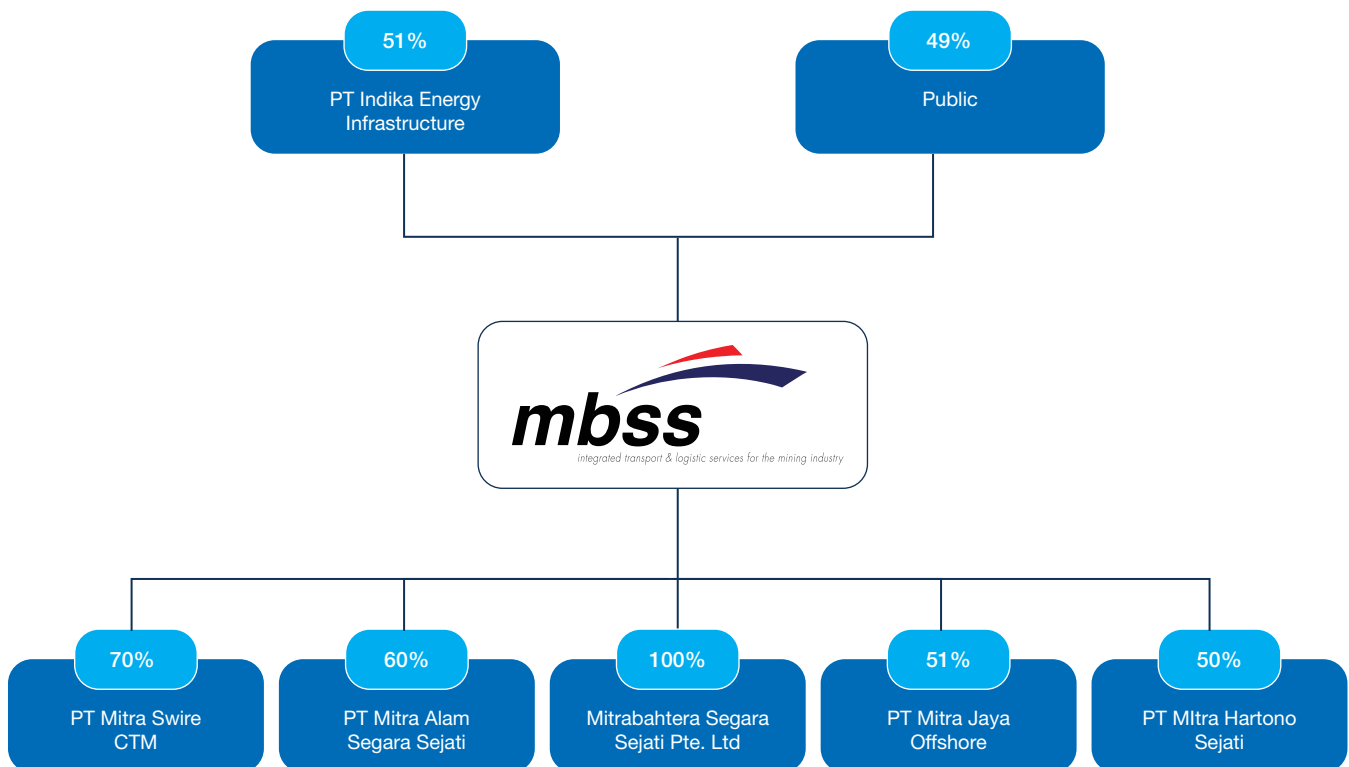
- Trinisya Project, Satui
- Multitambang Jaya Utama, South Barito
- Borneo Pasific Global, Satui
- Indocement, South Kalimantan
- Kwan Samudra Mandiri, South Kalimantan
- Mega Bahtera Kencana, South Kalimantan
- Pelayaran Nasional Tanjung Riau Services, South Kalimantan
- PLN Batubara, South Kalimantan
- Prima Multi Artha, South Kalimantan
- Setyawan Mahakarya Prima, South Kalimantan
- Sumber Global Energy, South Kalimantan
- Trafigura, South Kalimantan
- Elisha Milan Tankers, South Kalimantan
- Energy Transporter Indonesia, South Kalimantan
- Transcoal Pacific, South Kalimantan
- Kideco Project, Grogot
- Berau Coal Project, Berau
- KPC Project, Sangatta
- Rembang Bangun Persada, Rembang
- Varia Usaha, Gresik

This report will discuss the company's operations in accordance with the indicators of Global Reporting Initiatives (GRI) version 4, with particular attention to the operations of the company in South Kalimantan.

ABOUT MBSS



MBSS was founded in 1994 by the establishment of Limited Liability Company No. 107 On March 24, 1994 made in the presence of Darbi, SH, a notary in Jakarta. MBSS establishment was approved by the Ministry of Law and Human Rights pursuant to Decision No. C2-10.152.HT.01.01.Th. 96 on November 6, 1996 in the list of companies No. TDP 09051632921 Company Registration Office of Central Jakarta Municipality Number 298 / BH.09.05 / XII/ 1996 dated December 30, 1996 and was published in the State Gazette No. 740 in 1997, and additional State Gazette No. 15 dated February 21, 1997.



There are some significant changes in the organization structure of Company In 2016. Some new names appear in the Board of Directors. These changes indicate our anticipation in welcoming the challenges in 2017.

	2016	2015
Commissioner		
President Commissioner :	M. Arsjad Rasjid P. M.	M. Arsjad Rasjid P. M.
Commissioner :	Nurcahya Basuki	Nurcahya Basuki
	James Hugh Woodrow	Timothy Joseph Blackburn
Independent Commissioner :	Harry Wiguna	Harry Wiguna
	Agoes R. Silaban	Agoes R. Silaban
Directors		
President Director :	Capt. Hari Ananthanarayanan	Rico Rustombi
Vice President Director :	Lucas Djunaidi	Lucas Djunaidi
Director :	Trevor Larbey	Dedy Happy Hardi
	-	Trevor Larbey
Independent Director :	Surya Aribowo	Ika Heru Bethari
Audit & GCG Committee		
Chairman :	Agoes R. Silaban	Agoes R. Silaban
Members :	Tonyadi Halim	Rajiv Krishna
	Rebecca Sharpe	Rebecca Sharpe

The Company Organization Scale can be seen in the following table:

	Period 2016	Period 2015
Numbers of employee [person] :	Land : 333	Land : 342
	Sea : 1.165	Sea : 1.174
	Total : 1.498	Total : 1.516
Revenues* :	65.758,1	89.758,9
Cash and Cash equivalents * :	33.677,7	41.668,6
Liabilities* :	63.401,4	80.731,0
Equity* :	197.119,2	227.052,7
Total assets* :	260.520,6	307.783,7

[*In Million US \$]

EMPLOYEES: OUR SUCCESS DETERMINANT



“We have a clear preference for local people to fulfill our employment requirements “

MBSS currently employs about 1,498 onshore and offshore employees. Of 333 onshore employees, 64 are women. We have a clear preference for local people to fulfill our employment requirements based on their competence. The result can be seen in MBSS diversity.

MBSS has a code of ethics standard, and as one of the control systems against code violations, we have been implementing the Whistleblowing system. This system allows employees to freely communicate their concerns anonymously without exception.

SUPPORT OF HIGH QUALITY SUPPLY CHAIN

MBSS supply chain has implemented the SAP system that supports improvement of company's supply chain performance. This system allows selection and assesses the performance of all suppliers of each chain operations to form the high quality supply chain and to give the good service for the Company.

Company supplier partners are not only major suppliers that provide the best price but also involve local partners as illustrated as follows:

LOCAL SUPPLIERS	2016				2015			
	Jakarta	Banjarmasin	Balikpapan	Samarinda	Jakarta	Banjarmasin	Balikpapan	Samarinda
Clean water and food	2	5	2	1	2	5	2	1
Repair dan Docking	1	3	3	1	1	4	3	1
Spare part	5	3						
Moring rope	2	4		1	2	3	3	1
General service	7	7	3	3	5	7	3	3
Service maintenance	4	6	2		4	6	2	

MBSS as the operator of marine logistics service providers and bulk goods, especially coal, is fully committed to implement the initiatives of Health, Safety and Environment (K3L) as part of efforts to realize the vision of a world class company. With MITRA-QSHE integrated management system, MBSS launched Zero Fatalities achievement to employees throughout the operational area.

MBSS participates actively in two strategic associations, namely Persatuan Pengusaha Pelayaran Niaga Nasional Indonesia (INSA) and Chamber of Commerce and Industry (KADIN).



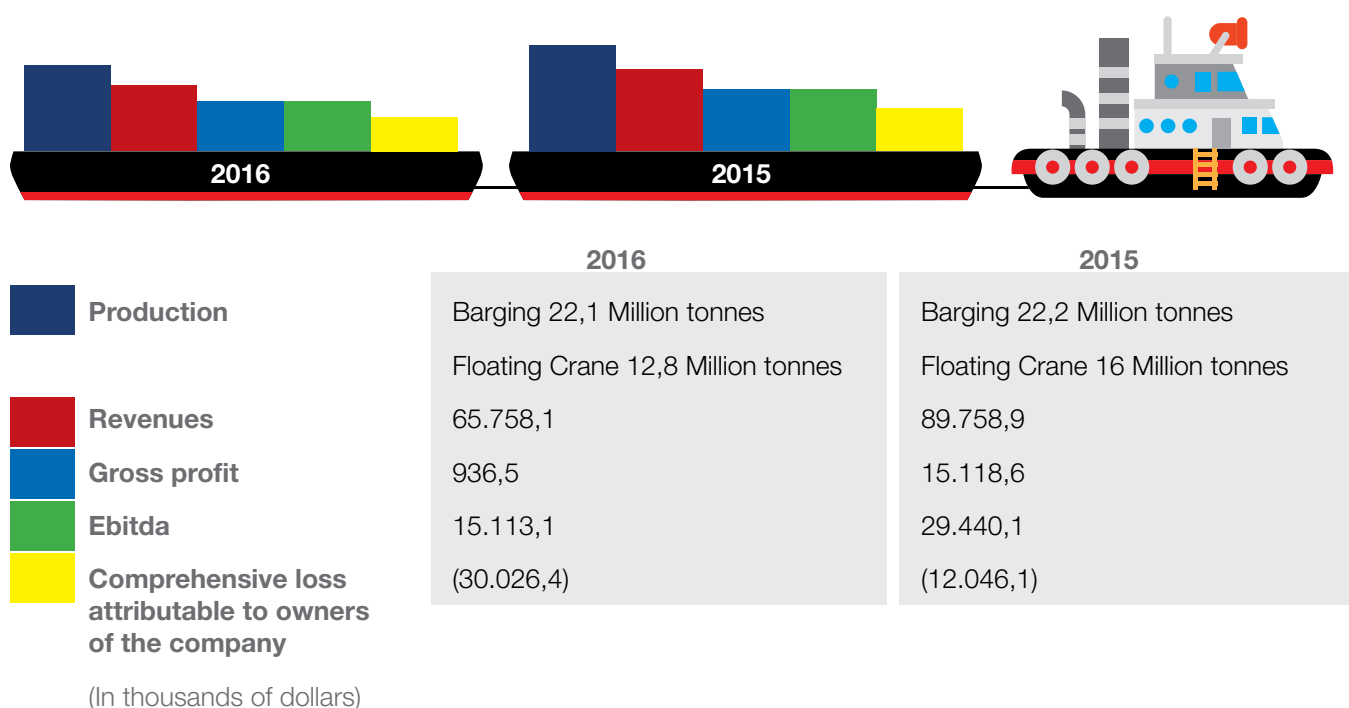
OBTAINED AND DISTRIBUTED ECONOMIC VALUES



During 2016, MBSS' performance showed positive results. Total revenue generated in 2016 reached US\$ 65,758,062. Unpredictable natural phenomenons and the coal business conditions made MBSS pay more attention to environmental sustainability. This situation experienced by all businesses, not only in Indonesia, but has become the world's attention.

OBTAINED AND DISTRIBUTED ECONOMIC VALUES

Revenues US\$ 65,758,062
Employee costs US\$ 14,685,909



GROW WITH SOCIETY

The community is one of the stakeholders that supports the operations of the company. We are working hard to improve the quality of life in the areas of operations through various corporate social responsibility (CSR) activities. Complying to the regulation, we believe that CSR activities minimize the social impact of our operations with the involvement of local people in the area of our operations. CSR implementation is also an indirect benefit of MBSS operation for the community.

Maintaining a harmonious relationship with the local community in areas of our operation, we personally approach to identify opportunities for empowerment of local communities through strategic CSR program, as well as of local government and other institutions in the area.

MBSS undertakes CSR activities in the field of education, economic empowerment, and environmental conservation in the form of community development programs tailored for the community in the areas of operations.





CORPORATE SOCIAL RESPONSIBILITY

We define corporate social responsibility (CSR) by referring to ISO26000. MBSS is committed to grow with the community through a transparent and ethical business conduct as well as adopting the principles of CSR as follows:

1. Support the concept of sustainable development and prosperity.
2. Take into account the presence of all the stakeholders.
3. Integrate CSR activities into business operations.
4. Comply to the law and be consistent with international norms.
- 5.



GOOD RELATIONSHIP WITH STAKEHOLDERS

MBSS on every aspect of its operations advances the aspects of fostering good relationships and always tries to make a positive contribution to the stakeholders, hoping that the risks can be reduced as much as possible.

MBSS as the operator of marine logistics service providers and freight bulk cargo has very broad operational scale throughout the country. In each operational area, stakeholders have different expectations so it is necessary to group them as follows:

Stakeholder groups	Interest	Relations Development Methods
Shareholders	<ul style="list-style-type: none"> • Sustainability investment growth. • Good organizational governance. 	<ul style="list-style-type: none"> • General Meeting of Shareholders • Update firm • Annual report
Client	<ul style="list-style-type: none"> • Service excellence • Reliable and punctual • Service solutions as per client requirements 	<ul style="list-style-type: none"> • Newsletter • Continuous improvement and innovation • Solid performance
Government	<ul style="list-style-type: none"> • Compliance and national regulations and international shipping regulations • Supervision of the environmental performance 	<ul style="list-style-type: none"> • Fulfill obligations according to existing regulations • Official meetings • Performance reports • Participation in the agendas of local and national governments, whether held by the government or business associations
Employee	<ul style="list-style-type: none"> • Career and rewards • Competence development • Occupational Health and Safety 	<ul style="list-style-type: none"> • Performance review • Direct communication • Education and training • Internal activities of the company
Local communities	<ul style="list-style-type: none"> • Local employment • Handling of social and environmental impacts • Corporate social responsibility program • Donation 	<ul style="list-style-type: none"> • Participation in community development • Community Discussion • Program development
Partners and Local Suppliers	<ul style="list-style-type: none"> • Business cooperation 	<ul style="list-style-type: none"> • Periodic evaluation
Media	<ul style="list-style-type: none"> • Corporate's actions and company's strategies information 	<ul style="list-style-type: none"> • Press conferences and media releases

MBSS continues to contribute the sustainably programs of corporate social responsibility (CSR), increasing in both quality and quantity from year to year. With these programs, MBSS maintains good relationship with stakeholders so that the operational activities in the operation areas run smoothly.

PROGRAM DESIGN

This year's programs still refer to the Pillars of Health, Education and Community Development. Implementation of these programs is aimed to contribute in improving the quality of life, especially in the area of company operations.

Sustainable programs are conducted based on communication and feedback from stakeholders, as well as social issues and have a strong relevance to the operation and sustainability of our business.



MONITORING AND EVALUATION

The implemented activities are monitored and evaluated by the company to ensure that the expected positive impact can be really felt by stakeholders and instill positive values of the Company in long-term. Monitoring and Evaluation is also conducted regularly by Commissioners and Directors of the company in internal level and Indika Energy Group level through the Sustainability Forum.

The continuous dialogue between the Company and the community in the operational area of MBSS has given a positive spirit of mutual help and mutual cooperation, as well as mutual trust, in order to minimize the social barriers.

The issue that gained attention and was implemented as MBSS program in 2016 was public health issue in areas that have limited health facilities and transportation due to geographical constraints.

Blood donation which is a yearly program that has become one of the company's positive cultures at every anniversary.

The educational programs are implemented continuously, including scholarships for children of on shore and non staff employees, which has been held for five years and has given scholarships to 236 students with a good academic record.

The educational program in 2016 includes the improvement of school facilities and infrastructures such as desks and tables for teachers and students. The social program was conducted by repairing the pier bridge facilities. Sahur on the River activity was conducted by the company, along with other stakeholders, by carrying out sahur with traditional merchants at floating market in Banjarmasin.

In the field of cultural and religion, MBSS continues to assist the celebration activities for people in the operational area.





HEALTH PROGRAM

Social events and circumcision had been conducted for villagers at Tampulang, Rantau Kujang, Rantau Bahuan and Jenamas on the channel of Barito River in Central Kalimantan. Those areas are shipping channel for MBSS ships that do not have any access to land transportation and it impacts on limited facilities of health, education and economy.

The program was a collaboration between the Company and stakeholders such as the Department of Health in Central Kalimantan provincial government, local government and district health office in South Barito and Kalselteng Navy Base.

The program that lasted for 3 days was carried out together with 4 general physicians, 1 dentist and 20 paramedics and was supported by pharmaceutical facilities with sufficient drugs. This program had been enjoyed by 318 beneficiaries for health treatment and 88 children for circumcision.

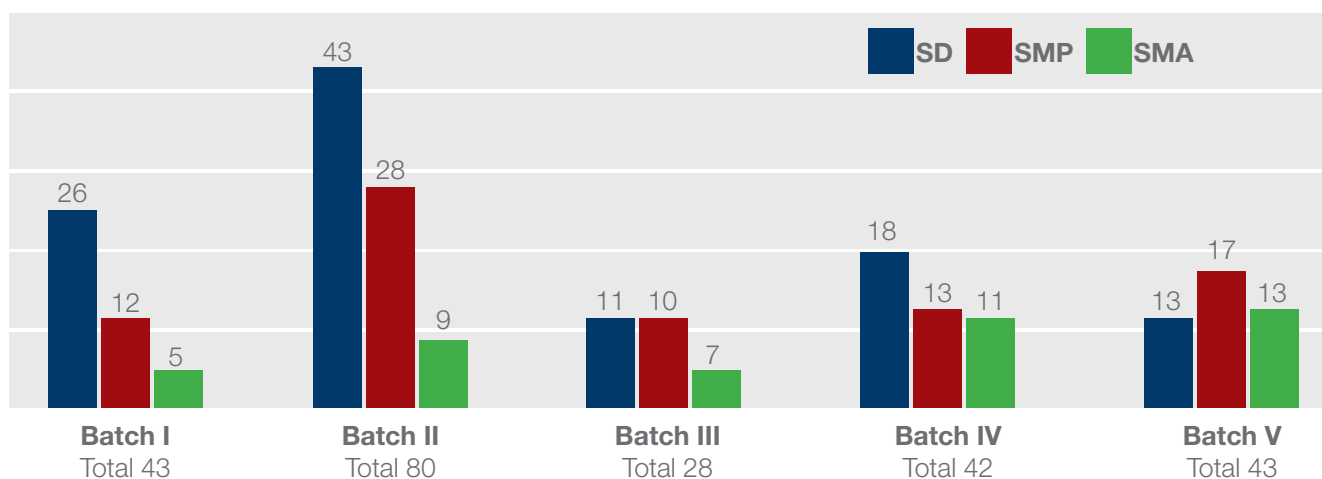
Blood donor program is one of the positive culture of the Company and it became one of the activities to commemorate the company's anniversary that was held continuously in 2016, carried out by 23 voluntary employees and was attended by 134 donors. This activity managed to donate 89 bags of blood.

EDUCATIONAL PROGRAM

Educational facility is one of the important instruments in the implementation of teaching and learning. In 2016 the Company had rehabilitated two classrooms, two sanitation facilities and provided 44 sets of school desk and chair and 4 sets of table and chair for teachers at SMP Negeri Satu Atap 3 in Tampulang, Jenamas.

99 pieces of ergonomic chair were also provided for teachers and school staff as well as a library at SD Dinamika Indonesia Bantar Gebang to replace the used less suitable chairs.

Comparison of Scholarship Recipients Batch I (2011) to Batch IV (2016)



COMMUNITY DEVELOPMENT PROGRAM

Community empowerment programs were implemented by repairing the pier bridge that is used daily by people in the village of Tampung and sahur activities with the merchants at traditional floating market in Banjarmasin. In addition there were also activities of Qurban and other religious activities that were considered as important festivities in MBSS operational areas.

Stalking Barito River – Community Outreach

Description

- Medical treatment, dental, pregnancy, maternal & child examination, and circumcision services in Barito area.
- School facilities, class rooms and public facilities renovation.

Objective

- To provide better health access for local community.
- To enhance good relationship with local community and stakeholders.

Measurement

- 318 health beneficiaries and 88 circumcision beneficiaries.
- Renovation of 2 classrooms, 2 restrooms, and jetty.
- Donation of 44 sets of school chair & desk.
- Budget realization IDR136 million from MBSS and IDR70 million from program partners

Lessons learned

- Partnership programs need to be implemented in other operation areas, especially in areas with limited access, health and education facilities.



Blood Drive

Description

- MBSS continuously conduct blood donation as part of MBSS CSR program.

Objective

- To support PMI blood reserve..
- As a commitment to share with others in line with corporate values.

Measurement

- 23 employees volunteered.
- 134 blood donors enrolled.
- 89 blood bags collected.
- Budget realization IDR. 8.5 million.

Lessons learned

- Internalize sharing and caring for each other and implement one of our values, namely social responsibility.

COMFORTABLE CHAIR FOR EDUCATION ADVANCEMENT

There were unusual bustle that afternoon at Dinamika Indonesia Elementary School, located at Bantar Gebang. A different kind of truck arrived at the elementary school. It turned out that the truck was carrying donations from MBSS for teaching and learning activity. A total of 99 (ninety nine) comfortable and ergonomic chairs were submitted by MBSS to preschool (playgroup), kindergarten and elementary schools in the region of Bantar Gebang.

“Teachers used to use student chair,” said Nasrudin, Spd, who currently serves as Principal of SD Dinamika Indonesia. With great enthusiasm, this 47-year-old man explained the various benefits of MBSS CSR assistance. “Now, the teaching and learning process will run smoothly and more effective as teachers feel more comfortable,” he continued.

Besides, teachers also use these chairs for meetings to discuss the progress of education in this school.

**Nasrudin SPd,
Principal of SD Dinamika Indonesia, Bantar Gebang**



Description

- Replacing old chairs with better and ergonomic chair for the teachers in SD Dinamika Indonesia Bantar Gebang.

Objective

- Replace uncomfortable wooden teacher chairs.
- Providing comfort for teachers during teaching, preparing lesson, and other teacher tasks.
- Showing Company concern in the Implementation of good education, as well as the giving appreciation to teachers.

Measurement

- 99 ergonomic office chairs
- Budget realization: IDR 0,5 million

Lessons learned

- Partnership ini sustainable programs need to be implemented.





Scholarship

Description

- Joint scholarship program between Holding and Indika Energy bisnis unit including MBSS.

Objective

- For Children of MBSS employee who has excellent academic achievement.
- Award to the best employees and has been working for more than two years for all levels of the sea Employees (crew, officers and rating) and especially for non-staff land employee where it is intended as a retention program which is expected to help reducing employee turnover.

Measurement

- 43 scholarship grantee (2016)
- Budget realization: IDR. 93.3 million.

Lessons learned

- Partnership sustainable program need to be implemented.

STEPPING STONE FOR REACHING GOALS

Quinta Olivia (13 years old) was very happy knowing that she was included in the group of students who will receive education fund from MBSS in 2016. This means that it has been three years in a row she received the benefits of CSR education programs launched by MBSS since 2015

Quinta is a junior high school student in Cimanggis, Depok. The fifth of eight children is no longer a burden for her parents in terms of school fees. Every month MBSS transfers the fund to cover her education needs such as tuition, books and stationery as well as other needs. Total beneficiaries in education fund increases from year to year.

“Thanks to the management of this scholarship program. This means a lot to us and can be a stepping stone for me to achieve my goals,” Quinta said with glittering eyes.

When she was asked about her expectations of this program, Quinta answered, “I hope this scholarship program can continue and be a blessing to many people and promote the spirit of the children to continue their work and achievements.

Quinta Olivia (student at SMP Cimanggis)





Sahur on The River

Description

- Supper together on the river with merchants of Barito floating market and Barito river communities. This event is a collaboration between MBSS Banjarmasin and marine police.

Objective

- To maintain relationship and cooperation with the communities and stakeholders in Barito.
- To express the Company's concern for community celebrations.

Measurement

- 40 beneficiaries.
- Budget realization: IDR7.1 million.

Lessons learned

- Need to develop systematic efforts to put the company as part of the community in each operation area.



Qurban 2016

Description

- Company participation in Palembang, Tanah Grogot and Banjarmasin project site in Idul Adha 2016.

Objective

- To converge and socialize with local communities and put the Company as an integral part of the surrounding community.

Measurement

- 3 site beneficiaries.
- Budget realization: IDR60 million.

Lessons learned

- Company awareness on major holidays such as religious festivities, cultural and local wisdom.

ENVIRONMENTAL MANAGEMENT

In this report we will present information in a limited quantitative data, such as energy consumption, both fuel and electricity. In Jakarta office, fuel consumption in 2016 is 26,873 tonnes liters and power consumption is 33,406 kwh (two offices in Jakarta).

We are still trying to calculate the energy consumption for other locations. The difficulty in calculating quantitative data on energy consumption is caused by the constraints of technical factors in data collection, considering the wide business scope of MBSS operational areas.



ENERGY CONSUMPTION EFFICIENCY

We made various efforts to make energy consumption more efficient. Until the end of 2016, there are some policies and strategic steps to reduce energy consumption that have been implemented, including:

1. MBSS implements energy conservation programs to improve energy efficiency and reduce emissions in each work area.
2. MBSS centralizes printers, faxes and scanners; replacing conventional lighting to LED lights; and utilizes teleconferencing technology to conduct remote meetings

REDUCTION OF GREENHOUSE GAS EMISSIONS

MBSS is committed to support the Government's efforts to reduce Green House Gas emissions (GHG). In the coming years we will start a number of initiatives to reduce GHG emissions.

GHG emission reduction efforts implemented through various initiatives, including:

- The efficiency of fuel and equipment maintenance;
- Applying environmental regulations in ship operations to control negative impact to the ecosystem.

TOWARDS A WORLD-CLASS K3L CULTURE



Application of occupational safety and health practice (K3) in MBSS has become an integrated part in the company's operations. MBSS complies the international safety standard (ISM Code) from International Maritime Organization (IMO). Designated Person Ashore (DPA) has been appointed to ensure the practice of occupational safety and health (K3) is well conducted.

K3 Function is formed at each location operations, with the following targets:

HEALTH

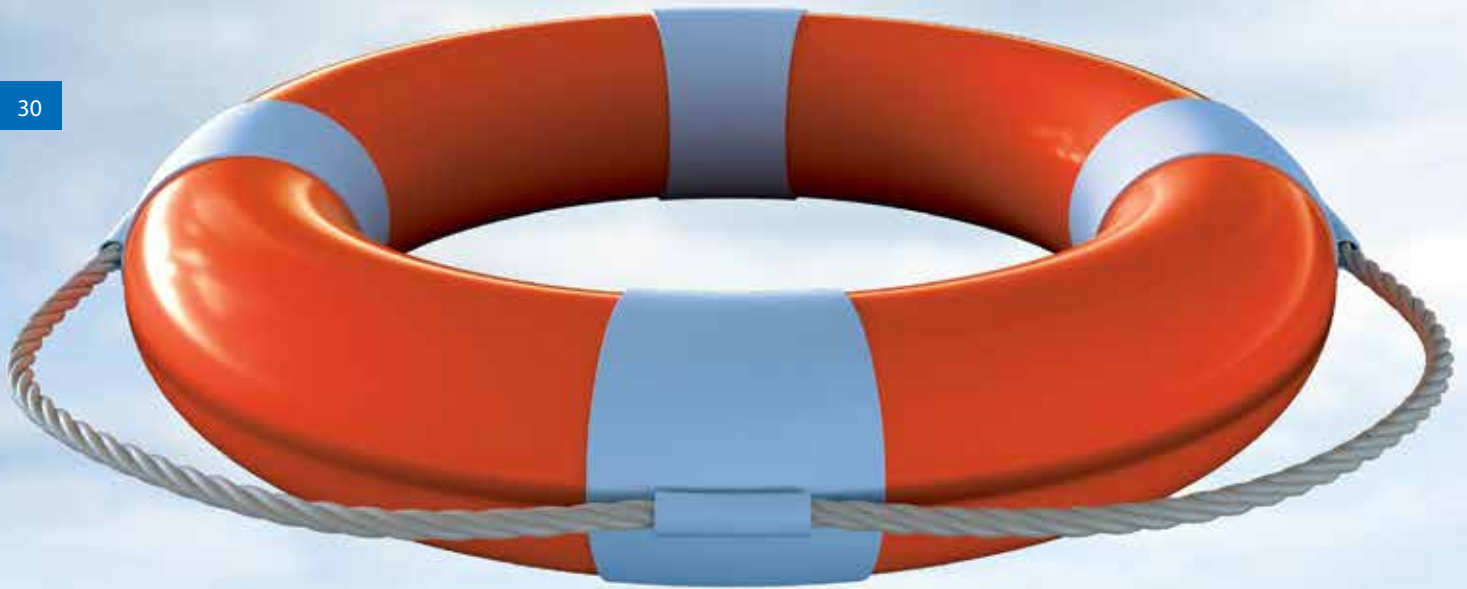
Target:

1. Preventing work-related illness.
2. Creating a healthy working environment and to support optimal health for workers.

SAFETY

Target:

1. No incident.
2. No risk factors of workplace accidents.



ENVIRONMENT

Target:

1. No environmental pollution and oil spills.
2. No hazardous waste.
3. Commitment to reduce emissions to the environment.
4. Commitment in energy consumption.

It is not easy for us to achieve these goals. We apply strict regulations related to K3, not only to MBSS employees, but also to all partners, especially suppliers and contractors. To that end, we put all K3-related regulations in cooperation with suppliers and contractors.

APPLICATION OF INTERNATIONAL STANDARDS

Until the end of the reporting period, MBSS has adopted international standards related to the implementation of K3 aspects, namely:

- OHSAS 18001 for K3 Management Systems.
- Implementation of Safety of Life at Sea (SOLAS) for the crew on board.
- Implementation of International Safety Management Code on board.

MBSS is committed to ensure the safety and health of workers, as well as a safe working environment. It is a

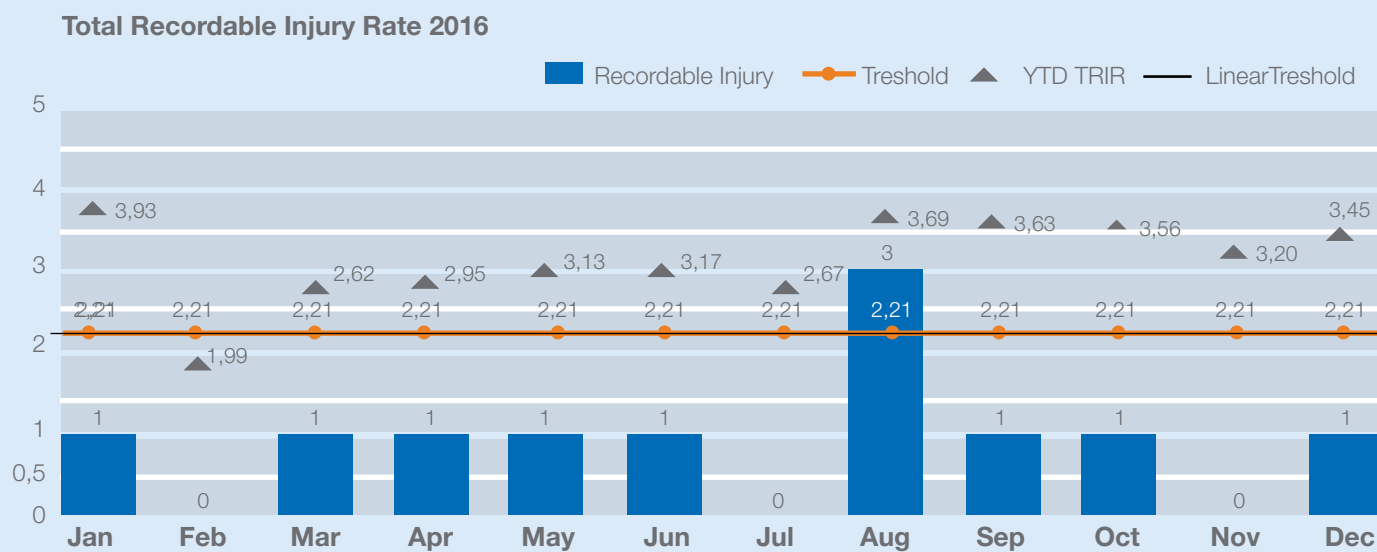
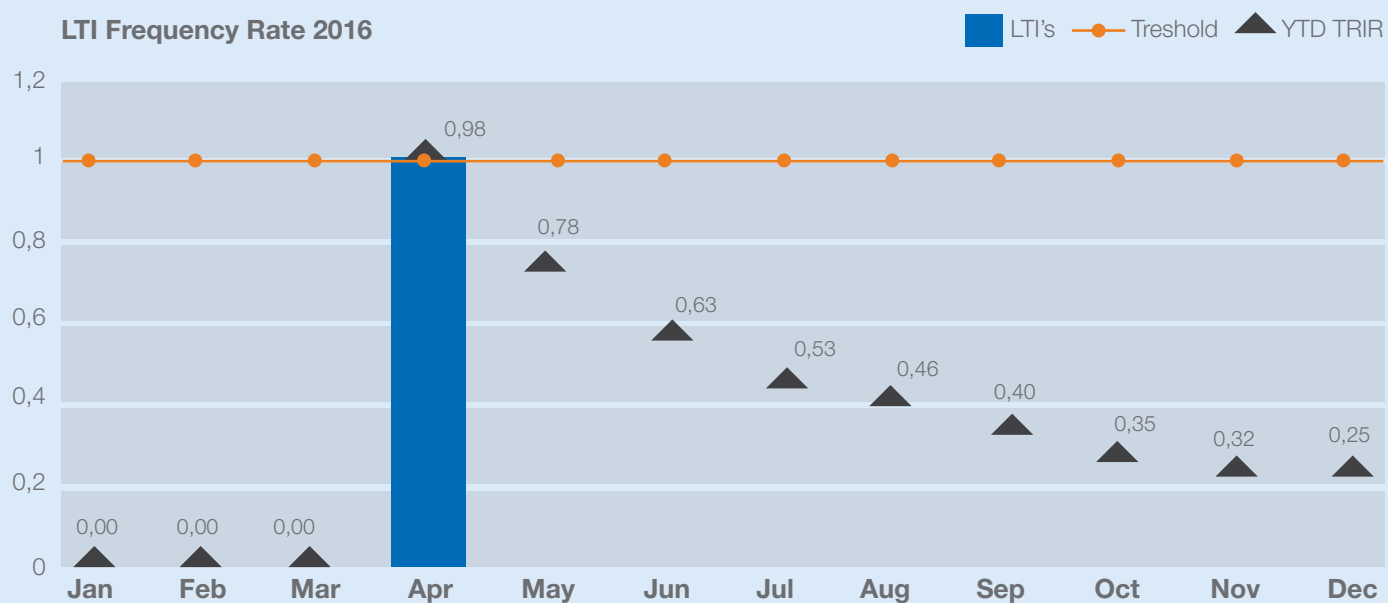
must for every worker to pay attention to K3 aspects, thus avoiding the risk of occupational accidents and occupational diseases. The topics mentioned include the protection of safety and the availability of personal protective equipment (PPE), work equipment, provision of guarantees treatment for victims of occupational accidents, and the assurance of health care for the workers.

We have developed Mitra QSHE, an integrated system for quality, safety and environment. Mitra QSHE is supported with web-based MQSHE Sharepoint to ensure all aspects of operations to comply the ISM Code, OHSAS 18001, ISO 14001 and ISO 9001.

Due to the high risks in occupational health and safety in our environment, we apply the obligations to the workers for HSE training (Health, Safety, and Environment). The goal is to improve the capabilities and expertise of workers in HSE aspects, based on their job positions. The training was held at the Company's facilities or we send employees to attend training classes held outside the company. By the end of 2016, the number of HSE training was 3.992 hours.

A commitment to the health of the workers is realized through the availability of health facilities and regular check up. Each worker's health can be monitored, so the threat of occupational disease and other diseases can be identified early.

WORK ACCIDENT/INCIDENT





ENVIRONMENTAL INCIDENT

During 2016 there were no cases of neither major nor minor oil spills.

ETHICS IN BUSINESS

MBSS' efforts to realize its vision is not limited to technical operations. We build an ethical business, and make the employee a reliable human being with integrity. Therefore, we are committed to run good corporate governance, as well as publishing the Code of Conduct.

This Code applies at all levels of the organization in the Company. Some of the matters governed by the Code of Conduct are a form of prevention against acts of corruption. These include prevention efforts in the form of provisions to avoid conflicts of interest, prohibition of bribery and corruption, the provision of gratuities and provisions regarding relationships with government officials or government agencies.

WHISTLEBLOWING SYSTEM

We provide the means to stakeholders to make complaints about unethical behavior, namely the Whistle Blowing System (WBS). Reporting can be submitted confidentially, anonymous and independent, with the scope of corruption, bribery, conflict of interest, theft, fraud, violations of the laws and regulations of the company.

INCIDENT HANDLING OF CORRUPTION

Throughout 2016 there were several reports that may be indicated as a violation of the Code. The reports that were proven to be true have been followed up by the authorities. Furthermore, the Board of Directors and Board of Commissioners decided the action of coaching, discipline, and / or other corrective actions and precautions that must be done.

EMPLOYEES: OUR MAIN ASSETS

Employee recruitment and selection process was conducted openly, taking into account the competence and qualifications for the position.

We do not distinguish treatment at work by gender, ethnicity, religion or otherwise which is discriminatory, but we have clear rules in providing remuneration based on workload or responsibility according to position and performance appraisal.

In addition, we provide the same career opportunities, as well as avoiding compulsory labor practices. Overall we are subject to government regulations regarding labor, namely Law No. 13 of 2003 and the Collective Labor Agreement (CLA).

Labor relations built on mutual respect.



Number of hours of training only covers training activities conducted by the Company .

Type of Training	# of Participants	# of Man-days	# of Hours
Functional Training			
• Related to Operation	15	53	424
• Related to Finance & Accounting	2	4	32
• Related to Legal	4	6	48
• Related to HSE	135	209,5	1.676
• Related to Human Capital	119	199,5	1596
• Related to Crewing	2	2	16
• Related to Corporate Planning	21	21	168
• Related to Nautical	4	4	32
Total	302	499	3.992

With Module:

1. Training and Examination of POP
2. Training Marine & Draught Survey
3. HIRADC, JSEA & VISIO
4. Confined Space, JSEA, Working of Heights, LSA & FFF
5. Mine Safet Management System
6. DPA – ISM Code
7. OPITO's Engage & Sharing Workshop
8. Internal Awareness MQSHE
9. Kelompok Materi Pelatihan Dasar (KMPD)
10. Kelompok Materi Pelatihan Pengawas (KMPP)
11. ACS Seminar on Shipping & Shipbuilding
12. Withholding Tax
13. Law Discussion
14. Basic Training Andal Paymaster 2016
15. ELDP – Leadership Empowerment
16. ELDP – Short Interval Communication
17. Socialization of Policy Aspects and Insurace Claim of Ship Order
18. Effective Team Briefing
19. Corporate Secretary Training
20. Training SMKP / Internal Auditor SMKP

WORLD CLASS GOVERNANCE

To ensure business continuity, MBSS believes that the implementation of Good Corporate Governance (GCG) is an important instrument in maintaining good stakeholder trust of shareholders, clients, employees, business partners and communities.

In implementing GCG, MBSS refers to the Act 40 of 2007 on Limited Liability Company. Referring to this rule, a structure of corporate governance body comprised of the company's organs was formed, namely the General Meeting of Shareholders, the Board of Commissioners and Board of Directors.

This governance structure of the Agency, through the main director also oversees the Corporate Secretary who is directly supervising the performance of managers.

The implementation of consistent and effective corporate governance continues in an effort so that the principles of transparency, accountability, responsibility, independence, justice and equity and compliance present at every level of organization's activity as well as management.

As a result of the undertaken process, MBSS is expected to grow into a strong and resilient organization and excel in the market competition, cleaving the waves, sail the ocean and becomes the energy bridge of the archipelago, giving benefits for a wider community.



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Warning on statements regarding the future

In this report there is a number of plans, projections, strategies and objectives of the Company. Everything must be understood as a statement about the future instead of historical facts. Statements regarding the future depend on the risks and uncertainties that could cause actual results to state and company in the future is different than the expected or indicated one. There is no assurance that the results anticipated by the Company or indicated by statements about the future in this report will be achieved.