



SAMPOERNA KAYOE

UNLIMIT POSSIBILITIES

SUSTAINABILITY REPORT 2018

SAMKO TIMBER LIMITED

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SUSTAINABILITY REPORT

1. BOARD STATEMENT

We would like to present our second year of Sustainability Report. We consider sustainable development as an integral part of our business and is embedded in the way we operate. We believe that our way to improve the living conditions as well as the quality of life of local communities may actively contribute in the areas of education, social and cultural welfare.

With the fast-paced and ever-changing business environment, we have undergone a brand transformation and rebranded our products under the “Sampoerna Kayoe” brand. Our key brand identity is clearly defined by our tagline, “Unlimit Possibilities”, as we strive to unlimit possibilities for our wood solutions in our journey to grow and expand internationally. Nurtured with Sampoerna’s value and philosophy, we embrace “Anggarda Paramita”, which means “Towards Excellence”, as a way of life and live the “Three Hands” philosophy as we value collaboration with our stakeholders in all partnerships.

Our vision is to be a champion enabler that inspire sustainable future for all by focusing on three areas:

- **Sustainable Sourcing** - Engrained commitment to only source from sustainable and eco-forest suppliers with building a better future in mind.
- **People Empowerment** - Engage, collaborate and empower the most important asset to the company to ensure a sustainable future for all stakeholders.
- **Championing Economic Value** - As the industry leader through innovative and sustainable solution in any market we are present.

The Board of Director guides and oversees the identification, management and monitoring of relevant sustainability topics that we disclose in this report. We recognize the importance of adopting sustainable practices and how it can enhance our business operations and performance.

2. ABOUT OUR BUSINESS

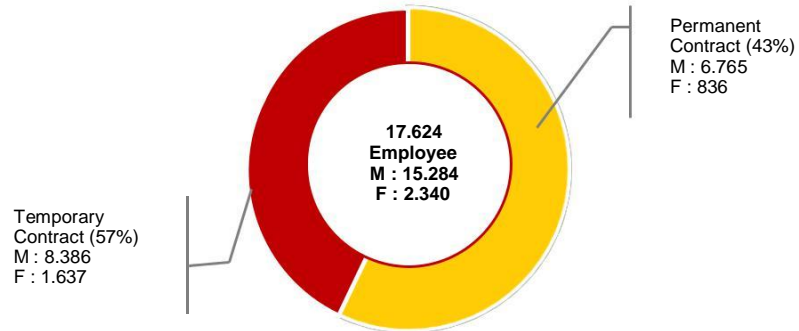
Samko Timber Limited (“STL”) is a publicly listed company, in the form of a limited liability company, which was established under the law of the Republic of Singapore on 26 December 2005. where its shares have been listed on the Singapore Stock Exchange Securities Trading Limited since 25 February 2008.

STL presently has more than 10 subsidiary companies which forms a leading vertically integrated wood resources processor engaging in the primary and secondary processed timber businesses. The subsidiary Companies are established and located in various countries including Singapore, Indonesia, Malaysia, and United States through either direct or indirect shareholding ownership which all together form the Samko group and also known as Sampoerna Kayoe Group of companies (“SAMKO”). SAMKO is domiciled in Singapore.

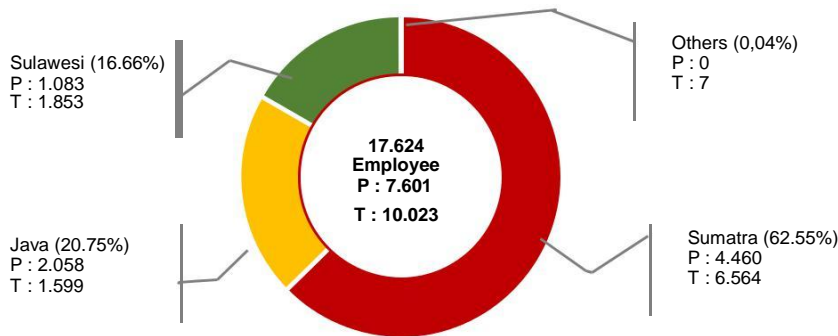
Presently, SAMKO sells its products to both domestic and overseas markets. It exports products to all around the world, including Algeria, Australia, Belgium, China, Croatia, Denmark, France, Germany, Hong Kong, India, Indonesia, Iran, Iraq, Italy, Japan, Jordan, Kuwait, Malaysia, Mexico, New Zealand, Oman, Philippines, Poland, Puerto Rico, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Timor Leste, United Arab Emirates, United Kingdom, and USA.

In 2018, SAMKO has 17,624 employees, an increase of 2% compared to 17,300 employees in 2017 due to several business growth. We hire our employees based on their competencies and suitability for the job requirements. Our manufacturing process is labor-intensive and we employ more male employees than female employees. These employees are mostly located in Indonesia, where our plants are located in. We typically hire our employees on a full-time basis, enabling us to equip them with the skillsets for their growth. Our employee demographics have been relatively stable over the years, with low turnover.

Total number of employees by contract by gender

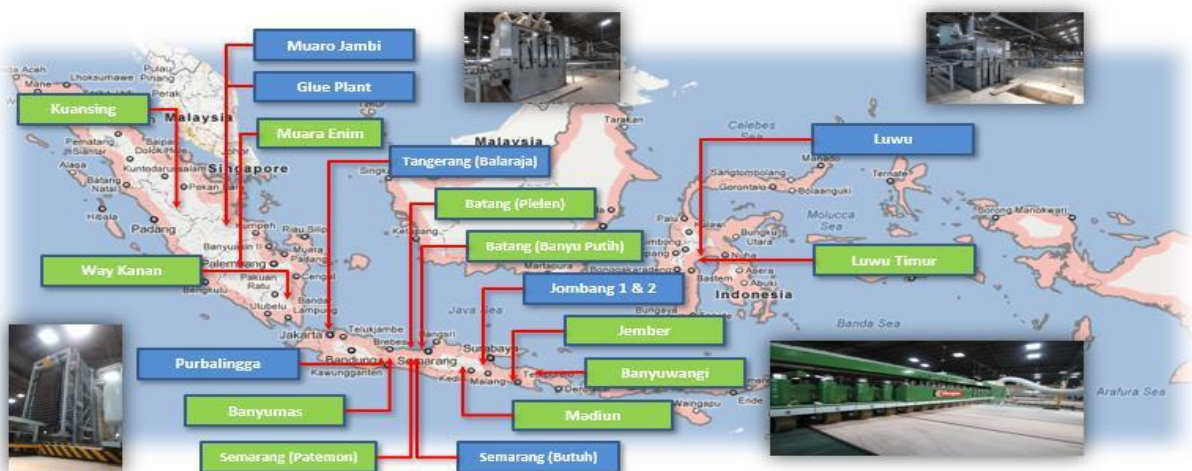


Total number of employees by contract by region



We have developed a strong business and operating model enabling us to continuously expand our processing capacity and maintain sustainability in production. SAMKO currently owns 18 production facilities that operate as wood processing facilities, chemical glue producer, and veneer satellite factories. The organic expansion in our group contributed a total production capacity of more than 850,000 m3 annually, allowing us to be a major engineered wood manufacturer in Indonesia and one of the largest globally. Our company is equipped with high capacity production facilities to meet the growing market demand from all segments and to fulfil our mission of becoming the market leader in the industry.

Demographic – Factory Plants



In 2018, SAMKO has completed the disposal and handover of two parcels of land with an area of 2,875 square meters and 50,325 square meters. The land is located in Tangerang, Banten, West Java, Indonesia and previously utilized by SAMKO for the operation of one of its factories engaged in the production of plywood and other wood products.

3. OUR APPROACH TO SUSTAINABILITY

We believe effective engagement with our stakeholders allows us to understand their concerns and how we can best respond to them. We are committed to pursuing sustainability because we believe that a sustainable business is a better business: for ourselves and our stakeholders, for the country and for the environment.

List of Stakeholder Groups

GROUP	EXPECTATIONS	RESPONSE	ENGAGEMENT TYPE
<ul style="list-style-type: none"> Shareholders 	<ul style="list-style-type: none"> Financial Health, Reputation and transparency 	<ul style="list-style-type: none"> Respond to any queries through Corporate Secretary Team, provide timely and accurate information on our website, annual and sustainability report in a transparent manner 	<ul style="list-style-type: none"> Annually meeting
<ul style="list-style-type: none"> Customers 	<ul style="list-style-type: none"> Quality of Product And Product Certification 	<ul style="list-style-type: none"> Quality control management, and Implementing SVLK, CoC-FSC, California Airborne Resource Board (CARB) Phase 2, US EPA standard, Singapore Green Label, CE Mark and Japan Agricultural Standard (JAS) and ISO standard 	<ul style="list-style-type: none"> Periodic updating certifications
<ul style="list-style-type: none"> Regulators 	<ul style="list-style-type: none"> Regulatory Compliance 	<ul style="list-style-type: none"> Comply with any applicable laws and Regulations 	<ul style="list-style-type: none"> Regular update
<ul style="list-style-type: none"> Local Community 	<ul style="list-style-type: none"> Employment Opportunities and Improvement in Standards of living 	<ul style="list-style-type: none"> Preference for local hiring, contributing The construction of communal and Religious facilities, offering scholarships To best performing students and Offering school fees and contributing Free seedling to local communities 	<ul style="list-style-type: none"> Corporate social Responsibility Programmed
<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> Occupational health And safety, and Training & Development (welfare) 	<ul style="list-style-type: none"> Health benefits and providing various types of training to employees as part of their development 	<ul style="list-style-type: none"> Regular trainings

At SAMKO, we understand that sustainability is a journey. As will be clear in the following sections, we are currently still in the early phase of embracing sustainability as an integral part of our business operations and corporate functions. Thus far, we have identified material sustainability topics that may affect, and be affected by, our business operations.

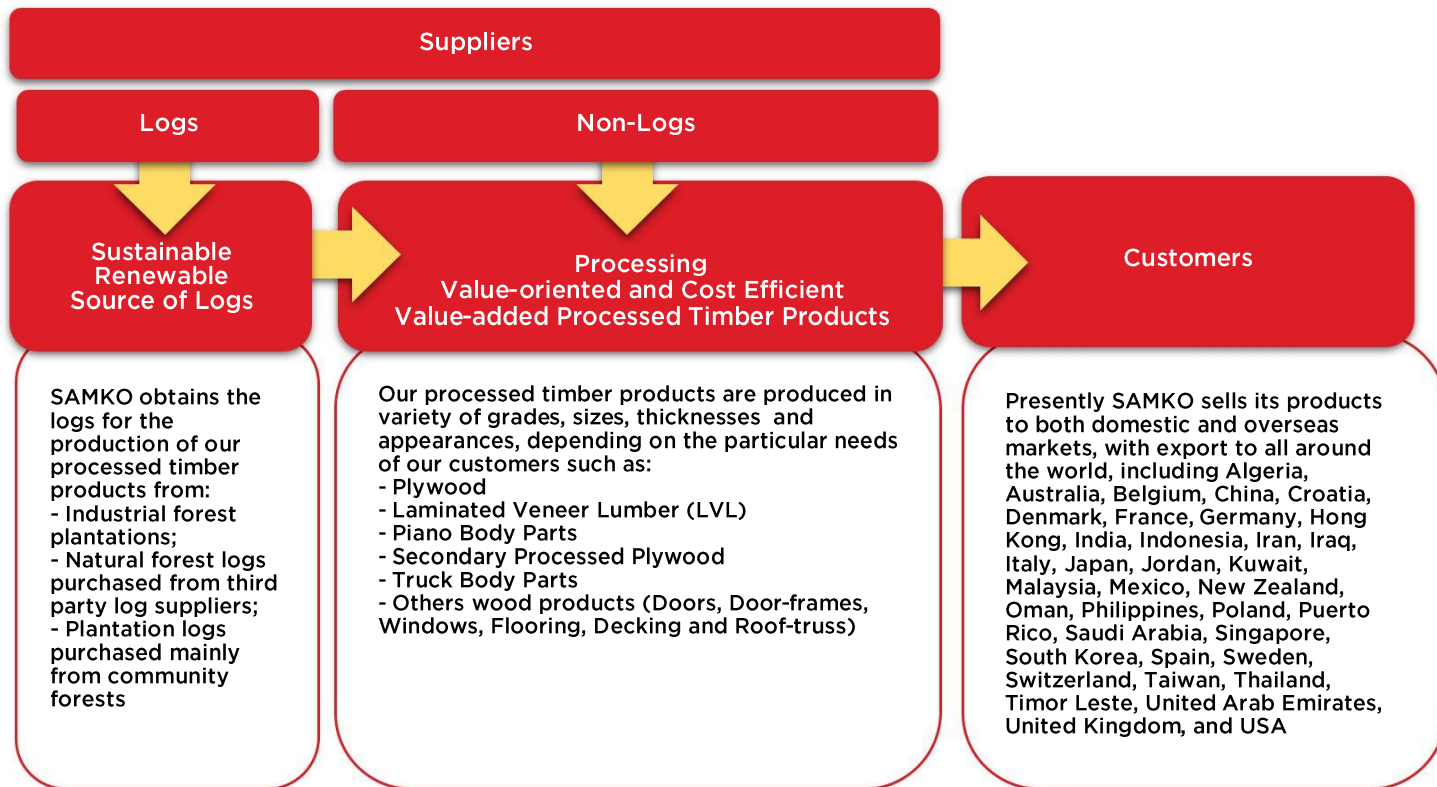
We believe the importance of material topics to focus on specific areas to grow our business and align future sustainability efforts. This far, we have conducted a materiality assessment as follows: identifying list of potential material topics by reviewing material topics reported by other similar industry players, to consider the sustainability context of the plywood industry and interviewing Senior Management to understand their business, plans and concerns. After that we have refined and prioritized the materiality of each topic and the result was presented to the Management for discussion and their approval.

The final list of material topics

No	Material Topics	GRI Standards
1	Ethical Business Conduct	GRI 205 : Anti-Corruption
2	Research and Development	No relevant GRI topics available
3	Legality and Sustainability Certifications	No relevant GRI topics available
4	Sustainable Sourcing	GRI 308 : Supplier Environmental Assessment
5	Waste Management	GRI 306 : Effluents and Waste
6	Child Labor & Compulsory Labor	GRI 408 : Child Labor GRI 409 : Forced or Compulsory Labor
7	Empowering People	GRI 404 : Training and Education
8	Occupational Health and Safety	GRI 403 : Occupational Health and Safety
9	Local Community Engagement	GRI 413 : Local Communities

SAMKO's Value Chain

Our drive and commitment towards sustainability is reflected in everything we do.



We believe that we are one of the first timber processing companies in Indonesia to use plantation logs for veneer production. We put much effort into capturing maximum value of wood used at our production sites, especially in our strategy to increase the usage of smaller diameter plantation logs. The percentage of wood that is successfully extracted as sheets is referred to as recovery rate. High recovery rates mean a greater proportion of the wood value is captured through conversion into higher value products.

Material Topics with impact across our value chain

No	Material Topics	Source of Logs	Processing	Customers
1	Ethical Business Conduct			
2	Research and Development			
3	Legality and Sustainability Certifications			
4	Sustainable Sourcing			
5	Waste Management			
6	Child Labor & Compulsory Labor			
7	Empowering People			
8	Occupational Health and Safety			
9	Local Community Engagement			

Sustainability Report Governance Structure Committee

Recognizing that sustainability development is an ongoing journey, Management has set the tone for sustainability from the top while being supported by the Sustainability Committee who look after implementation of sustainability plans and performance monitoring.

Looking at our business from a sustainability perspective will inform our business decisions as part of the precautionary principle and enable us to identify and act upon improvement points effectively as we mention in Ethical Business Conduct in page 8, Empowering People in page 14 and Occupational Health and Safety in page 15. We have also developed a sustainability performance commitment card to monitor and track our performance under a set of indicators against the committed targets.

This report presents the sustainability performance of SAMKO for the period 1 January 2018 to 31 December 2018. This report covers material issues for SAMKO's facilities as shown earlier, unless specifically mentioned otherwise in other sections. This report excludes our trading offices in Indonesia, Singapore, Malaysia, and the United States.

We also exclude our forest plantations in the current report, because they are currently still in the early development stage. Data presented in the Report have been either sourced centrally from our enterprise resource planning system or directly from the facilities. We have not sought external assurance for this inaugural report and this report does not contain revisions of previous sustainability reports. The report is organized and presented following the Global Reporting Initiative (GRI) Standards 'Core Option'.

We welcome your views on this report as an important input to help us improve our sustainability practices and reporting. For any comments or response regarding the content of this report, please direct your feedback to:

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Our Commitment Card

MATERIAL TOPICS	OUR COMMITMENT	2017	2018
Ethical Business Conduct	Zero incident and litigation case due the incompliance to law and regulations regarding corruption in our operations	Zero litigation case regarding corruption against the Company in our operations during 2017	We are able to maintain zero litigation case and law enforcement regarding corruption against the company in our operations during 2018
Research and Development	We shall initiate and contribute 90% of project plan to the latest research and technology development related to environment-friendly materials and techniques on a yearly basis	69% of project plans have been initiated during 2017	We have been initiated 80% of project plan during 2018
Legality and Sustainability Certifications	We aim to fulfil the legality and sustainability certification requirements of our products along the value chain in our operations	Zero breach regarding legality and sustainability certification requirements during 2017	We are able to maintain zero breach regarding legality and sustainability certification requirements during year of 2018
Sustainable Sourcing	We aim to obtain FSC-certified logs for our raw materials, i.e. rubber in Jambi and Sengon (falcataria) in Java	We are in the final stage on getting FSC-certified for our raw material in Jambi	We have fulfilled requirement policy and waiting to obtain approval for SLIMF FSC-certified logs for our raw material in Jambi
	We aim to get our logs from legal sources	We procure all our logs from legal sources. No illegal logging cases	We continue to maintain procurement process of all our logs from legal sources No illegal logging cases
Waste Management	We continue giving our best effort to support any prevailing regulations in Indonesia regarding waste management, especially regarding hazardous waste	Our facilities comply with the relevant regulations in waste management in 2017	We continue to comply with the relevant prevailing regulations in waste management in 2018
Child Labor & Compulsory Labor	We continue to support any Indonesian regulations regarding minimum legal working age in our operations	We support any Indonesian regulations regarding minimum legal working age in our operations	We continue to maintain 100% records of work applicants (family card and identity card) and zero reported forced labor and child labor incidences, align with any Indonesian regulations regarding minimum legal working age in our operations
Empowering People	All employees received formal training at least once a year	In 2017, as much as 58% of the total employees received formal training	We committed to providing various types of training to our employees as part of their development and in 2018 more than 62% of the total employees received formal training
	100% of employees receive annual performance review based on a standardized KPI system	100% of our employees in all operations received a performance review in 2017	We always give 100% regular performance review for our employees in 2018
Occupational Health and Safety	We aim to maintain high standard for Occupational Health and Safety Management System in our operations	Zero incident involving work-related fatality in our operations during 2017	We are reinforcing the importance of complying with standard working procedure for all layers in the organization and holds plant managers accountable in ensuring safety in the work field at any time.
Local Community Engagement	We committed to fully support our local community engagement plan on a yearly basis	Established 85% of our local community engagement plan and distributed more than 1,9 million free seeds to foster a green culture during 2017	We have established more than 90% of our local community engagement plan and accumulated until 2018, distributed more than 67 million free seeds to foster a green culture

OUR MATERIAL TOPICS

Ethical Business Conduct

SAMKO continuously improves the implementation of the highest possible standards lawful business conduct practices from year to year in order to generate significant and profitable impacts for all shareholders and stakeholders. Our management and employees must fully understand and apply this standard when building work relationship with other employees, customers, suppliers, shareholders, stakeholders, the government and the general public. It also governs the improvement mechanism for sanctions of misconduct and violations. Throughout 2018, we are able to maintain zero litigation case and law enforcement regarding corruption against the company in our operations.

We are proud to announce that no violation (non-compliance) of prevailing laws and regulations that raises any legal cases or litigation cases against the Company and/or any revocation cases of its licenses happen in 2018. Pursuant to the Company's standard operating procedure (SOP), any legal cases, lawsuit, and/or court cases (litigation cases) which involves the Company and/or its officers and/or employees, must be notified to and consulted with the Company's legal division.

According to the file and record of the Company's legal division as for the year 2018, there is no pending, outstanding, and/or ongoing legal cases or litigation involving the Company and/or its officers and/or employees, which relates to any violation (non-compliance) of prevailing laws and regulations by the Company, that raises any legal cases or litigation cases against the Company and/or any revocation cases of its licenses.

SAMKO conducted cross-section and cross-company communication processes to maintain the effectiveness of work relationship by utilizing various digital and physical media such as email, e-news, flyer-blasts, and bulletin boards. By conducting intensive socialization and communication processes, SAMKO and its employees have a good mutual relationship and work together for the same objectives.

Each employee is encouraged to behave and act in accordance with corporate values and culture, so that the SAMKO's reputation is always reflected through the quality of its people. In particular, SAMKO has a commitment to open communication and good corporate governance, by implementing a whistle-blowing policy since 2008.

This policy aims to provide an avenue for employees to raise concerns about possible improprieties and obstructive action within the Company and SAMKO Group, when they become aware and to ensure:

- a) Independent investigations are carried out in an appropriate and timely manner;
- b) Appropriate action is taken to correct the weaknesses in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- c) Administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate balanced and fair, while providing reassurance that the employees will be protected from reprisals or victimization for whistle-blowing in good faith and without malice.

This policy is intended to cover serious concerns that could have an adverse impact on the company, such as actions that may lead to incorrect financial reporting, are unlawful, are not in line with a legal obligation or a policy of our company, deliberately conceal serious wrongdoings or malpractices, may pose serious breach of fundamental internal controls, otherwise amount to serious improper conduct, or deliberately conceal information tending to show any of the above.

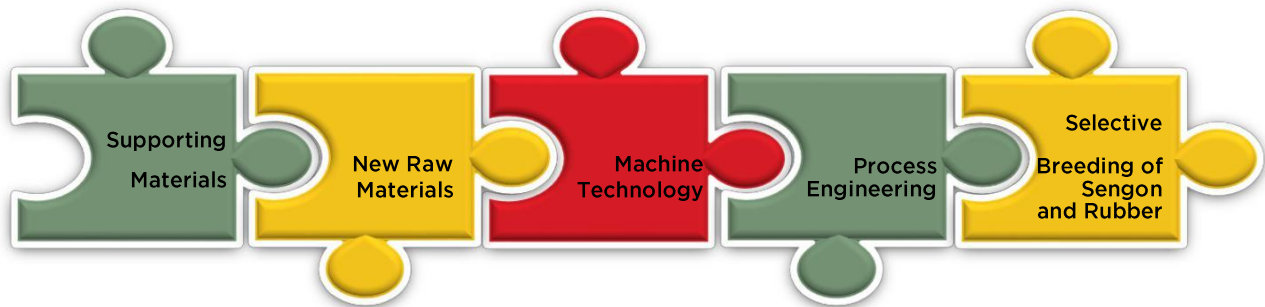
All complaints shall be reported to the Audit Committee either in person or in writing by e-mail or in a sealed envelope, marked "Private and Strictly Confidential". Every effort will be made to protect the complainant's identity. We do not tolerate nor condone obstructive action against any employee who wishes or intends to, or who is in the process of filing a complaint, and/or retaliatory action any employee who has filed a complaint alleging possible improprieties. The procedure mechanism for raise concerns about possible improprieties has been updated and implemented in 2017.

As part of our effort in implementing Good Corporate Governance (GCG), Board of Directors (BOD) from all companies within the Samko Timber Group have composed the procedures for reporting irregularities and violations of ethical business conduct and/ or applied laws and regulations, Articles of Association, contract/agreement made under Company's name and other acts that could be detrimental to the company. The reporting procedure have been regulated under Company's Standard Operating Procedure (SOP) titled "Law and Business Ethics Violation Reporting Procedure", managed by Special Force for Violation Reporting (*Tim Khusus Pelaporan Pelanggaran*) that was formally elected and formed under Samko Timber Group.

Research and Development

As a prominent player in the global market of timber products, SAMKO is aware of the need to stay competitive. Competition comes in various forms: technological advance of timber manufacturing processes, development of new and higher-quality timber products and development of substitute products that aggressively target the current market.

Research and development ("R&D") help SAMKO protect its market share and expand to new markets. Through R&D, SAMKO could always be prepared, both in response to today's challenges as well as anticipating future risks and opportunities. R&D enables SAMKO to deliver higher-quality products through process improvement and new raw and supporting materials, securing both the economic and environmental sustainability of our business.



Our current research focuses on five functions:

- Research on developing and engineering the right usage of **Supporting Materials** such as glue, preservative, coating and other materials for balancing the requested quality with reasonable cost;
- Research on focusing alternative **New Raw Materials** for timber species beyond the main current (Sengon and Rubber Wood) for source of veneer;
- Research on **Machine Technology**, either for new processing machinery and also modifying our current machinery to keep a head for technological advantages in quality or efficiency;
- Research on **Process Engineering**, by evaluate and improving our production process for more efficient methods without compromising its quality;
- Research to finding and developing a **Selective Breeding of Sengon and Rubber** species in the view of obtaining the best quality recovery rate of veneer from its stem.

Around 80% of R&D project plan have been initiated during 2018, one of the innovation breakthroughs is to make use of an old palm oil stem as veneer in the plywood. Several old stem of palm oil (> 20 years old) has reduced its productivity and economic value, but our innovation may become an alternative source of veneer for plywood industry.



In this stage we peel the palm oil in the rotary becoming palm oil veneer, and we use the veneer as short core in the interior plywood. We completed the research and pilot production to use the palm oil veneer as short core for the interior plywood in 2018, and we are going to research utilize the palm oil veneer also for the long core in 2019.

Legality and Sustainability Certifications

We understand the need of the government, buyers and the general public to ensure the legality and sustainability of our products along the value chain. We aim to go beyond regulatory compliance and actively support a wider uptake of legality and sustainability certification. We are able to maintain zero breach regarding legality and sustainability certification requirements during year of 2018.

We are proud to mention that all our facilities comply with the Indonesian national legality verification scheme, SVLK. This scheme is the implementation of the voluntarily partnership agreement (VPA) on forest law enforcement, governance and trade (FLEGT) signed by European Union countries in 2013. SVLK is recognized in European Union countries, and the Indonesian government is campaigning for its wider recognition in other markets.

Through our experience in the industry, we have acquired the knowledge of excellent production process. We ensure that our products and process comply with the global standards for quality and environment management. Moreover, we are 100% inspected according to international standards; we have obtained certifications from Japan Agricultural Standard (JAS), United States Environmental Protection Agency (US EPA), California Air Resource Board (CARB), ISO 9001 (Quality Management System), ISO 14001 (Environment), Green Label Singapore, and many more. We are committed to provide high-quality products consistently.

Subsequently, our facility in Jambi has obtained Chain of Custody certification ("CoC-FSC") certification in 2018. Furthermore, we have fulfilled requirement policy and waiting to obtain approval for SLIMF FSC-certified logs for our raw material in Jambi. We are supporting smallholder cooperatives in Jambi to apply for FSC's Small or Low Intensity Managed Forests ("SLIMF") certification. In return, they will provide our facility with the FSC-certified timber harvest.

With the eventual certification of the rubber logs, SAMKO will be able to stamp its products from its facility in Jambi as FSC certified. These certifications help us in developing our brand and capture the increasing demand for certified timber products. Our facilities in Balaraja and Jambi hold ISO 14001 certification, while other factories implement similar environmental management systems.

Certifications



Sustainable Sourcing

SAMKO is one of the biggest group companies in Indonesia where the needs of log for each factory are extensive and varied, logs farm consisting of community forest (*Hutan Rakyat*) and plantations forest (*Hutan Tanaman Industri*). We continuously improve technology and efficiency to maximize our production capacity while maintaining sustainability of natural resources. We have fulfilled requirement policy and waiting to obtain approval for SLIMF FSC-certified logs for our raw material in Jambi.

In 2018, we boost our production for export, therefore our log material must be of superb quality with the aim of increasing yield and immense product quality. We have been playing an active role in supporting community businesses to maintain trees to be cut down when maximized.



SAMKO holds a royalty program every year which aims to assist suppliers obtain rewards from doing past transactions with us. SAMKO has also play a crucial role in maintaining tree logging with sufficient age. Every year, community forest (*Hutan Rakyat*) is utilized with the aim to assist suppliers in their business expertise by taking logs from them. Currently, SAMKO has approximately 1500 suppliers who are actively involved in developing and shaping the industry of our plywood.

Every year, also we run a program that give seeds to the surrounding communities with the aim of supporting them plant timber trees. Therefore, communities earn the benefits and the impression of SAMKO that truly cares about the environment by continually planting timber trees.

SAMKO procures logs from community farmers (in community forests located in Java, Sulawesi and Sumatera) and through third-party suppliers (in natural forests). All of SAMKO's log is sourced from legal concession areas in Indonesia, with 90% of our wood sourced from community forest (*Hutan Rakyat*) and plantations forest (*Hutan Tanaman Industri*). We continue to maintain 100% of our logs procurement process from legal sources where our log purchase policy requires any log purchase to be conducted in accordance with the prevailing and applicable law and regulations and legal procedures of the Indonesian Government.



SAMKO is committed to adopt an integrated approach in achieving business development and responsible environmental management. Our commitment to sustainable development is reflected in our Corporate Values and Code of Ethics. In the process of converting raw materials into finished products, we adopt a fundamental principle: "Satisfying the present needs without compromising on the future". As a trusted timber-processing company, we are committed to our mission and corporate values to ensure long-term sustainability of business, community and environment.

Waste Management

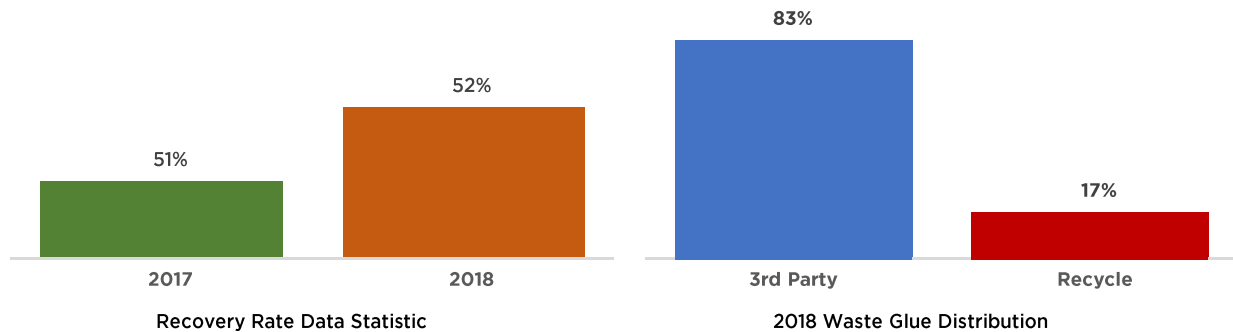
The underlying concept of SAMKO's waste management was to reduce, reuse, and recycle generated waste and to partner up with institutions that are also consistent with this policy.

We are mindful of handling different types of waste carefully, to prevent pollution and safety hazards. The most common types of waste generated during our production activity are waste veneer and center core log. Presently, we use most of the waste as feedstock to our boilers and decompose the rest in several landfills. Another source of waste is used oil from our factory and it is disposed and handled through a licensed third-party waste processor.



Veneer waste as feedstock to our boiler

In our line production, generated various form of waste including hazardous waste, but our priority is always about balanced sustainable environment and we worked very hard to preserve our environment and minimum level of exposure of waste. We continue to comply with the relevant prevailing regulations in waste management in 2018. We always enhance efficiency in our production process to minimalize waste, thus maintain productivity (in term of recovery rate) and also keeping safe for our environment.



We have temporary shelter for hazardous waste before its handled by our licensed third-party waste processors. During 2018, our factory in Balaraja had recycled 17% of our waste glue to become supporting materials for Plywood and at the same time, we are working to develop our unused waste to become alternatives energy for other industry, such as wood pellet making and material for power plant.

Our operations have waste water mechanism system to manage and to ensure our waste is safely to dispose outside factory, and also, we have tight monitor on our hazardous waste disposal accordance with any relevant prevailing government regulations.

For subsequent years, we have been participating in the Indonesian Government's Program for Pollution Control, Evaluation, and Rating ("PROPER") for our assembly plants in Balaraja, Lampung, Jambi and Batang, who constantly monitor by Indonesian Government. We continue our participation in the PROPER program and always give our best effort to maintain the ratings which have been achieved previously. In 2018, we have received the Blue rating PROPER awards, indicate we always take seriously to comply for government standards and guidance regarding environment management.

In 2018, our total water consumption in Jombang East Java factory accounted for 243,252 m³, where most of that consumption are being reused to support our operational activities, such as washing log at log pool area. We intend to continue measuring our water consumption through our operation and will strengthen data collection process in the subsequent years.

Child Labor & Compulsory Labor

SAMKO is committed to respect and protect human rights, to oppose and to prevent discrimination that may occur in the work and uphold the equality of rights, within the Company and the entire of its business chain. SAMKO refers to the definition of human rights pursuant to Law No. 39 of 1999 on Human Rights, Article 1 stating that: "Human rights are a set of rights inherent in the human nature and existence as the creation of God Almighty and as His gift to be respected, upheld, and protected by the state, law, government and everyone for the sake of honor and preservation of human dignity".

We appreciate and protects human rights as referred to in the Collective Labor Agreement to be one of means to create a harmonious industrial relation in the working environment. Throughout 2018, no incidence of discrimination occurred within our operation. SAMKO and all of its business chains upheld the equality without discriminating humans with regard to their ethnics, religions, races, groups or genders.

Being a labor-intensive industry operating mostly in developing and remote regions, forced labor and child labor are prominent risks faced by our industry. In Indonesia, the use of both forced labor and child labor are strictly prohibited by law. We have a strict policy against forced labor and child labor in any form in all of our operations. SAMKO opposes exploitation of child and ensures that all employees are in their productive age pursuant to government regulations, namely a minimum age of 18 years according to Law No. 13 of 2003, this is confirmed by the Standard Operating Procedure No. HR-02-01-RO-2015 on Recruitment and Selection.

We require work applicants to submit a copy of their family card and identity card for our verification to ensure that they have complied with government regulation on minimum working age. Moreover, our employees sign employment contracts voluntarily and we do not unlawfully withhold theirs' wages or keep in our custody any important documents, such as identity cards. We continue to maintain 100% Records of work applicants (family card and identity card) and zero reported forced labor and child labor incidences, align with any Indonesian regulations in our operations in order to enable us to monitor that there is no underage labor work with SAMKO. Our employees are encouraged to report any cases of forced or child labour that they experience or witness, to our whistleblowing channel, which is administered by Audit Committee. Any reports raised in good faith will be treated with the highest confidentiality and without threat of any retaliation.

We give equal treatments to employees having diverse genders, ethnics, races, religions, and political affiliations. Although the workers demography in plywood manufacturing industry is still dominated by men, we always give job opportunities to men and women equally. About 13% of our workers are women working in various fields within the organization from technical to managerial level. We ensure that each employee receives a fair reward based on his/her work experience, competence, workload, and performance.

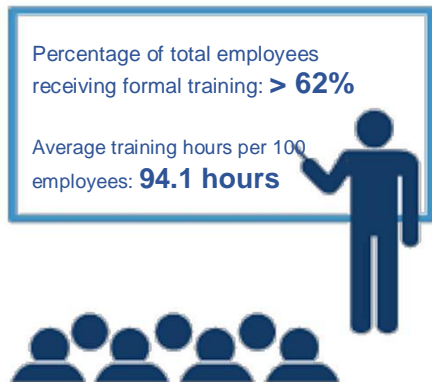
SAMKO ensures that wages are paid pursuant to the government regulations. In Indonesia, minimum wages are decided by the respective provincial governments whom then stipulate requirements of minimum wages by province and industry sector. We uphold human rights and the principle of equality in determining remunerations for employees. We also ensure that any male and female employee receives equal, fair reward based on their work experience, workload, responsibility, competence, and ability. According to applicable laws and regulations, the work hours in Indonesia are 40 per week or seven hours per day for six workdays in a week and eight hours per day for five workdays in a week.

Freedom of Association and Collective Labour Agreement Freedom of association is guaranteed by the Company and any employee is free to join as a member of labour union in the Company where he/she works. This Collective Labour Agreement regulates the work relation between employees and the Company. In 2018, more than 63% of employee are covered by collective bargaining agreements in Sulawesi region. Any significant change on the Company's organizational and operational structure is communicated to all employees by any means, among others: emails, letters, memo and on bulletin boards.

Empowering People

We see our workplace as the engine that keeps us running. We are aware of the vital role that our employees play in our success and sustainability, and we strive to be a fair and responsible employer to them. To improve competitiveness amid strong market competition, SAMKO realizes that employee is one of the most valuable assets. Competent employee with superior quality is important for business growth and sustainability.

SAMKO organized training programs aimed at providing employees with important skills to achieve their career goals which are in line with the Company’s goals. Training and educational programs conducted throughout 2018 included managerial skills, non-technical skills, technical skills and functional skills. Training on hard skills is available by appointment for ISO certifications, some professional licenses that are mandatory by regulations, and for other technical skills based on the site’s specific needs. We committed to providing various types of training to our employees as part of their development and in 2018 more than 62% of the total employees received formal training



This year in particular we are focusing on soft skill and managerial skill for leaders in the organization as an initiative to strengthen our Leaders’ capability, not only producing optimum results but also how to be a great leader and enhance effective teamwork across all divisions. Our leaders are expected to see other employees as humans instead of production tools, and thus considering their personal challenges and issues in delivering their work. Among the leadership programs we deploy in 2018 are SK-LEAP (Sampoerna Kayoe Leadership Acceleration Program) and Leaders’ Transformation Workshop (partnering with The Arbinger Institute). Training program provided by the Company in 2018, followed by 136 leaders with total duration of +/- 4.752 hours.

We conduct employees’ performance assessments regularly and consistently, aiming to evaluate employees’ performance, to give feedback for improvements or self-development and to decide steps or targets to be achieved in the future, and to identify relevant training in order to improve the employees’ performance. Every employee has goals and performance indicators to be reviewed periodically.



We always give 100% regular performance review for our employees in operations in 2018

Our management system covers several aspects such as excellent system recruitment, management of employee composition in accordance with the business needs, HR programs such as awards, remuneration and sanctions, as well as training and competency development on a regular basis. SAMKO also conducted assessment and evaluation on the performance of each employee so that every employee provided optimized performance for the SAMKO’s business progress. SAMKO conducted On-the-Job Training programs for qualified employees to fill positions in middle management levels and above, and also provided internship opportunities to experience real work situations. Our Operational Acceleration Program (OAP - a management training program) nurtures participants to be future factory managers through a comprehensive 4-year trainee program.

“OAP Trainee program have given myself the opportunity to explore end-to-end production flow in our factory and the chance to learn from our seniors with their extensive background in this industry. I felt challenged with the new environment that I’m placed in, having to interact, collaborate and work together with other people from different background and characteristic to solve different tasks. I am thankful for my mentors whom have guided me in dealing with obstacles, continuously giving me support and encouragement throughout this program. I hope I will be able to give back to Sampoerna Kayoe by working hard and implementing all the knowledge I gained during this trainee years. We as OAP trainees are now holding the baton to continue striving for Sampoerna Kayoe’s success in the future.”

(Akbar Muchtar, 23 years old, OAP trainee at SGS Luwu Factory)





“OAP program is designed to shape us trainees into future leaders through a focused and accelerated method of learning. The past four months into the program I have gained new knowledge and experience in the plywood industry by learning the overall manufacturing process and its details, as well as practicing on my communication and cooperation skills that are paramount in ensuring organization goals are achieved. The passion and dedication of our mentors, supervisors and colleagues in helping us to learn is a great fuel for us and boost our courage to complete this program in the best manner possible

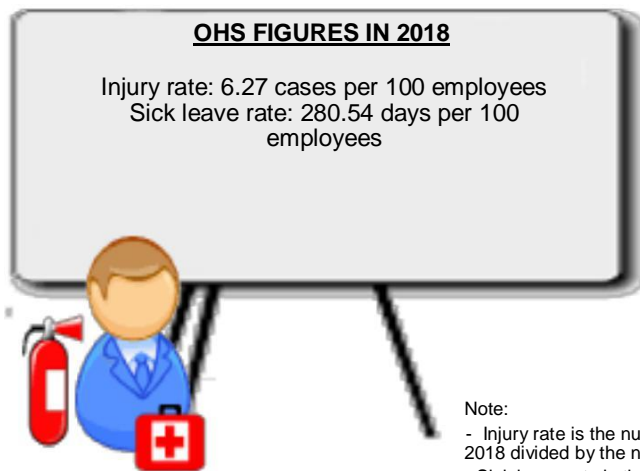
(Dewi Aprilla, 24 years old, OAP trainee at SGS Luwu factory)

SAMKO treats every employee in a fair, reasonable and equal manner regardless of their background, ethnicity, religion or race. All policies, guidelines and company rules are universally applicable to all position levels to facilitate building a corporation based on integrity, transparency, and professional behavior. SAMKO gives the same opportunities for everyone in terms of career path. Every employee has equal rights in career achievement and optimal self-actualization.

Occupational Health and Safety

SAMKO implements a policy on Environment, Safety and Health at Work through the implementation of programs on Safety and Health at Work (K3) as a concrete way to improve the safety of employees, prevent accidents in the workplace and work-related diseases while at the same time provided a sense of security to all employees and all parties involved in the work process in the Company. This commitment is also presented in the Collective Labour Agreement by mentioning articles on Safety and Health at Work.

We comply with laws and government regulations on manpower by paying competitive wages to employees. In addition to salary, there are other benefits offered such as: Health Insurance, *BPJS Kesehatan* (Government Health Security), *BPJS Ketenagakerjaan* (Government National Social Security), pension fund for permanent employees, maternity leave and childbirth benefits. In line with regulations, we maintain an occupational health and safety management system at our workplace.



In 2018, a fatal accident occurred at our plant in Palopo, when an employee was hit by MLH log in log yard. This kind accident is unacceptable and the causes of accident will always be thoroughly investigated by our units in collaboration with the authorities. We comply with regulations on covering accident, retirement, and old-age insurance. This coverage also includes some small-scale business partners; SAMKO management is considering making this a formal policy to cover all our local partners as part of our CSR program.

Note:
- Injury rate is the number of incidents (light, medium, severe injuries and fatalities) in 2018 divided by the number of employees and multiplied by 100.
- Sick leave rate is the number of sick leaves taken in 2018 divided by the number of employees and multiplied by 100.

Our business model comprises numerous local operations that are widely dispersed in various areas in Indonesia. This model aims, among others, to facilitate collaboration with local communities and governments. Each factory can be considered a local business and an integral part of the local economy.

We believe that growth and sustainability cannot be achieved by our self. Instead, we can only succeed by operating harmoniously alongside the local communities who live around us. We can do little on our own, but we can achieve so much more by forming mutually beneficial partnerships with them.



We have established more than 90% of our local community engagement plan and until year 2018, distributed more than 67 million free seeds to foster a green culture

We see our role in fostering sustainable independence of the local communities through the improvement of their living conditions and skillsets through giving priority for locals during staff recruitment to work at our factories. Our facilities share seeds and provide training to smallholders, thus providing business opportunities. They also provide jobs to locals, as well as outsourcing repair to part-time workers that would not qualify for full-time, formal employment. During 2018, more than 72% of our new recruits comes from local facilities area. Through the RBK Program, we outsource some manufacturing processes to home businesses, while providing training and including the workers in insurance coverage.

SAMKO develops annual Corporate Social Responsibility Programs as part of being a good neighbour. We believe that the community will be the first to help us in any difficulties, because they are closest to our plant sites. In return, we try to provide support to communities based on their needs.

We see our role in fostering sustainable independence of the local communities through the improvement of their living conditions and skillsets. We do this through the following initiatives:

- Contributing free seedlings to local communities to foster a green culture;
- Offering scholarships to more than 20 best performing students (from elementary to high school students) and offering school fees support for low income families;
- Contributing to the construction of public facilities, including mosques, churches, health clinics, and roads in the vicinity of our factories;
- Contributing funds or parcels of religious offerings to low income families during festive periods such as Hari Raya Idul Fitri and Hari Raya Idul Adha;
- Partnership with local communities to reuse and recycle wood wastes; and
- Supporting various social activities conducted surrounding our factories.

How our CSR programs impacts your neighborhood?

<p>“Thank you, praise to God, by joining this program my daughter has the opportunity to continue her education without worrying the tuition fee. Thank Samko.”</p> <p style="text-align: center;">Mr.Jatmiko Ari S, Father of elementary student Scholarship recipient</p>	<p>“The scholarship is very helpful in supporting my studies. I was Able to buy textbooks so that my motivation was encouraged. I am Thankful for the support I’ve received through this program.”</p> <p style="text-align: center;">Haszan Nugroho, Senior high student Scholarship recipient</p>
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CSR Programs help maintain and enhance our social license to operate. However, in general we refrain from assistance that might create reliance in the long term. During 2018, we have established most of our local community engagement plan. We are committed to ensure the long-term sustainability of the environment, the communities we operate in, and our business venture in a just and ethical manner.

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