



ESG GAP ANALYSIS SUMMARY REPORT 2024

IMPRINT

SUMMARY REPORT HIGHLIGHT

This report is developed by **Tri Hita Consulting** for ISTW. The analysis aims to identify gaps in ISTW's current Environmental, Social, and Governance (ESG) practices and provide recommendations for improvement. The findings and recommendations are based on a comprehensive review of ISTW's operations, policies, and performance metrics, benchmarked against industry standards and best practices.

October, 2024

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MESSAGE FROM CEO

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SHAPING SUSTAINABILITY, LEADING WITH RESPONSIBILITY

We, PT. Indonesia Steel Tube Works (ISTW), are committed to understanding and addressing the most significant impacts on our stakeholders, the environment, and our business. We are dedicated to continuously improving our strategies to adapt to ongoing changes. As we look ahead, our focus is on ensuring that our strategies are adaptable, forward-thinking, and aligned with the United Nations Sustainable Development Goals (SDGs), ensuring that we remain committed to key initiatives that support our broader mission.

As a leading player in Indonesia's steel tube manufacturing sector, we recognise the growing expectations from our stakeholders—investors, customers, suppliers, and the broader community—to demonstrate responsible management of environmental, social, and governance (ESG) risks. For example, we are committed to ensuring the safety and well-being of our workforce through comprehensive health and safety management practices by implementing Standard Operating Procedures (SOPs). These SOPs are regularly communicated to all employees in accordance with ISO 45001 and ISO 14001 standards.

This ESG Summary Report highlights our progress and shares our vision for future growth. We are at the beginning of our ESG journey and aim for continuous improvement in the years to come. Together, we are building a brighter future, where ISTW contributes not only to business success but also to lasting environmental stewardship and social responsibility.



Masayoshi Sawada
President Director

MESSAGE FROM CEO



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Masayoshi Sawada
President Director

ISTW: EXCELLENCE IN STEEL MANUFACTURING

PT Indonesia Steel Tube Works (ISTW) is a leading manufacturer of steel pipes in Indonesia, boasting over 50 years of experience in the industry.

Established in 1971 as a joint venture between Indonesia and Japan, ISTW has significantly grown to meet the market's evolving needs.

With modern manufacturing facilities strategically located in Jakarta, Cikarang, and Semarang, ISTW can produce a wide range of high-quality steel pipes, from carbon steel pipes to precision-cut and heat-treated components.

Pipes Production



Carbon Steel Pipes



Precision-cut



Heat-treated

Our unwavering commitment to quality has enabled us to serve a diverse customer base across various industries, including construction, manufacturing, and automotive. Our facilities, equipped with state-of-the-art machinery and a skilled workforce, ensure that we consistently deliver products that meet the highest standards of quality and reliability.



OUR ESG JOURNEY



ISTW is dedicated to sustainable and ethical business practices. We have made significant strides in our environmental initiatives, social responsibility, and governance, but we recognise that there is always room for improvement.

01. ENVIRONMENTAL EFFORTS

ISTW has implemented measures to reduce our environmental impacts, such as reducing carbon emissions, minimising our waste, and conserving natural resources. We assure our continuous efforts by following ISO14001 certification. Our Semarang plant has been recognised by the Ministry of Environment and Forestry for its environmental performance, and we strive to achieve the same level of excellence for our other locations.

02. SOCIAL RESPONSIBILITY

Our commitment to social responsibility extends to our employees, suppliers, and our communities. We prioritise fair labour practices, employee well-being, and community engagement. We have implemented SOPs to ensure health and safety, and we are continuously developing better labour and working conditions. We have also initiated CSR programs in neighbouring communities and plan to develop a comprehensive CSR roadmap.

03. GOVERNANCE

We have established processes to ensure transparency, accountability, and ethical decision-making. We are committed to regular ESG monitoring and reporting through establishing a dedicated team.

Moving forward, we will continue to invest in our ESG initiatives. We will explore new opportunities to reduce our environmental impact, enhance our social programs, and strengthen our governance framework.

ENVIRONMENTAL HIGHLIGHT



Climate Change Mitigation and Resilience

Contribute to following SDGs :



Sustainability Management Roadmap

We have developed a Sustainability Management Roadmap with milestones for FY2023, FY2026, and FY2030 to guide our sustainable growth by addressing environmental, social, and economic factors. Our initiatives include expanding renewable energy sources, with solar power already operating in the Cikarang plant and planning to utilise water from cooling towers to generate electricity with water turbines. These turbines can convert the flow pressure of water from cooling systems into mechanical energy, which can then be used to generate electricity.

Documentation and Investment in Resilience

We recognise the importance of documenting economic losses from climate-related events and have recorded incidents such as flooding and embankment repairs at our Semarang plant. We are working to make all our operations more sustainable by integrating sustainability into our procurement policies, such as investing in hybrid vehicles.



Carbon Emission and Reduction

Contribute to following SDGs :



Greenhouse Gas Emissions Calculation

We have initiated our carbon emission management efforts by conducting a GHG inventory across all plants, including Scope 1, Scope 2, category 4 (upstream transportation and distribution) and category 6 (business travels) of Scope 3 emissions. The result of this GHG inventory will be used as a baseline for future GHG emission reduction efforts. Furthermore, we also calculate the potential carbon sequestration from tree planting and nursery activities in Cikarang and Semarang.

Table GHG

Emissions Category	ISTW-J1	ISTW-J2	ISTW-CKR	ISTW-SMR	Total
Total Scope 1 (tCO2-e)	174.08	30.81	72.41	1,365.97	1,643.27
Total Scope 2 (tCO2-e)	2,631.26	3,300.17	4,274.31	1,583.79	11,789.53
Total Scope 3 (tCO2-e)	1,369.41	0.00	1,371.07	771.13	3,511.62
Total Emissions and Removals (tCO2-e)	4,174.76	3,330.98	5,699.93	4,081.92	17,287.59

ENVIRONMENTAL HIGHLIGHT



Energy Management

Contribute to following SDGs :



Energy Consumption

We track our direct energy consumption, primarily from electricity usage across all plants. We have switched some fuels to lower-emission alternatives, such as Compressed Natural Gas (CNG). We aim to further optimise energy consumption by introducing a more detailed analysis and more energy efficiency measures in the future.

Energy Efficiency and Renewable Energy Use

We prioritise energy efficiency and renewable energy integration in our energy management. We have started with some energy efficiency measures around cooling and lighting. We also installed a rooftop solar energy system at our Cikarang plant, estimated to generate 510,622 kWh of green energy annually and reduce emissions by approximately 397 tons/CO₂e each year. We are also exploring additional renewable energy solutions, such as biomass power generation and cooling towers, to support our energy transition further.

Net Zero Emissions Program

As part of our zero-emissions initiative, we are focused on reducing emissions through economically viable and sustainable methods. This program includes attending decarbonisation seminars and collaborating with key stakeholders to remain at the forefront of emission reduction technologies and trends.

ENVIRONMENTAL HIGHLIGHT



Material Efficiency

Contribute to following SDGs :



Optimising Material Input Efficiency

We prioritise optimising material input efficiency as part of our sustainability initiatives. In 2023, one of our mills achieved a yearly average product yield of 99.02% from a 98% target. Through tracking and analysing material usage, we reduce waste and support our commitment to sustainable resource utilisation.

Circular Economy and Waste Management

We actively promote a circular economy by managing waste and co-products through recycling and repurposing. Scrap materials are sold to third parties, and some are reused in production.



Waste Management

Contribute to following SDGs :



Comprehensive Waste Management

We excel in hazardous and non-hazardous waste management, monitoring and evaluating SOPs. Waste is classified and stored efficiently, with innovative practices like repurposing leftover food from the canteen as animal feed and compost.



SOCIAL HIGHLIGHT



Corporate Social Responsibility and Community Development

Contribute to
following SDGs :



Targeted CSR Initiatives

Our CSR program is designed to accommodate community needs through various facility provisions and responses to local requests. We implement our CSR activities annually across all our plants to consistently commit to community welfare. For example, assisting with religious celebrations, humanitarian donations, free medical treatments, and environmental conservation programs such as reforestation.

We are dedicated to strengthening our CSR initiatives by developing a comprehensive CSR roadmap that aligns with our company's values. This strategic roadmap ensures that all our CSR activities are planned and their impacts measured overtime to contribute to the Sustainable Development Goals (SDGs) effectively.



Labour and Working Conditions

Contribute to following SDGs :



Worker Safety and Health

We are committed to ensuring the safety and well-being of our workforce through comprehensive health and safety management practices. We have implemented specific SOPs, such as Emergency Response, which are regularly socialised to our employees in alignment with ISO 45001 and ISO 14001 standards.

Labour and Working Conditions

Our strategic goals focus on reducing workplace accidents, promoting employee health, and maintaining high occupational health and safety standards. We monitor and evaluate our safety practices annually to ensure continuous improvement in labour conditions.



SOCIAL HIGHLIGHT

Human Resources

Contribute to following
SDGs :



Commitment to Employee Well-Being and Integrity

We are committed to monitoring employee turnover, providing training, and ensuring integrity. We monitor turnover rates and annual performance evaluations, with bonuses linked to our company's achievements and individual performance.

GOVERNANCE HIGHLIGHT



Transparency and Disclosure

Contribute to following SDGs:



Annual Financial Reporting

At ISTW, we are committed to transparency and implement rigorous financial reporting practices. We audit our financial reports by an independent third party and present them annually to shareholders.

Expanding ESG Disclosure

Recognising the growing importance of ESG factors, we have taken a significant step forward by conducting an ESG Gap Analysis. This initiative positions ISTW ahead of its competitors. ISTW is developing an ESG strategy and plans to publish its achievements annually.



Business Ethics and Integrity

Contribute to following SDGs:



Ethical Guidelines

We are dedicated to upholding the highest ethical standards in all aspects of our business. We have established a robust ethical framework guided by our Company Regulation, Board Directors' Code of Conduct, and Collective Labor Agreement. To enhance transparency and accountability, we engage external parties to handle grievances and ensure impartiality.

Enhancing Anti-Corruption Measures

We are committed to strengthening our anti-corruption measures. We are refining our anti-corruption policy to include clear definitions of incidents, effective mechanisms for raising concerns, and thorough investigation procedures. Furthermore, we regularly socialise our anti-corruption policies to ensure all employees know their responsibilities and actively participate in implementing these measures.



GOVERNANCE HIGHLIGHT



Supply Chain Management

Contribute to following SDGs :



Responsible Supply Chain Practices

We have established responsible supply chain management procedures, including SOPs for General Purchasing, Material Purchasing, and Supplier Selection. A thorough checklist help assess areas like quality assurance, hazardous waste management, and emergency response

Supplier Engagement

Before engaging with our suppliers, we review their adherence to the Quality, Health, Safety, and Environment (QHSE) system. This process includes risk assessment and requires suppliers to meet strict criteria for product quality, cost delivery, and safety standards. In the future, ISTW aspires to incorporate more environmental criteria into our supplier engagement strategy.



OUTLOOK

This report represents an initial overview of our ESG performance at ISTW. It outlines the steps we have taken and highlights our continuous commitment to improving our environmental, social, and governance practices. Our focus on sustainability, ethical business conduct, and community engagement is not just a corporate responsibility but a reflection of our core values.

As a company, we understand the importance of ESG not only for our business but also for the communities and stakeholders we engage with. We believe that our actions can make a meaningful impact, and we are determined to continue developing initiatives that address environmental, social, and governance challenges.

Our dedication to transparency is exemplified by our decision to publish our ESG achievements and plans. We believe that by openly sharing our progress, we can build greater trust with our stakeholders and the public.

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We are excited to embark on this ESG journey and welcome our stakeholders, partners, and communities to join us to build a more sustainable and prosperous future.

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MORE ABOUT US



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