



2026

ESG

SUMMARY REPORT

PT Indonesia Steel Tube Works



PUBLICATION INFORMATION

This report, prepared by Tri Hita Consulting for ISTW, aims to identify the company's current implementation of 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.

For more information, please visit:

www.istw.co.id

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MESSAGE FROM THE DIRECTOR

At ISTW, we believe that sustainable corporate growth is achieved not only through financial performance, but also through the continuous strengthening of our non-financial capital, including our people, technology, governance, stakeholder relationships, and environmental responsibility. By enhancing these foundations, we aim to increase the long-term value of ISTW and contribute more meaningfully to Indonesian society. ESG is therefore not a separate initiative, but an integral part of our business strategy.

Over the past year, we have continued to strengthen our ESG performance through initiatives across environmental, social, and governance dimensions.



ENVIRONMENTAL PERSPECTIVE

On the environmental front, **ISTW has advanced its climate and environmental performance through improved GHG inventory management, emissions reduction initiatives, energy efficiency improvements, and the adoption of lower-emission technologies.**

The transition to LED lighting, implementation of laser machinery, enhanced equipment maintenance, and the installation of a rooftop solar PV system at our Cikarang plant **represent important milestones in reducing our environmental footprint and increasing operational efficiency.**



SOCIAL PERSPECTIVE

Our commitment to sustainability also extends to the communities surrounding our operations. **Through Community Needs Assessments conducted around our Jakarta, Cikarang and Semarang Factories, we have gained a deeper understanding of local needs and stakeholder priorities.**

These findings provide the basis for more focused initiatives in health, education, environmental improvement, employment, and skills development. **In parallel, we continue strengthening our CSR governance to ensure that our community programmes create measurable and sustainable impact.**

MESSAGE FROM THE DIRECTOR



GOVERNANCE PERSPECTIVE

From a governance perspective, ISTW has continued to strengthen its ESG management framework through the establishment of an ESG Working Group, implementation of an internal audit framework, and development of ESG governance guidelines.

These efforts support stronger accountability, transparency, and long-term business resilience. **We also continue to develop our capabilities toward achieving higher sustainability standards, including Standar Industri Hijau (SIH) and PROPER Hijau.**



**MASAYOSHI
SAWADA**

President Director
PT Indonesia Steel Tube Works

“ Looking ahead, our ambition extends beyond strengthening ESG fundamentals. We will take the next step toward Green Manufacturing by integrating environmental considerations more deeply into our operations, investments, and decision-making processes.

Through this journey, we aim to create lasting value for our customers, employees, shareholders, communities, and the environment, while contributing to the sustainable development of Indonesia. ”

ISTW: EXCELLENCE IN STEEL INDUSTRY

PT Indonesia Steel Tube Works (ISTW) is a leading manufacturer of steel pipes in Indonesia, boasting over 50 years of industry experience. 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. **Our unwavering commitment to quality has enabled us to serve a diverse customer base across industries such as 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

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ENVIRONMENT ASPECT



ISTW continues to strengthen its environmental performance by improving emissions monitoring, enhancing operational efficiency, and adopting lower-emission technologies. Key initiatives include upgrading to LED lighting, adopting laser machinery, and enhancing equipment maintenance to support more efficient operations and reduce environmental impacts.

Over the past year, ISTW has continued to **strengthen its climate and environmental performance through GHG inventory management, emissions reduction, energy efficiency, and renewable energy initiatives.** Our Cikarang plant's rooftop solar PV system serves as an important milestone, with opportunities to further expand renewable energy adoption across other ISTW sites.

OUR ESG JOURNEY

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SOCIAL ASPECT



ISTW continues to strengthen its social performance by adopting a more structured and needs-based approach to community engagement and CSR. This year, Community Needs Assessments (CNA) were conducted around the Jakarta and Semarang plants **to better understand local needs, vulnerabilities, livelihood assets, and stakeholder priorities, providing an evidence-based foundation for future community development programmes.**

The assessment identified opportunities for targeted interventions across health, education, environment, and employment and skills development, with programmes tailored to the different needs of communities surrounding each plant. Priority areas include strengthening community-based waste management, supporting preventive health initiatives, improving access to supporting learning facilities and activities, and enhancing technical skills and job readiness among working-age communities.

To support more consistent and accountable implementation, ISTW also strengthened its internal CSR governance through the development of a CSR Standard Operating Procedure (SOP) and clearer institutional responsibilities. Going forward, these foundations will support the design, implementation, and monitoring of CSR programmes that are more responsive to community needs, aligned with local stakeholder priorities, and focused on delivering measurable and sustainable social outcomes.

OUR ESG JOURNEY

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GOVERNANCE ASPECT



To support its growth in ESG implementation, ISTW advances its governance improvement through applications of ESG standards and best practices. **To facilitate a smoother implementation of ESG principles across the organisation, ISTW prioritised the creation of an ESG working group and an internal audit framework this year.**

To establish a robust framework for adopting global best practices in ESG and corporate governance, ISTW—supported by Trihita Consulting—formulated the ESG Charter alongside the Internal Audit Charter as foundational operational guidelines.

Dedicated capacity-building sessions and workshops were conducted for members of the ESG Working Group and Internal Audit team. These sessions provided a comprehensive understanding of the ESG WG's organisational structure, key duties, and operational responsibilities. Additionally, training covered CSR initiatives and strategic pathways for ISTW's ESG implementation.

To make ESG goals more measurable, trackable, and impactful, ISTW is prepared this year to identify and establish several relevant ESG KPIs. This effort will enhance ESG risk management, ensure compliance with regulations, and foster trust and transparency among ISTW stakeholders.

ESG WORKING GROUP

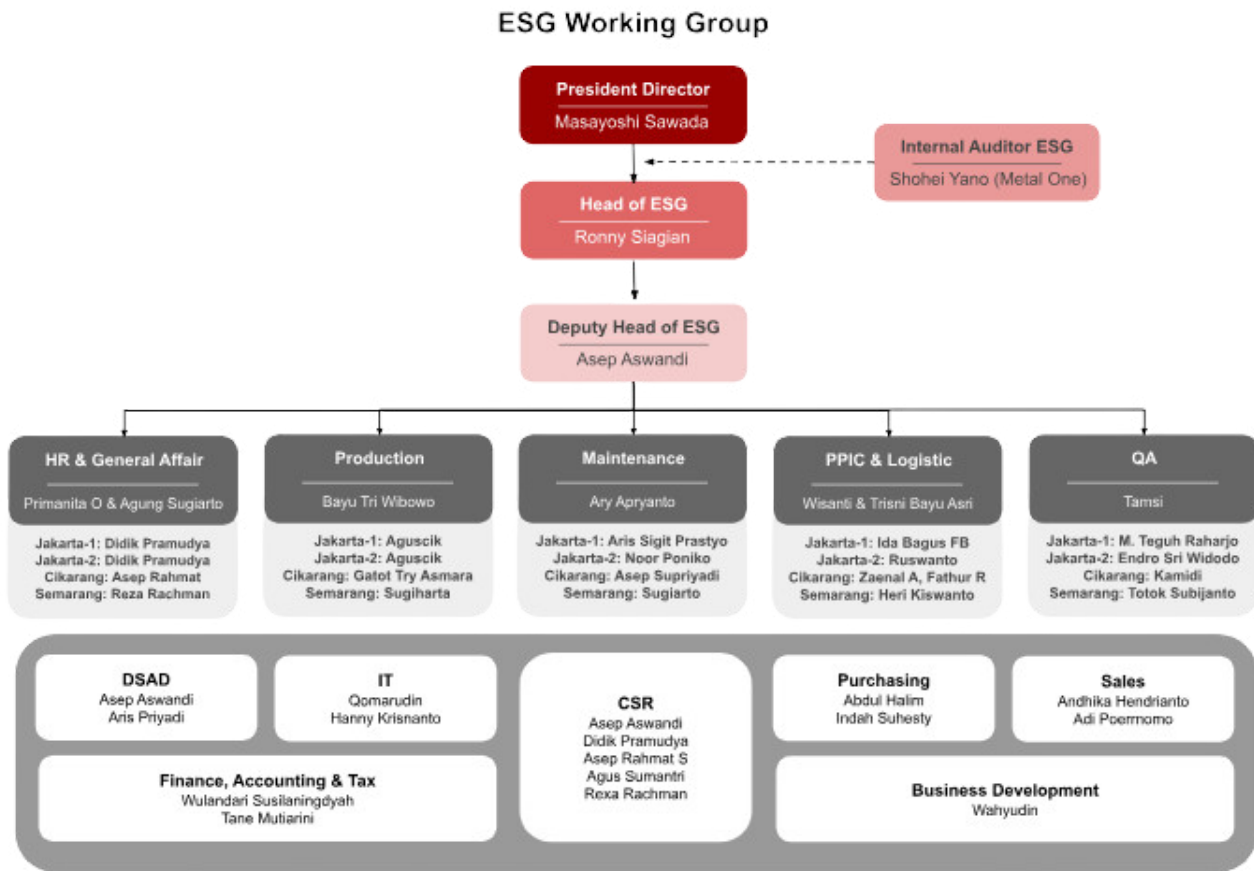
This year, ISTW established an ESG Working Group to enhance the effectiveness of ESG implementation. The ESG Working Group maintains a coordinative, consultative, and direct reporting relationship with the Board of Directors. It is tasked with assisting the Board of Directors in formulating policies, strategies, execution, monitoring, and evaluation of ESG principles across all company operating units.

This demonstrates the company's commitment to integrating environmental, social, and governance aspects into decision-making processes and overall company operations.

Organizationally, the ESG Working Group is led by the Head of ESG, who reports to the President Director, and is supported by an ESG Internal Auditor function to ensure independent oversight and control processes. In its daily operations, the Head of ESG is assisted by the Deputy Head of ESG to coordinate program implementation across all operating units.



ESG WORKING GROUP



The ESG Working Group structure involves cross-functional representatives spanning Human Resources & General Affairs, Production, Maintenance, PPIC & Logistics, Finance, Accounting & Tax, Information Technology (IT), Purchasing, Sales, Quality Assurance (QA), Corporate Social Responsibility (CSR), Business Development, and other support functions across the company's various operational locations.

This cross-unit involvement reflects the company's collaborative approach to **ensuring that ESG principles do not operate in isolation, but are deeply integrated into business activities, risk management, decision-making, and the achievement of corporate sustainability targets.**

ESG HIGHLIGHTS



ENVIRONMENTAL EFFORTS ACHIEVED

Environmental domain initiatives prioritise the foundational groundwork necessary to accelerate the organisation's strategy for decarbonisation.

CARBON EMISSION AND REDUCTION



This year, we continued to apply the same GHG reporting scope as the previous year, covering Scope 1, Scope 2, and Scope 3 Categories 1 (Purchased Goods and Services), 4 (Upstream Transportation), 6 (Business Travel), and 9 (Downstream Transportation).

ENERGY INTENSITY (GJ/TONNE)

2023	2024	2025
0.70	0.65	0.63

EMISSION INTENSITY (KGC02-E/TONNE)

2023	2024	2025
119.57	119.92	116.54

ESG HIGHLIGHTS



ENERGY CONSERVATION MEASURES FOR GHG REDUCTION

Our environmental strategy prioritises optimising energy performance and integrating renewable power sources into our routine operations. To this end, ISTW is systematically replacing R22 cooling systems with energy-efficient inverter technology and transitioning to LED lighting across all manufacturing sites. Furthermore, we are advancing sustainable logistics by introducing electric vehicles and growing our inventory of battery-powered industrial lift trucks.

In addition, our Cikarang plant has installed a rooftop solar PV system that generates **314.2 kWh of clean energy annually, alongside our tree-planting initiatives.** Collectively, these initiatives are estimated to reduce emissions by 494.7 tCO₂e.



WASTE MANAGEMENT

We continue to strengthen our circular economy approach by maximising resource recovery and improving the management of waste and coproducts. Scrap materials are either sold to authorised third parties or reintegrated into our production processes, where feasible.

Our waste management practices are **supported by regular monitoring and evaluation of SOP implementation to ensure proper handling of both hazardous and non-hazardous waste.** We also pursue practical waste reduction initiatives, including repurposing leftover canteen food into animal feed and compost, to minimise waste generation and promote more sustainable resource utilisation.

ESG HIGHLIGHTS

SOCIAL EFFORTS ACHIEVED



COMMUNITY MANAGEMENT AND ENGAGEMENT



To strengthen its understanding of local priorities and community conditions, ISTW conducted Community Needs Assessments (CNA) in areas surrounding its **Jakarta and Semarang operations**. The assessment combined **stakeholder interviews, focus group discussions (FGDs), field observations, and secondary data review involving representatives from local governments, neighbourhood leaders (RT/RW), community organisations, health facilities, educational institutions, and local residents**. This process enabled ISTW to capture both community needs and existing local assets that could support future programme implementation.

The assessment identified several priority areas for community development, including **preventive healthcare, community-based waste management, educational support for children and youth, and workforce readiness**. Findings also indicated that communities generally viewed ISTW positively and did not identify significant concerns related to the company's current operations. Instead, stakeholders emphasised opportunities to strengthen existing community initiatives and institutions through targeted support, capacity building, and improved access to facilities and learning opportunities.

These findings provide an evidence-based foundation for ISTW to design CSR programmes that respond to local priorities, build on existing community structures, and generate more sustainable social impacts over the long term.

ESG HIGHLIGHTS

CSR MANAGEMENT



ISTW strengthened its CSR management system through the development of a dedicated CSR Standard Operating Procedure (SOP) and the completion of Community Needs Assessments (CNA) around its operational areas. These initiatives were undertaken to support a more structured, accountable, and evidence-based approach to CSR implementation.



The CSR SOP establishes a clearer process for programme planning, implementation, monitoring, evaluation, documentation, and reporting. To improve consistency across sites, the SOP is supported by standardised templates and administrative forms that facilitate programme proposal development, activity documentation, monitoring records, and reporting. **This framework is intended to strengthen documentation practices and improve the traceability of CSR activities over time.**

ESG HIGHLIGHTS

In parallel, ISTW conducted stakeholder interviews, focus group discussions (FGDs), field observations, and secondary data reviews involving local governments, community leaders, health facilities, educational institutions, community organisations, and community representatives. The assessment identified priority areas related to preventive health, community-based waste management, educational support, and workforce readiness. **Based on these findings, programme recommendations were developed to guide future CSR implementation and ensure that interventions are aligned with community needs and local priorities.**

Together, these efforts **provide a stronger foundation for implementing CSR programmes that are better documented, more responsive to stakeholder needs, and supported by clearer governance and implementation mechanisms.**



ESG HIGHLIGHTS



GOVERNANCE EFFORTS ACHIEVED

Continuing the development of governance over the years, **ISTW began implementing more principles of good corporate governance standards and best practices to align with ESG principles.**



ESTABLISH INTERNAL AUDIT STRUCTURE

1

Conduct discussions and consultations to prepare the foundation and infrastructure for Internal Audit implementation

2

Form a team and identify the scope of internal audit

3

Establish Internal Audit Charter



ESTABLISHING ESG WORKING GROUP

1

ESG Working Group is formed

2

ESG Charter is established

3

Workshop and capacity building for ESG WG is conducted to prepare for more effective and impactful ESG implementation

ESG HIGHLIGHTS

ESG KPI DEVELOPMENT

Entering its third year of ESG implementation, ISTW recognises the importance of establishing ESG KPIs to set targets and guide its strategic direction. The Materiality Assessment and KPI framework mapping identified the need to focus on key areas: greenhouse gas emission reduction, Occupational Health and Safety, supply chain management, and legal compliance. This approach also aligns with ISW's commitment to achieving the Green Industry Standard (Standar Industri Hijau) in the future.

Following a review to identify ESG KPIs, **ISTW has selected nine topics for further development and implementation across all levels of the organisation, from the Board of Directors to operational staff.**

ESG KPIs Elected to develop and achieve

 Environment	Greenhouse Gas Emission Reduction
	Energy Management
	Waste Management
 Social	Corporate Social Responsibility
	Occupation Health and Safety
	Employement
 Governance	Policy and Organisation
	Legal Compliance
	Internal Audit

OUTLOOK

Looking ahead, ISTW is committed to further strengthening the integration of ESG principles into our business strategy, operational practices, and decision-making processes. **Building on the foundations established this year, we will continue to focus on initiatives that enhance environmental performance, create meaningful social impact, and strengthen ESG governance across the organisation.**

A key priority for the coming period will be strengthening ISTW's readiness and implementation of Standar Industri Hijau (SIH). This will involve improving resource and energy efficiency, strengthening environmental performance monitoring, and identifying opportunities to reduce environmental impacts across our operations. The implementation of SIH will also provide a structured pathway for ISTW to further embed sustainability principles into its operational processes and performance management.

“As part of this next phase, ISTW will place greater emphasis on advancing its Green Industry agenda through the implementation of Standar Industri Hijau. By strengthening operational efficiency, resource management, environmental performance, and internal capabilities, ISTW aims to establish a stronger foundation for more sustainable and responsible industrial practices.”

Beyond environmental performance, ISTW will continue to strengthen its social and governance foundations. Community development programmes will be further informed by the Community Needs Assessments, while the ESG Working Group, Internal Audit function, and supporting governance frameworks will continue to be developed to strengthen accountability and oversight.

Through these priorities, ISTW aims to move towards a more integrated approach to sustainability, where environmental improvements are supported by stronger governance and meaningful stakeholder engagement. This journey will require continuous improvement and collaboration across the organisation, as ISTW works towards strengthening its ESG performance and contributing to a more sustainable industrial future.

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THANK YOU

We are committed to advancing our
sustainability journey and creating
long-term value for our stakeholders
and the environment.

