



PUPUK SRIWIDAJAJA  
PALEMBANG

# ESG MATERIALITY FRAMEWORK

PT Pupuk Sriwidajaja Palembang

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## Foreword

The integration of environmental, social, and governance (ESG) factors into our business strategy is a core element of our responsible operations framework. By embedding ESG considerations, we enhance our decision-making processes, allowing us to assess potential risks and opportunities that may affect business performance. This approach equips us to optimize both short- and long-term outcomes while managing risk-adjusted returns. Our commitment to ESG integration is driven by the belief that it improves overall performance, as demonstrated through our rigorous focus on ESG materiality topics.

In our operations and maintenance, PUSRI is dedicated to enhancing efficiency and shifting towards proactive maintenance through the implementation of Maintenance Excellence. We optimize the management of spare parts, services, and equipment upgrades to increase reliability and efficiency. The establishment of the Strategic Business Unit Operation & Maintenance (SBU O&M) ensures that plant reliability is optimized, leading to higher output and improved cost efficiency. The continuous application of an Integrated Management System across internal processes ensures that we adhere to industry best practices, driving performance and growth while enabling business expansion.

In our pursuit of good corporate governance (GCG), we uphold the principles of compliance, transparency, accountability, integrity, and fairness. We are committed to embedding these principles across all levels of our organization to ensure consistency and sustainability in our operations.

Our ESG integration process follows a three-step approach: identifying material issues, assessing company performance, and incorporating these insights into our strategic decisions. This document focuses on the first step—identifying material issues—using our proprietary materiality framework. This framework guides our thinking, engagement, and ultimately strengthens our ability to deliver both financial performance and sustainable business practices.

**Daconi Khotob**  
**President Director**






# Introduction

## Why is ESG important?

In today’s evolving business landscape, stakeholders, including investors, regulators, and communities, look beyond traditional metrics such as growth, cash flow, and market share when assessing a company’s long-term viability and success. While these financial indicators remain essential, they only capture part of the overall picture. Increasingly, stakeholders are placing a strong emphasis on how businesses manage material risks and opportunities associated with Environmental, Social, and Governance (ESG) factors. For Pupuk Sriwidjaja, integrating ESG considerations is not only about compliance but about ensuring the sustainability and resilience of our operations in the face of global challenges.

environment throughout its operations. Key factors include responsible resource use (such as water, energy, and raw materials), minimizing carbon emissions, energy efficiency improvements, pollution control, and managing the impacts of climate change. For a company in the chemical and fertilizer industry, these factors are critical, as the environmental footprint can significantly influence operational costs and regulatory compliance.

- **Social (S):** This encompasses how the company engages with its employees, communities, and broader society. Factors include human capital management, ensuring safe working conditions, fostering diversity and inclusion within the workforce, respecting human rights across the supply chain, and engaging

 <b>Environment</b>	 <b>Social</b>	 <b>Governance</b>
<ul style="list-style-type: none"> <li>✓ Environmental Policy &amp; Management</li> <li>✓ Energy</li> <li>✓ Waste &amp; Pollutants</li> <li>✓ Water</li> <li>✓ Climate Strategy</li> <li>✓ Biodiversity</li> <li>✓ Product Stewardship</li> </ul>	<ul style="list-style-type: none"> <li>✓ Labor Practices</li> <li>✓ Human Rights</li> <li>✓ Human Capital Management</li> <li>✓ Occupational Health &amp; Safety</li> <li>✓ Customer Relations</li> <li>✓ Community Relations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Transparency &amp; Reporting</li> <li>✓ Corporate Governance</li> <li>✓ Materiality</li> <li>✓ Risk &amp; Crisis Management</li> <li>✓ Business Ethics</li> <li>✓ Policy Influence</li> <li>✓ Supply Chain Management</li> <li>✓ Tax Strategy</li> <li>✓ Information Security/ Cybersecurity &amp; System Availability</li> </ul>

PUSRI ESG Strategy

By incorporating ESG into our decision-making process, we can identify key risks that may affect the company’s financial performance, operational efficiency, and reputation. Proper management of these risks also unlocks new opportunities, such as improving resource efficiency, strengthening community relationships, and ensuring compliance with evolving regulations. Mismanagement of environmental, social, and governance issues, on the other hand, can lead to significant disruptions, affecting everything from operational continuity to public perception.

## What is ESG?

- **Environmental (E):** This dimension focuses on how Pupuk Sriwidjaja safeguards the

meaningfully with communities. As a company that operates within and alongside various communities, it is vital for Pupuk Sriwidjaja to ensure that its social impact is positive and contributes to the well-being of its workforce and stakeholders.

- **Governance (G):** This pillar refers to how the company is governed and led, ensuring accountability and ethical management. It covers aspects such as board independence, leadership transparency, executive compensation, diversity at the leadership level, shareholder rights, and corporate integrity. Good governance practices not only mitigate operational and

reputational risks but also ensure that decisions made are in the best interest of all stakeholders.

The proper management of ESG factors is increasingly recognized as having a material impact on the financial and operational success of companies. For example, failure to manage environmental risks (such as resource depletion or pollution) could lead to regulatory fines, operational shutdowns, or reputational damage. Similarly, poor social practices (such as labor rights violations or inadequate community engagement) can lead to legal liabilities and a loss of social license to operate. Governance failures, including lack of transparency or poor leadership decisions, can erode investor confidence and affect long-term business resilience.

### Why Are ESG Materiality Assessments Important?

Given the breadth of ESG topics, it is crucial for companies like Pupuk Sriwidjaja to prioritize the issues that are most relevant to their operations. An ESG materiality assessment is a critical process that helps the company identify, evaluate, and focus on the most significant ESG risks and opportunities. Rather than treating ESG as a broad concept, a materiality assessment allows Pupuk Sriwidjaja to tailor its ESG strategy to address the issues that will have the greatest impact on its business success and stakeholders.

Materiality assessments serve as a foundation for effective ESG management by distinguishing between topics that are of high relevance to the business from those that are less critical. The results of this assessment not only inform internal decision-making but also guide resource allocation, ensuring that time and investment are directed towards addressing the most material issues.

A thorough materiality assessment involves two key perspectives:

1. **Outside-in perspective:** This approach assesses how external ESG factors, such as climate change, regulatory changes, or societal expectations, can affect the company's financial performance and long-term sustainability. For example, increasing regulations around emissions or water usage could affect operational costs or force operational changes.

2. **Inside-out perspective (Saliency Assessment):** This approach evaluates how the company's activities impact external stakeholders, the environment, and society. It considers the risks that Pupuk Sriwidjaja's operations might pose to natural resources, local communities, and other stakeholders. This includes examining how resource extraction, waste management, or community relations influence the company's broader societal footprint.

Together, these two approaches form a "double materiality" framework, ensuring that both the risks to the company and the impacts of the company are systematically evaluated. This dual lens is increasingly important as stakeholders expect companies not only to mitigate risks to their own operations but also to demonstrate responsibility for the broader societal and environmental impacts they create.

### Benefits of ESG Materiality Assessments

By conducting a comprehensive materiality assessment, Pupuk Sriwidjaja is better positioned to prioritize its ESG initiatives. The process enables the company to:

- **Focus resources:** By identifying the most material ESG issues, Pupuk Sriwidjaja can allocate resources where they are most needed, ensuring that efforts are targeted and effective.
- **Strengthen ESG strategy:** Materiality assessments help refine the company's ESG strategy by ensuring that it addresses the most pressing issues, such as environmental compliance, community engagement, and workforce management.
- **Improve communication:** By clearly identifying and prioritizing material ESG issues, Pupuk Sriwidjaja can better communicate its ESG priorities both internally and externally. This enhances transparency and builds trust with stakeholders, including investors, employees, communities, and regulators.
- **Reduce risk:** By proactively identifying ESG risks, the company can take steps to mitigate potential reputational, legal, and operational risks. For example, addressing environmental concerns before they

escalate helps prevent regulatory penalties and operational disruptions.

- **Enhance long-term resilience:** By addressing both financial and non-financial risks through its ESG strategy, Pupuk Sriwidjaja can improve its long-term resilience, ensuring the company is well-prepared for future challenges such as climate change, evolving regulations, and shifting societal expectations.

# How Pupuk Sriwidjaja Conducts Its ESG Materiality Assessment – A Stakeholder-Engaged Approach

At Pupuk Sriwidjaja, integrating environmental, social, and governance (ESG) factors into our business processes is essential to ensuring our sustainability and long-term success. Our ESG materiality assessment is designed to help us identify key issues, evaluate company performance, and integrate these insights into strategic decisions. This allows us to address the most relevant risks and opportunities, ensuring that our ESG approach aligns with the expectations of our stakeholders and supports our operational objectives.



In determining ESG topics, we adopt the S&P Global framework, which we have customized to align with the specific ESG issues relevant to the chemical industry. This ensures that our materiality assessment reflects both global best practices and industry-specific priorities, providing a comprehensive view of the ESG factors that are most critical to our business.

<b>Governance &amp; Economic Dimension</b> Transparency & Reporting Corporate Governance Materiality Risk & Crisis Management Business Ethics Policy Influence Supply Chain Management Tax Strategy Information Security/ Cybersecurity & System Availability	<b>Environmental Dimension</b> Environmental Policy & Management Energy Waste & Pollutants Water Climate Strategy Biodiversity Product Stewardship
	<b>Social Dimension</b> Labor Practices Human Rights Human Capital Management Occupational Health & Safety Customer Relations Community Relations

Source: S&P Global

## Engaging Stakeholders Through Surveys and Internal Forums

At the core of our materiality assessment process is stakeholder engagement. We place great emphasis on gathering feedback directly from our stakeholders through open surveys and internal forums. These tools allow us to capture a wide range of perspectives, ensuring that our materiality assessment reflects the concerns and priorities of those who are most affected by our business.

- **Surveys:** We conduct open surveys across all of our stakeholder groups, including employees, customers, suppliers, and local communities. This method allows us to gather input on key ESG topics, helping us to understand how various stakeholders perceive the impact of our business and which issues they believe are most important.
- **Internal Forums:** In addition to surveys, we engage with internal stakeholders through employee forums and discussions. These internal meetings provide an opportunity for our workforce to share insights on operational challenges, sustainability initiatives, and governance practices. By incorporating feedback from within the organization, we ensure that our ESG strategy is informed by those who are directly involved in the company's day-to-day operations.

## The Double Materiality Approach

Our ESG materiality assessment uses a "double materiality" framework, which looks at ESG issues from two key perspectives:

- **Outside-in:** This perspective assesses how external ESG factors, such as regulatory changes or environmental risks, could impact Pupuk Sriwidjaja's business performance and long-term sustainability.
- **Inside-out:** This approach evaluates how Pupuk Sriwidjaja's operations could affect external stakeholders, such as the environment, local communities, or broader society.

By considering both perspectives, we ensure that our ESG strategy addresses the most material

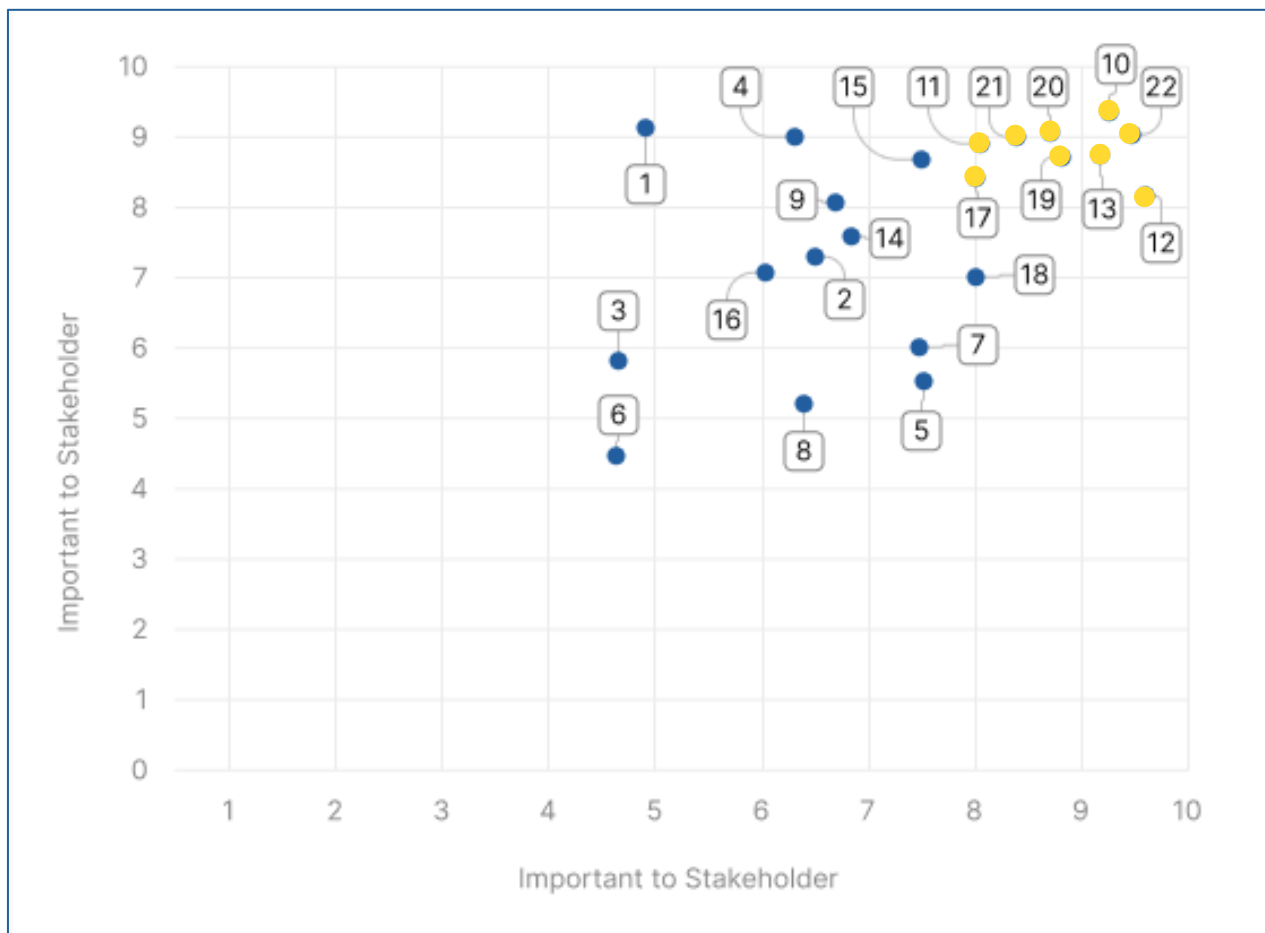
issues—those that affect both our business and the world around us.

### **Strengthening the Process Through Internal Feedback**

To ensure the effectiveness of our materiality assessment, we rely heavily on the input gathered through surveys and internal forums. These engagement tools allow us to prioritize ESG issues that are most relevant to our stakeholders and business operations. The insights gained from this process guide our decision-making, helping us refine our ESG strategy and allocate resources effectively.

By conducting regular surveys and maintaining open channels of communication with our internal stakeholders, Pupuk Sriwidjaja ensures that its ESG materiality assessment remains comprehensive, transparent, and aligned with both operational and sustainability goals. This ongoing engagement strengthens our ability to proactively manage ESG risks and opportunities, while driving long-term business resilience.

# PUSRI ESG Materiality Matrix



1. Transparency & Reporting
2. Corporate Governance
3. Materiality
4. Risk & Crisis Management
5. Business Ethics
6. Policy Influence
7. Supply Chain Management
8. Tax Strategy
9. Information Security/ Cybersecurity & System Availability
10. Environmental Policy & Management
11. Energy
12. Waste & Pollutants
13. Water
14. Climate Strategy
15. Biodiversity
16. Product Stewardship
17. Labor Practices
18. Human Rights
19. Human Capital Management
20. Occupational Health & Safety
21. Customer Relations
22. Community Relations



Based on the materiality matrix, the following topics have been identified as the most material for Pupuk Sriwidjaja, indicated by the yellow-highlighted areas on the matrix. These topics are critical to both Pupuk Sriwidjaja's business success and stakeholder interests, as they are rated highly in terms of their importance to stakeholders and to the company's operations.

- **Community Relations (22):**  
Engaging with local communities and contributing to social development is essential for maintaining Pupuk Sriwidjaja's social license to operate. This involves fostering positive relationships, supporting local initiatives, and demonstrating responsibility in community interactions, ensuring the company remains a valued partner in the regions where it operates.
- **Energy (10):**  
Energy management is vital for improving operational efficiency and reducing costs. By optimizing energy use and exploring sustainable energy sources, Pupuk Sriwidjaja can enhance its competitiveness and meet the growing demands for responsible energy practices from both stakeholders and regulators.
- **Water (13):**  
Water usage and conservation are increasingly important, especially for industries reliant on significant water resources. Pupuk Sriwidjaja must manage its water consumption responsibly, ensuring sustainable water use and minimizing impacts on local water systems, which is a key concern for stakeholders.
- **Human Capital Management (19):**  
Investing in human capital is crucial for fostering a productive and motivated workforce. This includes strategies for talent development, employee engagement, and retention. Managing human capital effectively supports long-term business success and aligns with stakeholder expectations for fair and equitable workforce practices.
- **Occupational Health & Safety (20):**  
Maintaining a safe working environment is critical, especially in the chemical industry where operational risks are high. Ensuring the health and safety of employees is a top priority for stakeholders, and Pupuk

Sriwidjaja must focus on strong health and safety practices to mitigate risks and protect its workforce.

- **Customer Relations (21):**  
Building and maintaining strong relationships with customers is essential for business success. This includes addressing customer needs and concerns, ensuring satisfaction, and consistently delivering high-quality products and services. Strong customer relations contribute directly to Pupuk Sriwidjaja's reputation and long-term business growth.
- **Waste & Pollutants (12):**  
Proper waste management and pollution control are critical for reducing environmental harm. Given the nature of Pupuk Sriwidjaja's operations, managing industrial waste and limiting pollutants are key areas of focus for ensuring environmental compliance and protecting surrounding ecosystems.
- **Environmental Policy & Management (11):**  
Effectively managing environmental impacts is a priority for Pupuk Sriwidjaja. This includes compliance with environmental regulations, reducing emissions, and minimizing the environmental footprint. Stakeholders expect the company to adopt sustainable practices that mitigate its impact on natural resources and ecosystems.
- **Labor Practices (17):**  
Ensuring fair labor practices, including upholding employee rights and fostering an inclusive workplace, is fundamental. Pupuk Sriwidjaja must focus on promoting diversity, equity, and inclusion while ensuring that workers are treated with respect, which is vital to meeting both internal and external expectations.

In summary, these material topics—highlighted in yellow—represent the areas where Pupuk Sriwidjaja must focus its ESG efforts to align with stakeholder expectations and ensure the sustainable success of the business. These topics will guide the company's strategies in environmental management, energy efficiency, waste reduction, labor practices, human capital development, health and safety, and community and customer relations, reinforcing the company's commitment to responsible and sustainable operations.



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