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## PT Pupuk Kalimantan Timur's Sustainability Strategy Becomes the Winner of ASRRAT 2024

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### **Abstract**

*This study aims to analyze the sustainability strategy of PT Pupuk Kalimantan Timur (PKT) in the context of its success in winning the 2024 ASRRAT (Asia Sustainability Reporting Rating) award. Using a descriptive qualitative approach, this study explores the company's commitment to environmental, social, and governance (ESG) aspects. Data were obtained through an in-depth review of sustainability reports and other secondary sources. The results of the analysis show that PKT implements various strategic sustainable initiatives, such as energy efficiency, carbon emission reduction, community empowerment-based CSR programs, and transparent and accountable corporate governance. PKT's success in achieving a "Platinum" rating in the 2024 ASRRAT reflects the consistency and effectiveness of the sustainability strategy implemented. This study concludes that comprehensively integrated sustainability practices are a key factor in achieving superior sustainability performance.*

**Keywords:** Sustainability Report, ESG, ASRRAT 2024

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### **INTRODUCTION**

ASRRAT (Asia Sustainability Reporting Rating) 2024 was attended by 70 leading companies from Indonesia. There are five report ratings, namely platinum, gold, silver, bronze, and special awards (commendation). The number of participants in 2024 has increased compared to the previous year, with the participation of 70 leading organizations, 11 of which are new participants. The company's commitment to implementing ESG has received significant attention from various groups, even many sustainability report rating agencies have emerged to give awards to companies for their commitment to reporting. This shows the increasing awareness and commitment to sustainability. Independent evaluations are carried out to ensure that the sustainability reports submitted meet the international standards of the Global Reporting Initiative (GRI) and the regulations of the Financial Services Authority (OJK). This is done to maintain the quality and credibility of the report, and to encourage companies to prepare reports in accordance with the standards used as criteria.

PT Pupuk Kalimantan Timur is a subsidiary of PT Pupuk Indonesia (Persero). At the beginning of its operations, they were managed by the state oil company Pertamina with floating fertilizer factory facilities or factories on ships.

Then with technical considerations, the project was transferred to land in accordance with Presidential Decree No. 43 of 1975 and through Presidential Decree No. 39 of 1976, its management was handed over from Pertamina to the Ministry of Industry.

Previous research stated that companies that won the ASRRAT award received a positive reaction from investors through an increase in abnormal returns (Wirajaya & Ratnasari, 2023). However, different results were shown by research from Fala et al., (2018) and Ningrum & Masdiantini (2023) which showed that there was no difference in investor reactions when a company won the ASRRAT award. Based on this, this topic is interesting to study further, especially to see whether companies with high ASRRAT ratings will have a lower investment risk or not.

The ASRRAT Award is given to recognize companies that have successfully communicated their sustainability performance through good sustainability reports to stakeholders. The importance of sustainability in this context is as a foundation for companies to operate responsibly, not only towards financial gain, but also towards the environment and society. PT Pupuk Kalimantan Timur again won the Platinum award in ASRRAT 2024. This award has been won for seven consecutive years and is real evidence of the company's commitment to the principles of Environment, Social and Governance (ESG) for sustainable development. The Platinum ASRRAT 2024 Award was received by the Director of Finance and General Affairs of PT Pupuk Kalimantan Timur, Qomaruzzaman at the "National Center for Sustainability Reporting (NCSR)" event in Jakarta on November 21, 2024.

The Platinum predicate is given to companies that achieve a score of 93-100 and also meet GRI standards in reporting. Based on the 2023 Sustainability Report of PT Pupuk Kalimantan Timur, it has successfully recorded achievements above GRI standards for full disclosure of energy use and greenhouse gas emissions (GHG) produced. Not only that, they are also active in the development of renewable energy and environmentally friendly technologies such as clean ammonia. In their daily operational activities, they consistently implement various innovations to ensure sustainability, ranging from production efficiency, community socio-economic empowerment, to environmental preservation. These initiatives are in line with one of the company's main focuses, namely the decommissioning program which has been launched in two stages. The first stage includes circular economy initiatives and carbon offset strategies through planting community forests and reducing energy consumption. These programs not only support operational sustainability but also improve the quality of life and welfare of the community around the production facilities. Going forward, they are committed to continuing to expand these initiatives with a focus on infrastructure development and expansion to meet national fertilizer needs. In line with this, State-Owned Enterprises (BUMN) also strengthen their commitment to maintaining good performance so that they can continue to run sustainable and environmentally friendly businesses.

All information published by the company is a guideline for investors in their investment decisions. The information provided can be positive or negative information. Information related to the ranking obtained by the company due to winning the Asia Sustainability Reporting Rating (ASRRAT) award is positive information that can have an impact on increasing the company's positive reputation in the eyes of the public (Wirajaya & Ratnasari, 2023). Award-winning companies have more complete information regarding environmental, social and governance performance so that they are more transparent and accountable. The completeness and quality of this good information will make it easier for investors to assess the company's prospects and risks in the future, of course this will also reduce information asymmetry.

This study aims to analyze the sustainability strategy implemented by PT Pupuk Kalimantan Timur and its contribution to the company's success in winning the 2024 ASRRAT award. With a qualitative approach, this study reviews how ESG principles are actually implemented by the company. This study focuses on the sustainability strategy implemented by PT Pupuk Kalimantan Timur, especially those reported in the sustainability report document and the 2023-2024 annual report. The scope of the study includes an analysis of ESG-based programs that are relevant to the assessment in the 2024 ASRRAT. This study is limited to the use of secondary data sourced from official company reports, media, and ASRRAT documents. The study does not discuss in detail the financial aspects of the company or compare it with other companies.

## **METHOD**

This study uses a descriptive qualitative approach. Qualitative research is a research method that collects, analyzes, and interprets data in the form of words, images, or objects to understand social phenomena in depth and contextually. Descriptive qualitative research is a research method that expresses research data in the form of words and systematic and accurate descriptions of the events being studied (Widyaningrum et al., 2022). The object of this study is PT Pupuk Kalimantan Timur, which won the Platinum award in ASRRAT 2024 for its success in sustainability reporting.

The type of data used in this study is secondary data, namely data sources that do not directly provide data to data collectors, for example through other people or through documents (Sugiyono 2017:137). In this study, the sources of secondary data are journals, articles, news websites, and online media related to the sustainability report of the ASRRAT Winner.

## **RESULTS AND DISCUSSION**

The following presents the results of the discussion based on the data that has been processed in table form:

Table 1. Analysis Matrix

<b>ESG Dimensions</b>	<b>Program</b>	<b>Description</b>	<b>Source</b>	<b>Relevance to ASRRAT</b>
Environmental	Clean Ammonia	Innovation in low carbon ammonia production through renewable energy	Sustainability Report 2023	Decarbonization efforts are in line with sustainability principles
Environmental	Energy Efficiency	Reducing energy consumption through optimization of factory process systems	Annual Report 2023	Operational efficiency supports environmental principles
Social	PKT Cares About Education	Scholarships and training for students in Bontang	Sustainability Report 2023	Positive social impact and educational inclusion
Social	MSME Empowerment Program	Training and capital assistance for SMEs around the company	CCP Official Media, 2024	Improving the welfare of local communities
Governance	Sustainable Governance	Implementation of GCG, ESG risk management, and internal monitoring systems	Sustainability Report 2023	Demonstrate strong governance commitment
Governance	Report Transparency	Preparation of reports according to GRI standards and third party assurance	NCSR & PKT Sites	As per ASRRAT reporting criteria

Source: Data Processed Sustainability Report 2023 - PT Pupuk Kalimantan Timur

The results of the study above show that PT Pupuk Kalimantan Timur's sustainability strategy includes various programs that are integrated into the company's operations. In terms of the environment, they demonstrate a high commitment through transparent and measurable reporting of energy use and greenhouse gas emission reductions. The use of clean technology, such as clean ammonia, and the development of renewable energy are important indicators of the company's success. In the 2023 sustainability report, they succeeded in reducing the intensity of CO<sub>2</sub> emissions from 0.32 tons to 0.28 tons of CO<sub>2</sub> per ton of product, which shows a real commitment to the environmental aspect. They also hold CSR programs that reach 20,000 beneficiaries in Bontang and its surroundings, with a focus on health education and the economy.

From the social side, PT Pupuk Kalimantan Timur implements a strategy of empowering the community's socio-economics through the development of community forests and educational activities as well as local economic development. This initiative not only has a direct impact on the surrounding community, but also strengthens the company's image as a socially responsible

entity. In terms of governance, the company prioritizes transparency, accountability, and integration of ESG principles in long-term strategic planning. This step is realized in the annual report and sustainability report which are prepared comprehensively and independently audited.

The year 2023 will mark a new chapter in the growth of PT Pupuk Kalimantan Timur (Pupuk Kaltim). To become a pioneer of green transformation in the domestic fertilizer and petrochemical industry. Pupuk Kaltim's initiative to implement ESG through green transformation also shows the Company's strong commitment to supporting agricultural productivity and national food security. This commitment is strengthened by Pupuk Kaltim's steps, one of which is to launch an ESG Roadmap with a target of 32% decarbonization contribution by 2030. This also shows that Pupuk Kaltim is able to grow with an environmentally friendly spirit and contribute to a better future. This commitment is strengthened by Pupuk Kaltim's steps which have launched an ESG Roadmap with a target of 32% decarbonization contribution by 2030. The decarbonization roadmap has been designed with innovation programs and ESG initiatives that aim to have a positive impact on society and the environment. This also shows that Pupuk Kaltim is able to grow with an environmentally friendly spirit and contribute to a better future.

Despite facing various obstacles in 2022, including the Russia-Ukraine war that disrupted the international supply chain, Pupuk Kaltim continues to demonstrate its commitment to supporting sustainability goals in the economic, social, and environmental sectors. In the economic sector, Pupuk Kaltim not only continues to distribute its profits consistently, but also successfully distributes subsidized fertilizers effectively thanks to the support of digitalization technology. In the environmental sector, Pupuk Kaltim has consistently maintained energy management and the 3R emission principle and implemented various conservation programs to protect endemic flora and fauna. In the social sector, Pupuk Kaltim has initiated empowerment programs that have positive value for the community.

Pupuk Kaltim closed 2021 with proud achievements, which in some aspects were even the highest in the Company's more than 40 years of journey. Superior performance amidst the challenges of the COVID-19 pandemic is proof of the Company's ability to survive and continue to grow. At the same time, various strategic initiatives prepared for the future can be a solid foothold for the Company in optimizing opportunities for sustainable business continuity. As one of the fertilizer producers with integrated production facilities, having a wide marketing area and with products that have a direct impact on the welfare of farmers, food security and the progress of the country's economy, they are determined to always align business development programs with the pace of national development and the achievement of sustainability goals.

Based on secondary data from the 2023 sustainability report and other public information, these sustainability strategies have significantly contributed to their success in winning the highest ASRRAT award. This finding shows that implementing ESG principles consistently and in a structured manner can be a



strategic advantage in improving a company's reputation and long-term performance.

## **CONCLUSION**

This study successfully analyzed the sustainability strategy implemented by PT Pupuk Kalimantan Timur and its contribution in winning the 2024 ASRRAT award, by showing that the implementation of ESG principles by the company is not only symbolic, but is manifested in various concrete programs reflected in the sustainability report and the 2023–2024 annual report. This finding shows the compatibility between the initial expectations of the study as stated in the introduction with the results obtained, where a structured and measurable sustainability strategy is the key to the company's success in the event. This study opens up opportunities for further development, such as a longitudinal study of the impact of sustainability on the company's long-term performance, or the application of similar analysis to other companies as an effort to encourage standardization of ESG practices in Indonesia.

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