

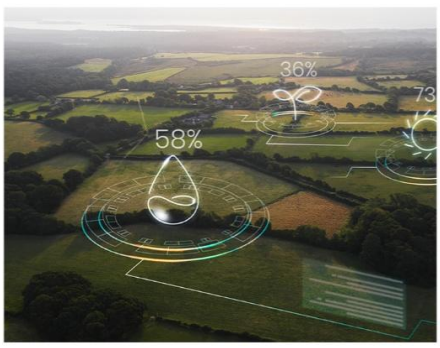
SBTi ANNUAL REPORT 2024

Background

As the world's attention turns to environmental issues, many companies realize that business success is not only measured by profits, also by its contribution to saving the planet. PT Tah Sung Hung, as an industry that contributes to emissions in Indonesia, has shown progressive steps through its annual report by adopting the principle of science-based targets (SBT) for its emission reduction strategy. This commitment shows the company's concern to play an active role to achieve global climate targets in significantly reducing emissions by 2050 according to scientific guidelines. Amidst the challenges of the energy transition and regulatory changes, this step not only reflects environmental responsibility, but also a smart adaptive strategy in maintaining the competitiveness of the industry in the future.









Greenhouse Gases (GHG) Emission

PT Tah Sung Hung has completed a comprehensive inventory of greenhouse gas (GHG) emissions in 2024, covering emissions from all categories including Scope 1, Scope 2, and Scope 3.

	2022	2024
SCOPE 1		
Stationary Combustion	23.59	57.25
Mobile Combustion	232.52	214.17
Fugitive Emissions	624.34	4,749.90
Process Emission	445.67	513.61
SCOPE 2		
Purchased Electricity	7,752.38	10,598.37
SCOPE 3		
Purchased Goods	23,201.77	48,048.54
Capital goods	1,999.13	1,030.31
Fuel-and energy-related activities	2,163.40	3,225.29
Waste generated in operations	213.79	698.24
Business travel	98.92	171.22
Employee commuting	2,852.35	3,207.54
Upstream transportation and distribution	4,045.55	3,206.12
Downstream transportation and distribution	593.16	90.83

As a company that is currently expanding its industry to a higher level, the increase in greenhouse gas emissions that we produce is certainly understandable. The ongoing production growth is in line with the need for adequate facilities. The collection and calculation of greenhouse gas emissions are attempted in more detail and comprehensively. These are the things that are considered in our Greenhouse Gas inventory. The base year will be recalculated to ensure that the next annual calculation is based on a more focused and measurable reference, in line with previously established provisions.



Target Boundary

PT Tah Sung Hung has set 2 near-term reduction targets and has been approved by SBTi on October 16, 2024. Our targets are aligned with SBTi Criteria and Recommendations (Criteria version 5.2), and in line with the 1.5°C trajectory.

TARGET WORDING	BASE YEAR	TARGET YEAR	TARGET VELUE	METHOD USED
PT Tah Sung Hung commits to reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2022 base year. *The target boundary includes land related emissions and removals from bioenergy feedstocks	2022	2030	42%	Absolute contraction
PT. Tah Sung Hung also commits to reduce absolute scope 3 GHG emissions 25% by 2030 from a 2022 base year. *The target boundary includes land related emissions and removals from bioenergy feedstocks.	2022	2030	25%	Absolute contraction

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Methodology

In calculating greenhouse gas emissions, our Company follows the method used by SBTi. GHG protocol is an international standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) to measure, manage, and report greenhouse gas (GHG) emissions. Our team conducts comprehensive data collection and calculations to obtain actual emissions. Each category (Scope 1, 2, & 3) is calculated in a different way and method based on its own principles and the company maps all emission sources throughout its value chain and labels them as scope 1, 2, or 3 emissions. However, basically the emission calculation formula used is as follows:

CO2 emissions = Activity Data x Conversion Factor x Emission Factor

Scope 1

Direct emissions generated from sources owned or controlled by the company. This scope includes 4 categories including stationary combustion, fugitive emissions, mobile combustion, and process emissions. Since most of these emissions are generated from what we use, the data needed to calculate the emissions include generator fuel consumption, LPG use, company vehicle fuel consumption, refrigerant use, and waste or wastewater treatment.

Scope 2

Indirect emissions resulting from purchased energy generation. In general, this only includes electricity purchases used by the company. The data needed to see the emissions produced is the amount of energy used or utilized by the company. This data can be obtained from kWh meters or invoices that we get from state-owned companies.

Scope 3

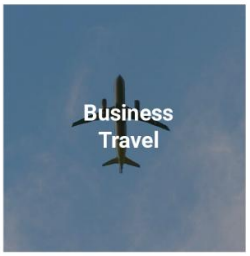
All other indirect emissions resulting from the company's value chain which includes any categories with details:



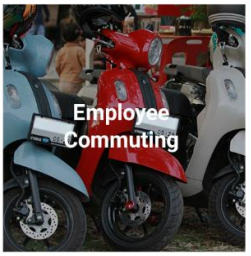
Total goods and services purchased based on specific products and suppliers



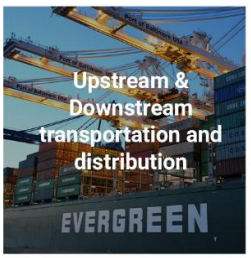
Emissions from solid waste processing by landfill



Emissions from employee transportation for business-related activities in vehicles owned or operated by third parties, such as airplanes, trains, buses, and passenger cars.



Employee travel survey related to employee travel by mode of transportation and distance

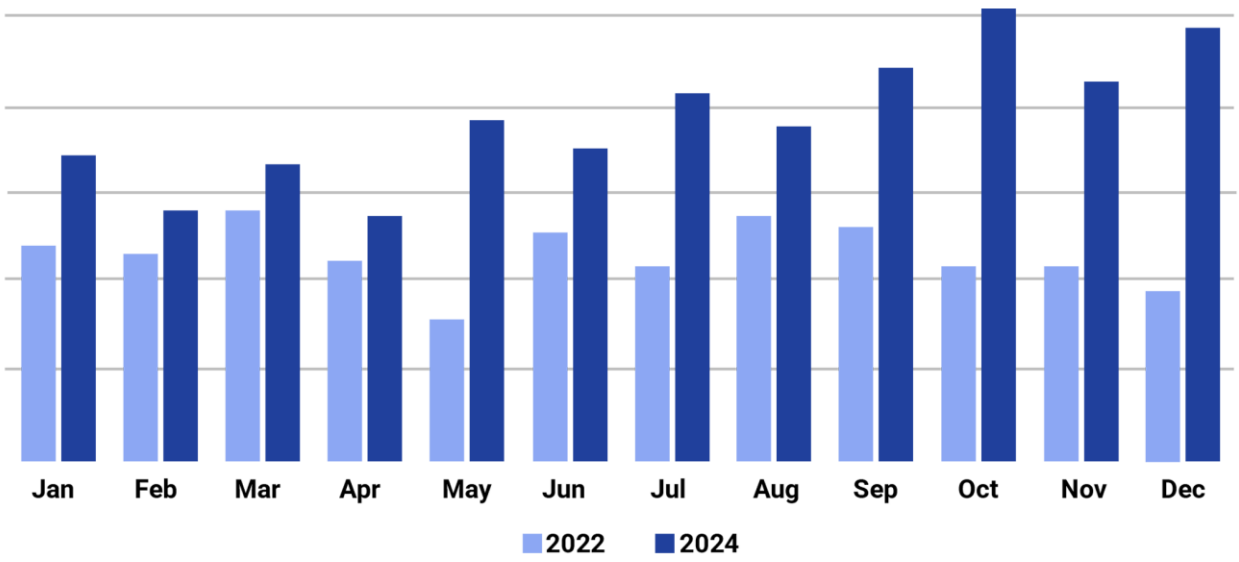


Mass data collection for Transportation & Distribution activities covering type of transportation, distance, and weight carried.

Target Progress

SCOPE	BASE YEAR (2022) (tC02e)	BASE YEAR (2024) (tC02e)	REDUCTION TARGET	REDUCTION ACTUAL	TARGET COMPLETE
Scope 1 & Scope 2 (market based)	9,078.50	16,133.30	42%	78%	-85%
Scope 3 (all relevant categories)	35,168.07	59,208.07	25%	68%	-173%

Based on the comparison of greenhouse gas emissions in the latest year (2024) with the base year (2022), emissions did not decrease in scope 1 & 2 and scope 3. Nonetheless, there are plans to recalculate and revalidate the baseline year due to significant land expansions in the company's production and development processes. Overall, from 2022 to 2024, the company's production output has demonstrated notable growth. A comparative analysis indicates that the average production between 2022 and 2024 increased by approximately 309,556 pairs representing a 68% rise.



From the existing expansion and the next expansion plan, the company must ensure the right base year so that the calculation of the reduction target can be in accordance with the actual conditions. However, if we refer to the calculation of greenhouse gas emissions in the latest year, emissions in scope 1 & 2 are dominated by purchased electricity with 66%, and for scope 3 most of the emissions are generated from the purchased goods category with 81%. We strive to create and adopt programs that can support the reduction of greenhouse gas emissions in the categories that dominate our company's GHG emissions



Key actions towards meeting SBTi targets

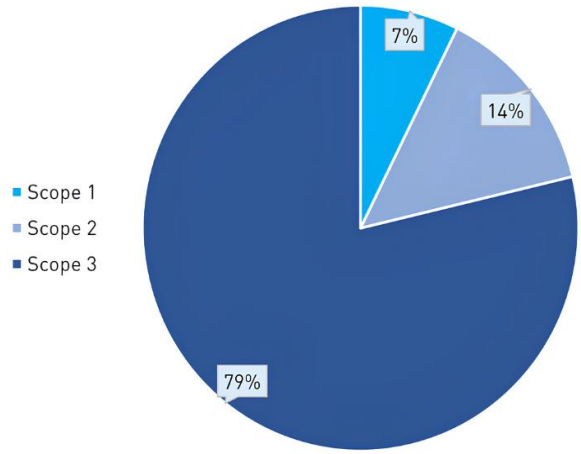
As part of the data actualization, we are focusing on recalculating the base year with adjustments to the company's expansion. On the other hand, we will continue to strive to improve our program in terms of reducing greenhouse gas emissions in line with our commitment to SBTi. Some of the programs that we will develop in this effort are as follows:

TARGET NEAR-TERM	ACTIONS TOWARDS MEETING SBTI
Reducing absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2022 base year	By 2024, we have run the Rooftop-Solar (RTS) Phase 1 Project with a capacity of 1.04 Mwp as a form of energy transition towards renewable energy. In the same year, we have continued the construction process of RTS Phase 2 with a larger capacity of 2.34 Mwp which will run in 2025. We will continue this program to the next phase as our major movement in reducing emissions from electricity
Reducing absolute Scope 3 GHG emissions by 25% by 2030, from the 2022 baseline	The largest emissions coming from scope 3 are purchased goods and services. This number continues to grow along with the needs we require. We have a program to reduce unnecessary products by choosing repairs to extend the life of goods and trying to explore circular strategies with suppliers, for example through procurement. For other categories such as employee commuting, we will Set up working bus services or carpooling program and encourage cycling and walking for employees with short distances.



Emission Variations

In understanding, Emission Variation refers to the difference or fluctuation in the number of emissions released from different sources. Based on global research, the shoe industry responsible for around 1.4% of global greenhouse gas emissions. Generally, the main cause of Shoe Industry emissions from the raw materials such as Synthetic Materials and Leather, then the production process with machines and transportation in the form of distribution and the import-export process carried out.



From calculations, the majority of our carbon footprint comes from Scope 3, almost reaching 80% of total emissions. Purchased Goods is the category that produces the most emissions with 63% of emissions generated from this category. If we examine further, emissions from our suppliers engaged in the textile and leather industry cause a lot of emissions produced. We must take action to address this by continuing to encourage our suppliers in emission reduction programs.

