

A woman with dark hair, wearing a red patterned blouse and blue jeans, sits at a round dark wooden table. She is smiling at the camera. The room is filled with traditional Indonesian art and crafts. On the wall behind her are several framed pictures, some depicting deer in a landscape, and a large, ornate metal hanging lantern. On the table in front of her is a small brass bowl and a small brass cup. To her left is a large, ornate wooden chair with a woven seat. To her right is another similar chair. The floor is made of light-colored tiles.

# A Story of Sustainability

Mrs. Menik Yuli Hastuti,  
owner of Editha Art Craft in Yogyakarta  
is a PGN small enterprise partner







## A STORY OF SUSTAINABILITY

In the last decade, the world seems to be caught between a rock and hard case when it has to consume energy to be productive but at the same time want to reduce carbon footprint. At one point we accept the fate or notion that we can't have both. In such condition, natural gas becomes a valuable alternative solution to the currently fossil fuel-dependent socio-economic growth. Giving the hope of a more sustainable future where business can flourish, people can enjoy their lives, and at the same time nature can be preserved.

As such, PGN understands that what we are managing is a clean energy for a better and brighter future for us and our next generation. Therefore it would be ironic should PGN manage natural gas in an unsustainable manner. How can we hope to be able to preserve the future while our present actions are not sustainable? Thus the story of a sustainable PGN began.

We understand the value of the natural gas as a clean energy that we manage and how it can allow people to be productive, or consumptive, but at the same time still preserving Mother Nature. To achieve such goal, our sustainability effort must transcend beyond philanthropy act. Sustainability must be intertwined in how PGN operates the business, our day-to-day activity, and our decisions. With such mindset, PGN believes the new age of energy will come sooner to Indonesia. In which we hope natural gas will have a special place in the lives and hearts of our consumers, both personal and business. Especially looking at the fact that Indonesia has an abundant reserve of natural gas in its nature. Vast potential is waiting to be unlock and put into good use in sustaining Indonesia's economic growth and PGN embrace our duty and responsibility to contribute to unlock this potential and bring our story of sustainability to life.

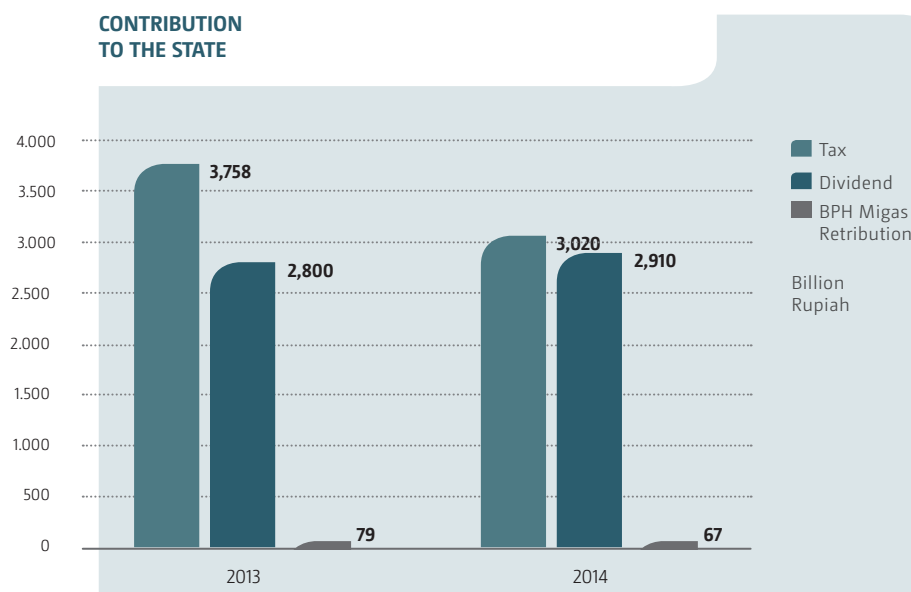


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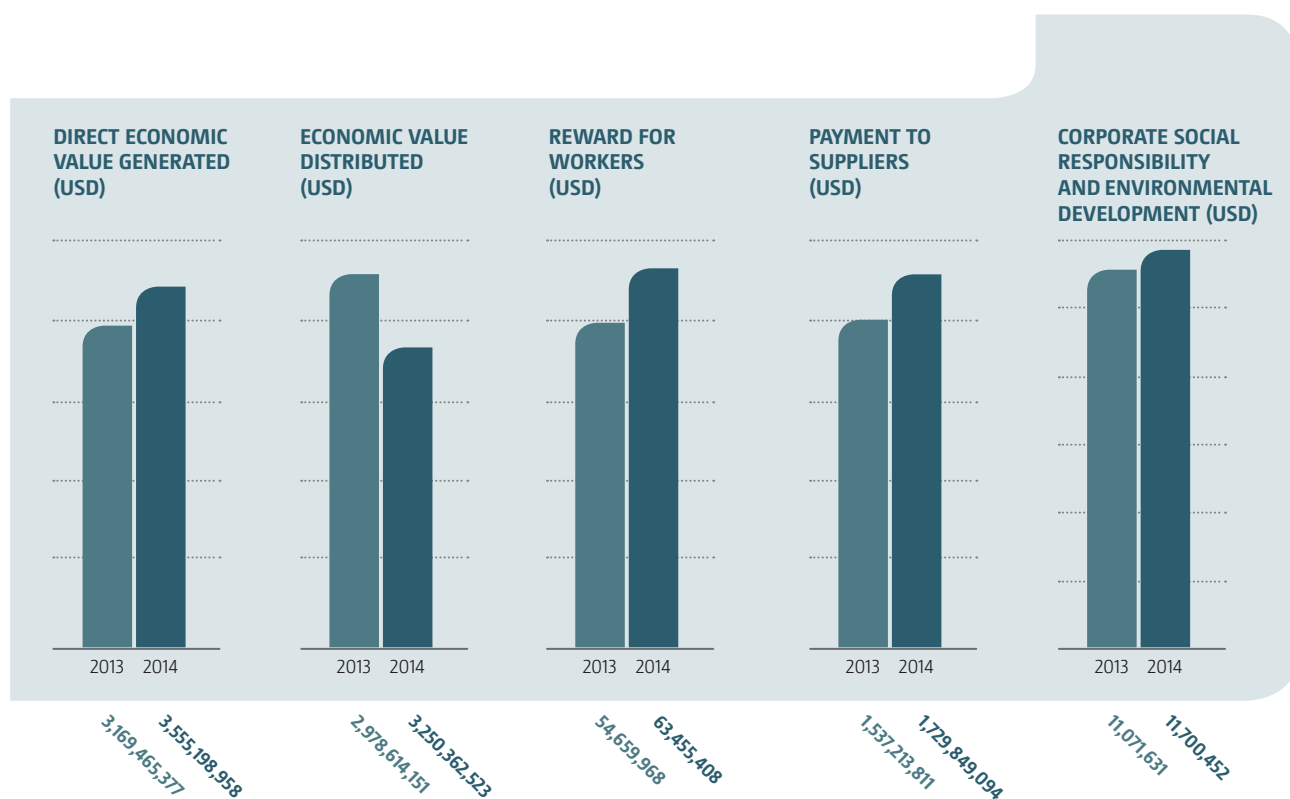


## ECONOMIC PERFORMANCE



### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

(USD)	2013 (restated)	2014
<b>DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED</b>		
Income	3,001,516,630	3,408,590,061
Interest income	26,910,239	26,032,902
Income from investment in subsidiaries	-	-
Income from sale of assets	-	-
Income from investment in foreign currency	83,899,215	47,452,904
Other income	57,139,294	73,123,091
<b>Total direct economic value generated</b>	<b>3,169,465,378</b>	<b>3,555,198,958</b>
<b>Economic value distributed:</b>		
Operating costs	1,956,971,704	2,327,253,644
Employee wages and benefits:		
- Operation department	38,391,494	37,162,605
- Administration department	83,715,450	87,161,223
Total employee wages and benefits	122,106,944	124,323,828
Payment to providers of capital:		
- Dividend payment	510,620,916	454,456,178
- Interest payment	21,863,585	75,575,385
Total payment to providers of capital:	532,484,502	530,031,563
Payment to government	359,360,597	257,108,917
Community investments	8,023,231	11,644,571
<b>Economic value distributed</b>	<b>2,978,946,977</b>	<b>3,250,362,523</b>
Economic value retained before dividend		
Economic value retained after dividend	190,518,401	304,836,435





## ECONOMIC PERFORMANCE

### CUSTOMER SATISFACTION INDEX (CSI)



**5,22** **5,29**  
2013 2014

### PARTNERSHIP



**92.88%**

(SKOR 3)

Effectivity Ratio  
of Distribution  
Partnership Fund

**USD 12,547,203**

Total Distribution  
Partnership Fund

**6.755**

Total Partnership  
2014

### CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL DEVELOPMENT FUND



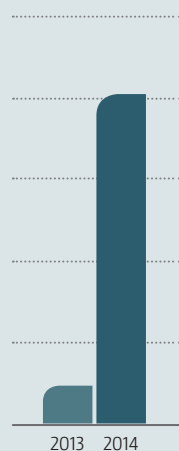
**USD 11,700,452**

### INFRACTION OF MARKETING CASES

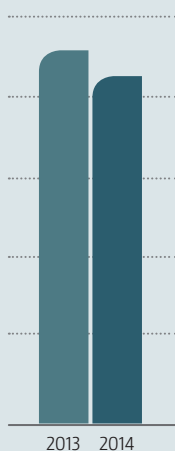


**NONE**

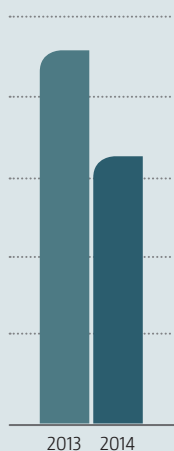
### TOTAL DISTRIBUTION OF PARTNERSHIP FUND (USD)



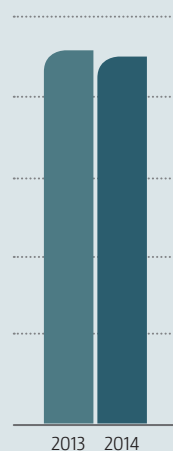
### DIVIDEND FOR STATE (USD)



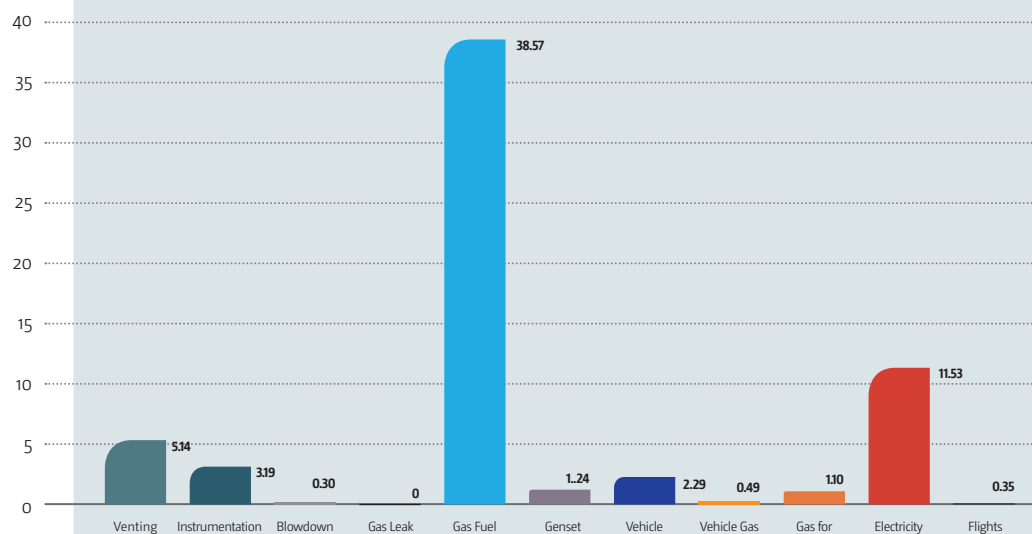
### PAYMENT TO GOVERNMENT (USD)



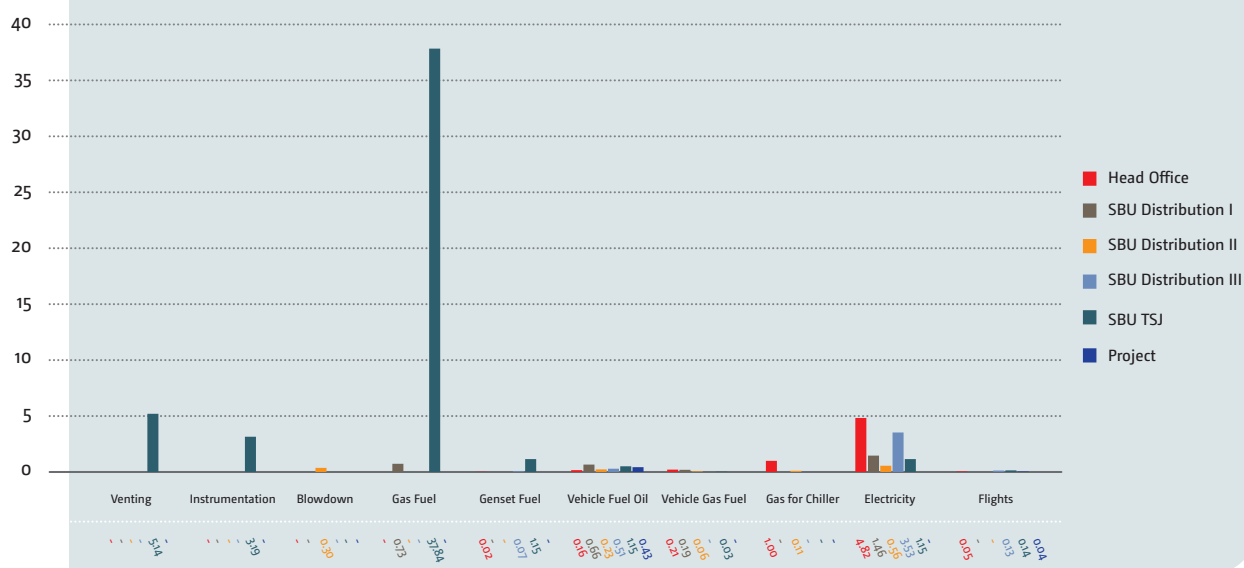
### PAYMENT TO PROVIDER OF CAPITAL (USD)



### CARBON EMISSION COMPOSITION OF ENERGY CONSUMPTION ACTIVITY 2013 (Thousand CO<sub>2</sub> Ton eq)



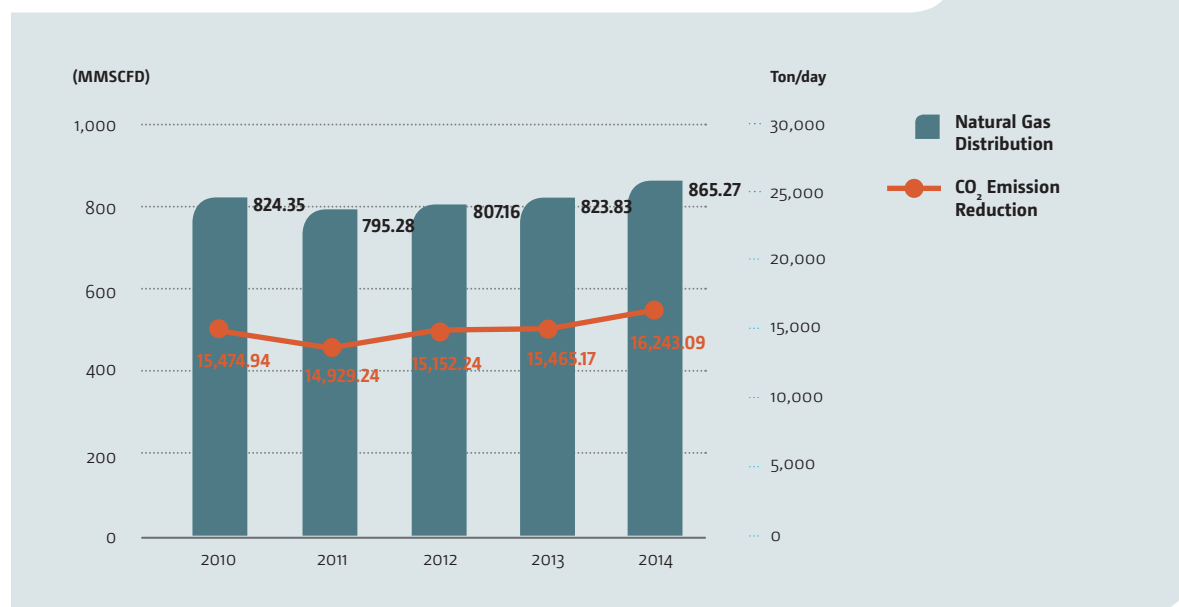
### CARBON EMISSION PER UNIT 2013 (Thousand CO<sub>2</sub> Ton eq)





## ENVIRONMENT PERFORMANCE

### INDONESIA CARBON EMISSION REDUCTION OF PGN GAS DISTRIBUTION

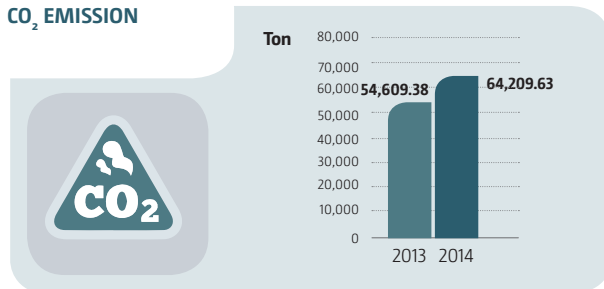


### TREES PLANTED IN REVEGETATION PROGRAM

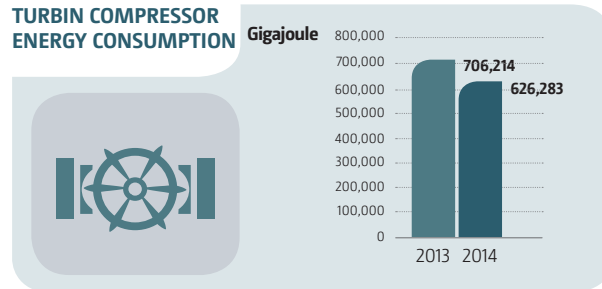
Year	2011	2012	2013	2014
<b>Trees</b>	<b>934,638</b>	<b>570,858</b>	<b>500,675</b>	<b>230,696</b>

## ENVIRONMENT PERFORMANCE

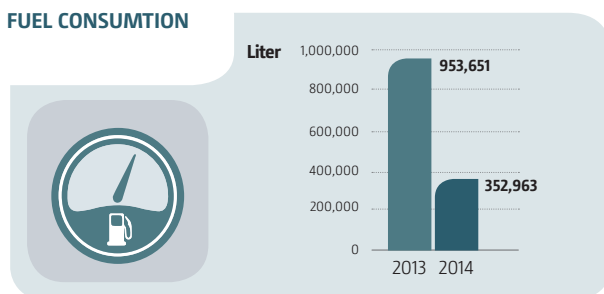
### CO<sub>2</sub> EMISSION



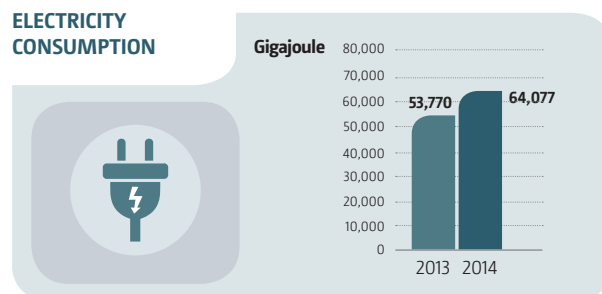
### TURBIN COMPRESSOR ENERGY CONSUMPTION



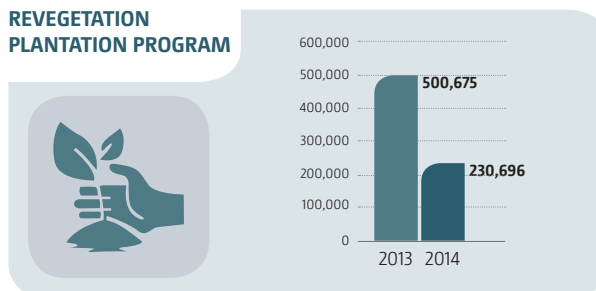
### FUEL CONSUMPTION



### ELECTRICITY CONSUMPTION



### REVEGETATION PLANTATION PROGRAM



No	Activity Description	Total Rp
1	Preparing Environmental Impact Analysis (EIA) / UKL-UPL Documentation and Processing Environmental Permits	1,364,710,000
2	Environmental Monitoring	2,114,286,000
3	Making Absorption Wells at Strategic Business Unit Distribution I and III	275,000,000
4	Environmental Campaign	35,209,480
5	Toxic and Hazardous Waste Management	613,597,990
6	Environmental Management Program related to PROPER	1,049,559,350
7	Equipment Calibration for Environmental Measurements	48,675,000
8	Environmental Training	249,724,220
9	Energy Monitoring System and Carbon Calculator	209,000,000
10	Energy Efficiency Program	1,416,000,000
11	Environmental Management Facility (temporary B3 waste storage)	894,387,960
12	Environmental report	35,936,800
13	Environmental Management System	112,550,000
14	Biodiversity Consultant Services	447,000,000
<b>TOTAL</b>		<b>8,865,636,800</b>



## SOCIAL PERFORMANCE

### WORKERS RECEIVED ANNUAL KPI



100%

### WORKER INCORPORATED IN WORKERS FEDERATION



100%

### WORKERS WALKED OUT



NONE

### WORKERS RETIRED FUND



FAIR

### CASES OF INFRINGEMENTS OF HUMAN RIGHTS



NONE

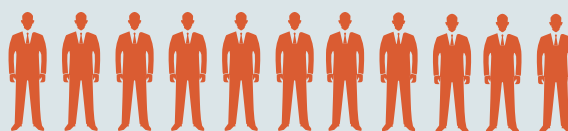
### CASES OF INFRINGEMENTS OF WORKERS REGULATIONS



NONE

### NUMBER OF MALE WORKERS

1.136



1.170



### NUMBER OF FEMALE WORKERS

373

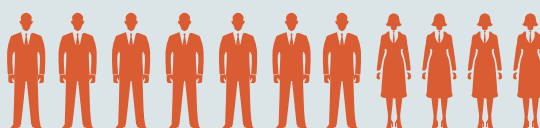


370



### TOTAL NUMBER OF WORKERS

1.509



1.540



● 2014

● 2013

## SAFETY PERFORMANCE

### MINOR OCCUPATIONAL ACCIDENTS



2  
6

### OCCUPATIONAL ACCIDENTS (LTIF)



0,07  
0

### AWARDS IN OCCUPATIONAL SAFETY



2  
4

### OHSAS 18001 AND SMK<sub>3</sub> CERTIFICATES



5  
10

Maintained OHSAS  
18001 and SMK<sub>3</sub>  
Certifications

Achieved OHSAS  
18001 and SMK<sub>3</sub>  
Certifications

● 2014

● 2013



## PGN SOCIAL INVESTMENT

### PGN'S SOCIAL INVESTMENT

- Aid to flood victims in Serang and Tangerang - Banten
- Health services, staple goods and kitchen facilities for flood victims in West Jakarta and Bekasi (Muara Bekasi – Babelan and Hurip Jaya)
- Corned beef and beef sausages for state emergency food aid for disaster-affected areas
- Rubber boats and equipment to handle flooding in Jakarta
- Kitchen facilities for victims of landslides in Banjarnegara – Central Java
- Staple goods, towels and blankets for flood victims in Pati and Semarang – Central Java
- Staple goods for flood victims in Bojonegoro, Batu and Malang – East Java
- Healthcare and kitchen facilities for victims of the Mt. Kelud eruption in Kediri – East Java
- Seeds and organic fertilizer to support the economic recovery of victims of the Mt. Kelud eruption in Kediri – East Java

### EDUCATIONAL SUPPORT: INSPIRING THE YOUNG [G4-EC7][G4-SO1]

- Sending young teaching staff on the 31 SD Support Program in South Sumatra, Lampung, Banten and East Java in cooperation with Yayasan Indonesia Mengajar (Indonesian Teaching Foundation)
- Building and renovating schools in the vicinity of the operational area, including Medan, Deli Serdang, Batam, Pulau Pemping, Palembang, Lampung, Jakarta, Semarang and Pasuruan implemented through the synergy program with PT WIKA and PT PP
- Providing scholarships to 1,125 university students from 15 state universities in Indonesia.
- Character-based training for elementary school and early learning teachers in the vicinity of PGN's operational area
- Building School Reading Parks in Batam, Pulau Pemping, Jakarta and East Java in cooperation with PT Balai Pustaka

### HEALTHCARE: A HEALTHY COMMUNITY IS A PROSPEROUS COMMUNITY [G4-EC7][G4-SO1]

- Community Health Services provided by 10 PGN Health Vehicles that can conduct pre-natal checkups, provide supplements for pregnant women, contraceptive services, general health services and basic dental care, check toddler growth and provide food supplements for babies and toddlers in the vicinity of PGN's operational area.
- Three ambulances for YKPP PGN, Central Red Cross and Pusdikajen Lembang

- Social care by providing walking frames, hearing aids and cataract operations for poor people living in the vicinity of the company's operations.
- Support for operations to rectify crooked legs
- Seven water tankers and seven blood donor vehicles for the Red Cross in the vicinity of the company's operations.
- Support for Health Posts established during the Lebaran Exodus and Homecoming providing healthcare, vitamins and entertainment facilities in Lampung, Brebes, Semarang and Surabaya
- Health equipment for community health centers
- Disseminating information on HIV/AIDS in several schools in Surabaya and Jakarta

### BUILDING PUBLIC FACILITIES AND INFRASTRUCTURE: BUILDING TO SERVE [G4-EC7][G4-SO1]

- Building a bridge in Tangerang
- Building a bridge in Pagardewa village – Muara Enim
- Providing two generators for Pulau Pemping
- Providing one water tanker for the Surabaya Municipal Government

### BUILDING PLACES OF WORSHIP: PROVIDING THE OPPORTUNITY TO WORSHIP [G4-EC7][G4-SO1]

- Built five Tahfidz in Medan, Batam, Palembang, Lampung and Serang.
- Provided assistance to build and renovate religious facilities and supporting infrastructure, as well as to conduct religious activities such as donations to orphans, donations to the poor, a mass wedding and other religious activities related to celebrating religious holy days.

### ENVIRONMENTAL CONSERVATION: MAINTAINING NATURE'S BALANCE [G4-EC7][G4-SO1]

- Planting Coral Seedlings at Pulau Bidadari – Kepulauan Seribu
- Providing seedlings in Malang
- Tree Planting in Sentul Eco Edu Area – Bogor

### COMMUNITY SOCIAL ASSISTANCE: ALLEVIATING POVERTY [G4-EC7][G4-SO1]

- Joint Lebaran Travel Program for the public
- Providing geo-membrane facilities for salt farmers in Madura
- Assistance to overcome the electricity crisis in Pulau Karimu, Java
- Building an SME Gallery in Yogyakarta

## IMPORTANT EVENTS IN 2014



### JANUARY 2014

PGN donated 14 units Blood Drive cars and water trucks



### FEBRUARY 2014

PGN inaugurated household gas network in Batam and Tangerang



### FEBRUARY 2014

PGN Bekasi Flood Disaster Care and Flood Emergency Health Services



### MARCH 2014

Ministry of SOE inaugurated PGN Sayang Ibu Program in Jakarta



### MARCH 2014

Inauguration of FSRU Lampung naming



### MARCH 2014

PGN held the annual General Meeting of Shareholders



### APRIL 2014

PGN FSRU distributed gas to Lampung and West Java



### MAY 2014

PGN's 49th anniversary celebrated with festivity throughout PGN operational areas



### JUNE 2014

Vice President audience with Pengajar Muda Indonesia Mengajar (IM)



### JUNE 2014

Building infrastructure in Banten, PGN is committed to increase regional economy

**JULY 2014**

PGN sending away 2,520 Mudik Bersama Energi Baik PGN participants 2014 departure

**JULY 2014**

PGN Bekasi Flood Disaster Care and Flood Emergency Health Services

**AUGUST 2014**

RI 69th Independence Day, Jokowi inaugurated Pluit Dam PGN MRU

**SEPTEMBER 2014**

PGN Together with Ministry of Energy and Mineral Resources and Provincial Government Expands Gas Network to Marunda Flats

**OCTOBER 2014**

4,000 households in Cirebon soon to cook with natural gas

**OCTOBER 2014**

PGN and PT Pembangunan Jawa-Bali establish joint cooperation of natural gas utilization

**NOVEMBER 2014**

FSRU Lampung PGN received the third cargo from LNG Tangguh

**NOVEMBER 2014**

Edutourism - Railink

**DECEMBER 2014**

PGN and PT Jakarta Propertindo signing of joint cooperation of natural gas utilization



## AWARD AND CERTIFICATE



PGN won the Zero Accidents Award from the Ministry of Labour and Transmigration of Republic of Indonesia on its achievements in implementing the Occupational Health and Safety (K3) Program

which has been given to each area; Head Office reached 5,049,163; SBU DW I reached 14,499,168; SBU DW II reached 7,977,373; SBU DW III reached 7,628,833; dan SBU TSJ reached 7,270,031 man hours without accidents, counted since 01 January 2009 - 31 December 2013



PGN internal magazine, PGN Inside, won two Silver Awards for the Magazine Category, Sub Category Best Substance, Language and Systematics for PGN Inside edition 60/2014 on the BUMN Internal Media Awards 2014 and Gold Awards for the Magazine Category Sub Category Best Cover for PGN Inside special edition 59/2014 on the BUMN Internal Media Awards 2014



PGN Contact Center as the means of service information management or customer complaints and as the means of interaction between customers or non customers with PGN, won The Best Regular Inbound Agent Bronze winner achieved by Lita Kirana and Category The Best Back Office achieved by Braman Setyoko as Gold winner in the event The Best Contact Center Indonesia



PGN receives 100 Indonesia Best Public Companies 2014 award by SWA



PGN receives The Global 2000 Forbes for The Largest Public Companies 2014 Category

PGN receives The Best Listed Company Transportation, Communication, Electric and Gas Service Sector by MNC Business Awards 2014





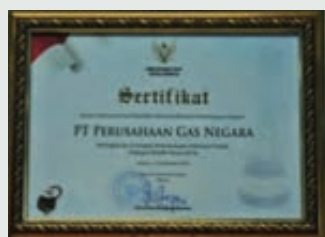
Since 2010, the Annual Report PGN is consistently achieved award as the best. In the event the Annual Report Award (ARA) held by Bapepam - LK, Indonesia Stock Exchange (BEI), Bank Indonesia, the Ministry of SOE, the Directorate General of Taxation Ministry of Finance, the Committee National Governance Policy (NCG) and Institute of Accountants Indonesia, PGN always occupy the best position. At ARA in 2013, PGN won third place category SOE / Non-financial enterprises listed



Sustainability Report Award 2014  
Best Sustainability Report 2013 Category Energy, Oil & Gas, held by National Center for Sustainability Reporting (NCSR)



Investor Magazine Awards 2014, nominations for the Top Executive of Listed Company 2014, held by National Center for Sustainability Reporting (NCSR)



PT Perusahaan Gas (Persero) Tbk (PGN) on this day awarded of the Commission Information RI Center. the award is ranked 4th in the Disclosure Public Information Company category SOE 2014



Majalah Investor Awards 2014 Kategori Nominasi Top Executive of Listed Company 2014



Best of The Best 2014 Awards from Forbes Indonesia placing PGN at the 8th rank among The Top 50 Indonesian Companies



Investor Magazine Awards 2014, Best SOE 2014 Category Non-Financial, Mining and Gas Sector

## MESSAGE OF THE PRESIDENT COMMISSIONER [G4-1]



**Bayu Krisnamurthi**  
President Commissioner

Dear Stakeholders,

It gives me pleasure to address you and review another year of sustainability in the long story of Perusahaan Gas Negara. In looking back at the major investments, the difficult periods and the financial success of 2014, I look forward to a stronger sustainable future for PGN and a stronger future for Indonesia with increased confidence. PGN makes investments with a long term balanced view, looking to meet commitments all along the triple bottom line, and focusing action towards giving our customers an energy competitive edge.

Indeed also we are fortunate in Indonesia to have a 40 year history of sourcing and processing natural gas, with PGN developing the capacity to efficiently and consistently distribute large volumes of this clean and powerful energy source

As we are in the business of delivering natural gas to users, the most exciting for PGN, perhaps, was the positioning of two large state-of-the-art Floating Re-gasification Terminals, one placed in the calm waters off Jakarta, and the other strategically atop the conjunction of three undersea pipelines in Lampung waters. Building such capacity in natural gas distribution, and doing so in such a prominent way, highlights the turning of a new page in PGN's, and Indonesia's, energy history.

In 2014, continued fluctuations in the global economic arena placed additional stress on Indonesia's economy, already buffeted by low commodity prices and uncertain export markets. Nevertheless, energy demand in Indonesia continues to increase, with the very wide selection of energy choices in Indonesia preventing a clear picture of what energy mix will emerge to sustainably satisfy energy demand going forward.

In looking to the future into a new age of energy, we might picture the history of PGN and of Indonesia not as a singular strand, but rather as a bundle of strands of various sizes and lengths, combining their individual strengths to provide overall strength, flexibility and resilience. Indonesia has a wealth of individual energy strengths: solar, geothermal, oil, coal, and natural gas. Indeed also


we are fortunate in Indonesia to have a 40 year history of sourcing and processing natural gas, with PGN developing the capacity to efficiently and consistently distribute large volumes of this clean and powerful energy source. In other words, Indonesia has, in waiting, a powerful energy source, ready to contribute with the rest of the country to bring greater national prosperity.

While the timing may not always be optimum, in this case given that global energy leaders are struggling to announce sizable new oil reserve discoveries and Indonesia's thirst for energy is increasing, the timing is excellent to reach a critical mass in the production, distribution and use of pure natural gas for a multitude of end-consumers.

PGN has worked with local communities and with energy companies to build strength and resilience wherever we can, necessarily setting up systems that empower beyond mere compliance and purposefully establishing new best practice standards. This sustainability report details the many on-going efforts that meet and exceed our targets as a good corporate citizen. And as the country begins the term of a new government, we recognize and support the vision of Indonesia's President for broad based structural development, with natural gas central to meeting the nation's energy needs.

PGN is sustainable because each individual employee lends his and her strength to keep this Company vibrant, inventive and profitable. Indonesia is likewise sustainable with each individual and each company conducting their business in a dynamic, interwoven and continuing story.

Jakarta, March 2015



**Bayu Krisnamurthi**  
President Commissioner



## MESSAGE OF THE PRESIDENT DIRECTOR [G4-1]



**Hendi Prio Santoso**  
President Director

Dear Stakeholders,

I am happy to report that in 2014 PGN was able to remain fully focused on its mission of developing the distribution, engineering and sourcing of natural gas. In 2014, large steps were taken toward this end, brought about by investments worth over \$US2.6 billion. The bulk of this investment, driving Company strategy, centers around building capacity in distribution with two floating gasification terminals and expanding natural gas holdings through the acquisition of sizable natural gas reserves in East Java.



## Natural Gas has now reached an unstoppable forward momentum in Indonesia and PGN has developed the skills, the systems, the talent and the vision to sustain that momentum

We understand that our core business is to allow consumers to tap into the valuable benefits of natural gas, whether it is for personal or business use. For the past half-decade, volatility has been a prominent feature of global financial markets, commodity markets, interest rates, and GDP growth rates. In 2014 this turbulence spread further into the oil markets. Amidst this on-going turbulence, PGN has, to the contrary, experienced steady and strong growth in demand, expanding its distribution and transmission infrastructure to assist in the astounding economic growth of Indonesia over the same period. PGN and Indonesia tend to share similar fates, as energy use is a viable indicator of overall economic prosperity.

Though we must recognize the constraints of Indonesia's new slow growth economy, it is better to look ahead and uncover the value of hidden potentials. In this I would like to point out an effort PGN has made to provide mobile and permanent Nat Gas refilling stations for certain commercial vehicles, including the new Blue Bajaj. These new Blue Bajaj's tend to be as invisible as their quiet engines and unobtrusive exhaust. The hidden potential in this pilot project is now "invisible" for all to see: the streets are quieter, the city feels cleaner, and the Bajaj drivers have better driving conditions.

PGN's step-by-step integrated and sustained constructing of Nat Gas filling stations, with Bajaj and other drivers ready to switch to natural gas, and a ready supply of one of Indonesia's abundant natural resources serves as a small but high profile example of what is happening across Indonesia.

That is, the simultaneous development of natural gas infrastructure, the uncovering of natural gas reserves and the meeting and encouraging of large scale demand.

As with the hidden benefits of small projects, there are also hidden potentials in large projects. PGN has calculated the benefits of independent power producers using natural gas to generate electricity on a large scale, and among the many benefits of using this clean energy source are that Indonesian's will be able to locally harvest the power of cost-effective and high energy natural gas to fuel an upsurge in industrial development, expand better living conditions to more people and reduce energy-price volatility through the steady end-to-end provision of the flow of natural gas.

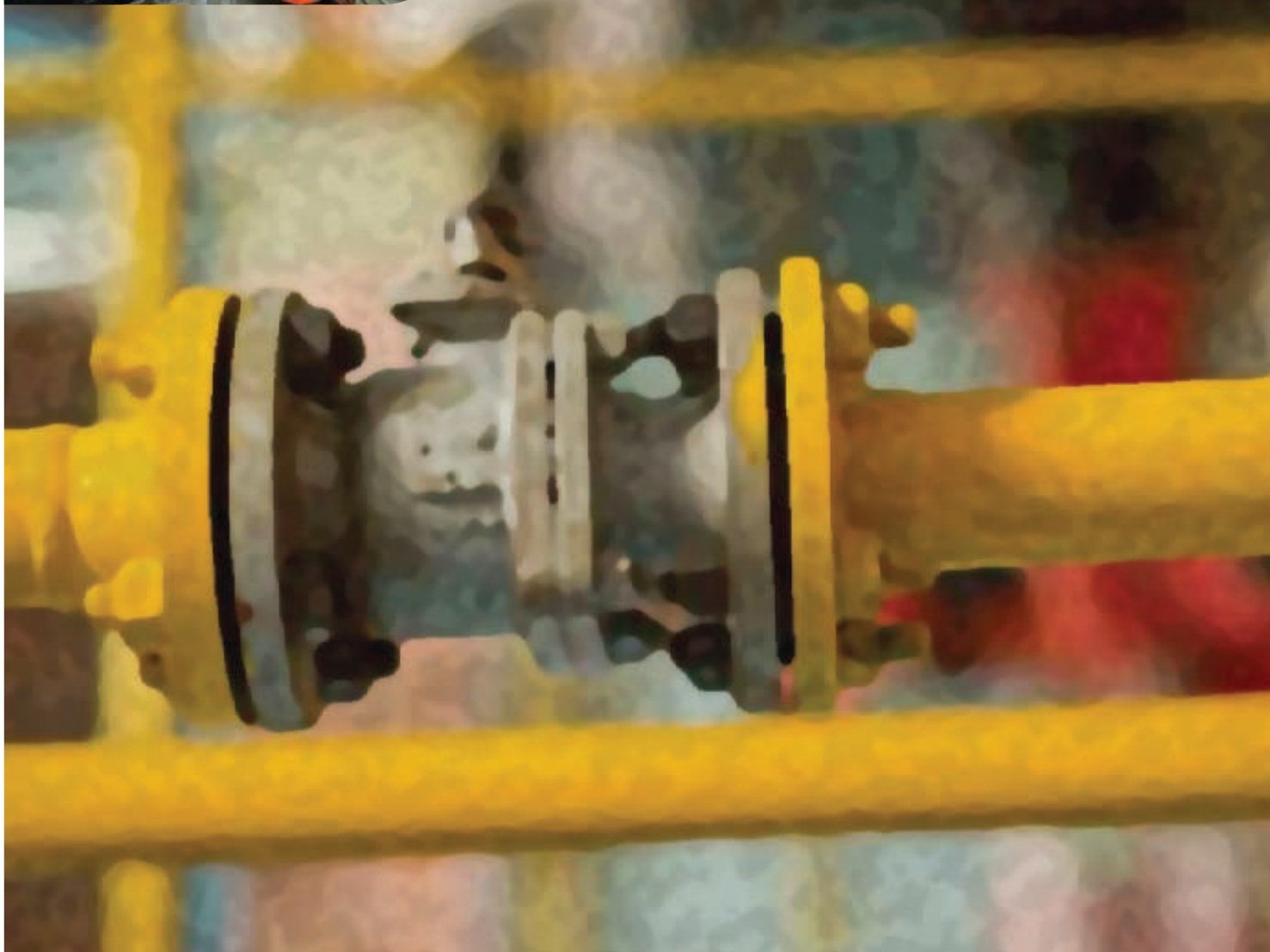
There are also unseen benefits in PGN's developing story as a listed company. Sustainable business development means creating a business that has the resources to basically determine its own direction going forward, given the overall environment. PGN's environment is Indonesia and while the Company has successfully applied rigorous business sense to evaluate each individual project, the sustainable direction to go is locked in with supporting Indonesia's continuing unified development.

I hope by reading this Sustainability Report and the Company's Annual Report, each reader will discover, perhaps hidden, signs of success that tell the on-going story of a Company that views sustainability from a vantage point of over 150 years. Natural Gas has now reached an unstoppable forward momentum in Indonesia and PGN has developed the skills, the systems, the talent and the vision to sustain that momentum. Indonesia is on the cusp of moving into a 21st century mindset of increasing value added, and utilizing natural gas as the Energy of Choice is but one element of this emerging mindset.

Jakarta, March 2015



**Hendi Prio Santoso**  
President Director





01

## About This Report







## About This Report

This Sustainability Report demonstrates PGN's commitment to transparency and accountability, as well as PGN's determination to integrate the Triple Bottom Line principle into its business strategy and day-to-day operations.



## ABOUT THIS REPORT

PGN has consistently published an annual Sustainability Report since 2010. This is PGN's sixth Sustainability Report and is in follow-up to the 2013 Sustainability Report which was issued in May 2014. This report is issued in line with and as an inseparable part of the 2014 PGN Annual Report. [G4-29][G4-30]

Through this report, PGN presents its triple bottom line information from the economic, social and environmental aspects. The publishing of this report is in compliance with Article 66C of Law No. 40/2007 on Limited Liability Companies. In addition, as a publicly listed company, this report is issued in compliance with a requirement set out by the Financial Services Authority through Decree of the Chairman of Bapepam-LK No. KEP-431/BL/2012 dated 1 August 2012 concerning the Submission of Annual Reports for Publicly Listed Companies, in which publicly listed companies shall provide a Corporate Social Responsibility (CSR) report either as part of an annual report or in a separate report, such as a Sustainability Report.

This report is, at its most fundamental, aimed at investors and other stakeholders, including creditors, labor unions, suppliers, customers, the government and other relevant parties who need to know about PGN's sustainability performance.

### REPORTING GUIDELINES

This report has been prepared in accordance with the G4 Sustainability Reporting Guidelines issued by Global Reporting Initiative (GRI). The G4 Guidelines have two Sustainability Report options, Core and Comprehensive. As with last year's report, this year PGN has selected the Core option, which contains the basic sustainability information that is most important for its stakeholders. [G4-32]

To facilitate ease of reading and locating GRI indicators, we have noted all the relevant GRI indicators on each relevant page throughout this report using red letters within brackets. A complete list of the GRI G4 indicators can be found on page 168.

### REPORTING PERIOD AND BOUNDARY

This year's report contains data and information related to PGN's economic, social and environmental performance for the period 1 January 2014 through to 31 December 2014, and includes the performances of our subsidiaries. PGN has majority ownership in 6 (six) subsidiaries, as noted in the business unit, subsidiaries and affiliates section on page 46 of this Report. [G4-17][G4-20][G4-28].

There have been no significant changes to the scope or boundary of this report from the previous year, and therefore there are no restatements of the previous year's information. [G4-22, G4-23]

In our day-to-day operations, PGN is supported by suppliers of goods and services. Understanding that the performance of these suppliers can have an influence on PGN's good name and reputation, in this report, we have noted our selection and evaluation policies and criteria for these goods and services suppliers, specifically those suppliers and business partners that could impact on PGN's image and reputation. The evaluation and assessment policies and criteria applied to these suppliers include aspects related to employment, the protection of employee rights and respect for human rights.

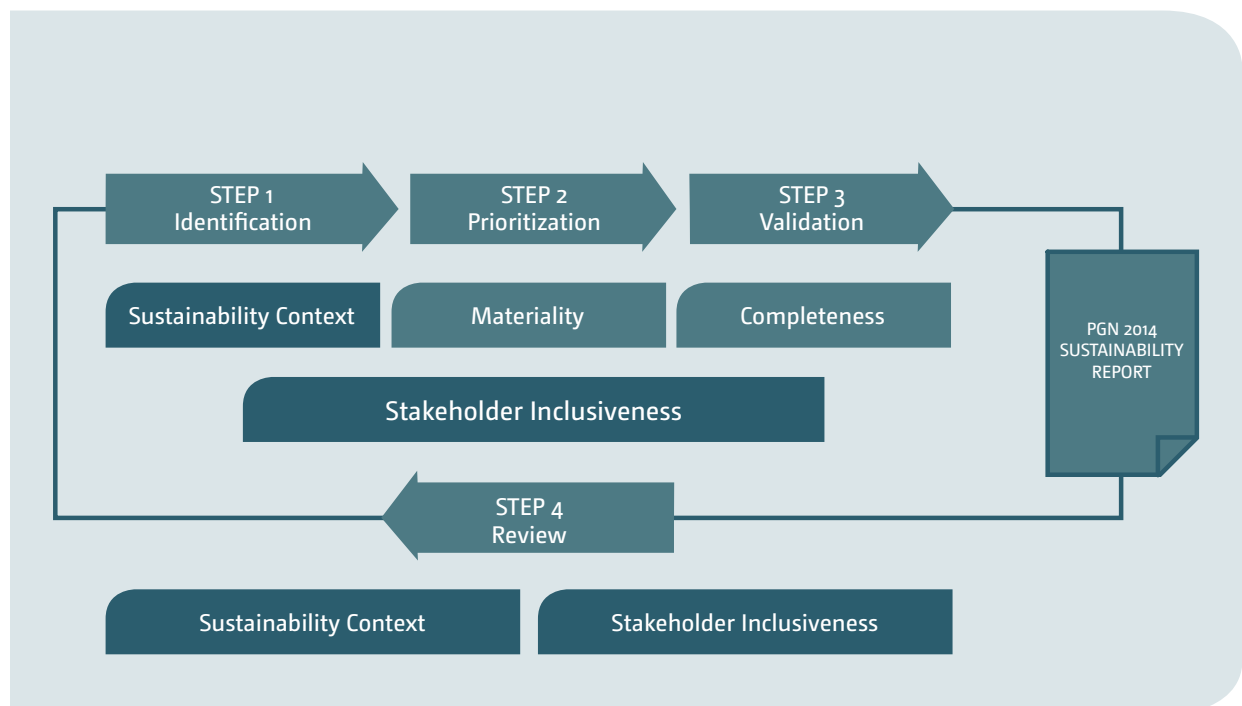
## DETERMINING REPORT CONTENT [G4-18]

In every reporting cycle, we study the report contents to determine their relevance to our business, while at the same time ensure that the report contains the most up-to-date issues related to sustainability and the interests of our stakeholders.

To determine the report contents, we have used the four GRI G4 principles, namely: **Stakeholder Inclusivity** – This principle requires the stakeholders to be involved in the reporting process, from determining the report content, to providing input on previously published reports; **Materiality** – This principle requires the report to contain material issues and aspects that are required by our stakeholders to make informed decisions; **Sustainability Context** – This principle requires the report to contain sustainability issues that are relevant to our business; **Completeness** – This principle requires the report to cover a certain reporting period and to be supported by data that is complete for the scope and period of the report. [G4-18]

As with last year, the process of determining the contents of this year's report was conducted based on the following 4 (four) steps: identification, followed by priority, validation and finally review as input to further refine the following year's report.

## GRI G4 REPORT CONTENT DETERMINATION PROCESS FLOWCHART





## DETERMINING MATERIAL ASPECTS AND BOUNDARY

To compile last year's report, we held a G4 workshop with participants drawn from various PGN work units. In addition, to fully understand GRI G4, the workshop was primarily focused on discussing and determining the material aspects and boundaries for the sustainability report. For this year's report, there have been no changes to material aspects and boundary, so we have used the results of last year's workshop, as shown in the following List of Material Aspects and Boundary. [G4-18][G4-19][G4-20][G4-21]

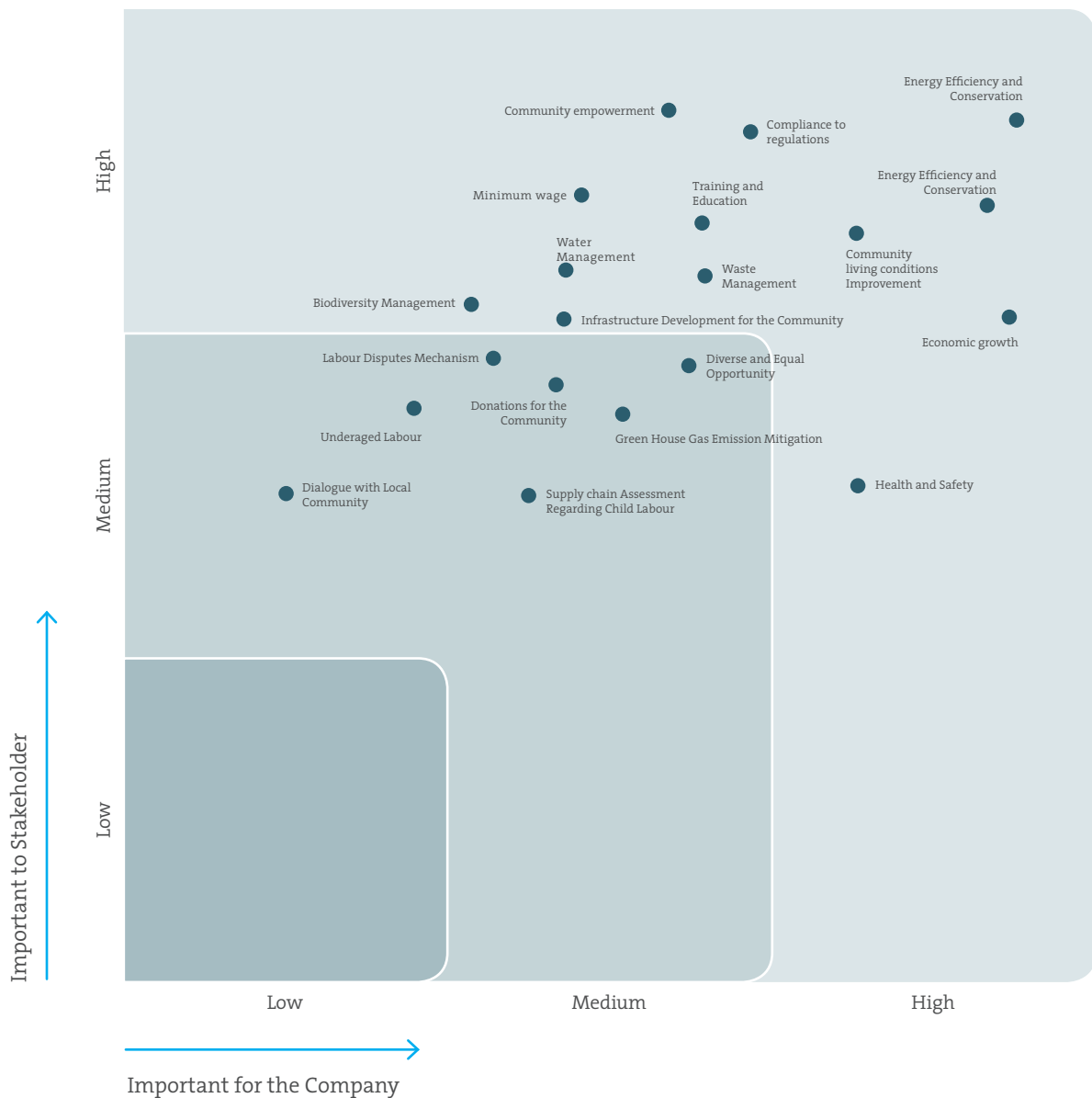
### LIST OF MATERIAL ASPECTS AND BOUNDARY

Materiality Aspect	Boundary		
Economic Performance	●	●	
Indirect Economic Impacts	●	●	
Materials	●		
Energy	●		
Emissions	●		
Overall	●		
Employment	●	●	
Labor/Management Relations	●		
Occupational Health & Safety	●	●	
Training & Education	●		
Diversity & Equal Opportunity	●		
Equal Remuneration for Women & Men	●		
Supplier Assessment for Labor Practices	●		●
Freedom of Association & Collective Bargaining	●	●	
Security Practices	●		
Local Communities	●		
Anti-corruption	●	●	●
Product and Service Labeling	●		



## MATERIALITY LEVEL

In addition to PGN employees, we also involved other stakeholders to determine the materiality level for the report. This was done based on the principle of stakeholder inclusiveness. Employees were gathered in Focus Group Discussions (FGD) to determine materiality levels, which were attended by the Report Compilation Team. Meanwhile, for other stakeholders, we used a survey method by sending out a questionnaire to the labor union, customers, community, suppliers and NGOs. The results of the survey and FGD are illustrated in the materiality level graph below.





**INDEPENDENT ASSURANCE [G4-33]**

For the last 2 (two) years, PGN has commissioned an independent assesor to conduct assurance on the sustainability report each year, including this year's report. Assurance is an important process to ensure that the information presented is free from material error. This year, we have assigned Moores Rowland to conduct the assurance. We have had no other working relationship with Moores Rowland during 2014. The process of selecting an assesor was conducted with the approval of the Directors, represented by the Corporate Secretary. Considerations taken to identify an appropriate assesor included experience and capability in sustainability reporting assurance.

As with previous years, we have commissioned the assesor to conduct limited assurance. Sustainability Data and Information that has been assured is identified with a tick mark (v) in the GRI Index (page 168), while the independent assesor's report can be found on page 166.

**CONTACT DETAILS [G4-31]**

We invite all readers and stakeholders to submit their advice, ideas, criticism and opinions on this 2014 PGN Sustainability Report to:

**PT Perusahaan Gas Negara (Persero) Tbk**

Jl. K.H. Zainul Arifin No. 20  
Jakarta 11140, Indonesia  
T +6221 633 4838  
F +6221 633 3080  
[www.pgn.co.id](http://www.pgn.co.id)

**Contact Center**

T 1500 645  
E [contact.center@pgn.co.id](mailto:contact.center@pgn.co.id)  
[www.pgn.co.id](http://www.pgn.co.id)  
Jl. K.H. Zainul Arifin No. 20  
Jakarta 11140, Indonesia



A decorative horizontal band featuring a grid of small, light-colored dots on a darker teal background, extending from the left side of the page towards the right.

02

## About Perusahaan Gas Negara







## About Perusahaan Gas Negara

Natural gas is a cleaner energy for our future. This is the energy that will drive Indonesia's development and support the people's lives. PT Perusahaan Gas Negara, Tbk. (PGN) is the company that supplies this energy, now and into the future

## VISION AND MISSION

# VISION [G4-56]

To be a world class  
company in gas sector  
in 2020





# MISSION [G4-56]

To enhance the value of the organization for stakeholders through:

- Customer: Secure energy needs fulfillment solutions, value-added, cost-effective and improve competitiveness.
- Community: Increased prosperity and sustained economic through energy independence and environmental conservation efforts.
- Shareholder value: The creation of an optimal and sustainable company through internal and external synergies.

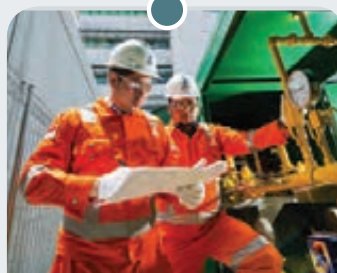


### PGN's Main Behaviour Guideines

[G4-56]

Based on the corporate culture values as well as the principles of good corporate governance, PGN has compiled the PGN Employee Code of Conduct.

Broadly speaking, the Code of Conduct contains guidelines for PGN Employee behavior in their day-to-day work activities, and guidelines on stakeholder relations. This guide is also intended to provide practical instructions on the matters of conflict of interest, corruption, bribes, gratuities, information management, and others. The Code of Conduct is published, and must be abided by all PGN employees.



I

### PROFESSIONALISM

Always provides the best results, with improved competencies in the relevant fields and responsibility for every action taken and decision made.

#### PROFESSIONALISM

1

Competence

2

Responsibility



II

### CONTINUOUS IMPROVEMENT

Committed to continual improvements.

#### CONTINUOUS IMPROVEMENT

3

Creativity and Innovation

4

Adaptive to change



## 5 PGN'S CORPORATE VALUES



# III

### INTEGRITY

Honesty with oneself and others. Consistency between thoughts, words and deeds based on a high-standard of ethics.

#### INTEGRITY

5

Honest, open and positive thinking

6

Disciplined and consistent



# IV

### SAFETY

Always prioritizing workplace health and safety for oneself and the surrounding environment.

#### SAFETY

7

Prioritizing workplace health and safety

8

Prioritizing workplace health and safety



# V

### EXCELLENT SERVICE

Prioritizing satisfaction of internal and external customers by providing the best service.

#### EXCELLENT SERVICE

9

Prioritizing internal and external customer satisfaction

10

Proactive and quickly responding

## 10 PGN KEY BEHAVIORS [G4-56]

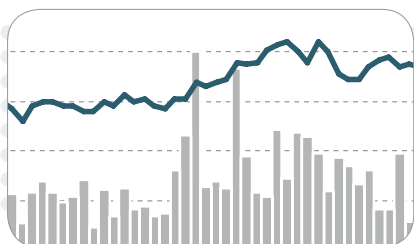
## BRIEF HISTORY



**1859** PT Perusahaan Gas Negara (Persero) Tbk, more usually referred to as PGN, or by its stock code at the Indonesia Stock Exchange of 'PGAS', is a state-owned company that has been leading the way in Indonesia's gas industry since 1859, when it went by the name of Firma L.I. Enthoven & Co.

**1965** Company's change of status was accompanied by a broadening of the scope of its business to incorporate not just natural gas distribution but transmission as well, for which PGN functioned as a transporter.

**1994** Company's change of status was accompanied by a broadening of the scope of its business to incorporate not just natural gas distribution but transmission as well, for which PGN functioned as a transporter.



**pgn SOLUTION**  
action for excellence

**pgn SAKA**  
power to discover  
**pgn GAGAS**  
brings energy to you

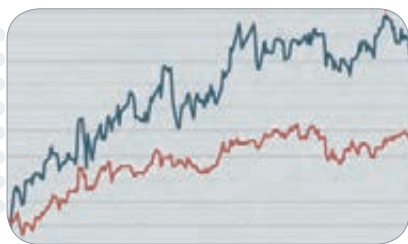
**2008** Pursuant to the provisions of Law No. 40 year 2007 regarding Limited Liability Companies, and in connection with a stock split, the Company's Articles of Association underwent their most recent amendment by Deed No. 50 dated 13 June 2008 jo. Deed No. 8 dated 2 July 2008.

**2009** To optimize the Company's accumulated strengths and competencies by taking advantage of opportunities to develop the business and realize PGN's vision, the Company established another subsidiary, PT PGAS Solution.

**2011** In 2011 PGN established two subsidiaries that each engaged in the upstream and downstream natural gas business. The subsidiary in the upstream is PT Saka Energy Indonesia (SAKA) while the subsidiary in the downstream is PT Gagas Energi Indonesia (GAGAS). PGN's Ownership in both subsidiary is 99% with 1% ownership by PT PGAS Solution.



**1998** In 1998 PGN successfully finished Transmission Pipeline Grissik - Dorsal followed by the establishment of a subsidiary in the transmission line, PT Transportasi Gas Indonesia.



**2003** The Company's shares were listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange on 15 December 2003, with the stock code PGAS.



**2007** On 11 March 2007, the Company successfully conducted a Gas-In (first gas channelling), which was followed by the commercialization of gas from Pertamina's Pagardewa gas field through the South Sumatera-West Java pipeline to the Company's customer in Cilegon PT Krakatau Daya Listrik).



**pgn MAS**  
commitment to service

**2012** PGN established subsidiaries PT PGN LNG Indonesia (PGN LNG). The scope of PGN LNG business includes procuring LNG supply, LNG and natural gas transportation activity, inventory activities includes regasification to the buyer, as well as performing other business activities.

**2014** PGN established subsidiaries PT Permata Graha Nusantara (Permata). The scope of Permata includes property management, providing labour services, management facility, prioritization of company resource and assets.

PT Perusahaan Gas Negara, Tbk. was established on 13 May 1965 and has grown to become the leader in the field of natural gas transmission and distribution in Indonesia, with experience in the natural gas industry stretching back almost 100 years; effectively, safely and efficiently handling and distributing natural gas. [G4-3]

The early years of the company's history started in 1859 when it was the privately held Dutch Firm L.J.N Eindhoven, which later was taken over by the government of the Republic of Indonesia and, in 1965, turned into a state-owned enterprise named Perusahaan Negara Gas (the State Gas Company). PGN was then transformed into a Public SOE (Tbk) and, on 5 December 2003, it was listed on the Jakarta Stock Exchange with the code PGAS so the public could buy shares. As of the end of 2014, PGN shares were owned 56.96% by the government and 43.04% by the public. [G4-7]

To date, PGN is a professionally managed SOE active in the field of distribution and connecting Indonesia's major sources of natural gas to customers and consumers; making use of the country's clean energy riches for the benefit of the entire society. [G4-4]

## MARKET [G4-8]

From the PGN headquarters, located at Jalan K.H. ZainulArifin No. 20, Jakarta 11140, Indonesia, we are committed to managing the country's natural gas riches and providing the best service to all our customers, from all layers of society. Our customers are from various layers of society and industry, from households, to commercial and industrial customers, as well as power plants. To achieve our goals, PGN is supported by subsidiaries in upstream exploration (Saka), downstream processing (Gagas), LNG (PGN LNG Indonesia), construction (PT PGAS Solution), telecommunication (PT PGAS Telekomunikasi Nusantara), natural gas transmission (PT Transportasi Gas Indonesia), terminal regasification and floating storage (PT Nusantara Regas) and PT Permata Graha Nusantara (Permata). We can report that, during 2014, there were no significant changes related to the company's structure and ownership. [G4-13]

Looking ahead, PGN will keep on honing our skills, capabilities and our spirit to contribute further in the management and utilization of new and renewable energy to meet the energy needs of Indonesia in a sustainable way.

## PGN MARKET SEGMENT

**1,439**

Customers from the industrial sector including power plant industries with gas distribution volume reaching 865,27 MMscfd

**92,858**

Household customers with gas distribution volume reaching 1.82 MMscfd

**1,752**

Customers from the commercial sector including shopping areas, hotels, restaurants, and hospitals gas distribution volume reaching 22.09 MMscfd

**1,800 MW per day**

Electricity generated from distribution for power plants in Jawa, Batam, Sumatera.

## BUSINESS NETWORK AND OPERATIONAL AREA

PGN operates a natural gas distribution network that is over 4,081 km long, supplying natural gas for electricity generation, industry, commercial businesses, including restaurants, hotels and hospitals, and households in various regions in Indonesia.

The natural gas transmission pipeline operated by PGN consists of high-pressure pipe to distribute natural gas from the gas fields to commercial estates, end users and holding facilities for further transportation by gas tanker ships to other market areas. As of the end of this reporting period, we controlled 81% of Indonesia's gas distribution and 49% transmission market.

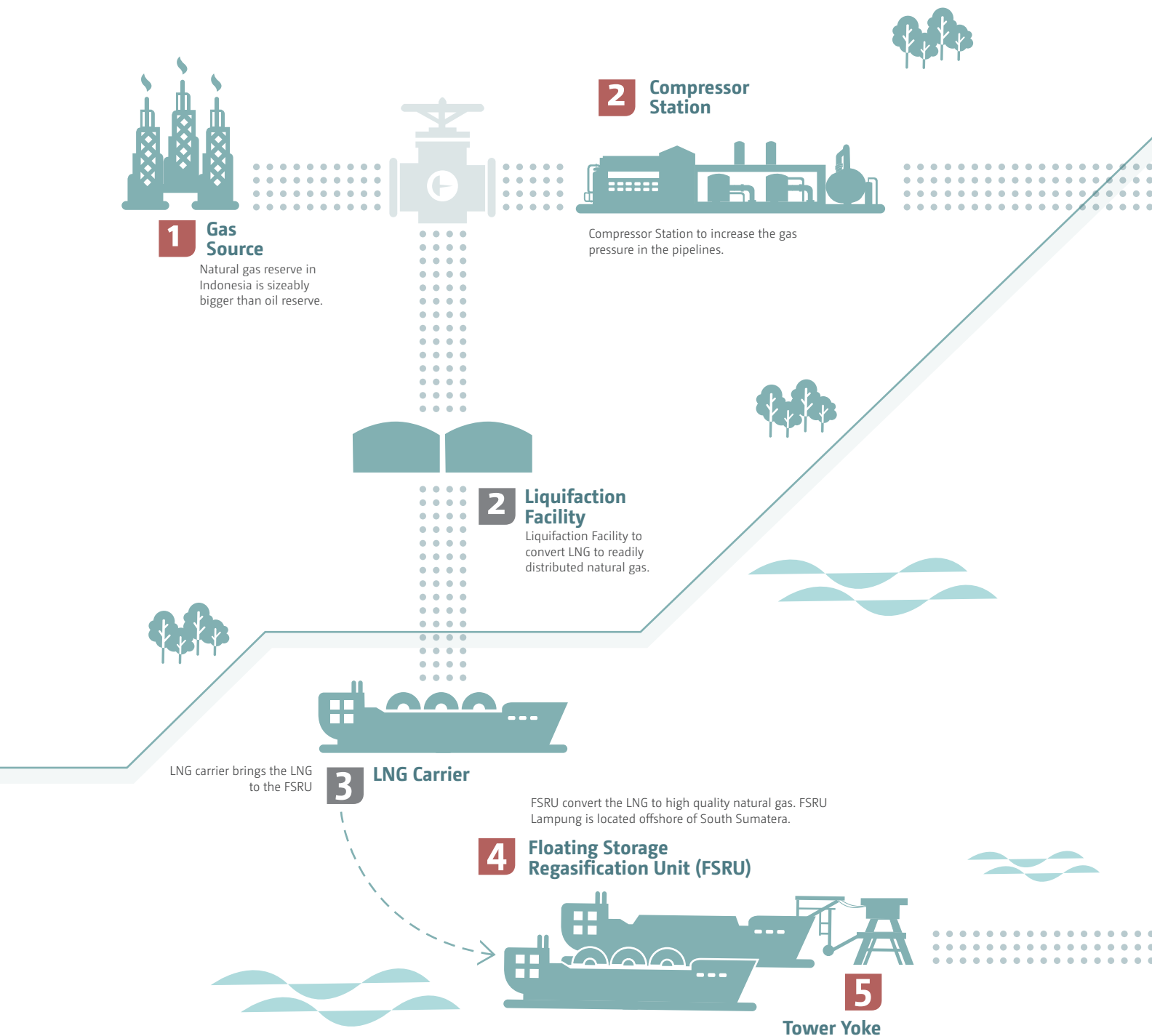
This gas transporting activity is carried out in accordance with the Gas Transportation Agreement (GTA) with the operational period of 10 - 20 years.

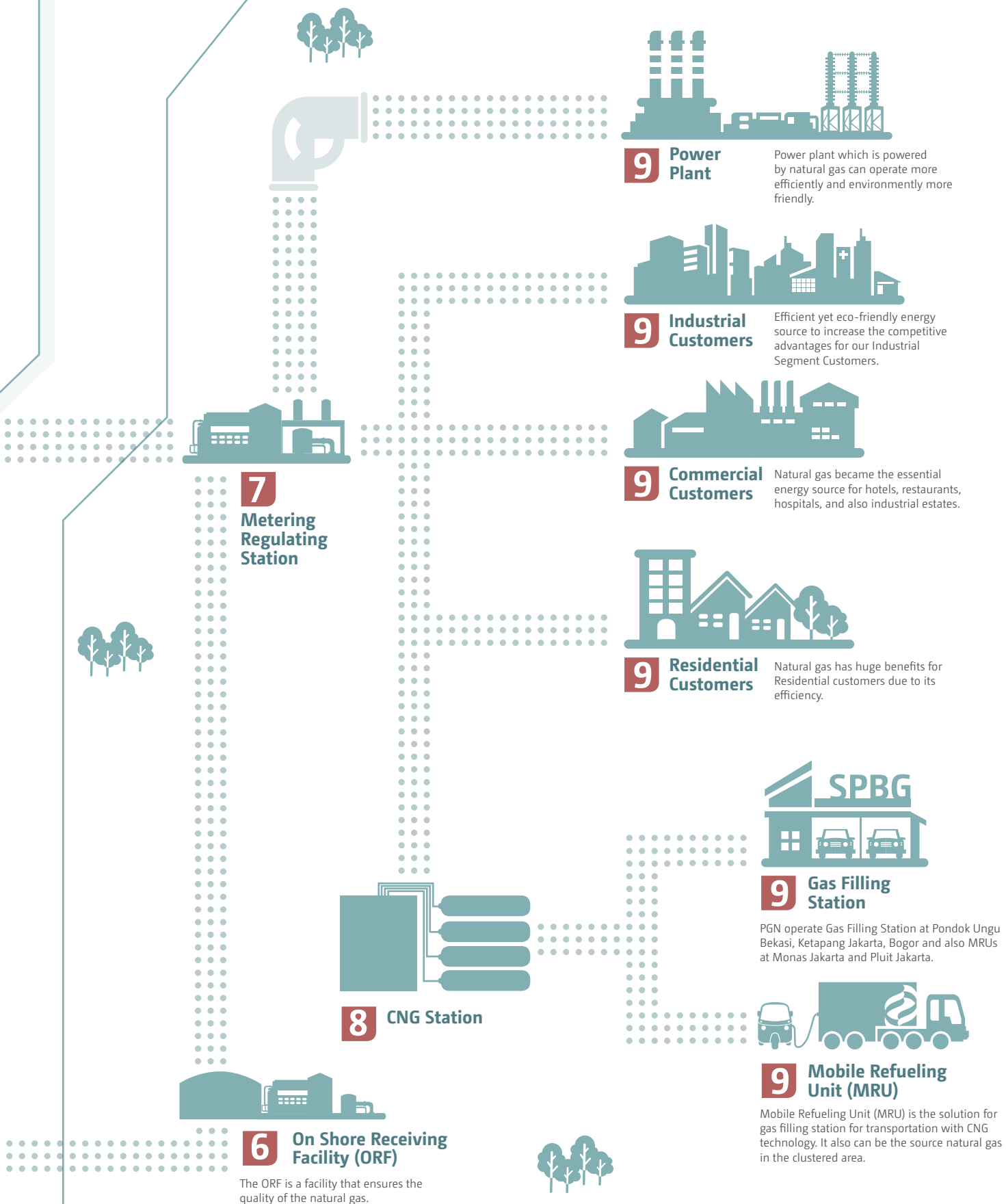




## HOW NATURAL GAS COMES TO YOUR HOMES

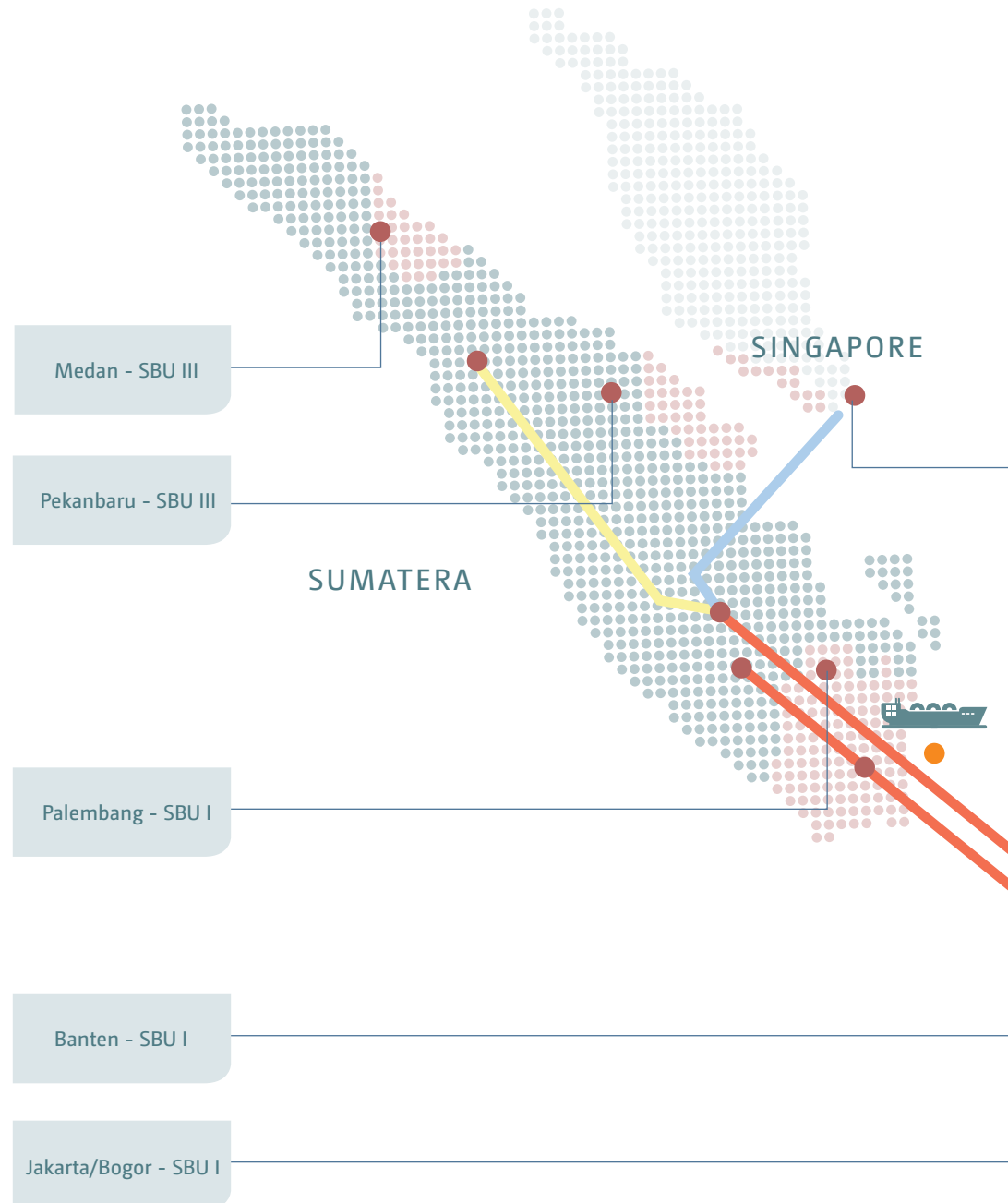
PGN pipeline network connecting the natural gas producing areas with the main industrial and commercial areas and housing districts who depend on natural gas as the main energy source. Giving energy to the economy and striving community.



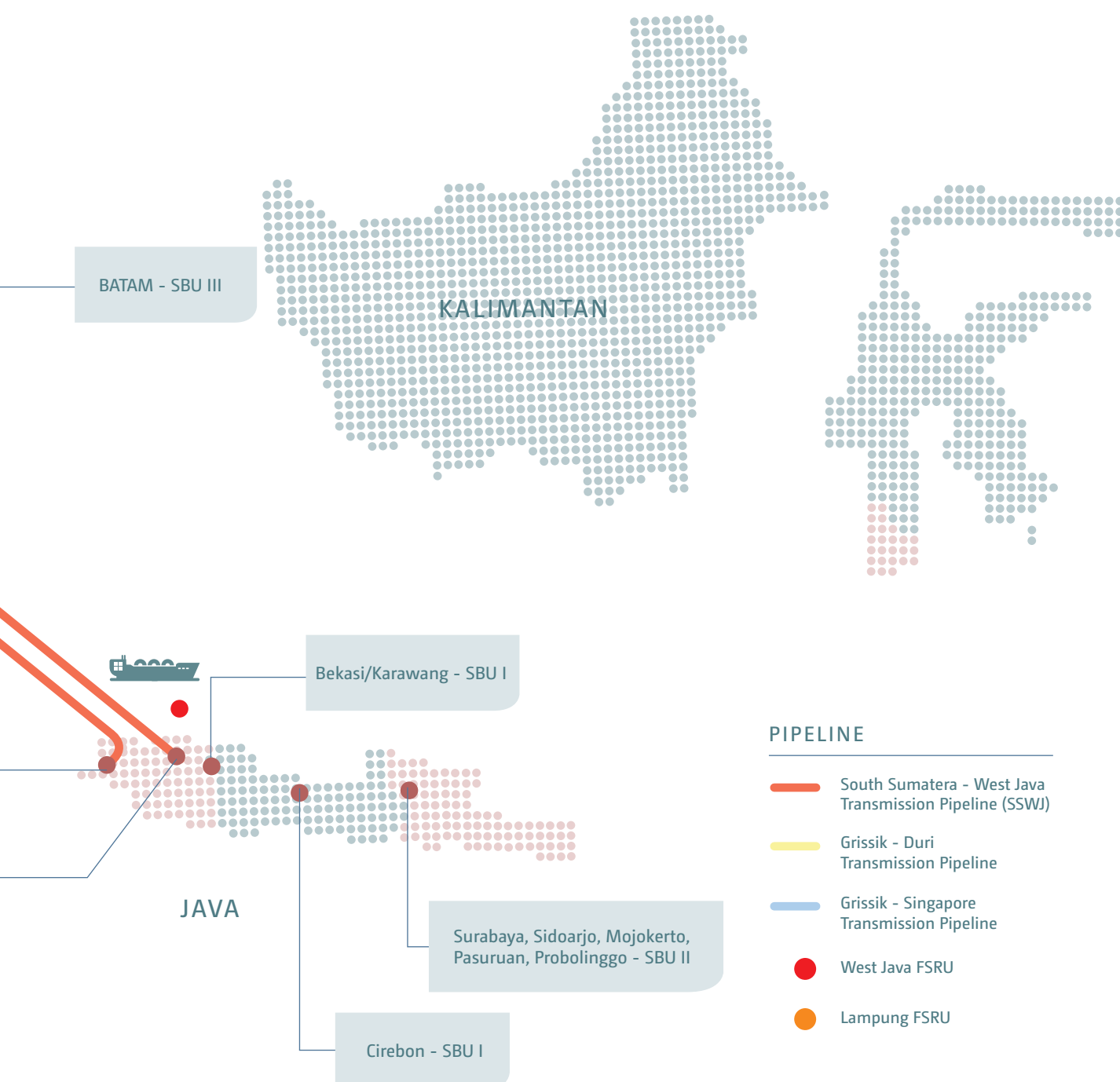


To manage transmission and distribution, PGN divides its operational area into four, each managed by a Strategic Business Unit (SBU), namely: [G4-6]

1. SBU Distribution Area I, covering West Java to South Sumatera (including Jakarta - Bogor)
2. SBU Distribution Area II, covering East Java
3. SBU Distribution Area III, covering North Sumatera, Pekanbaru and Batam Islands
4. SBU Transmission Sumatera-Java, covering the South Sumatera and Java transmission network



In addition, PT Transportasi Gas Indonesia, a subsidiary of PGN, manages natural gas transmission between Grissik-Duri and Grissik-Singapore. PGN does not operate in any other countries, only in Indonesia. [G4-6]



## INFORMATION OF SUBSIDIARY AND ASSOCIATED COMPANIES

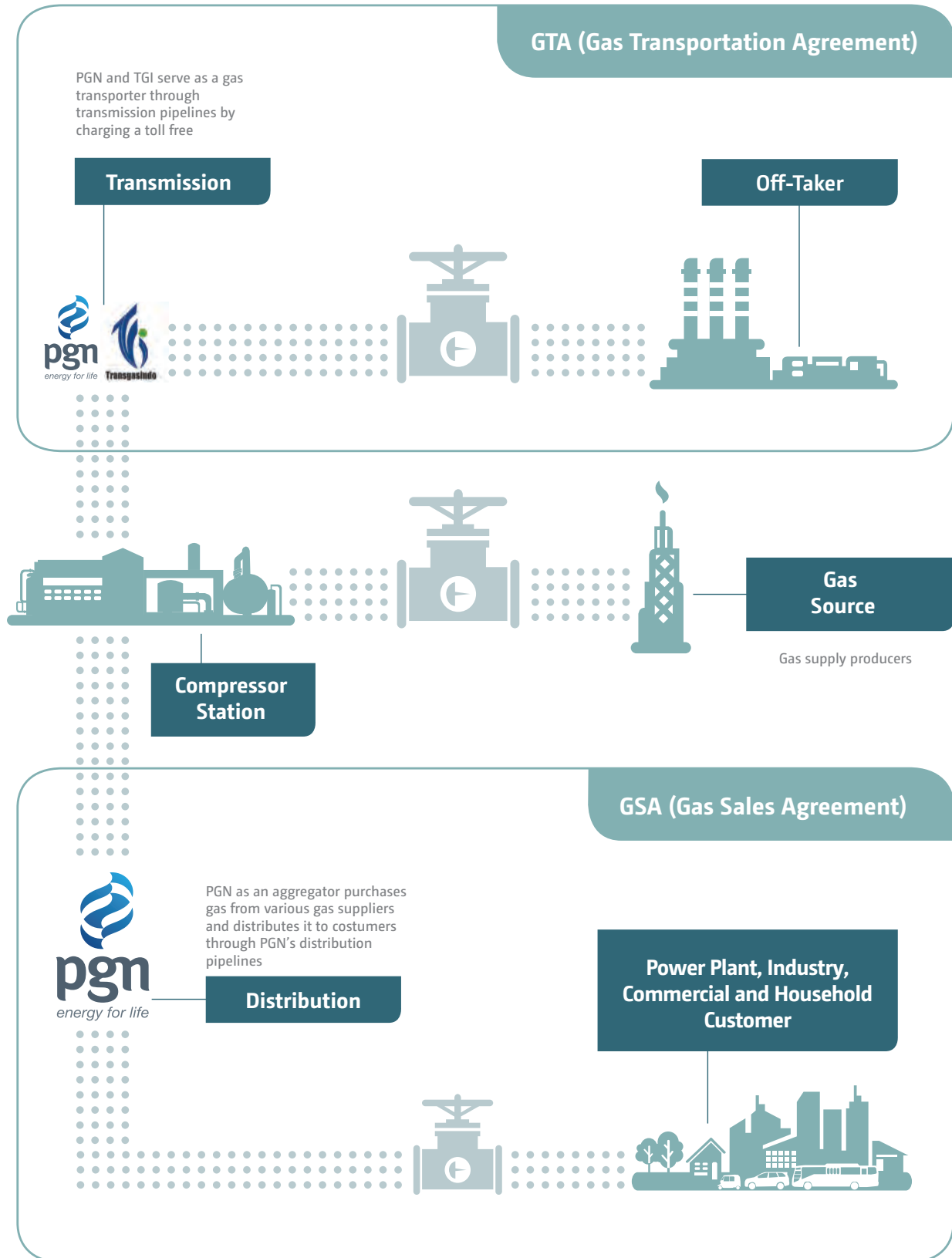
Name of the Company	Subsidiary and Associated	Shares Ownership	Line of Business	Company's Description	Status
PT Saka Energi Indonesia (SEI)	Subsidiary	<ul style="list-style-type: none"> <li>Company – 99.997%</li> <li>PT PGAS Solution – 0.003%</li> </ul>	Upstream Business	SEI was established on 27 June 2011 and operates business and investment in the upstream sector, which covers exploration, exploitation, business expansion in oil and natural gas, geothermal and shale gas. Now, SEI has Participating Interest at several oil and gas blocks, in Indonesia or overseas.	Operate
PT Transportasi Gas Indonesia (TGI)	Subsidiary	<ul style="list-style-type: none"> <li>Company – 59.87%</li> <li>Transasia Pipeline Company Pvt. Ltd. – 40%</li> <li>Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara – 0.13%</li> </ul>	Gas Transportation	TGI was established on 1 February 2002. Now, TGI owns and operates more than 1,000 km pipeline network that connected Grissik to Duri and Grissik to Singapore Transmission with distribution capacity of 835 MMSCFD	Operate
PT PGN LNG Indonesia (PGN LNG)	Subsidiary	<ul style="list-style-type: none"> <li>Company – 99.999%</li> <li>PT Gagah Energi Indonesia – 0.001%</li> </ul>	Liquified Natural Gas	<p>PGN LNG was established on 26 June 2012 and operates Liquified Natural Gas business, including but not limited to processing, transportation, storage and trading.</p> <p>Now, FSRU Lampung with regasification capacity of 240 MMSCFD has entered commercialization stage.</p>	Operate
PT Nusantara Regas (NR)	Joint Venture	<ul style="list-style-type: none"> <li>PT Pertamina (Persero) – 60%</li> <li>Company – 40%</li> </ul>	Floating Storage and Regasification Terminal Facility ("FSRT")	NR was established on 14 April 2010 as a joint venture company between PT Pertamina (Persero) and the Company. NR operates the processing and development of FSRT facility, including the procurement of Liquefied Natural Gas ("LNG") and marketing on the management of the FSRT facility and also other relevant business activity. Now, NR has operated the first FSRT in Indonesia with regasification capacity of 500 MMSCFD.	Operate



Name of the Company	Subsidiary and Associated	Shares Ownership	Line of Business	Company's Description	Status
PT Gagas Energi Indonesia (GEI)	Subsidiary	<ul style="list-style-type: none"> <li>• Company – 99%</li> <li>• PT PGAS Solution – 1%</li> </ul>	Downstream business	<p>GEI was established on 27 June 2011 and operates in processing, transportation, storage and trading of oil and natural gas.</p> <p>Now, GEI operates 3 (three) Mobile Refueling Unit (MRU) at IRTI Monas and Pluit areas in Jakarta, also Aero Trans in Tangerang. Besides that, GEI also operates 3 (three) SPBG that are SPBG Hybrid Pd Ungu, SPBG PGN Head Office, SPBG PGN Bogor.</p>	Operate
PT PGAS Solution (PGAS Solution)	Subsidiary	<ul style="list-style-type: none"> <li>• Company – 99.91%</li> <li>• Yayasan Kesejahteraan Pegawai perusahaan Umum Gas Negara – 0.09%</li> </ul>	Engineering	<p>PGAS Solution was established on 6 August 2009 and provides services in engineering, operations and maintenance, workshop, trading and development.</p>	Operate
PT PGAS Telekomunikasi Nusantara (PGASCOM)	Subsidiary	<ul style="list-style-type: none"> <li>• Company – 99.93%</li> <li>• Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara – 0.07%</li> </ul>	Telecommunication	<p>PGASCOM was established on 10 January 2007. Now, PGASCOM has exclusive rights from the Company operate manage the Company's fibre optic, starts from the boundary of Indonesia-Singapura (96 cores), Batam-Jambi-Grissik (24 cores), Grissik – Pagardewa – Terbanggi-Labuhan Maringgai (24 cores).</p> <p>Since 5 March 2009, PGASCOM has received license from Department of Communication and Informatics as the Operator of Closed Fixed Network and currently PGASCOM has provide services to several telecommunication operators. In 2010, PGASCOM has entered international telecommunication market in Singapore, by establishing subsidiary company, PGAS Telecommunications International Ltd. In 2012, PGASCOM expand the market by entering the Network Access Provider (NAP)/ISP market.</p>	Operate

Name of the Company	Subsidiary and Associated	Shares Ownership	Line of Business	Company's Description	Status
PT Permata Graha Nusantara (Permata)	Subsidiary	<ul style="list-style-type: none"> <li>• Company – 99.95%</li> <li>• PGAS Solution – 0.05%</li> </ul>	Properti management, provider of human resources & facility management, profitization of Company's resources and assets	Permata was established on 24 April 2014 and provides services in facility management, assets management and entrepreneurial real estate.	Operate
• PT Gas Energi Jambi (GEJ)	Joint Venture	<ul style="list-style-type: none"> <li>• Company – 40%</li> <li>• PT Wahana Catur Mas – 40%</li> <li>• PT Jambi Indoguna Internasional – 10%</li> <li>• PT Bukaka Corporindo – 10%</li> </ul>	Trading, construction and services	GEJ operates its business in trading, construction and services through distribution of gasoline fuel, chartering in the gas mining sector and in the field of supporting facility for mining company, gas construction and other supporting equipments.	Has not operate yet
PT Banten Gas Synergi (BaGS)	Joint Venture	<ul style="list-style-type: none"> <li>• PT Andiracitra Grahawira (68.43%)</li> <li>• PT Banten Global Synergi (14.14%)</li> <li>• PT Banten Global Development (8.57%)</li> <li>• Izma Agyano Bursman (8.71%)</li> <li>• Perseroan Company (0.14%)</li> </ul>	Transportation, trading and mining	BaGS operates its business in services sector, transportation, trading and mining.	Operate

## BUSINESS MODEL [G4-12]



## PGN IN NUMBERS [G4-9]

**1,509**

Employees ready to serve customers

**6,128 Km**

Total length of PGN gas distribution pipe network until end of 2014

**865.27 MMscfd**

Volume of gas distributed for industry, commercial, and household customers per day in 2014

**Rp145,449,176,000**

Market Capitalization

**851.65 MMScfd**

Gas transmission volume 2014

**USD748,284,082**

Operating Income 2014

## COMPANY IDENTITY SHEET [G4-3][G4-4][G4-5][G4-7]

As per Government Regulation No. 19/1965, Perusahaan Gas Negara (PGN) is a legal entity with the right to conduct business independently within the scope of the gas supply business and the gas industry, in particular to improve the public's quality of life.

### COMPANY NAME

PT Perusahaan Gas Negara (Persero) Tbk

### HEAD OFFICE ADDRESS

Jl. K.H. Zainul Arifin No. 20  
Jakarta 11140, Indonesia  
Telp: +6221 633 4838  
Fax: +6221 633 3080  
Email: contact.center@pgn.co.id  
www.pgn.co.id  
Contact center: 0-800-1-500 645

### BUSINESS SECTOR

Oil and Gas

### PRODUCTS AND SERVICES

Distribution and Transmission of Natural Gas

### LEGAL BASIS

SOE, GOVERNMENT REGULATION No. 19/1965

### AUTHORIZED CAPITAL

Rp7,000,000,000,000

### ISSUED AND FULLY PAID CAPITAL

Rp2,424,150,819,600

### SHAREHOLDERS

(PER 31 DECEMBER 2014)

Indonesian Nation (56.97%)

Public (45.03%)

### SHARE LISTING

Jakarta Stock Exchange  
Surabaya Stock Exchange

### SHARE CODE

PGAS

### CONTACT ADDRESS

PT Perusahaan Gas Negara (Persero) Tbk  
Jl. K.H. Zainul Arifin No. 20, Jakarta 11140, Indonesia  
T. (62-21) 633 4838, 633 4848, 633 4861  
F. (62-21) 633 3080  
PO BOX 1119 JKT  
www.pgn.co.id







03

Sustainability  
Governance





## Sustainability Governance

PGN implements good corporate governance based on the Principle of TARIF: Transparency, Accountability, Responsibility, Independency and Fairness. The Company has developed various policies and programs to ensure that all PGN's operational activities comply with the principles of good corporate governance





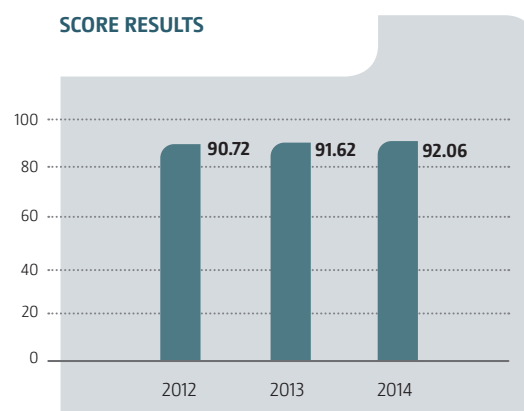
PGN is committed to applying good corporate governance (GCG) consistently and continuously to maintain the balance of interests between all its stakeholders. In carrying out its operational activities, PGN always complies with all applicable regulations and legislation, as well as the norms and best practices of the natural gas industry.

Through its strong commitment to the implementation of GCG, PGN believes it can improve the oversight function of company management. Consistent application of GCG and continual improvements and refinements are expected to improve business performance and growth in the long term, which in turn will result in added value for shareholders and other stakeholders.

The importance of Good Corporate Governance implementation for the long-term growth of the company encourages us to continually improve the quality of our governance in the company's management. Consistently and periodically, we have our GCG implementation assessed by a competent independent consultant. This is to monitor and concurrently refine the quality of the Company's GCG implementation.

In 2014, PGN GCG implementation was graded as "very good" with a score of 92.06%, a rise of 0.44% from the 91.62% in 2013. To improve the quality of the company's GCG implementation, we always follow up on recommendations made by the assessor.

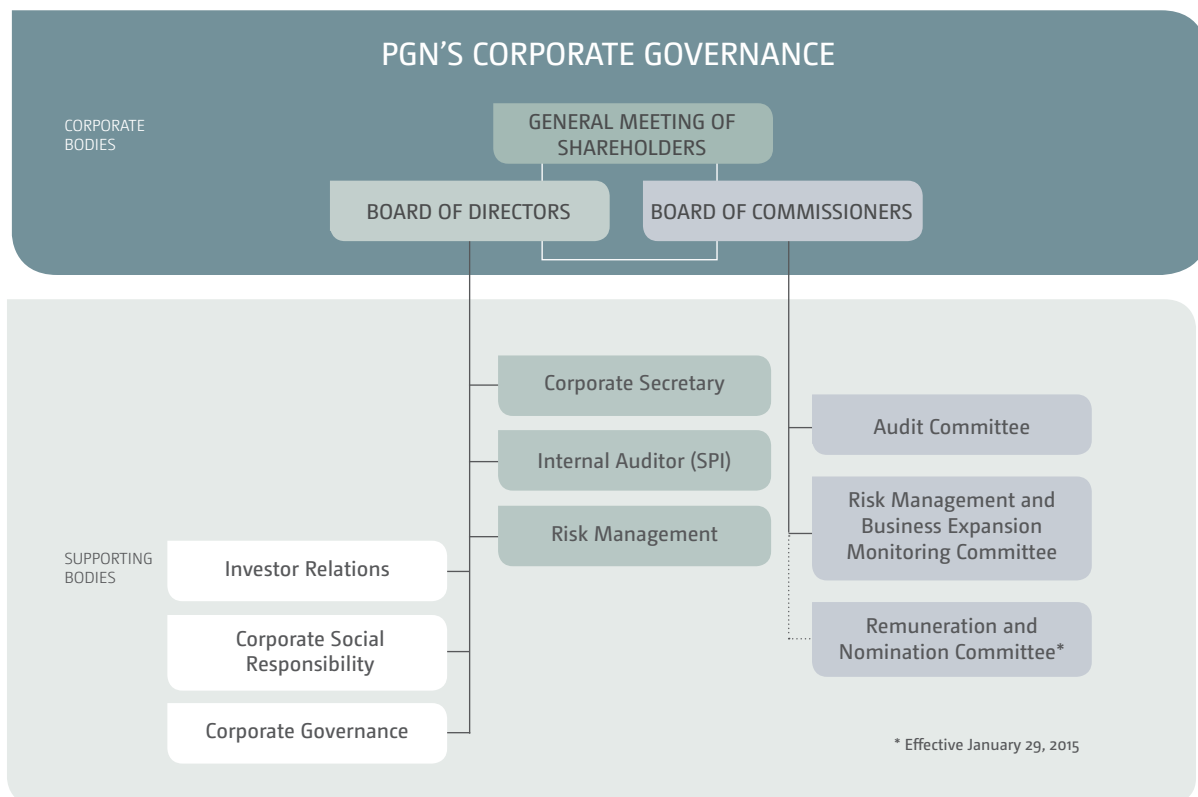
**SCORE RESULTS**





## GOVERNANCE STRUCTURE [G4-34]

PGN understands the importance of harmonious relationships and cooperation with the Company's governance bodies to create good corporate governance systems and practices. In accordance with Law No. 40/2007 on Limited Liability Companies, the company's governance bodies consist of the General Meeting of Shareholders (GMS), Board of Commissioners and Board of Directors, which have authority and responsibilities based on the Company's Articles of Association, legislation and best practices. At the Board of Commissioners' level, functional committees have been formed to empower the oversight function. Likewise, at the Director level, work units have been formed with the responsibility of company management and GCG implementation. This structure is illustrated below.



### GENERAL MEETING OF SHAREHOLDERS (GMS)

The GMS is a forum for shareholders to make decisions and is the highest body in the PGN structure. The GMS has the duty and responsibility to generate various important decisions regarding a variety of corporate actions.

The authority of the GMS includes the composition of the Board of Commissioners and the Board Directors, as well as evaluating the performance of both through the achievement of their operational targets, as contained in the Company Work Plan and Budget (RKAP). The performance of the Board of Commissioners and Board of Directors is assessed through a Key Performance Indicator (KPI) mechanism, which is evaluated and accounted for to the GMS. The KPI are determined and monitored annually, and adjusted to the targets, risks and opportunities facing the company.

The GMS also serves as a channel for the shareholders to express their opinions, advice and recommendations to the directors. In addition to the GMS, the shareholders can also communicate their advice and opinions to PGN through Investor Meetings and when they visit PGN as investors.

## BOARD OF COMMISSIONERS

The Board of Commissioners has the duty of overseeing the Board of Directors' management of the company and providing advice and input to improve PGN's performance. The oversight duty of the Board of Commissioners encompasses supervision of the implementation of all strategic decisions. An oversight report is submitted at the GMS. [G4-34]

In accordance with the Company's Articles of Association, the PGN Board of Commissioners has the following strategic authority:

1. Approving and making recommendations to determine the company's work plan and budget (RKAP) for business development,
2. Approving changes to the vision statement, mission and statement of the company's culture and values, as proposed by the directors; approving financial transactions to a certain value,
3. Selling assets to a certain value, and so forth.

There are currently five members of the Board of Commissioners, who are led by the President Commissioner. Of the five, two are Independent Commissioners. The composition of the Board of Commissioners satisfies the minimum requirements set by the regulator. The company prohibits the existence of any family or financial relationships, and dual positions between the Board of Commissioners and Board of Directors. [G4-14]

### COMPOSITION OF THE BOARD OF COMMISSIONERS

Title	Name
President Commissioner	Bayu Krisnamurthi
Commissioner	M. Zamkhani
Commissioner	A. Edy Hermantoro
Commissioner	Firmanzah
Independent Commissioner	Pudja sunasa
Independent Commissioner	Widya purnama

The Board of Commissioners has formed two committees and one team to assist with its oversight duty. These committees are the Audit Committee, Risk Management and Business Development Committee and the Remuneration and Nomination Team. A description of the functions and duties of each of these committees and the team can be seen in the PGN 2014 Annual Report.

## BOARD OF DIRECTORS

The PGN Board of Directors is responsible for leading the Company and achieving its goals, vision and mission. The Board of Directors is also responsible for representing PGN both in and outside court. The Directors have the authority to select and appoint officials one level below their own, at the level of division head, to implement operational duties and assist the Board of Directors in its duty of company management.

In 2014, the PGN Board of Directors consisted of six people, led by the President Director, who is appointed as primus inter pares, coordinator of the Directors' activities. Each Director is assigned according to his field and area of competence and in accordance with the division of duties and authority approved by the GMS, including with regard to economic, social and environmental aspects. In accordance with the PGN Articles of Association, PGN prohibits any family or financial relationships, and dual positions, between the Board of Commissioners and Board of Directors.

### COMPOSITION OF THE BOARD OF DIRECTORS

Title	Name
President Director	Hendi Prio Santoso
Director of Finance	Mochtar Riza Pahlevi Tabrani
Director of Technology and Development	Djoko Saputro
Director of Investment Planning and Risk Management	M. Wahid Sutopo
Director of Commerce and Operations	Jobi Triananda Hasjim
Director of Human Resources and General Affairs	Hendi Kusnadi

The Board of Directors has formed several functional committees to support effective company management:

- **Knowledge Management Committee**  
This committee was formed with the purpose of identifying, managing and utilizing knowledge that has been accumulated across all operational aspects. This knowledge management is structurally maintained by divisions and directorates in charge of Human Resources management.
- **SHE Division**  
This division has evolved from the Occupational Health and Safety Committee to ensure the Company's operations are supported by reliable systems, policies and procedures in relation to occupational health and safety and environmental management.

In conducting their duties, the Directors are supported by the Corporate Secretary and the Internal Audit Unit. The Corporate Secretary has the duty of managing strategic communications to support and develop the Company's image. Meanwhile, the Internal Audit division has the duty and responsibility to assess internal controls, risk management and corporate governance in accordance with applicable legislation and regulations. A full description of the composition of these committees and work units, as well as their functions and responsibilities, can be seen in the PGN 2014 Annual Report. [G4-34]

## BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS SELECTION MECHANISM

The Board of Commissioners and Board of Directors are selected, appointed and dismissed by the GMS. As an SOE, the right to initiate proposals to appoint and dismiss members of the Board of Commissioners and Board of Directors rests with the majority shareholder, in this case, the State-Owned Enterprises Ministry.

Prior to making a proposal to the GMS, the SOE Minister first filters candidates through a fit and proper selection process. Competence and views on social and environmental management are spotlighted as part of the evaluation process. The results of the selection process are then taken to the GMS for a decision.

## ASSESSMENT RELATED TO CORRUPTION RISK [G4-SO3]

To monitor the assessment of effective management performance and compliance with established procedures, PGN has formed the Supervision and Internal Audit division. The Internal Audit unit is the work unit in charge of carrying out the function of supervision and internal control, making reference to the Audit Management Information System (SIMA) and Audit Command Language (ACL). The PGN Internal Audit Operations Procedure refers to the Statement of Financial Accounting Standards (PSAK). In addition, the Audit Charter has also been brought into accordance with Decision of the Head of the Capital Market Supervisory Agency and Financial Institutions (Bapepam-LK) No. KEP-496/BL/2008. [G4-DMA]

PGN's Internal Audit staff are professionally and competently qualified as certified professional internal auditors, with qualifications including Qualified Internal Auditor (QIA), Professional Internal Auditor (PIA), and Certified Internal Auditor (CIA). In addition, all personnel involved in internal auditing have received education and training on audit procedures and detecting irregularity risks, such as in fraud auditing, investigative audit and advanced internal auditing, which reflects our commitment to the war on corruption.

As part of the Company's strategy to improve the efficiency and effectiveness of internal audits, we prioritize the monitoring of units prone to irregularities and corruption. In 2014, the Internal Audit unit conducted Operational Assessments on 4 units with audit resulted in 78 recommendations. Of these findings, 18 recommendations (23%) had been followed up by the end of 2014. In addition to routine audit, we reported that throughout the year 2014 the special audit has done as much as 3 times which is to the detriment of routine auditing results. [G4-SO5]

## ANTICORRUPTION COMMUNICATION AND TRAINING [G4-SO4]

PGN is committed to reducing corruption and fraud. PGN's employees are prohibited from committing corrupt actions and taking any action that could encourage corruption, and providing or accepting bribes, as our strong commitment to preventing corruption and fraud.

One of the Company's anticorruption steps has been the development of a whistleblowing system, the application of which in the state's SOEs is based on the mandate of Ministerial Decision No. Kep 117/M-MBU/2002 on GCG application in SOEs.

This system has been developed to facilitate internal and external parties reporting incidents related to corruption, fraud and violations of the company's code of conduct. We protect the identity of whistleblowers reporting incidents or potential incidents of corruption. Any person committing corruption is processed in accordance with applicable legislation and regulations.

The company also has set a range of anti-corruption associated procedures, ranging from preventive efforts to curative follow up in case of the crime of corruption and bribe as according to our commitments regarding criminal acts of corruption through Gratification Control Implementation Commitment Statement signed on 30 July 2013. The above commitments are also reinforced through the publication of the rules related to anti-corruption system such as Whistleblowing Guidelines passed by the President Director based on BOD Decree No. 066303. K/PW. 01/UT/2013 and Conflict of Interest Policy and Gratification Control which is outlined in the BOD Decree of PT Perusahaan Gas Negara (Persero).

To promote the spirit of anticorruption in every PGN employee, we also provide anticorruption training and education in the form of seminars and workshops attended by all employees in the Internal Audit unit, as well as the procurement unit and others prone to corruption, fraud, bribery and other similar infractions. We expect all PGN employees to have the same vision and spirit to prevent corruption occurring. During 2014, 50 employees, or 3.31% of the Company's workforce participated in our anticorruption seminars, from top management to middle management and supervisors. [G4-SO4]

The Company also has several anticorruption procedures, from preventative to curative, should corruption or bribery take place. On every occasion that the Directors meet the employees face-to-face or in strategic meetings, they always remind employees of the company's stance toward corrupt acts.

Anticorruption policies and procedures are also disseminated to suppliers and other business partners, and all contracts and work agreements with the company are required to contain an integrity pact statement signed by the supplier or other business partner, stating their commitment to maintaining integrity and not providing bribes for employees or the company's officers.

#### **MECHANISM TO SUBMIT OPINIONS TO THE BOARD OF DIRECTORS**

We realize that internal communication is very important to support company performance and achieve PGN's vision. This mechanism is aimed at strengthening the relationship with internal stakeholders, especially shareholders and employees, making it more conducive to supporting PGN's optimum business growth.

To achieve this, we have developed an infrastructure to formally submit opinions and advice to the Board of Directors, including meetings between the Labor Union and the Management, company work meetings, gatherings of directors and employees, working visits with the directors and through the medium of correspondence, such as letter or electronic mail. [G4-26]

#### **COMPANY INFORMATION MANAGEMENT POLICY**

As an SOE, we realize the importance of information management that results in information that is complete, accurate and on time, and available to all PGN stakeholders. This is in line with the implementation of one of the GCG pillars, namely transparency. We regulate matters of confidentiality and disclosure of company information through Director Decision No. 01100.K/132/UT/2006 on the Company Information Management Policy.



The Company makes use of a variety of media, including the company's website [www.pgn.co.id](http://www.pgn.co.id), mass media, our Annual Report, customer meetings, public exposures, analyst meetings, conference calls, analyst visits, field visits, conference participation and non-deal road shows, to provide information to our stakeholders. The information we disclose is based on applicable legislation.

### GOODS/SERVICES PROCUREMENT POLICY

We always strive to procure goods and services through healthy competition, in accordance with applicable regulations and legislation. PGN implements Goods/Services Procurement Guidelines P-001/0.57 REV.04 of 2013 in accordance with Director Decision No. 005000.K/HK.00.01/UT/2013 dated 12 February 2013, which upholds the principles of efficiency, effectiveness, competition, transparency, fairness, equitability and accountability. [G4-DMA]

Strongly upholding the principles of transparency and accountability, we make use of e-auctions for the price quote process to ensure a procurement process that is more transparent, efficient and which results in the lowest price. This method is expected to minimize the potential for corruption. [G4-LA14][G4-HR10]

### PRUDENCE AND RISK MANAGEMENT [G4-14]

As the manifestation of PGN's commitment to effective GCG, the Risk Management Division implements ERM-COSO-based risk management enterprise-wide, with the relevant work units as process owners. PGN has a risk management blueprint and roadmap to serve as a reference for the functional development and implementation of risk management. Mapping results are followed up gradually with mitigation steps taken with the relevant risk owners and periodic monitoring conducted. The key risks that can influence operations and business continuity include:

Regulatory risk	Risk arising from the government issued regulations relating to operations, such as determining the selling price
Operational Risk	Risk due to no passage or failure of internal processes, external, human and systems, such as gas storage fire
Supply risk	Risks due to shortage of supply of raw materials, such as limited supply of tube gas
Currency risk	Risks that arise due to changes in exchange rate of a currency against other currency, such as buying spare parts using US Dollars
Social Risk	Risk due to people's actions that affect the operations of the company, such as public protest
Market risk	Conditions experienced by a company that is caused by market changes in conditions and circumstances such as fluctuations of the price of gas

To ensure the effective implementation of risk management, we have formed a Risk Champion Team comprising risk management representatives as change agents in the work units. In addition, we have also disseminated information through workshops, refreshers and group discussions.

## ADOPTION AND SUPPORT FOR INTERNATIONAL INITIATIVES

PGN realizes how important it is to ensure the impact of operations on the environment is minimized, as well as ensure that the company participates in improving the quality of life for marginal communities, in accordance with the goals of Sustainable Development. The main hurdle to achieving Sustainable Development is climate change and global warming. PGN participates in global efforts to reduce global warming by applying various international initiatives, such as ISO 26000, MDGs and UN Global Compact. [G4-15]

## COMPANY ETHICS AND CULTURE [G4-56]

PGN has adopted a strong ethical standard and work culture for its interaction with stakeholders. We believe that implanting ethics and our work culture into all our employees ensures its practice and provides a powerful driving force to ensure our employees have dignity and strong integrity. All PGN employees not only comply with applicable regulations and legislation, but are required to follow all norms prevailing in the business world at an international standard. To direct our steps in the same direction, the company's ethics and culture play a central role in the long-term development of the company, thus all PGN employees are bound by the company's ethics and culture.

PGN has five values, which it calls ProCISE, that regulate the behavior of PGN's employees. ProCISE translates 10 key corporate behaviors outlined in the Code of Conduct and Business Ethics. Internalization of the culture and key behaviors covers economic, environmental and social aspects. The company's approach to disseminating these corporate values includes dissemination by the Directors at face-to-face meetings with the employees, counseling through in-house training and the publication of a pocketbook containing all the rules of behavior.

## MEMBERSHIP IN INDUSTRY ASSOCIATIONS AND OTHER ORGANIZATIONS [G4-16]

PGN has initiated various activities aimed at improving Indonesia's economic growth through the natural gas industry. In addition, to expand the Company's business network and improve the management of stakeholder involvement for the settlement of all problems occurring during operational activities, we are also actively involved in several associations. As of the end of 2014, PGN actively participated in the following organizations:

No.	Nama Organisasi	Status
1.	Indonesia Gas Association	(President)
2.	Indonesian Listed Companies Association	(Member)
3.	International Gas Union	(Member)
4.	Indonesia Stock Exchange	(Member)
5.	Indonesian Central Securities Depository	(Member)
6.	Internal Audit Communication Forum	(Management and Member)
7.	SOE IT Forum	(Member)
8.	SOE HR Forum	(Member)
9.	SOE Public Relations Forum	(Member)
10.	SOE Partnership & Environmental Management Forum	(Member)

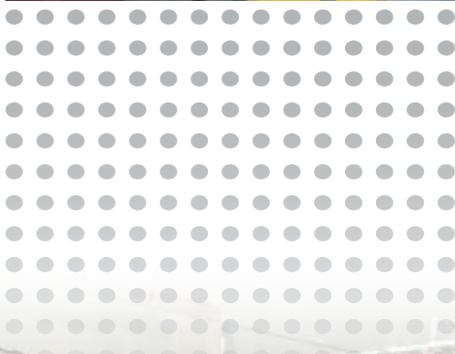
## STAKEHOLDER INVOLVEMENT

We realize that stakeholders play an important strategic role in maintaining long-term company growth. Concurrently, the company's performance also influences its stakeholders from the business, financial, operational, environmental and social aspect. We, therefore, continue to strive to improve harmonious relations with our stakeholders.

The following table clarifies our relationship and interaction with stakeholders during 2014.

[G4-24][G4-25][G4-26][G4-27]

Stakeholders	Basis for Selection	Engagement/ Communication	Frequency	Topic
Shareholder and Investor	Representative Influence	Company Visit Conference Call Site Visit Analyst Meeting Non-deal Roadshow Investor Summit RUPS Public Expose	Min 12x/quarter Min. 3x/year Min. 1x/year Min. 1x/year Min. 4x/year 1x/year Min. 1x/year Min. 1x/year	<ul style="list-style-type: none"> <li>Maintain and increase investment value through better corporate performance.</li> <li>Annual Dividends.</li> <li>Financial statement accountability</li> <li>Transparent and accurate operational performance.</li> <li>Honor on rights of shareholders as stipulated in any law article of association.</li> </ul>
Employees	Dependency Influence	Labour Union Mangement and Employee Forums	In accordance with need	<ul style="list-style-type: none"> <li>quality</li> <li>Wealth</li> <li>Career path</li> <li>Fair treatment</li> <li>Conductive and secure environment</li> </ul>
Authorities and Regulators	Representative Influence	Bipartite meeting Parliament hearing Tripartite meeting	In accordance with need, minimum 2x per year	<ul style="list-style-type: none"> <li>Operational excellence and optimum</li> <li>Harmonious and constructive relationship with regulatory body and comply to any law and regulation.</li> </ul>
Partner (vendor, supplier, agent, reseller, installer)	Dependency	Goods and services contract procurement Performance evaluation of suppliers and any partners	In accordance with need, minimum 1x per year	<ul style="list-style-type: none"> <li>Fair and transparent procurement process</li> <li>Objective selection and evaluation in process</li> <li>Mutually beneficial growth.</li> </ul>









04

Improving the Economy





## Improving the Economy

We ensure that PGN's growth contributes to increased revenue and economic value for stakeholders who help drive the economy and national development

PGN is a company engaged in the provision of natural gas transmission and distribution services. We always pay attention to effectiveness and efficiency in maintaining both these business lines, so that PGN is not only able to grow well but is also able to provide economic benefit to stakeholders, contributing to state revenues, thus helping drive the country's economy.

### **NATURAL GAS TRANSMISSION**

Natural gas transmission is the activity of sending natural gas from the producer's natural gas field through high-pressure transmission pipelines to the station. In this business, PGN acts as a transporter and for this service, PGN is paid a toll fee.

As the legal foundation for the natural gas transmission business, PGN uses Gas Transportation Agreements (GTA) with shippers (who send gas) for contractual periods of 10 to 20 years. PGN has also formed a Strategic Business Unit (SBU), namely the Sumatera-Java Transmission SBU to support this business.

### **NATURAL GAS DISTRIBUTION**

Natural gas distribution is one of PGN's services. This service involves the distribution of natural gas directly to consumers. For this activity, PGN conducts commercial trade in that it sells to customers/end users via a distribution pipeline network and earns income from sales. To improve the effectiveness and efficiency of natural gas distribution, the company formed SBU DW I Western Java, SBU DW II East Java and SBU DW III Northern Sumatra.

The process of delivering natural gas to customers is done via a distribution pipeline network or transported by a special fleet. Gas pressure in the pipes is regulated to match the gas supply

agreement. The main components of natural gas are checked regularly to ensure constant compliance with applicable regulations and with the parameters set in the gas supply agreement.

The company's customers are grouped into three categories, namely households, commercial and industrial. In terms of amount, approximately 96.68% of all customers are households. The remaining 3.32% are commercial and industrial customers. In terms of volume, industrial customers absorb 97.22% of the total volume and the remaining 2.78% is absorbed by domestic and commercial customers. PGN itself controls about 81% of market share for gas transmission and distribution in Indonesia. A more complete description of the company's products and services can be seen in the annual report.

## DISTRIBUTION OF ECONOMIC VALUE [G4-EC1]

The national economy is expected to return to positive growth in 2014. This will cause a rising demand for natural gas, which will impact on PGN's revenue and increase the volume of gas passing through PGN's transmission and distribution pipeline network.

With increased revenue, PGN will be able to increase its contribution to state revenue through the payment of taxes and dividends. PGN will contribute to increased community welfare through the realization of community development activities, as well as implementation of its Partnership and Community Stewardship Program (PKBL). Overall, these conditions will also increase economic value that can be enjoyed by the stakeholders.

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

(USD)	2013 (restated)	2014
<b>DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED</b>		
Income	3,001,516,630	3,408,590,061
Interest income	26,910,239	26,032,902
Income from investment in subsidiaries	-	-
Income from sale of assets	-	-
Income from investment in foreign currency	83,899,215	47,452,904
Other income	57,139,294	73,123,091
<b>Total</b>	<b>3,169,465,378</b>	<b>3,555,198,958</b>
<b>ECONOMIC VALUE DISTRIBUTED</b>		
Operating costs	1,956,971,704	2,327,253,644
Employee wages and benefits:		
- Operation department	38,391,494	37,162,605
- Administration department	83,715,450	87,161,223
Total employee wages and benefits	122,106,944	124,323,828
Payment to providers of capital:		
- Dividend payment	510,620,916	454,456,178
- Interest payment	21,863,585	75,575,385
Total payment to providers of capital:	532,484,502	530,031,563
Payment to government	359,360,597	257,108,917
Community investments	8,023,231	11,644,571
<b>Total</b>	<b>2,978,946,977</b>	<b>3,250,362,523</b>
Economic value retained before dividend		
Economic value retained after dividend	190,518,401	304,836,435

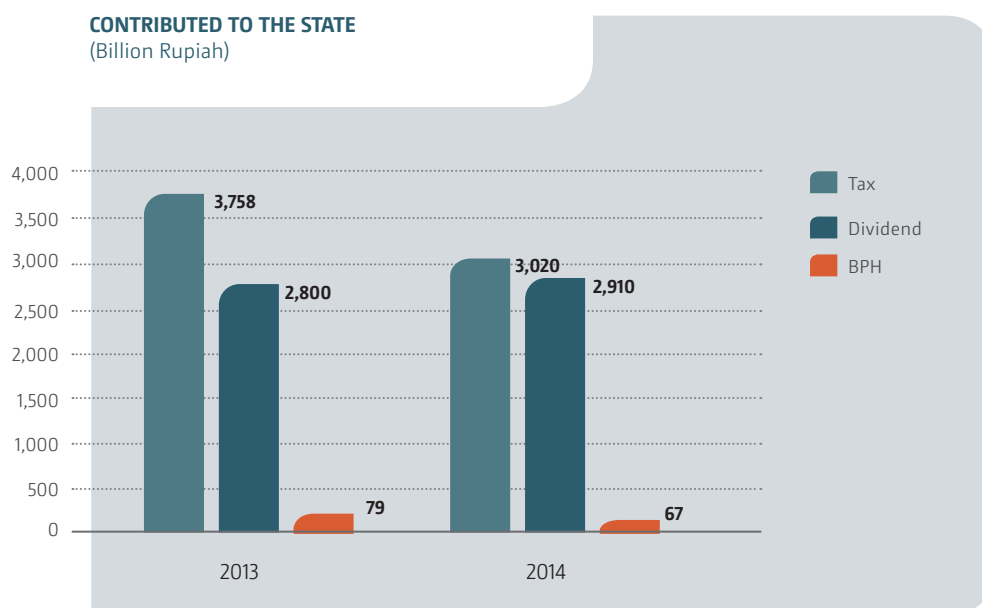


## CONTRIBUTION TO THE STATE [G4-EC1]

To help maintain sustainability for the nation and the state, PGN always contributes to the state in the form of dividends set aside from the current year's operating profit and determined through the General Meeting of Shareholders (GMS), in accordance with the percentage of state ownership. In recent years, the pay-out ratio on dividends has ranged from 50%-60% of net income for the current year.

In accordance with the decision of the 2014 GMS, total dividends paid to the state as the major shareholder amounted to Rp2.91 trillion, an increase compared to 2013's Rp2.8 trillion. In addition to dividends, PGN also provides other forms of direct financial contribution to the state, namely the payment of taxes and Downstream Oil and Gas Regulatory Agency (BP Migas) dues. Contributions to the state in the form of tax payments for 2014 amounted to Rp3.02 trillion, lower than in 2013, which totaled Rp3.75 trillion. Meanwhile, dues paid to BP Migas in 2014 totaled Rp67 billion, compared to Rp79 billion in 2013.

Thus, PGN's total contribution to the state for 2014 amounted to Rp5.9 trillion, down from 2013's Rp6.6 trillion. As in previous years, PGN did not receive any direct assistance from the state to realize its operational activities. Assistance was limited to a reduction on customs duties for certain capital goods required for business development programs.



## CONTRIBUTION TO REGIONAL ECONOMIC GROWTH [G4-DMA][G4-EC8]

PGN understands that its presence not only contributes directly and indirectly to the state but also to regional economic growth, especially to those areas where operational offices and support offices are located and in the vicinity of the transmission and/or distribution pipelines for the company's natural gas.

The supply of natural gas to a region can attract investors, who sink capital into the establishment of new industrial zones. Ultimately, the area evolves with the rise of housing, shopping centers, hotels and other real sectors. Areas where PGN operates became new economic regions. This provides positive benefits as the area is able to create jobs and generate income from the exploitation of natural resources, as well as increase regional revenue (PAD) through levies, local taxes, billboard advertising taxes, and so on. All these activities illustrate that PGN contributes to regional sustainability and economic growth.

PGN not only provides an economic impact from its operations, it also designs and realizes activities directly intended to stimulate growth and the development of economic activity. Such activities include the implementation community development programs and PKBL activities. These activities ultimately impact to improve the welfare of communities, especially those in the vicinity of operational areas.

## FOSTERING GOOD RELATIONS WITH BUSINESS PARTNERS

In conducting its operational activities, PGN must establish working relationships with suppliers of goods and services, both in the short and long term. In fulfillment of its need for goods/services provided by business partners, PGN applies the basic principles of procurement that are efficient, effective, open and competitive, transparent, non-discriminatory and accountable. These principles are applied to achieve established goals and for the sake of accountability. PGN requires qualified partners who are able to provide goods/services of the appropriate quality, with a good and reliable service based on decent business ethics and mutually beneficial conditions.

The procurement cooperation process with business partners is managed through four stages: procurement specification, procurement method, contract agreement and contract management. To maintain the quality of contracted goods and service supply implemented by its business partners, PGN conducts periodic assessments. The objective is to ensure an economical and timely supply of goods and services of consistent quality. Meanwhile, PGN prioritize local partners for small-value contracts (less than Rp500 million), for the sake of efficiency and equal opportunity.

With the support of an IT-based procurement system (e-procurement) since 2013, PGN is once again able to conduct periodic assessments of all business partners listed in its database.

## BUSINESS DEVELOPMENT

PGN has carefully observed the upward trend in gas demand to support economic activity and people's daily activities. The trigger for this increase is believed to be two things: better economic value from gas usage and being more environmentally friendly. Besides increased consumer demand from households and the commercial segment, PGN has also carefully observed planned energy demand for the future stimulated by the government.

As stated in the Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI), the government is determined to fix infrastructure deficiencies, including the supply of electricity and the availability of transportation. Both these infrastructure facilities in the future will increasingly rely on gas as the primary energy source.

Indonesia is one of the top gas producing countries in the world. 2014 data from the Central Statistics Agency shows Indonesia's natural gas reserves reached 103.3 trillion cubic feet. This places Indonesia in 14th position for the world's largest reserves. This figure is expected to continue to increase in line with exploration efforts for new, increasingly viable gas reserves. Total reserves are sufficient to be used as a primary energy source replacing fuel oil, the reserves of which are running low.

The abundance of reserves and growth in natural gas consumption is a business opportunity for PGN. Moreover, the government has also opened the way, through more accommodating regulatory arrangements, for efforts to use natural gas as a primary energy source to meet Indonesia's energy needs, both for electricity generation and to directly support economic activity.

### DEVELOPMENT STRATEGY

PGN has set some strategic business priorities that will be implemented beginning in 2014. This has been done to capture business opportunities and face the challenges ahead, while increasing revenue and market capitalization. It also provides maximum benefits to stakeholders and, of course, to the public. Our strategic business priorities are as follows:

- **Market Retention & Expansion**  
(Retaining the market we currently hold and developing new markets)
- **Certainty of Gas Supply**  
(Safeguarding the supply of natural gas)
- **Infrastructure Development**  
(Building and strengthening well-integrated infrastructure for transmission and distribution in areas with potential)
- **Regulatory & Stakeholder Management**  
(Developing regulatory management and improving cooperation with stakeholders)

- **Business Expansion & Diversification**  
(Expanding and diversifying the business along the natural gas value chain)
- **Technology Development**  
(Simplifying the business process through technology and information systems)
- **Organization & HR Capacity & Capability**  
(Developing the organization and improving internal capabilities)
- **Operation Excellence & Safety**  
(Applying operation excellence to achieve safety)

STRATEGIC CHALLENGES	STRATEGIC BUSINESS PRIORITIES	DESCRIPTION
Existing market competition and anticipation of new supplies	▶ <b>1 Market Retention &amp; Expansion</b>	= Proactive and aggressive program and initiative in order to maintain and develop the market
Competition in existing supplies and new supplies	▶ <b>2 Certainty of Gas Supply</b>	= Program and initiative to retain the gas volume contract in accordance to price and tenor
Gap in supplies availability, market and infrastructure	▶ <b>3 Infrastructure Development</b>	= Infrastructure improvement and development which is connected to market and and supplies future development
Unfair and unconstructive regulation and policy	▶ <b>4 Regulatory &amp; Stakeholder Management</b>	= Promote fair and supportive regulation that makes PGN as the chosen entity
Monetization of new businesses to anticipate Red Ocean market	▶ <b>5 Business Expansion &amp; Diversification</b>	= Increase existing business contribution and monetize new opportunity strategically, commercially and financially
The emergence of disruptive technology that threatens existing businesses and becomes business opportunities	▶ <b>6 Technology Development</b>	= Identification, quantification, control and monetization of new technologies
Gap on human resource capability and capacity in present and future organization and business structure	▶ <b>7 Organization &amp; HR Capacity &amp; Capability</b>	= Organization, business process and human resource which are required by business development
Gap in standard operation excellence and safety that has not been fully achieved	▶ <b>8 Operation Excellence &amp; Safety</b>	= Operation excellence implementation to achieve prudent operator in running managing entity asset

## BUSINESS DEVELOPMENT PLANS AND REALIZATION

To achieve our vision of “Becoming a World-Class Company”, PGN has compiled and realized various business development programs. Included within this are strategic steps and targets that we wish to achieve from the development of each business unit.

PGN has undertaken strategic steps to satisfy growing demand for natural gas by strengthening its upstream business. Business development plans are being applied through a series of physical and organizational infrastructure developments, as follows:

- **Construction of Lampung LNG Receiving Terminal**

PGN has relocated its liquefied natural gas (LNG) receiving terminal from Medan to Lampung in follow up to stipulations by the State-Owned Enterprises Minister related to the relocation of the Belawan, Medan LNG terminal and the revitalization of the Arun, Lhokseumawe, Aceh LNG terminal. The construction of an LNG receiving terminal in Lampung is aimed at fulfilling domestic demand for gas, in particular in Lampung, West Java and the surrounding areas. The Lampung LNG Receiving Terminal and FSRU (Floating Storage and Regasification Unit) were inaugurated in April 2014.

- **Upstream Minority Investment**

To expand access to gas supplies, PGN will participate in minority ownership of companies engaged in the upstream side of natural gas. In addition, PGN will also invest in natural gas refineries that are in production and which have an approved Plan of Development (POD) from BP Migas, as well as refineries with small to medium-scale remaining reserves.

- **Gas Trading**

PGN will develop its gas trading business to expand the value chain of the natural gas industry. Associated with this plan, PGN will cooperate with regionally-owned enterprises to supply and transmit natural gas. The development of the natural gas trade will be implemented by PT Gagah Energi, a subsidiary of PGN. At this time, PT Gagah Energi has started operations and has obtained gas supply contracts with a number of suppliers.

- **LNG Mini**

PGN will build and operate small-scale LNG terminals in eastern Indonesia and areas where the gas pipeline does not reach to fulfill gas requirements in these areas. This plan is expected to develop eastern Indonesia.

- **Point-to-Point Compressed Natural Gas (CNG)**

PGN will construct Point-to-Point CNG to fulfill gas demand in the industrial and transportation sectors in West Java and areas beyond the reach of the existing natural gas distribution pipelines. The government policy to convert from fuel oil to gas is an opportunity for PGN to build Point-to-Point CNG in areas where the natural gas pipeline does not reach.



- City Gas Distribution

PGN is expanding city gas distribution networks in existing areas, namely Purwakarta-Subang and Bogor-Sukabumi-Ciawi, as well as penetrating into new areas such as Dumai and Semarang to meet the needs of gas power plants, small industry, commerce, transportation and households. The existence of sizeable demand for gas in these areas assured PGN of the potential to expand its distribution network in new and existing territories.

- Electricity Generation

Gas is an alternative fuel currently being utilized by the domestic electricity industry. The government has also provided DMOs (Domestic Market Obligation) to several industries, including electricity generation. This has encouraged PGN to take part in the electricity supply business as a strategy to obtain a supply of gas and to increase added value in the utilization of natural gas. The power generation business is being conducted by a downstream subsidiary of PGN.

PGN is also devising a strategic move to drive this growth. PGN believes the realization of the entire business development plan will provide many benefits for all stakeholders. Enabling initiatives include:

- Regulatory Management

This initiative is concerned with the impact of natural gas regulations as they affect the future growth of the company. PGN has formed a special team to deal with matters relating to legislation, organizational structure and clear business processes.

- Stakeholder Management

This initiative has the objective of creating and maintaining harmonious relations with stakeholders.

- Integrated Project Management

This initiative has the objective of preparing strategies, business processes and organization structure to achieve integrated and effective project management.

- Supply Chain Management

This initiative has the objective of creating a reliable, effective and efficient supply chain to support PGN's business, encompassing procurement, asset management, inventory management and asset transportation.

- Integrated IT and Operating Technology Implementation

This initiative has the objective of developing and implementing integrated IT systems and operations technology (SCADA, GMS and others) to improve business processes and achieve Operation Excellence.

- Enterprise Risk Management

This initiative has the objective of driving and increasing the implementation of risk management in PGN based on world-class risk management best practices.

- PGN Transformation & Business Process Re-engineering

This initiative has the objective of developing the company both from the corporate and organizational side, and encompasses:

- Preparing PGN's structure to become a holding company
- Increasing synergy and clarifying relationship patterns between PGN and its subsidiaries
- Preparing a synergistic efficient business across divisions and between PGN as a corporation and its subsidiaries and SBU.

- Integrated Human Resources Management

This initiative has the objective of preparing a human resource development strategy that is in line with the organizational road map and the creation of excellent human resources that are the company's competitive advantage.

- Culture and Change Management

This initiative has the objective of creating a competitive culture that supports the company's transformation

- Corporate Branding & Reputation

This initiative has the objective of improving the company's brand image in the eyes of all stakeholders to increase the company's value and loyalty of its customers and employees

- Safety Excellence

This initiative has the objective of ensuring the implementation of safety excellence in all PGN's operational areas.



*Achmad Kurnia - SIJI Lifestyle, SME Partner of PGN. Produces export quality arts and crafts. Focuses on natural fibers and teracota production materials that are environmentally friendly.*

## COMMUNITY PARTNERSHIP PROGRAM [G4-DMA][G4-EC8][G4-SO1]

PGN realizes that in the effort to maintain sustainability, the community is an important aspect in all its considerations. As part of its efforts to reduce unequal economic development, PGN strives to generate economic activity, especially in the regions surrounding its operations and through its Partnership Program. By implementing the Partnership Program, PGN conducts various activities to develop the community's economy with one objective, improving the ability of Micro and Small Enterprises (SMEs) to be strong and independent businesses. This is in accordance with the spirit of "Creating Partners for the Nation". The Partnership Program is part of the PKBL and has the purpose of improving people's welfare and uplifting the nation's economy.

This program is an effort to distribute economic value from corporate profits. The program is in line with the government's efforts to reduce the national poverty rate, as stated in the Millennium Development Goals (MDGs), one of which is upholding the importance of joint efforts by the entire world community to eradicate poverty. PGN disburses Partnership Program funds in the form of:

- Providing Soft Capital Loans for Business Development  
Capital is loaned to foster partners for a period of approximately three years with an administrative fee of 6% p.a. The administrative fee amount is in accordance with the provisions of State-Owned Enterprises Ministerial Decree No. 05/MBU/2007 on the SOE Partnership Program with Small Businesses and the Community Stewardship Program.

- Counseling  
Entrepreneurial education and training is provided, as well as SME marketing/promotions. PGN disburses funds through three methods:
  - Direct distribution by PGN
  - Disbursement cooperation with SOEs
  - Disbursement cooperation with competent third parties of integrity.

As in previous years, PGN has prioritized development fund disbursement to business clusters to attain the positive benefits of supervision efficiency, ease of coordination and communication with foster partners. In addition, the cluster system means foster partners can share experiences and help each other with business development. Examples of foster clusters developed by PGN include:

- Ikat weaving cluster in Garut (later developed into PGN Foster Village for Weaving)
- Cattle and goat husbandry cluster in Sukabumi
- Copper and silver craft cluster in Gunung Kidul (later developed into Pampang Silver Village and Sodo Silver and Copper Village - PGN Foster Partners)
- In 2014, PGN added a crafts cluster in Yogyakarta and a sugar cane cluster in Central Java in synergy with PTPN IX. PGN also once again provided loans to sugar cane farmers in East Java through PTPN X & PTPN XI.



### **A Story from a PGN Foster Partner: A GRANDMOTHER OF 11 GRANDCHILDREN DEVELOPS A HANDICRAFT BUSINESS**

PGN does not just fund capital for small enterprise foster partners, it has also helps them to develop businesses while exploring their creativity. PGN often invites its foster partners to take part in a number of local, national and international exhibitions, so that its SME partners can promote their products, as well

as monitor developing trends in the market.

Herdiningsih, the owner of Buning Handicraft, which has its head office at Jl. Dwijaya III/17, Radio Dalam, South Jakarta, has another story. She said that her handicraft business had often faltered because of limited funds. "To pay my employees, I would often have to pawn some valuables. When I had extra profit, I would buy my valuables back, then have to pawn them again to pay employee salaries," she said.

Ning began her handicraft business in 1987. The wife of a retired civil servant, she had to rack her brains to survive in Jakarta because her husband's earnings were very limited. Her love of handicrafts made her decide to create patchwork knickknacks to help the family economy. Her business started slowly and began to increase. She put aside the profits little by little to expand the business. However her business did not always run smoothly. Her business initially employed 15 people, but this shrank to five when the financial crisis hit Indonesia in 1998. The crisis greatly affected Ning's handicrafts. The price of raw materials increased by 300 percent and she received no orders, making her completely unable to pay the salaries of her employees.

Slowly but surely, Ning revived her handicraft business. Business started to run smoothly after she obtained capital support from PGN. "With the capital from PGN, I was able to produce a variety of other handicrafts, giving my customers greater choice," said the grandmother of 11, who was born in Banjarnegara on 16 April 1942.

Ning's success in developing her creativity did not stop with herself or her family. She spread her kindness by sharing her knowledge with the people around her. Each month, Ning takes on approximately 30-40 students with special needs to teach them to embroider. After getting help from PGN, her handicraft business began to grow and she began to receive orders from Jakarta and beyond. In addition to the financial assistance, her employees had the opportunity to take part in education and training in Yogyakarta. With increasing new insights, including the development of new products and knowledge of new trends, Buning Handicraft continues to grow rapidly. "PGN has made me thrive!" she said.

To ensure improved entrepreneurial abilities, a stronger economy and foster partner welfare, PGN conducts a variety of stewardship programs. These programs cover training in financial management, English language, motivation and marketing, as well as sending foster partners to participate in local, national and international exhibitions. PGN has also realized a number of stewardship programs appropriate to the foster partner's field of business, including cattle and goat cultivation techniques, rice field cultivation, sugar cane cultivation, pattern design, coloring and weaving.

PGN also helps its foster partners to access the market by involving them in various exhibitions and product promotions, including the following:

- Foster Partner Product Exhibitions

Facilitating participation of business partners in various exhibitions at home and abroad, including: ICRA and FESRA in Jakarta, Palembang Expo in South Sumatera, CSR Expo 2014 in Cirebon, Central Java Fair in Semarang, and Inacraft Lifestyle in Malaysia.

- Assisting in product promotion by creating and distributing product profiles and sending product samples to product galleries and providing information on foster partner activities to various media.

Total funds for the partnership program and for capital loans and stewardship distributed by PGN in 2014 amounted to Rp156,087,209,383, equivalent to USD12,547,203. These funds were distributed to 6,755 foster partners. This is higher than the funding realized in the 2013 partnership program.







05

## Environmental Responsibility







## Environmental Responsibility

PGN is committed to contributing to preserve the environment for future sustainability. Through environmentally sound operations and effective impact management, PGN participates in the global community's efforts to combat environmental issues such as global warming, waste, energy and water. This is our effort to ensure a better future for us all.

## CLIMATE CHANGE AS A GLOBAL ENVIRONMENTAL ISSUE

Global climate change has triggered increasingly frequent occurrences of extreme weather conditions in various parts of the world, such as extremely cold winter temperatures in the United States and Canada and summer extremes in Australian. In Indonesia in particular, extreme weather has led to prolonged dry seasons and high intensity rainfall and strong winds in the rainy season that have repeatedly caused major flooding, including in Jakarta.

It should be understood that changes to the global climate and extreme weather events are caused by greenhouse gas emissions resulting from human activities. The world is increasingly highlighting the influence of environmental disruption due to emissions of greenhouse gases (GHG) such as CO<sub>2</sub>, methane, Freon and the like, as a result of human activities, including: industrial, transportation and household activities.

Looking at these facts, PGN, together with the global community, is actively contributing to the fight against climate change and invites the entire community to maintain the sustainability of the earth and its contents for the lives of future generations. We are committed to minimizing environmental impact, including carbon emissions generated from the Company's operations, for the preservation of nature and the Earth's sustainability.





## GREENHOUSE GAS EMISSIONS FROM PGN'S BUSINESS ACTIVITIES

Our main operational activities are managing gas distribution and transmission pipelines between production wells and our main consumers, both industrial and domestic. Although our activities do not involve the processes of extraction, processing and large-scale land clearing that results in changes to the land's contour, we are aware that PGN's activities still have an impact on the environment.

In carrying out operational activities, we use electricity to light office buildings and other buildings, fuel for operational vehicles, paper for various purposes and refrigerant to cool rooms. All of this impacts on the environment by adding to GHG emissions, also called carbon emissions (CO<sub>2</sub>), in the atmosphere and emitting ozone-depleting substances. Both contribute to global warming.



## CLIMATE CHANGE IMPACT ON PGN'S BUSINESS ACTIVITIES

To realize our 2020 vision, PGN continues to develop business by establishing various facilities in Indonesia. In 2014, we completed construction of gas storage and distribution facilities, namely offshore Floating Storage and Regasification Unit Terminals (FSRU) near Lampung and Jakarta.

We recognize that climate change is happening on a global scale and will affect our operations. Although climate change does not impact by directly damaging our main assets and supporting facilities, extreme weather does impact on operational smoothness. Flooding in Jakarta and the surrounding areas disrupted administration and routine network and facility maintenance activities.

As our business operations grow larger, we seek to reduce the risk of impact on the company and strive to improve the environment. In this case, we participate in realizing our commitment to implement environmentally sound operations and encourage environmental conservation as a global mitigation effort.

Our company strives to conduct environmentally sound production activities by implementing environmentally friendly operational policies and encouraging business partners to work together to do the same and support movements to realize environmental conservation programs.

## OPPORTUNITIES RESULTING FROM CLIMATE CHANGE

The ongoing climate change is impacting on our operations but also provides great business opportunities for our company. The government is working to reduce the use of fossil fuels because of the high CO<sub>2</sub> emissions. This has provided a business opportunity for the company to develop business while maintaining the surrounding environment.

Nowadays, the public is getting smarter at viewing the issue of ongoing climate change. The conversion from fossil fuels to natural gas impacts directly on PGN, as use of this alternative fuel will create increasing demand. This provides an opportunity for PGN to increase capacity, reach and reliability of distribution and transmission facilities under its management.

Rising demand has led us to realize downstream and upstream investment in the natural gas business chain. The objective is to increase the supply of gas to the transmission and distribution network facilities to ensure availability and meet the needs of the community and industrial users of natural gas. Additionally, for the company, we can directly provide a significant effect by reducing CO<sub>2</sub> gas emissions specifically by using natural gas in Indonesia.

## TRANSFORMING THE ENVIRONMENT, PGN'S PARTICIPATION IN GHG MITIGATION EFFORTS

A tangible manifestation of our commitment to environmental conservation efforts and participation in GHG mitigation is the environmental transformation of the whole scope of company management. This environmental transformation aims to make PGN a more environmentally friendly company with a spirit for green and clean energy for life. [G4-DMA]

We implement the Integrated Environment and Energy Management System, which refers to the PGN Environmental Transformation Road Map. We implemented this so that "environmental transformation" would continue to evolve and become our environmentally friendly work culture.

We have completed design of the 2013-2017 Environmental Transformation Road Map based on the realization of previously conducted environmental program target achievements. In 2013, we began the implementation stage in accordance with the program determined as continuation of the initial stage of the previous year's environmental program. Realization of these programs ensures that PGN as a company not only complies with but exceeds expectations in its environmental conservation implementation and participation (beyond compliance).

### PARTICIPATION IN PROPER IMPLEMENTATION

We have prepared our 2013-2017 Environmental Transformation Road Map with the objective of achieving PROPER ranking. The road map serves as a reference for the development and achievement of our goals, objectives and programs that target PROPER ranking.

In 2013, we attempted to follow all government policies and implemented a variety of programs to achieve this. In 2014, we sought continuous improvement of our facilities and infrastructure as related to human resource and other resources to ensure PGN could become a company that complied with all environmental regulations (compliance to regulation) to achieve a Green rank (Beyond Compliance) in 2014-2016. The objective is to achieve a GOLD rank in 2016-2017.

Meanwhile, in 2014, our company was proud to be recognized and receive awards from the Environment Ministry. We attained proud achievements in two PGN operational units, namely Pagardewa Gas Compressor Station in the Sumatra-Java Strategic Business Unit Transmission and in Strategic Business Unit II Eastern Java Distribution (SBU II).

PGN's compliance with regulations is demonstrated by its participation in the Environmental Management Company Performance Rating Program (PROPER). In 2014, the PGN Work Units that attained blue rank were:

1. SBU Distribution I - Offtake Station Cimanggis Depok
2. SBU Distribution II
3. SBU Distribution III - Offtake Station Panaran Batam
4. SBU Transmission Sumatera Java, Pagardewa Compressor Station South Sumatera

### Environmental Milestones

In 2014, two agendas were implemented by PGN.

- First, PROPER assessment of SBU I, II, III, and TSJ May-June 2014
- Second, Environmental Gathering on 28 November 2014.

Environmental transformation road map implementation policies must include various mutually supporting activities, such as:

- Participation in PROPER (Environmental Management Company Performance Rating Program) implemented by the Environment Ministry for Pagardewa Compressor Station Strategic Business Unit Sumatra - Java Transmission and Distribution Strategic Business Unit II East Java
- Development of carbon footprint calculations
- Implementation of Environmental Impact Analysis or Environmental Monitoring and Protection Plans (UKL-UPL) and full environmental permits
- Energy audits at SBU 1, in follow up from last year's program in which the 2013 audit was conducted at head office and SBU Distribution 2 and SBU TSJ

### Energy Audit

We have conducted an energy audit that aims to identify opportunities to further improve energy efficiency, which in turn will have a positive impact in the form of:

- Reduced energy costs
- Improved energy management system, gradually expected to reach the level of green energy
- Identifying which places/facilities consume the most energy, identification of places/facilities wasting energy in their operation (low efficiency).
- Increased understanding and awareness by personnel about energy saving and changing the habits of not caring to caring

## PGN'S EFFORTS TO MITIGATE GREENHOUSE GAS EMISSIONS

### Carbon Calculator

We have developed a Carbon Calculator system, which is part of the environmental transformation underway at PGN. The coverage area of the Carbon Calculator we have developed only includes emissions generated by the use of either electricity from PLN or our own generation, and emissions from operational vehicles.

For us, the use of a carbon calculator system serves as a first step in environmental management aimed at reducing CO<sub>2</sub> as optimally as possible. We seek to standardize the carbon emission calculations as the basis to formulate appropriate policies for carbon mitigation as a result of operating activities. Efforts to establish our carbon footprint started in 2014 with the implementation of a carbon accounting system, also called the PGN Carbon Calculator, which now includes:

- Emissions from electricity used in buildings and the station
- Emissions from the use of fuel for generators
- Emissions from the use of fuel for motor vehicles
- Emissions from the use of gas for chillers and the turbine compressor
- Emissions from business trips involving flying
- Emission from PGN operational activities such as venting, blowdown, instrumentation and gas leaks
- Reduced emissions from PGN's business channeling natural gas

PGN's Carbon Calculator can be used easily, only entering data on the KWh volume consumed from the electricity meter, vehicle fuel consumption and the volume of gas consumed for a particular location and period. The system we have developed automatically makes the conversion, calculating carbon based on international standards, as illustrated below:

## PGN CARBON EMISSIONS COMPOSITION PER ENERGY CONSUMPTION ACTIVITY 2014

[G4-EN15, G4-EN16]

### SCOPE. 1

Energy Consumption Activity	PGN Carbon Emissions (Ton CO <sub>2</sub> eq)	
	2013	2014
Venting	-	5,138.42
Instrumentation	-	3,186.79
Blowdown	-	300.54
Gas Fuel	35,847.92	38,572.77
Genset Fuel	370.00	1,238.67
Vehicle Fuel Oil	3,210.00	2,290.61
Vehicle Fuel Gas	-	492.72
Gas for Chiller	1,279.00	1,104.18
Total	40,706.92	52,324.70

### SCOPE. 2

Energy Consumption Activity	PGN Carbon Emissions (Ton CO <sub>2</sub> eq)	
	2013	2014
Electricity	13,170.00	11,530.07
Flights	730.00	354.86
Total	13,900.00	11,884.93
Grand Total	54,606.92	64,209.63

## PGN CARBON EMISSIONS PER WORK UNIT 2014 [G4-EN15, G4-EN16]

Work Unit	Scope 1 (Ton CO <sub>2</sub> eq)									Scope 2 (Ton CO <sub>2</sub> eq)	
	Venting	Instrumentation	Blowdown	Gas Leaks	Gas Fuel	Genset Fuel	Vehicle Fuel Oil	Vehicle Fuel Gas	Gas for Chillers	Electricity	Flights
Head Office	-	-	-	-	-	16.85	164.14	211.92	997.09	4,824.56	45.56
SBU Distribution I	-	-	-	-	733.19	0	662.86	194.47	0	1,463.83	0
SBU Distribution II	-	-	300.54	-	-	0.21	231.77	57.13	105.51	558.3	0
SBU Distribution III	-	-	-	-	-	68.9	291.95	-	1.58	3,530.67	128.31
SBU TSI	5,138.42	3,186.79	-	-	37,839.59	1,152.71	508.86	29.20	-	1,152.71	143.64
PMO	-	-	-	-	-	-	431.03	-	-	-	37.35
TOTAL	5,138.42	3,186.79	300.54	0	38,572.79	1,238.67	2,290.61	492.72	1,104.18	11,530.07	354.86
Total	52,324.72									Total	11,884.93

Based on the carbon calculator system, in 2013, PGN production generated carbon emissions of 54,609.38 tons eq. This increased in 2014 to 62,209.63 Ton eq. This is due to additional measurements in the venting, blowdown and instrumentation activities. The target we had proclaimed for 2014 was 3% from the previous year.

As a tangible manifestation, our company has reduced carbon emissions by preparing various environmental programs and initiatives as follow-up and realization of PGN's commitment to environmental conservation. At every stage of program implementation, we compare carbon emission measurements. We do this so the company can approach the most economical levels.



## REVIEWS AND CONTINUOUS IMPROVEMENTS TO ENVIRONMENTAL POLICIES

We're not just looking for profits in each of our production activities, but also provide benefits to all, be it to the employees or the environment, hence we integrate environmental and energy policy into our occupational health and safety policy into an integrated policy which we call Occupational Health and Safety Management System and Management of Environmental and Energy Policy (SMK3PL-E).

We strive so that our operational activities complies according to the rules and regulations of this country. These efforts are done in an effort to synergize unity for sustainability into the future, in accordance with the company's spirit to grow together.

The implementation of this new policy has been accompanied by environmental programs encompassing:

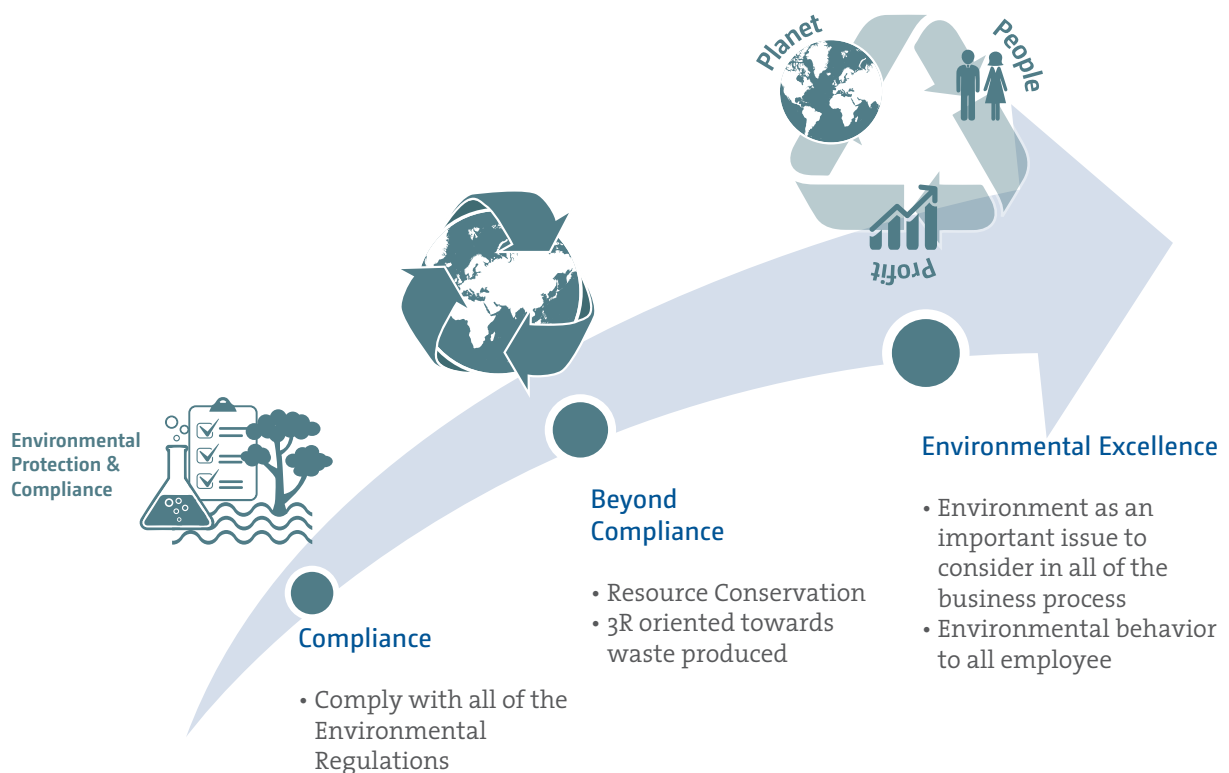
- Preparation of an Environmental Impact Analysis (EIA) for all new projects involving independent external parties
- Implementing RKL (Environmental Management Plans)–RPL (Environmental Monitoring Plans), and reporting routinely each semester to the appropriate authorities.
- Encouraging employees to save electricity.
- Replacing machinery with new energy saving technology.

- Encouraging employees to implement a paperless culture.
- Installing converter kits on all operational vehicles so they can be fueled by Gas.

We are strongly committed to taking responsibility for the environment through various programs managed by individual work units, namely the Occupational Health and Safety and Environmental Management (K3PL) Division and the Social and Environmental Responsibility Division (TJSL). For its Environmental Management Strategy, PGN applies an Environmental Management System and an Energy Management System. These are contained in the Occupational Health and Safety and Environmental Management Policy (K3PL-E) ratified on 31 October 2012.



Our principle for environmental management has been to adapt ISO 14001 EMS clauses, even though we are not yet ISO accredited. What we do, is periodically identify significant environmental aspects and impacts, identify regulations and evaluate environmental compliance, establish environmental objectives and targets, internally audit EMS implementation and review management implementation Environmental Gatherings. Every two years, every work unit determines that environmental aspects to prioritize are energy management and resource components other than energy e.g. water and paper.



We make efforts to safeguard the environment because it is a priority for our company. Our vision for the environment is held within a program called PGN EcoCare, as a contribution by PGN Group to Sustainable BUSINESS. In 2015, the main goal is 100% compliance with relevant environmental regulations and environmental performance baseline mapping as a reference for the continual improvement of environmental management systems and performance in PGN.

### Environmental Training

PGN's vision will be achieved by the programs we implement to broaden the viewpoint of all PGN units. We strive to support the successful achievement of environmental transformation by providing training for all appropriate PGN staff. The training required includes:

- Training in Preparing EIA and UKL-UPL documentation, as well as Handling Environmental Permits
- Training in Mercury Management
- Training in the Energy Management System

## SUSTAINABLE ENVIRONMENT MANAGEMENT AND MONITORING

Our company is fully committed to safeguarding the environment through the implementation of environmental management and monitoring programs that are tangible manifestations of environmental management. These programs are implemented in accordance with recommendations made in the environmental management documentation (EIA and UKL-UPL).

Our company's activities are installing transmission and distribution pipelines and channeling natural gas. In the environmental context, generally our production activities have no significantly negative impact on the environment. However, in our operational activities, we strive to fulfill environmentally sound principles by taking action to safeguard the environment by complying with environmental baseline standards set by the government and reporting our environmental monitoring results each semester to the relevant authorities, namely the Environment Agency, Bapedalda and Migas. [G4-DMA]

We monitor the environment in accordance with provisions in the EIA and UKL-UPL documentation and monitor:

- Wastewater and surface water quality
- Emission quality and ambient air, and
- Noise levels.

### Monitoring Environment Quality at PGN

The results of the monitoring carried out show that in all major operational areas, the measured parameters are continuously below the environmental quality standards stipulated in the regulations. The results of emission monitoring in the area around Pagardewa compressor facility in South Sumatra are as follows:

#### WASTEWATER ANALYSIS RESULTS [G4-EN22]

No	Parameter	Unit	Quality Standard **)	Measurement Results											
				Jan	Peb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
1	pH	-	6-9	6.8	6.58	7.02	7.2	6.36	6.9	7.1	6.36	7.4	*)	7.6	6.9
2	Oil & Grease	mg/l	25	1	3.84	0.8	0.6	2.8	0.8	1	1.5	0.3	*)	0.4	0.54
3	Total Organic Carbon (TOC)	mg/l	110	2.2	2.2	2	1.6	1.5	1.8	2.2	2.8	1.5	*)	2	3.8
4	Debit	m <sup>3</sup> /day		15.49	3.84	8.44	12.09	8.49	2.94	0.15	1.23	1.14	4.17	2.24	4.91

\*) At the time of sampling, the API Separator outlet was dry so no sample could be taken

\*\*) South Sumatera Gubernatorial Decree No. 8/2012 on Wastewater Quality for Companies and/or Installations, Depots and Oil Terminals

SBU I, II and III do not generate wastewater from operational activities in the field/station, only Pagardewa Station at SBU TSJ generates liquid waste. Results from the wastewater management satisfy quality standards sent in South Sumatera Gubernatorial Decree No. 8/2012 on Wastewater Quality for Companies and/or Installations, Depots and Oil Terminals, and the outlet of API separator processed results leads into a pond then goes into a small drain heading toward Kemiri River.

### MONITORING RESULTS OF AIR EMISSIONS FROM PAGARDEWA STATION CHIMNEY [G4-EN21]

No	Parameter	Unit	Standard Quality *)	Measurement Results												
				Turbin Gas A			Turbin Gas B		Turbin Gas C		GEG A		GEG B		DEG	
				Feb	May	Oct	Feb	Dec	Feb	Aug	Apr	Oct	Feb	Aug	Feb	Aug
1	Carbon Monoxide (CO)	mg/Nm³	500	**	**	**	***	**	**	**	166	142	196	187	362	360
2	Suphur Dioxide (SO₂)	mg/Nm³	150	5	2	6	***	7	8	6	6	4	4	4	**	**
3	Nitrogen Dioxide (NO₂)	mg/Nm³	320	12	10	5	***	4	24	26	12	12	15	13	5	5
4	Total Particulate	mg/Nm³	50	12	16	18	***	18	16	16	16	14	13	15	**	**
5	Oxygen (O₂)	%	-	-	-	18	***	15	-	18	-	18	-	18	-	17
6	Flow Velocity	m/s	-	-	-	16	***	18	-	20	-	20	-	20	-	16

\*) Regulation Of State Minister Of Environment Number 13 Of 2009 On Emission Quality Standard Of Immobile Sources For Oil And Natural Gas Business And/Or Activity and South Sumatra Governor Regulation No. 6/2012 on Quality Standard Of Immobile Sources Emissions and Motor Vehicle Exhaust Emissions Threshold

\*\*) Not Mandatory to be measured

\*\*\*) Machine is not operated

### MONITORING RESULTS FOR AMBIENT AIR AT PAGARDEWA COMPRESSOR STATION 2014 [G4-EN21]

No	Parameter	Unit	Standard Quality*)	Measurement Results			
				Feb	May	Aug	Nov
1	Sulfur Dioxide (SO <sub>2</sub> )	µg/Nm <sup>3</sup>	900	<20	<20	28,5	12
2	Nitrogen Dioxide (NO <sub>2</sub> )	µg/Nm <sup>3</sup>	400	31	28	29	16
3	Carbon Monoxide (CO)	µg/Nm <sup>3</sup>	30000	229	192	189	162
4	Hydrocarbon	µg/Nm <sup>3</sup>	160	<8	<8	< 8	< 8
5	Dust	µg/Nm <sup>3</sup>	230	29	24	25	28

\*) Quality Standard according to South Sumatra Governor Regulation No.17/2005

According Environment Minister Regulation No. 13/2009 on Emission Quality Standards from Stationary Oil and Gas Sources for chimney emissions in SBU I, II and III, with a capacity <570 KW, it is sufficient to measure emissions once every three years and there is no requirement to meet quality standards. Most recently, we monitored in 2012, and with government policy requiring measurement every three years, in 2014 we did not do any monitoring.

### Disposed Waste Stockpiles

All toxic and hazardous (B3) waste generated by the company, either from PGN head office or from the SBU, is immediately collected by a third party under PT Prasada Pamunah Limbah Industri as we do not, at this time, have a waste management unit.

#### TOXIC AND HAZARDOUS WASTE GENERATED BY PGN IN 2014 [G4-EN23]

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total per Station
	(Ton)	(Ton)	(Ton)	(Ton)	(Ton)
SBU TSJ					
Bojonegara	-	0,396	-	0,297	0,693
Muara Bekasi	-	0,7608	-	1,0367	1,7975
Pagardewa	-	2,8523	1,254	6,495	10,6013
Labuhan Maringgai	-	0,40304	-	0,247	0,65004
Terbanggi Besar	-	0,623	-	21,725	22,348
SBU I					
Cimanggis	-	0,007	0,067	0,008	0,082
jakarta	-	0,007			0,007
Klender	-	0,088			0,088
Cilegon	-	0,056			0,056
Bogor	-	0,018			0,018
SBU II					
Tandes	0,0235	0,0155	0,002	0,034	0,075
Gresik	0,088	0,011	0,006	0,009	0,114
Waru	0,024	0,0197	0,0075	0,0415	0,0927
Kalisogo	0,01	0,009	0,006	0,01	0,035
Porong	0,043	0,077	-	0,055	0,175
SBU III					
Pasar 9	-	-	0,06	-	0,06
Panaran	-	0,4685	-	0,074	0,5425
Head Office	-	-	-	1,48	1,48
				Total	38,91504



## AFFORESTATION PROGRAM

In our efforts to reduce the impact arising from production activities, we have implemented a regreening program in areas in the vicinity of our operations and around our main transmission pipeline development project as part of our efforts to reduce CO<sub>2</sub> emissions. This has been done by making use of plant abilities to absorb CO<sub>2</sub>. We have selected various types of plants with good CO<sub>2</sub> absorption ability that do not affect the transmission pipeline or operational activities in the operational support offices.

### TOTAL TREES PLANTED FOR PGN REVEGETATION

Year	2010	2011	2012	2013	2014
Total trees	1,062,517	934,638	570,858	500,675	230,696

In 2014, we planted trees in an area formerly excavated for the transmission and distribution pipeline and operational support offices. A total of 230,696 trees were planted in locations around Tanjung Piayu Batam, Muara Enim, Kalisogo, Gresik, Sidoarjo, Surabaya, Malang and Bandung.

## WATER CONSERVATION

In our operational support offices, we only use water as a coolant in the compressor pump installation and for domestic use. The water used in the main support offices comes from the City Water Company (PDAM) and wells.

Water is always extracted from the wells at the main office in accordance with the regulations setting quantity limits. The total water supplied by PDAM that our company used during 2014 amounted to 77,073 m<sup>3</sup>, in 2013 PDAM water consumption was 51,785 m<sup>3</sup> due to the increasing of company activity. [G4-EN8]

PGN utilizes quite an extensive open area around the head office as a water catchment area. In the area defined as a water catchment area, we have made biopore holes as a media to absorb rainwater or runoff water into the soil. In this way, the ground water level is relatively maintained and we have had no complaints

from the local community or from the relevant authorities about falling groundwater levels. By the end of 2014, we had made 71 biopore holes in all areas under PGN management. Our objective in using biopore holes is to support soil conservation in an effort to save electricity.

For water used as a cooling medium, we apply a closed-loop system so that no water is discharged. All the water that has been used, after open cooling, is reused as a cooling medium. Some of the water that is not used is returned directly to the nearest body of water without being recycled.

We recycle water in the operational head office using carbon absorbent filtration. Water generated from this recycling process is used for limited applications, such as washing operational vehicles and watering plants before being discharged into nearby waterways.

## MATERIAL USE

In our efforts to develop the natural gas business in Indonesia, we are adding the use of new pipes as a replacement or to add to the new pipeline network. At any given time, this absorbent material is being replaced with new material, while used absorbent material is treated as solid waste that must be treated according to applicable regulations so as not to pollute the environment. The amount of B3 waste produced was 38.92 tons, which consisted of used oil, scrap filters, used batteries, used batteries and contaminated waste.

As of the end of 2014, the accumulated length of transmission and distribution pipeline that we managed totaled 6,128 km. This is an increase of 2.14% from the previous year, which amounted to 5,997 km. An illustration of the accumulative length of pipeline over the last 2 years.

### LENGTH OF TRANSMISSION AND DISTRIBUTION PIPELINE (KM) [G4-EN1]

SBU	Length (km)		Additional
	Des 2013	Dec 2014	Jan - Dec 2014 (km)
DISTRIBUTION			
- SBU I	2,497	2,617	120
- SBU II	769	761	8
- SBU III	684	703	19
TRANSMISSION			
- SSWJ	1,004	1,004	-
- North Sumatera	37	37	-
Total	4,991	5,034	

We use pipes made of steel or PE plastic with a carefully calculated thickness in the construction of transmission and distribution pipelines. The pipes are covered by a protective layer of PE and other protective layers that are rustproof, durable and can be buried in the soil for long periods of time (about 30 years). Another important material in our main operational activities is impurity absorbers, or filters, that we place in the pipe. This function of this absorbent is to remove dirt in the form of water vapor or dissolved substances to maintain the quality of the natural gas.

We do this as a step that can save the use of natural resources and other energy sources as a form of participation in environmental conservation and preservation activities. In addition, our company uses these materials to minimize the impact of our production activities. [G4-DMA]

## EFFICIENT USE OF PAPER

In our operational activities, paper is one of the components we prioritize for administration. We have a policy to always utilize used paper as a recycling material for further paper management.

We have developed a technology-based administration system and electronic secretariat management system (e-sms) to reduce the amount of paper solid waste. Since the IT-based operational policy was implemented, use of paper in PGN has quite substantially reduced, from around 17,292 reams in 2012 to 15,652 reams in 2013. In 2014, we used 15,921 reams. However, in 2014, we did not recycle paper for operational activities as we used a technology-based system in accordance with company policy to support paper efficiency programs.

Policies related to paper use are:

- Using both sides of paper to print draft letters
- Recycling waste paper
- Making efficient use of paper

We also cooperate with a competent party to manage materials that can no longer be used. Material that cannot be reused is handled in three ways, being either sold, donated or destroyed.

## CARBON EMISSION MANAGEMENT

Tangible manifestation of our company's environmental transformation and the realization of our carbon emissions management program is structured efforts to reduce carbon emissions from operations. Our operations do not involve the processing, extraction and use of raw materials and water, we only make use of energy directly and indirectly. Therefore, carbon emissions produced are proportional to energy consumed, so overall carbon management refers to the energy savings resulting from energy audit findings. [\[G4-DMA\]](#)

To realize carbon emission reductions, we conduct three main programs:

- Applying energy audit recommendations
- Implement new innovations

- Perform reforestation to absorb CO<sub>2</sub>. We started this emission management program in 2014, with the target of reducing carbon by about 5% per year for the first year

Implementing Energy Audit Recommendations for direct and indirect Energy Use in PGN operations. Energy is used directly to drive the gas turbine compressor contained in the transmission network to push gas toward end-user installations, such as power plants, the ceramics industry, commercial customers (hotels and shopping centers) and households. [\[G4-EN4\]](#)

There are two energy source types that can be used to drive the compressor turbine economically, diesel oil and natural gas. Energy is used directly to drive

the gas turbine compressor so that the gas in the transmission network flows toward the end-user installation, such as power plants, the ceramics industry, commercial customers (hotels and shopping centers) and households.

Indirect energy includes the use of electricity to meet head office needs, SBU offices and to light the vicinity of operational facilities. Electricity is supplied by PLN and our own plant (fueled by gas, as shown in the previous table).

Upon the recommendation of the energy audit, we use natural gas as an energy source, given its use reduces emissions by 25.3% compared to diesel. We always apply energy audit recommendations in all our operations.

The amount of electricity used in 2014 in PGN was: 14,936,730 KWH or 14,937 MWH or 53,769,655 gigajoules. Total electricity consumed supplied by PLN during 2013 reached 17,799.2 MWh or 64,077.186 gigajoules. Electricity consumption in 2011 amounted to 5,957.34 MWh or 21,446.1 gigajoules. Data for 2014 and 2013 reflects total PGN consumption, while for 2011 and 2012 it reflects PGN head office consumption. [G4-EN3]

#### PGN ENERGY INTENSITY [G4-EN5]

Total Electricity Consumed (GJ)	75,9983.7
Total Production (MMscfd)	859.05
Energy intensity (GJ/MMscfd)	884.68

To reduce the use of electricity at PGN, we have implemented various repair programs, such as:

#### [G4-EN6, G4-EN7]

1. Rewiring light switches based on need, function and gradual use of energy efficient LED light bulbs. The realization of this program will help decrease carbon emissions by reducing electricity consumption by 6.16%.
2. Installing unit occupation sensors on outdoor lighting to reduce carbon emissions by reducing electricity consumption by 6.18%
3. Retrofitting (replacing R-22 refrigerant with hydrocarbon). This will help reduce emissions by saving electricity consumption by 16.34%, with a total of 81 AC units retrofitted in 2013 in SBU I Western Java.
4. Using solar cells for lighting outside PGN Head Office with a 9,000 watt capacity, temporary B3 waste storage space at SBU II Eastern Java with 4 units each at 100 watts capacity and tower repeaters along the Grissik-Labuhan Maringgai transmission pipeline.

## REPLACING CHILLER FUEL TO COOL ROOMS

In our efforts to reduce CO<sub>2</sub> carbon emissions, our company has pioneered the use of natural gas from its internal network installation as a substitute for non-environmentally friendly chiller fuel. Results have shown that this can work well. Natural gas used as a chiller fuel can still be used as fuel.

PGN is now planning to expand the use of natural gas as a chiller with the following considerations:

- Implementing the government mandated blue sky program
- Chiller use has been trialed in the PGN SBU II Surabaya building with good cooling results.

Chemicals in the form of gas that contribute to damaging the ozone layer and impact on global warming include Freon, which is commonly used as a chiller fuel or heat exchange medium in refrigerators (room AC, refrigerators, cooling towers and similar). At a certain period, namely during service, some fuel chiller is spilled, thus polluting the atmosphere. At Graha PGAS, natural gas has been used as a chiller since 2011, meaning we no longer use or create emissions from ozone depleting substances such as Freon.

### MRU (MOBILE REFUELING UNIT) PROVISION

To help the government's efforts to convert from gasoline to CNG fuel, we have actively participated in supporting the conversion program and the realization of the MRU (mobile refueling unit) development program. MRU are mobile gas refueling stations for motor vehicles and serve as a pilot project for the campaign to use gas as a clean, environmentally friendly energy, and are placed in the yard of PGN head office.

PGN has provided two MRUs through its subsidiary GEI, which are located at Monas and Pluit. There are also already three SPBGs located at PGN Head Office in Jakarta, Pondok Ungu Bekasi and in Bogor.



## APPLYING OPERATIONAL INNOVATIONS FOR CONVERSION FROM GASOLINE TO CNG

We are aware that we also produce CO<sub>2</sub> emissions from operational vehicles that mostly use irreplaceable fossil fuels, namely gasoline and diesel.

Through a re-calculation in the energy audit program, we have included the use of fuel for generating machinery and operational vehicles leased from a partner company or vendor. The use of gasoline and CNG for PGN Head Office during 2014 resulted in emissions from CNG amounting to 492.7 tons CO<sub>2</sub> eq, or 235,907.54 m<sup>3</sup> CNG, and gasoline for vehicles emitting 2,290.61 tons CO<sub>2</sub> equivalent or 953,650.76 liters of Pertamina. It seems clear that the CO<sub>2</sub> reduction program, through the conversion program, contributes to a reduction in CO<sub>2</sub> emissions. In accordance with the carbon calculator calculations that we have developed, fuel consumption in 2014 was equivalent to CO<sub>2</sub> emissions into the atmosphere of 492.7 tons. While for 2013, total CO<sub>2</sub> emissions into the atmosphere were equivalent to 864.9 tons.

Since late 2012, we have intensified the implementation of our CO<sub>2</sub> emission reduction program for operational vehicles by using CNG to replace gasoline. We use CNG (compressed natural gas), which has an emission level 20% lower than gasoline. As of the end of 2014, we had converted 114 operational vehicles. The conversion program will continue for all PGN operating vehicles that can be converted.

We have concurrently implemented various efforts to reduce CO<sub>2</sub> emissions into the atmosphere, including:

- Emissions testing on operational vehicles to ensure emissions are in accordance with thresholds set by the government,
- Limiting the use of electronic equipment, including computers and such like, during office hours.

We always conduct periodic maintenance on generator machinery. An example of these measurements can be seen in the “Environmental Monitoring” description. This is done to attempt to reduce polluting gas emissions from gasoline combustion process in generators installed in the compressor stations and in operational vehicles, such as NO<sub>x</sub> and SO<sub>x</sub>, which greatly influence engine condition. In addition, we continually measure ambient air quality in certain locations to ensure they do not exceed determined environmental quality standards.

### PGN GHG EMISSION INTENSITY 2014 [G4-EN18]

Total Carbon Emissions (ton CO <sub>2</sub> eq)	64,209.63
Total Production (MMscfd)	859.05
GHG Emission Intensity (ton CO <sub>2</sub> eq/MMscfd)	74.75

## ENVIRONMENTAL CONSERVATION THROUGH THE COMMUNITY STEWARDSHIP PROGRAM

To realize its concern for environmental conservation, PGN implements a Social and Environmental Responsibility (TJSL) program in the form of planting coral in the region of Pulau Putri, Kepulauan Seribu.

Planting coral seedlings was done in cooperation with the Thousand Islands National Park Center (BTN Kepulauan Seribu). Those taking part in planting coral seedlings were PGN employees from the Finance Directorate, who were given guidance about coral reefs and the correct procedure for planting coral seedlings.

Participants then shared coral reef guides and gloves. The coral seedlings were planted in two different locations on Pulau Putri, at a depth of 2 meters and 4 meters. Those planted at a depth of 2 meters used PVC pipe shaped as a square as the medium. Meanwhile, that planted at depth of 4 meters was planted using PVC pipe in the shape of the letters "P G N".

The coral planting square-shaped PVC pipe was laid on the beach before being planted with coral seedlings by the participants. The participants then planted 25 squares each with 12 seedlings before placing them into the sea.

The coral planting media shaped in the letters "P G N" was planted by divers from the coral care community and PGN employees in the PGN Divers Community. By creating a planting media shaped in the letters "P G N", visitors to Pulau Putri who go snorkeling, diving or take trips in glass bottomed boats will be able to see and enjoy the beauty of the corals in the shape of the letters PGN.

In line with the Occupational Health and Safety and Environmental and Energy Management (K3PL-E) policy and the principle of sustainable and environmentally responsible business ethics, one of the manifestations of corporate responsibility related to the above is the company's alignment and involvement in environmental protection efforts, including the protection and conservation of biodiversity both in situ and ex situ. As a first step, in 2014, PGN SBU TSJ conducted a biodiversity profile study in the Bedegung Waterfall Tourism Area, Bedegung village, Tanjung Agung district, Muara Enim regency.

The purpose of this activity was to develop a baseline profile of biodiversity and display it in the form of spatial information. Furthermore, management, utilization and/or protection of biodiversity will be implemented.

The diversity of flora presented below is types commonly found or dominant in the study area. As an illustration, there are 24 types of trees, 37 species of undergrowth, 8 species lianas and 1 palm found in Bedegung Waterfall Tourism Area. While the diversity of fauna presented includes 67 species of bird, 7 species of mammal, 16 species of reptiles and 25 species of dragonfly in Bedegung Waterfall Tourism Area.

Biodiversity management is through the following strategies:

- Increasing efforts to strengthen biodiversity to maintain germplasm.
- Promoting the preservation of germplasm
- Strengthening social, economic and community institutional support to increase effectiveness of arboretum management

The implementation program is derived from PGN biodiversity management strategies, namely:

- Program to preserve types and germplasm by developing an arboretum and park
- Socio-economic development and strengthening of the community to support the management of biodiversity by improving community capacity in ecosystem management

These activities were conducted in collaboration with local environmental agencies, universities and the community.

#### ENVIRONMENTAL PROGRAM BUDGET [G4-EN31]

Our commitment is to implement conservation programs that are able to control the environmental impact of PGN operations, including lowering our carbon emissions. For that, PGN has budgeted funds to support the smooth realization of our programs. For 2014, the total budget realized amounted to Rp8.865 billion, with the following details. This does not include the environmental conservation budget implemented through the Community Stewardship Program and TJSL.

No	Activity Description	Total Rp
1	Preparing Environmental Impact Analysis (EIA) / UKL-UPL Documentation and Processing Environmental Permits	1,364,710,000
2	Environmental Monitoring	2,114,286,000
3	Making Absorption Wells at Strategic Business Unit Distribution I and III	275,000,000
4	Environmental Campaign	35,209,480
5	Toxic and Hazardous Waste Management	613,597,990
6	Environmental Management Program related to PROPER	1,049,559,350
7	Equipment Calibration for Environmental Measurements	48,675,000
8	Environmental Training	249,724,220
9	Energy Monitoring System and Carbon Calculator	209,000,000
10	Energy Efficiency Program	1,416,000,000
11	Environmental Management Facility (temporary B3 waste storage)	894,387,960
12	Environmental report	35,936,800
13	Environmental Management System	112,550,000
14	Biodiversity Consultant Services	447,000,000
	TOTAL	8,865,636,800

## ENVIRONMENTAL AWARDS

Our efforts to conserve the environment have resulted in a number of awards in 2014, including:

### Pencapaian Kinerja Bersama

#### Performance



PROPER Biru SBU Distribution I Western Java Offtake Station Cimanggis Depok



PROPER Biru SBU Distribution II Eastern Java



PROPER Biru SBU Distribution III Northern Sumatera Offtake Station Panaran Batam



PROPER Biru SBU Transmission Sumatera Java, Pagardewa Compressor Station South Sumatera

#### Achievement

- The Best Sustainability Award Category Environmental Service 2013, 9th ISRA Awards held by NCSR
- Best Overall, The Best Sustainability Award 2014, 10th SRA Awards held by NCSR
- Indonesian Concern Company 2013, SWA Magazine Award
- Best Indonesian Green Company 2014, SWA Magazine Award











06

## Prioritizing Occupational Health and Safety





## Prioritizing Occupational Health and Safety

We are committed to achieving world-class safety excellence through directed and measurable Occupational Health and Safety management. More than this, the OHS culture that we foster is aimed at creating a workplace that is safe, healthy and comfortable for all of PGN's people.



During its 49 years on Mother Earth, PGN has grown by developing its gas pipeline infrastructure network. The existence of PGN over the years demonstrates that PGN is the only gas SOE prepared to spearhead the increased use of natural gas in Indonesia. PGN's experience and contribution in supporting the program to convert gasoline to CNG places PGN as the best partner to achieve national energy transformation.

Our achievements over the years could not have occurred without the supporting hard work and professionalism of PGN's employees. Their cohesiveness, spirit and professionalism at work have resulted in the company being able to implement the tasks assigned to it by the government and not to become complacent about its achievements. PGN's people are greatly committed to the development and increased use of natural gas in our beloved homeland.

However, we realize that the industry and PGN's operational activities carry a high occupational health and safety risk. For this reason, Occupational Health and Safety (OHS) is one of our main focus points in PGN's sustainability strategy.

In general, OHS implementation and management in PGN is derived from Law No. 13/2003 on Employment. Article 86 clause 2 stipulates a company's obligation to provide occupational health and safety, "To protect employee safety and realize optimum work productivity, efforts toward occupational health and safety shall be organized."

In addition, to become an inherent part of our work culture, we have included OHS regulations in various clauses of the Collective Labor Agreement (CLA), which has been signed by the PGN Labor Union (SP-PGN) and the management. We also make OHS an integral part of each employee's KPIs. [\[G4-DMA\]](#)[\[G4-LA8\]](#)

To uphold our commitment to the implementation of OHS programs, PGN has created an organization structure to manage OHS that involves all levels of management, from top management to supervisors, as described in the following discussion.

## OCCUPATIONAL HEALTH AND SAFETY POLICIES AND OBJECTIVES

The management of occupational health and safety (OHS) at PGN is vital. PGN is active in the transmission and distribution of natural gas, a high-risk activity. In accordance with the Company Vision, to become a World-Class Energy Company Utilizing Natural Gas, the company's OHS management must be in line with its vision. With good OHS management, everything that could give rise to workplace accidents or occupational health hazards can be minimized, as can be seen in the SHE Goals that have been created.

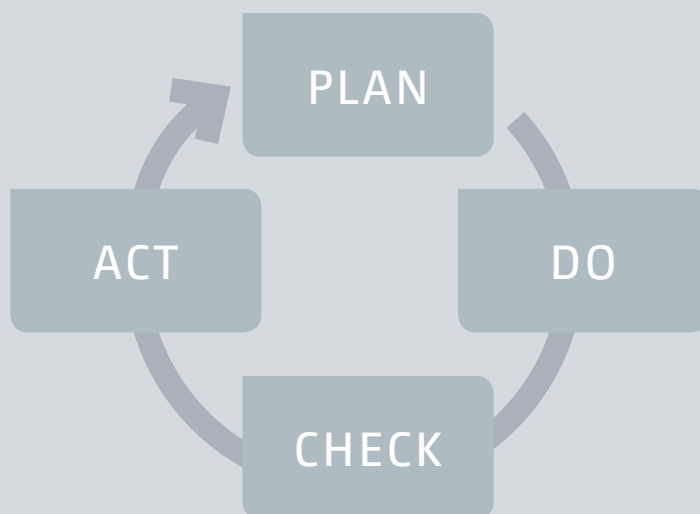


K3PL-E Policy

In Indonesia, OHS management is aimed at protecting employees from unwanted incidents that could arise in the work environment and impact negatively on an employee's health or safety. [\[G4-DMA\]](#)[\[G4-LA8\]](#)

Our OHS success in achieving zero incidents has been internationally recognized and our achievement demonstrated with the awarding of OHSAS 18001:2007 and Occupational Health and Safety Management System certification. OHSAS (Occupational Health and Safety Assessment) 18001 is an international standard for the implementation of an Occupational Health and Safety Management System, or OHS Management. In this policy, the implementation of OHS management systems in all PGN OHS activities is prioritized by strengthening the principles of Plan, Do, Check and Action.





1. Plan: Developing objectives and processes needed in order to have corresponding results with OHS Policies of an organization
2. Do: Implementing already planned processes.
3. Check: Monitor and measure OHS achievements of OHS Policies implementations
4. Act: Taking actions to sustainably improve OHS performance

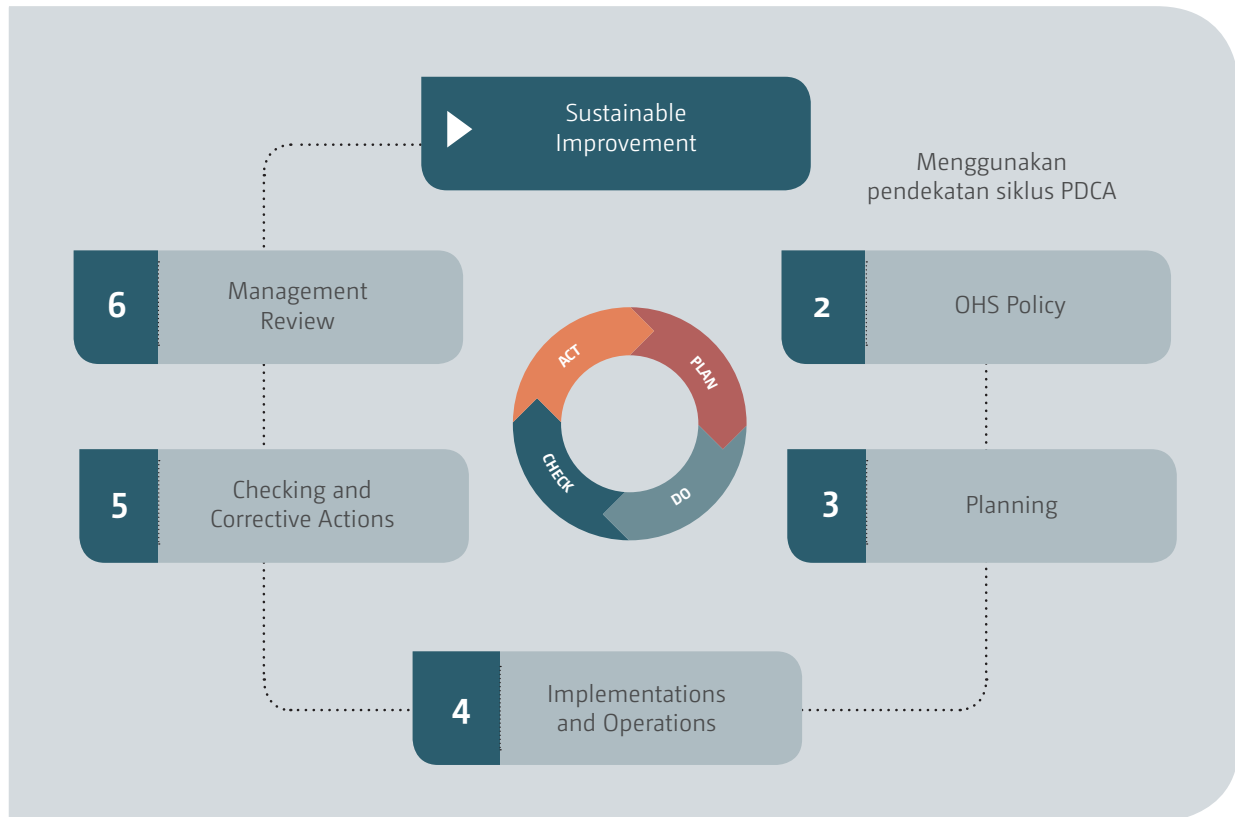
SHE Goals PGN also emphasizes the health aspect which is the embodiment of the company's concern for each of PGN employees. Because for us, our employees are our assets and main partner in achieving the sustainability goals.[G4-DMA]



SHE Goals

## OHS MANAGEMENT SYSTEM

One of the key measurements indicating PGN's success is how we are able to provide protection and comfort to all workers, not just to PGN employees but also to parties working in PGN's operational area and carrying out day-to-day activities. Risks to occupational health and safety are categorized in our industry are high and this serves as encouragement for PGN to always implement the highest standards of OHS management. More than this, PGN believes that a safe, comfortable and welcoming environment will have a positive impact on work productivity.



OHS Management System at PGN [G4-DMA]

PGN focuses its efforts on preventing OHS incidents and encourages "business sense" to properly implement the principles of occupational health and safety, following the existing regulations and rules. This includes the extent to which PGN has examined the occupational health and safety risks in each operational process and activity.

For PGN, good occupational health and safety means:

- improving the welfare of employees and their families.
- reducing accident compensation costs.
- reducing repair costs.
- the low cost of prevention compared to the cost of handling industrial accidents.
- maintaining the Company's good name and image.

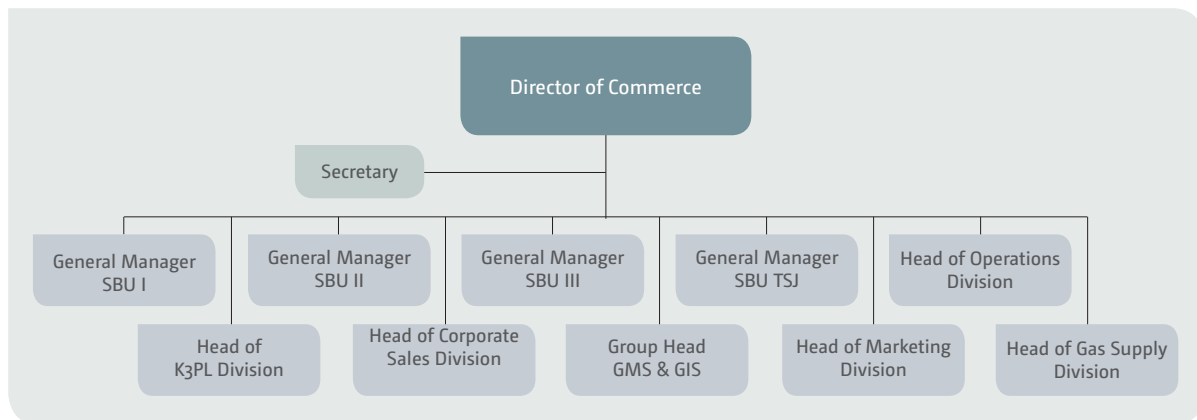
## CENTRAL SAFETY COMMITTEE

In the organization hierarchy, the management and implementation of OHS programs fall under the umbrella of the SHE division, under the Commercial Director. The SHE division has 42 staff, equivalent to 2.8% of PGN's employees. With the formation of the Central Safety Committee (CSC) at corporate level, as well as Special Business Unit (SBU) and Project level, we believe that OHS implementation and management can be conducted effectively and efficiently.

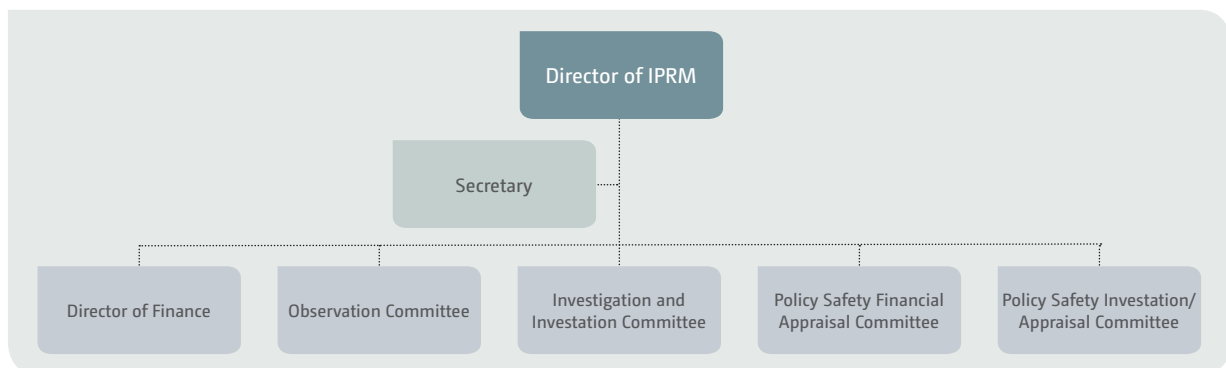
The role of the CSC as the driving force for safety activities is highly significant for PGN's success in imbuing a safety culture in all PGN's people and business partners. Various strategic policies and activities related to OHS continue to be implemented.

The CSC organization structure in each directorate and project is as follows: [G4-LA5]

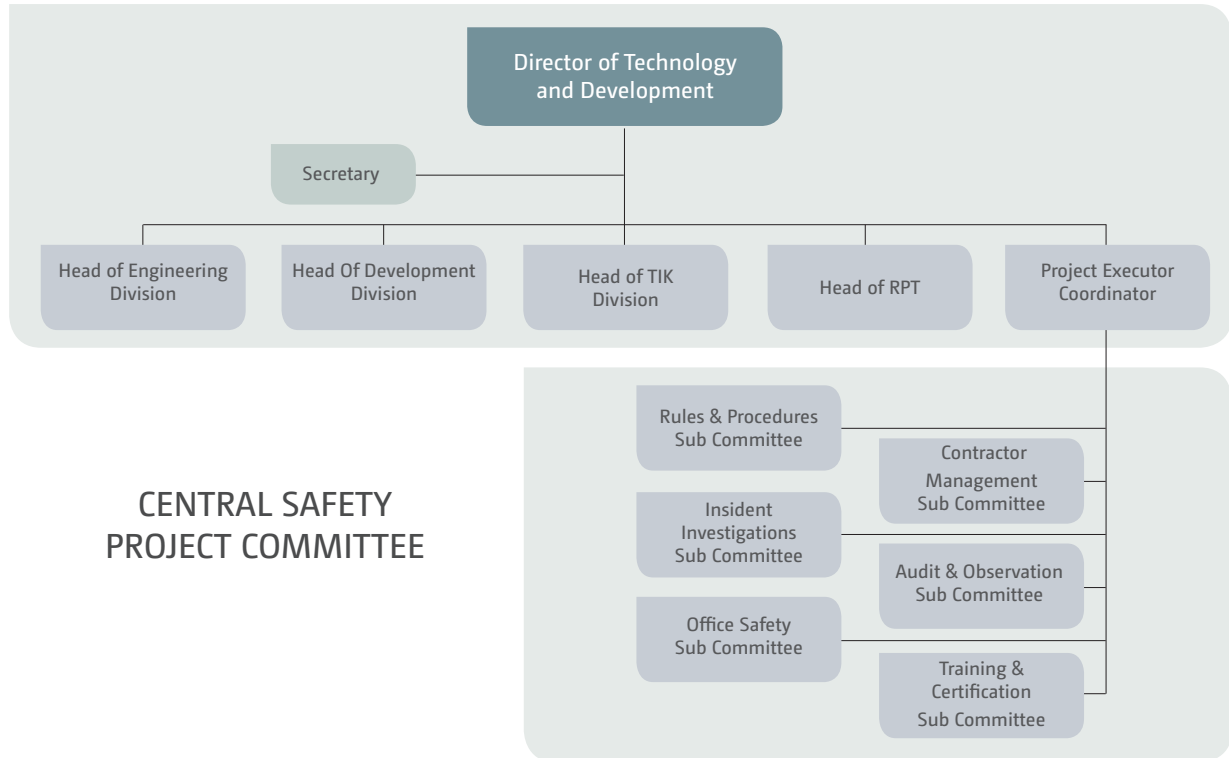
### ORGANIZATIONAL STRUCTURE OF DIRECTORATE OF COMMERCE



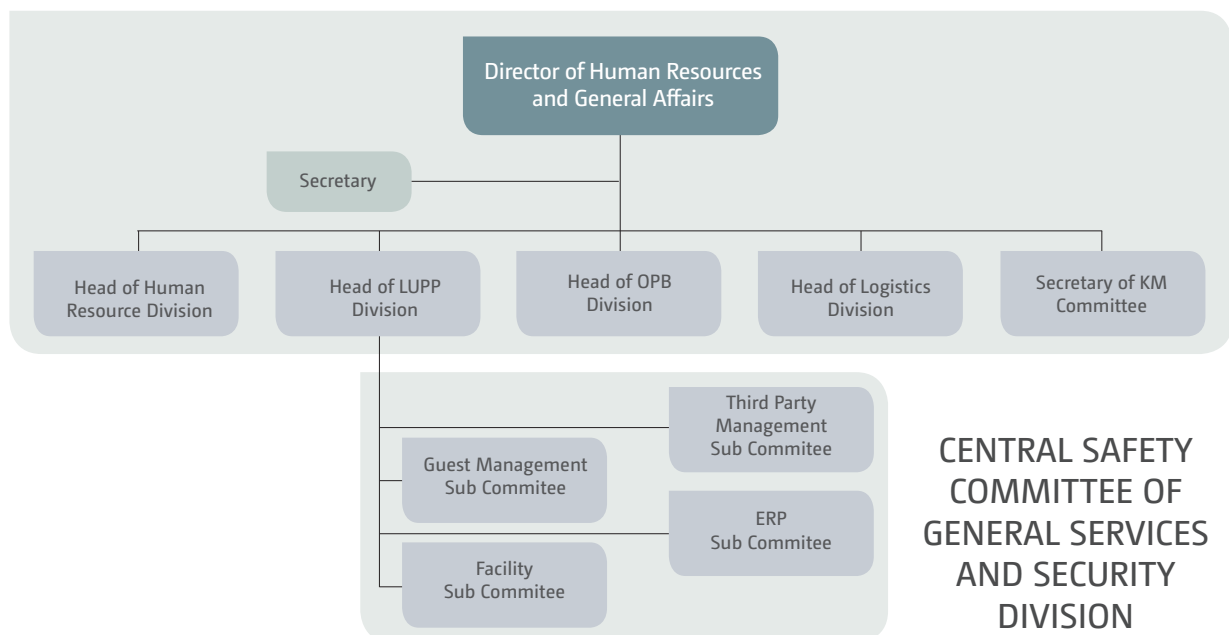
### ORGANIZATIONAL STRUCTURE OF DIRECTORATE OF IPRM & FINANCE



## ORGANIZATIONAL STRUCTURE OF DIRECTORATE OF TECHNOLOGY AND DEVELOPMENT AND PROJECTS



## ORGANIZATIONAL STRUCTURE OF DIRECTORATE OF HUMAN RESOURCES AND GENERAL AFFAIRS



## TARGET AND PROGRESS IN IMPLEMENTING THE OHS ROADMAP

To ensure the successful implementation of the OHS culture program, we have determined various parameters as targets to be achieved in each stage of the operational period in our efforts to continually and sustainably improve the OHS management system. Achievement goals for 2014 relevant to OHS performance growth in the company are as follows:

### TARGET K3 PGN 2014

	ITEM	Target 2014
Lagging Indicator		
Incident		
	Fatality	0
	Serious Accident	0
	Moderate Accident	0
Lost Time Injury Frequency (LTIF)		0
	Minor Accident	≤3
	Heavy Vehicle Accident	≤3
	(Vehicle Accidents valued at > Rp50,000,000)	
	Near miss and First Aid	No Target Set
Health	TSAF	≤0.45
Leading Indicator		
Risk Containment		
Audit		
	% Partisipasi	100%
	% Severity 4/5	No Target Set
	% Improvement Severity 4/5	100%
	% Improvement Severity 3	86%
	% Training RCA and Refresh	100%
	Average of Severity	<2.8
Observation		
	% Participation	100%
	Safe Index	No Target Set
	Unsafe Act/Hour	No Target Set
	% Training Observasi dan Refresh	100%
Audit	% Audit Result Completion Follow up	100%
	Certification/Surveillance OHSAS 18001:2007	Retained
Health	% Periodic Medical Check Up (MCU)	100%
	Environmental Working Environment	once/year
	Health Talk	Once/3 months
	First Aid Officer Drill	Once/3 months

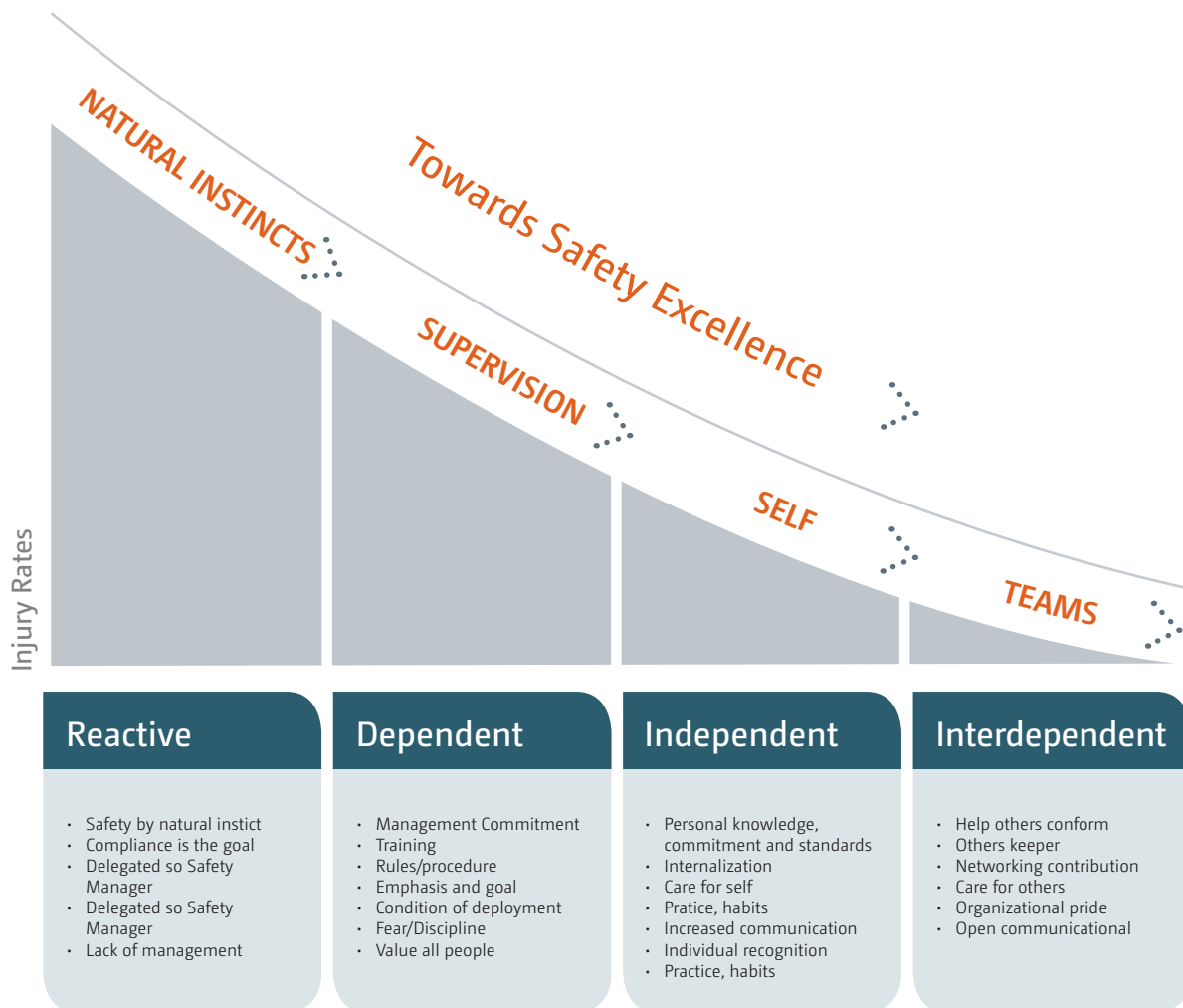


## OHS PROGRAM 2014

PGN's vision to become a World-Class Energy Company must be accompanied by an evenly applied safety culture (safety excellence) for every level of PGN employee in accordance with the roadmap set out. During 2014, we organized various activities related to OHS, as follows.

### WORKPLACE SAFETY

Since 2009, the Safety Excellence Program has demonstrated significant developments to support PGN achieve Goal Interdependent in 2016. We realize the importance of mitigating risks and ensuring our employees understand all the aspects of OHS to reduce the frequency of incidents and fatal workplace accidents. The results of audits conducted in several of PGN's work units demonstrate that our Safety Excellence Journey has been able to establish a culture of OHS-aware employees. In addition, we have achieved a transformation from reactive level to independent, as illustrated below:



Safety Road Map

Our vision is to achieve goal interdependent state by 2016. To achieve this, PGN has conducted a series of programs throughout 2014, including:

1. Management Visit

The PGN management regularly visits the SBU and work units to provide motivation and guidance on the implementation of OHS regulations. We hope that this direct interaction in the field between the management and employees at the operational level will provide real feedback, in particular regarding the direct implementation of OHS in the field.

2. OHS Management Review Meetings

PGN holds regular OHS Management Review Meetings, which are the peak point of the cycle to continually improve the OHS management system. In such review meetings, reports are submitted regarding the status of OHS management system implementation. During 2014, the overall OHS management review meeting agenda encompassed:

- Evaluating SHE Policy Implementation
- Follow ups from incidents that occurred in 2014
- Participation and Consultation
- Organization and Human Resource Management
- Evaluating Legislation Compliance
- Audit Results and Recommendations
- Evaluations and refinement of SHE targets for 2015

3. 2014 Non Organic SHE Competition to Assess SHE Implementation Benchmark

To celebrate PGN's 49th anniversary, the SHE Division cooperated with the LUPP Division and Corporate Communication Department to organize the 2014 SHE Comprehension Competition for Non-Organic employees. The enthusiasm of Non-Organic employees to participate in this competition was significant, as demonstrated by the participation of almost all the non-organic employees in each unit's competitions. The SHE competition is held as a benchmark for the implementation of SHE by Non-Organic employees within the PGN environment, while also demonstrating our appreciation for the SHE implementation by all the non-organic employees in their work environment.

4. OHSAS 18001:2007 and OHS Management System Surveillance Audit

In 2013, we received OHSAS 18001:2007 and OHS Management System certification for all Units, our Head Office and the Projects in recognition of PGN's OHS Management System implementation and compliance with all government regulations. In line with these regulations, an annual, routine surveillance audit is required for OHSAS 18001:2007. In 2014, the OHSAS 18007:2007 surveillance audit recommended that PGN retain its OHSAS 18001:2007 certification.

## 5. OHS Campaign

We routinely and continually conduct OHS campaigns in our efforts to increase OHS awareness among all employees. We expect this to reduce risks caused by unsafe situations and behaviors. These campaigns take various formats and include posters, banners and education related to Workplace Safety.

## 6. OHS Training

In our business, we conduct training to improve the competency of our employees in relation to OHS risk procedures and audit knowledge to achieve the determined targets. In addition, PGN provides basic OHS training to third-party employees to improve their awareness, concern and competency in OHS implementation. During 2014, PGN organized the following OHS training:

No	Training	Participants	Days	Total Mandays
1	Process Safety Management	18	3	54
2	Safety Management for Manager	12	3	36
3	TOT Basic Safety	20	3	60
4	Authorized Gas Tester (Certification)	20	3	60
5	OHS Scaffolding Supervisor (Certification)	20	6	120
6	General OHS Expert(Certification)	2	12	24
7	SMK3 Auditor (Certification)	1	3	3
8	Food Sanitation	20	3	60
9	Hearing Conservation Program	20	3	60
10	Mercury Handling	20	3	60
11	First Aid (Certification)	93	3	279
12	Fire Fighting (Certification)	43	3	129
13	Basic Sea Survival	7	1	7
14	T-BOSIET	4	3	12
15	OHS Chemical Expert	1	2	2
16	AECT and Office Safety	29	1	29
17	Risk Containment Audit	852	1	852
18	Observation	30	1	30
<b>Total</b>		<b>1,212</b>	<b>57</b>	<b>1,877</b>




#### 7. Employee OHS Awards

PGN presents OHS awards each semester to employees and third-party labor considered capable of implementing OHS and providing an example in the workplace. This is one of our OHS culture guidance programs.

#### 8. OHS Reporting

We routinely submit OHS reports to the regulator. These reports are submitted quarterly to the Manpower and Transmigration Department and monthly to the Oil and Gas Directorate General.



PGN strives to ensure safety is not just a slogan, but is part of the company's culture.

## 2014 OHS PERFORMANCE

The management's strong commitment and the painstaking efforts of every PGN employee to cultivate a culture of OHS risk awareness is reflected through various parameters and targets. These parameters and targets serve as a reference for OHS performance.

### 2014 SAFETY METRIC

The Safety Metric is an OHS management and implementation performance indicator for the SBUs and Head Office. The safety metric aims to monitor and assess, as well as to determine steps to improve PGN's OHS performance every month.

The 2014 safety metric demonstrates that all the Units and Head Office successfully achieved the target of zero incidents. However, the safety matrix for the Project shows one OHS LTIF incident measuring 0.23 in 2014. Whereas in the attainment of Corporate LTIF is 0.07 in 2014. [\[G4-LA6\]](#)

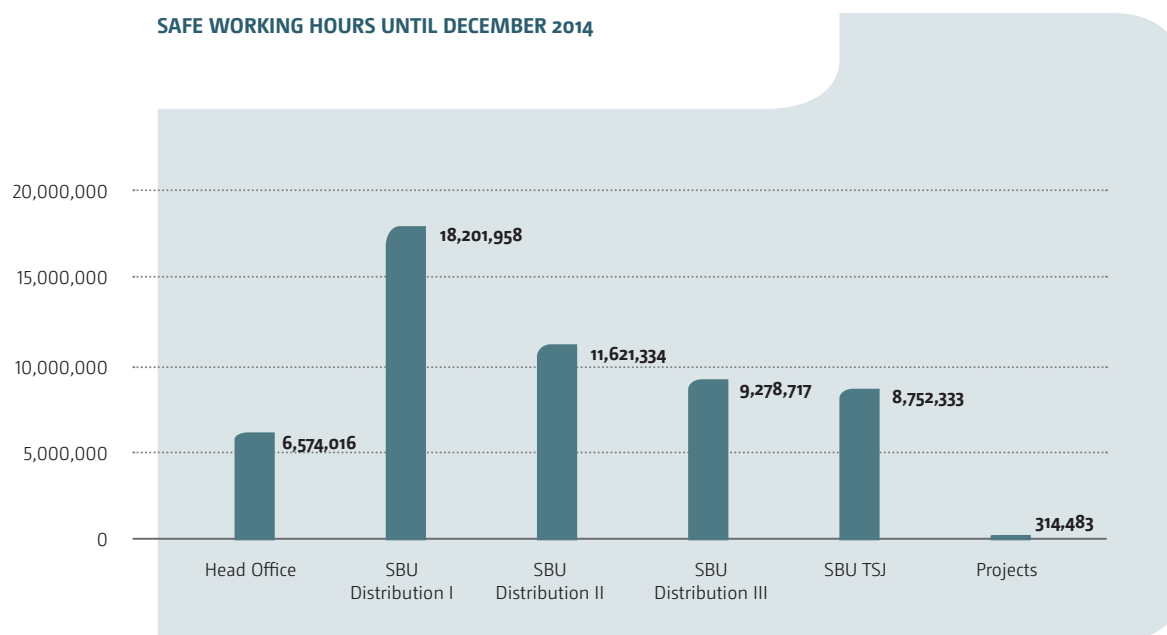
		ITEM	Head Office	SBU DW I	SBU DW II	SBU DW III	SBU TSJ	PMO	Target
Lagging Indicator	Incident	Fatality	0	0	0	0	0	1	0
		Serious Accident	0	0	0	0	0	0	0
		Moderate Accident	0	0	0	0	0	0	0
		LTIF	0	0	0	0	0	0.23	0
		Minor Accident	0	3	0	0	0	2	3
		Heavy Vehicle Accident (Vehicle Accidents valued at > Rp50,000,000)	0	0	0	0	0	0	0
		Light Vehicular Accident	23	1	0	2	5	3	
	Health	First Aid	0	2	3	16	14	9	
		Near missed	3	12	4	10	7	9	
		TSAF	0.75	0.23	0.26	0.32	0.19	0.06	0.45
Leading Indicator	RCA	Occupational borne Disease	0	0	0	0	0	0	0
		- % Participation	56.08%	100%	100%	95%	100%	97.55%	100%
		- % Fixed severity 4/5	80%	100%	100%	100%	100%	100%	100%
	Observation	- % Fixed Severity 3	65%	96%	100%	80.50%	86%	100%	≥ 85%
		- % Participation	23.17%	100%	100%	90%	100%	98.55%	100%
	Health	% Periodical Medical Checkup (MCU)	74.64%	99%	100%	100%	100%	74.67%	100%
		Work Environmetn Measurement	100%	100%	100%	100%	100%	100%	1x/tahun
	Audit	Surveillance OHSAS 18001:2007	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained
		Safe Working Hours (Jam)	6,574,016	18,201,958	11,621,334	9,278,717	8,752,333	314,483	



## SAFE WORKING HOURS

During 2014, there was one fatality involving a third-party construction worker on the Project. This incident is included in the Lost Time Injury category, namely an OHS incident that caused a loss of safe working hours on the Project.

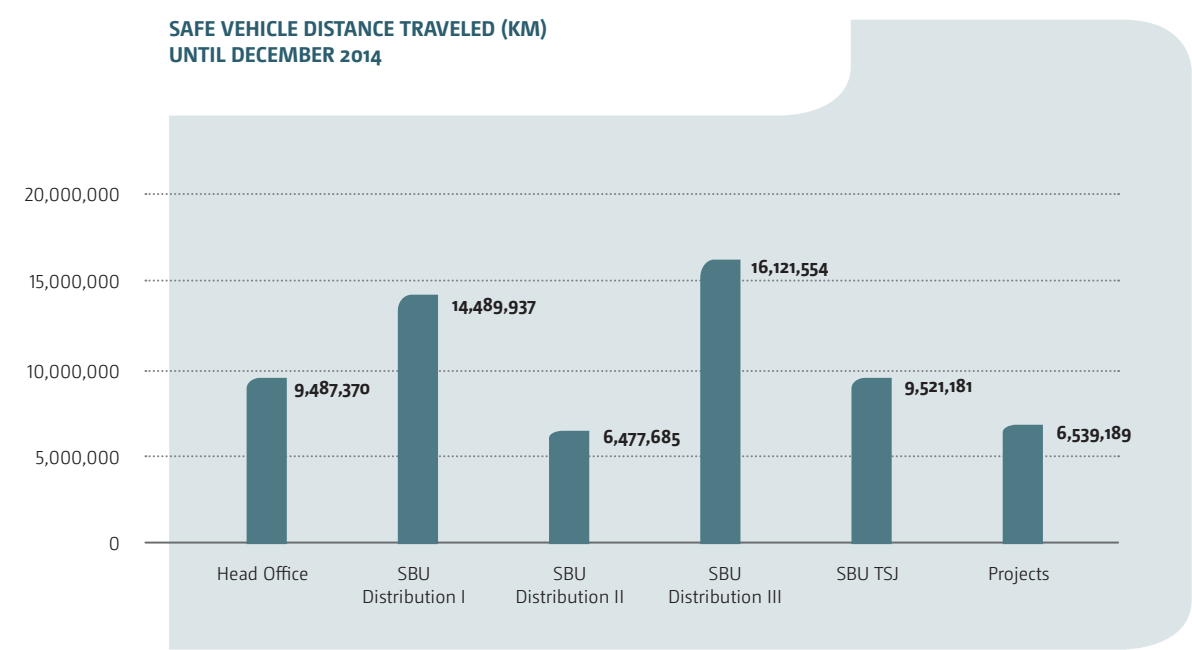
Conversely, zero fatalities was achieved across all Units and at Head Office. Thus, total safe working hours for 2014 reached 54,742,841 hours.



[G4-LA6]

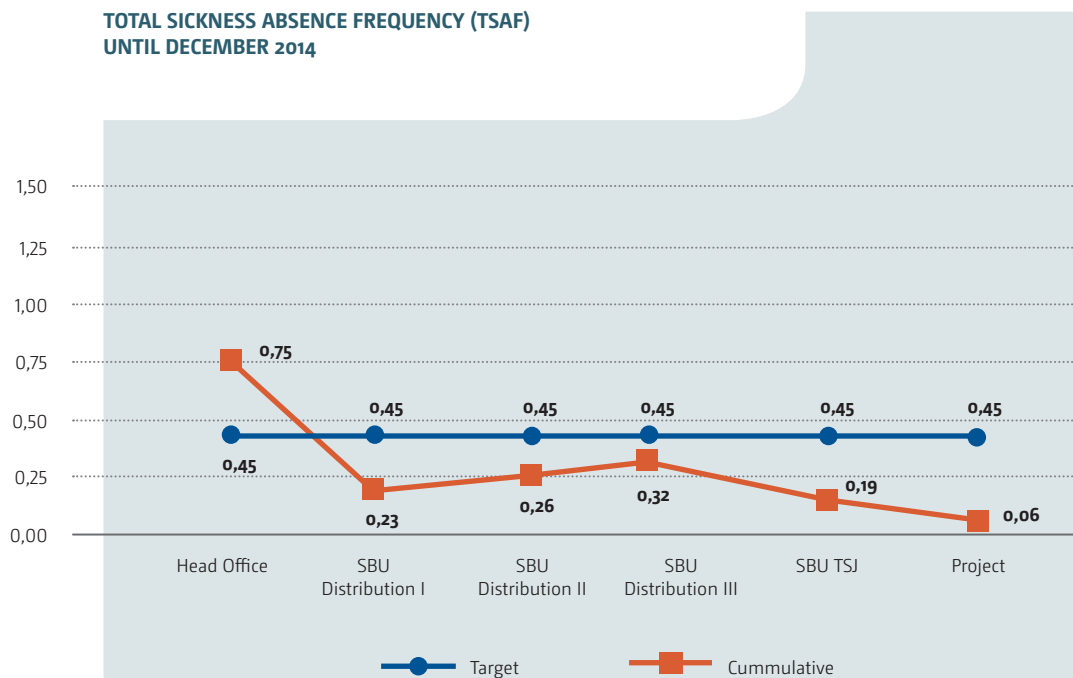
SAFE VEHICLE DISTANCE TRAVELED

During 2014, we report no incidents involving heavy vehicles across all Units, Head Office and on the Project. As of the end of 2014, the total safe vehicle distance traveled reached 62,636,916 Km.



### TOTAL SICKNESS ABSENCE FREQUENCY (TSAF)

This parameter measures workplace health based on the number of employees unable to work due to sickness. PGN aims to improve workplace health to continually reduce the number of production hours lost and increase employee productivity overall. Data compiled shows that for 2014, employee sickness at SBU and project level was below the targets set. TSAF data compilation results are as follows:

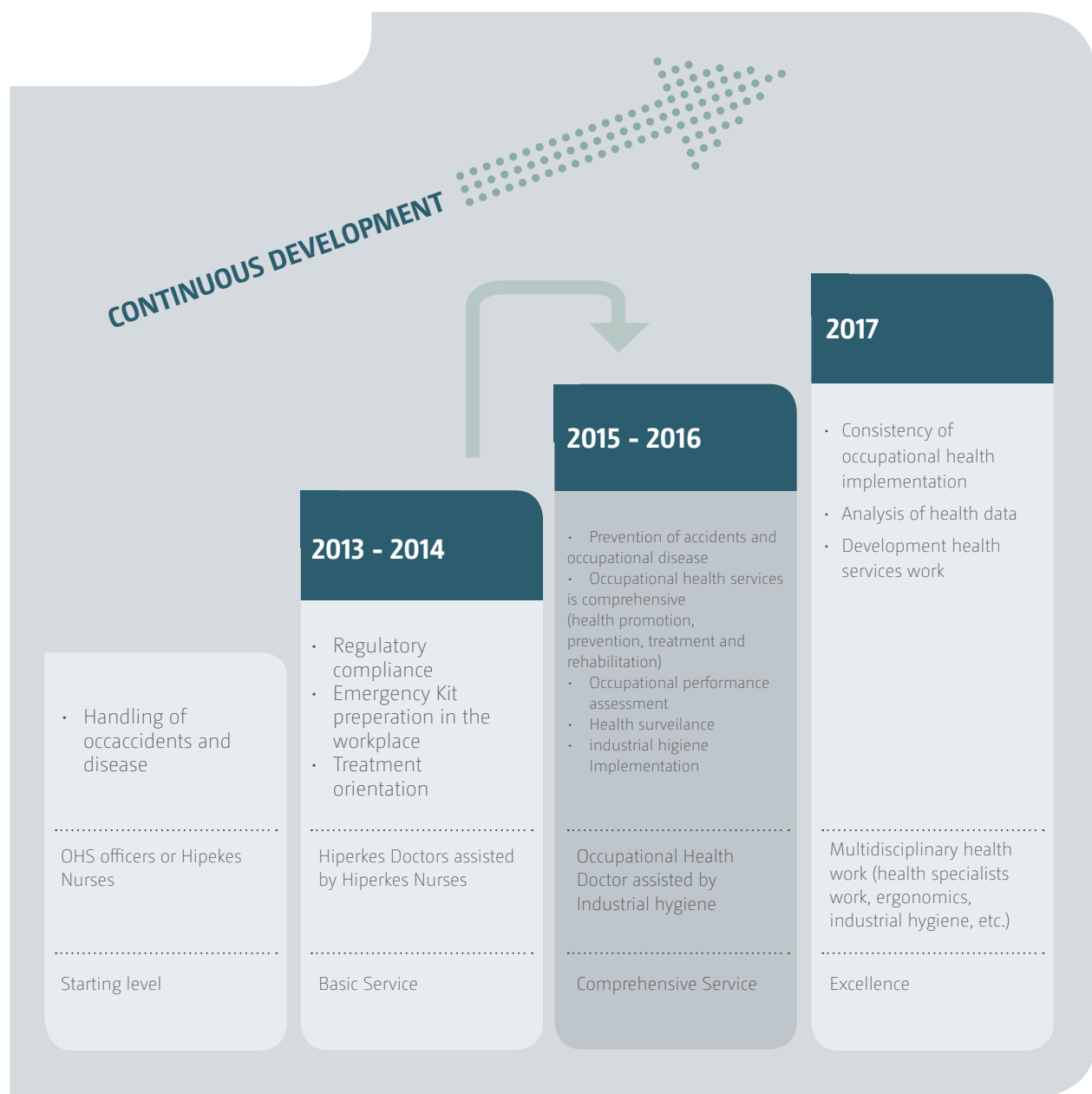


[G4-LA6]

## WORKPLACE HEALTH

In addition to prioritizing occupational safety, PGN is also concerned with and committed to the health of all its employees. In addition, good employee health can promote our productivity as the number of hours lost to sickness is minimized.

Our health program covers health checks for all employees in accordance with their occupational risk, health education such as health seminars and road shows, employee health data management through the E-Medical Record application, an industrial hygiene program that includes checking the work environment, and an annual health risk assessment, as well as the preparation of Reference Documents as the legal umbrella related to regulations governing health management.



[G4-DMA][G4-LA8]

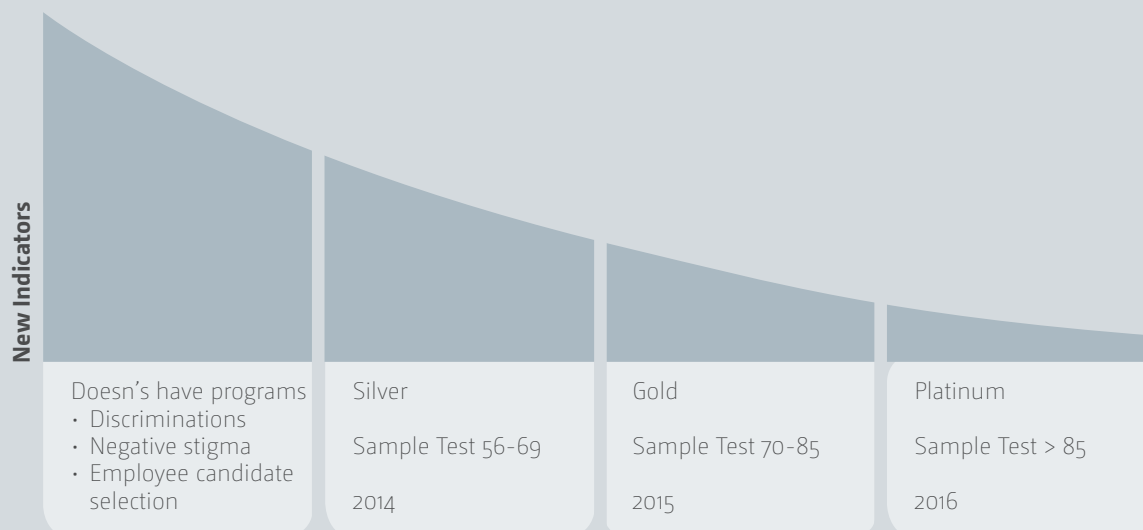
## HIV/AIDS IN THE WORKPLACE PREVENTION AND MANAGEMENT CAMPAIGN

During 2014, we worked to prevent and manage HIV/AIDS in the work environment, motivated by the fact that Indonesia is one of the countries with the fastest growing HIV epidemics in Asia and that around 80% of those who have contracted HIV are aged between 25-49 years old, i.e. still of working age. PGN realizes that this health risk is also within our work environment. For this reason, PGN is working to prevent and minimize the risk of HIV/AIDS in our workplace.

Actions taken by PGN to implement its HIV/AIDS prevention and mitigation campaign include:

- Signing of a joint commitment with all PGN Directors.
- Road show at Head Office and Project.
- Commemorating World HIV/AIDS Day.
- Survey related to HIV/AIDS perception with a total of 143 participants.
- HIV counseling and checkups for 93 people.
- Educational programs for High School and equivalent level students at PGN Head Office.

### PGN HIV/AIDS PREVENTION AND MANAGEMENT CAMPAIGN PROGRAM COMMITMENT CHARTER AND ROAD MAP





## 2014 OHS AWARDS

During 2014, we received various acknowledgements and recognition from independent parties. These awards demonstrate our commitment to conducting operational activities that are free of occupational accidents and care for our employees' health. The awards we have received include:



OHSAS 18001:2007 Certificate for Head Office and Projects



OHSAS 18001:2007 Certificate for SBU Distribution Area I



OHSAS 18001:2007 Certificate for SBU Distribution Area II



OHSAS 18001:2007 Certificate for SBU Distribution Area III



OHSAS 18001:2007 Certificate for SBU Transmission Sumatera Java





07

Improving  
Services







## Improving Services

PGN realizes that business cannot be sustained without the support of its customers. For this reason, superior operational management and innovations to achieve product and service excellence continue to be prioritized to provide the best service and reliable supply to all our customers



For PGN, customers, or consumers, are one of the stakeholders who play a central role in ensuring the sustainability of the business through the purchase of products and services. Customers are PGN's main partner in developing business into the future. With this consideration, customer satisfaction is a fundamental part of PGN's business activities.

[G4-DMA]

Customer satisfaction can be achieved, among others, by fulfilling various customer expectations. PGN continues to strive to meet all customer expectations, especially related to the quality and quantity of gas supplied, with good service and competitive pricing. PGN is fully committed to fulfilling all expectations, in accordance with

a point in its corporate culture, "Prioritizing the satisfaction of both internal and external customers by providing the best service."

To demonstrate our commitment to fulfilling our customers' expectations, we have realized a number of programs aimed at improving customer satisfaction, as explained in the following description.



## RELIABLE, TRUSTWORTHY PRODUCT INFORMATION [G4-PR3]

To ensure conformity of gas quality with the customers' gas sales and acceptance contract, PGN always ensures everything is done in accordance with a series of Standard Operating Procedures (SOPs). PGN conveys the results of its SOP implementation, especially with regard to gas flow quality and routine checks, to its customers as proof of fulfillment of the sales contract.

PGN always pays attention to every safety aspect of the chemicals and materials it uses by following what is stated in the MSDS (Material Safety Data Sheet). PGN also provides its customers and prospective customers with an MSDS for gas use for safety reasons.

PGN take samples to check components of gas content at the point of production and at the point of input to the customer's supply. There are several major components of concern to PGN when conducting natural gas quality checks, including

methane content - the main component of natural gas, ethane, propane and butane, as well as other gas components. Meanwhile, checks are conducted to identify any of several dangerous impurities, such as carbon dioxide, nitrogen, mercury and hydrogen sulfide, especially at the point of production and prior to entering the transmission network, to maintain customer health and safety, as well as the optimization of gas appliances. Examination of these gas components shows PGN's responsibility for the quality of gas it supplies.

Gas pressure in the PGN pipeline is carefully regulated to match the provisions of the gas supply agreement and to comply with safety concerns. The results of regular pressure checks are also attached to the customer gas supply billing file manifest. The goal is that all product information received by natural gas customers is clear and accountable. PGN implements all this to provide customers with a better energy source that is highly competitive.

## MAINTAINING PRODUCT QUALITY IN ACCORDANCE WITH REGULATIONS AND STANDARDS

PGN applies the accredited quality management system ISO 9001:2008 to maintain the quality of product supplied through its transmission and distribution networks. In accordance with these standards, prior to entering into a binding contract with a gas supplier, PGN conducts an inspection on the supplier's gas availability, adequacy of production equipment and gas quality. A sample of gas is checked from the intake point of the transmission pipeline and random samples are tested by a competent, independent assessor. Assessment includes the volume of gas being supplied. The quality test results, in the form of a memorandum, are provided to the customer to ensure the customer is aware of the quality of gas being used. We then conduct quality controls on

certain amounts of gas being supplied and notify the customer immediately if there is any significant change in quality or volume of gas that could disrupt gas flow to the customer. In this way, the customer has the option to take whatever action is necessary to safeguard their production continuity.

To maintain the quality and pressure of the gas in the transmission pipeline, we have installed filters and scrubbers in the offtake station and filters at the customer's meter. This is done to eliminate customer complaints related to quality or pressure of gas flowing through PGN's transmission and/or distribution pipeline.

## PROVIDING THE BEST CUSTOMER SERVICE [G4-PR5]

To demonstrate our commitment to improving customer service, PGN has a center to provide information and handle customer complaints called PGN Contact Center. The Contact Center can be easily contacted by phoning 1500645 or e-mailing [contact.center@pgn.co.id](mailto:contact.center@pgn.co.id). This service facilitates customers and prospective customers obtaining complete information, submitting customer complaints and asking questions about any PGN product or service.

PGN Contact Center operates 24 hours a day, 7 days a week. All requests for general information on PGN are handled directly by our Contact Center agents. The response time for complaint handling is a maximum of 24 hours from receipt of the complaint. Generally, both questions and complaints are recorded in our Contact Center database. The Contact Center is located at the PGN Head Office and integrated into PGN's three district Strategic Business Units (SBU) in Jakarta, Surabaya and Medan. To improve the quality of service to our customers, we also have programs to improve the skill levels of our employees assigned to customer service, enforce a minimum service standard policy and have service quality provisions that are part of the KPI assessment. In addition, we also improve our service by ensuring that: [G4-PR4] [G4-PR7][G4-PR8]

- There is no breach of provisions in the gas sales contract,
- There is no breach of confidentiality of customer identity in accordance with the contract,
- There is no loss of customer data as recorded in the PGN customer identification system,
- There are no violations occurring through advertising, promotional programs or as sponsors.

Compliance with all provisions of the sales contract and settlement of all customer complaints through improved service quality has meant we have not been sanctioned or required to pay any fines. In addition to providing Contact Center services, improving frontline human resource competencies and ensuring compliance with all contract provisions to improve service quality, we routinely realize two other programs. These programs are Customer Gatherings and a Customer Satisfaction Survey, described below.



## CUSTOMER GATHERINGS [G4-PR5]

Customer gatherings are routine, proactive PGN events to improve the quality of customer service. Customers who participate are not only industrial customers, but also commercial and domestic customers. In addition, this program creates a harmonious relationship between PGN and its customers. PGN believes that face-to-face events such as this will create two-way communication that encompasses criticism and suggestions, thus sharing information that can serve as input for PGN. PGN also has the opportunity to provide market education, promotion and marketing on the uses of natural gas and network products, and establish a closer sense of family so that both parties understand each other and can narrow the gap between customer expectations and PGN's abilities.

In 2014, PGN held various Customer Gatherings in several cities in each of SBU Distribution Areas I, II and III. Through these gatherings, we were able to obtain feedback so both sides could understand the company's service abilities and the customers' expectations.

In addition to the Customer Gatherings, PGN's Account Executives and Technical Services actively visited customers / potential customers to establish harmony and synergy in natural gas distribution. During these visits, the Account Executive and Technical Service personnel actively provided input to customers / potential customers to increase the efficient utilization of their equipment and to understand the business situation of the customer /prospective customer, which serves as very valuable input for management when creating gas subscription policies.

## MONITORING LEVELS OF CUSTOMER SATISFACTION

PGN conducts surveys on customer satisfaction levels to obtain feedback to improve levels of Service Excellence. Customer satisfaction levels were measured again in 2014 in each sales and service area. The results were summarized in a Customer Satisfaction Index (CSI), Customer Loyalty Index (CLI), Customer Referral Index (CRI) and Net Promoter Score (NPS) matrix. As opposed to the internal assessment conducted in previous years, in 2014, an independent party conducted the assessment with the objective of improving assessment accuracy and quality.

In 2014, the measurement process uncovered various expectations and problems that had arisen, which provided input for PGN to provide the best service and improve service performance. In 2014, we emphasized the measurement of customer satisfaction for every service encounter and customer expectations moving forward in the midst of market competition for natural gas trading. We conducted our customer satisfaction survey on all customer segments, namely household, commercial and industrial customers. From the results of the 2014 research, our CSI = 5.29 (Likert scale 1-6). [G4-PR5]

In addition to efforts to design and realize a wide range of service improvements based on the customer satisfaction level survey results, we also sought to settle the complete root of all problems arising from customer complaints. As customer complaints were related to the recurrence of reduced pressure in the gas distribution pipeline close to end-user outlets, which was caused by a reduced supply from the manufacturer, we followed up with the realization of substantial investment in the upstream sector of the natural gas business chain and the construction of FSRU and other modes of gas transportation.

As such, in future, when the gas supplied by producers is insufficient, we will be able to compensate for the reduction and supply gas from our own sources and from the FSRU (Floating Storage Regasification Unit) facility, CNG (Compressed Natural Gas) facility and LNG Receiving Terminal which has been, or is in the process of being, completed in areas close to the key customers, namely industrial and commercial areas. (See also “Improving Economic Performance”).

## CUSTOMER CARDS

As part of efforts to improve service quality to our loyal customers, in 2014 we launched and issued 91,000 Customer Cards. The distribution of these Customer Cards to all PGN customers is a form of appreciation for customer loyalty to PGN. The Customer Card provides:

- PGN subscriber identity
- Simple interaction with PGN
- Customer information on area codes, customer identification number, PGN Contact Center number, and the address of the closest PGN offices.

All these programs to improve service quality are testament to PGN's sincerity to improving customer satisfaction and the sincerity of all PGN's employee to ready themselves to develop and make the company a world-class supplier of natural gas energy in the future.









08

## Human Resource Development at PGN





## Human Resource Development at PGN

We believe that the employees of PGN are the key to our successful attainment of sustainable development. Based on this belief, we make every effort to work with the industry's most competent human resources in the expectation that the right people will be able to provide the maximum service to our customers and the best work to ensure the company's long-term growth



PGN considers its human resources to be one of its most important stakeholders for the company's growth and we always strive to listen to their needs, as expressed through the intensive communication that we foster. The main expectations expressed by PGN's employees are for a comfortable and supportive work environment, a clear career path and fair performance assessment, remuneration in accordance with performance and guaranteed welfare. In managing our human resources, we make every effort to implement a Human Resource program that is in line with PGN's vision and mission. **[G4-DMA]**

For this reason, we have developed a human resource management program that achieves a balance between expectations and the optimization of our people, improving their competencies in accordance with the business developments and challenges faced by PGN both now and in the future. We expect this comprehensive human resource management to be able to provide a working experience that is valued, imbues a close sense of belonging and unity, and ultimately optimizes PGN's performance and productivity overall.

## PGN'S COMMITMENT TO UPHOLDING HUMAN RIGHTS

It is our hope and our goal that through our HR management, PGN becomes the company of choice for job seekers in Indonesia. We hope to attract the best talent to join us and work hard to achieve the company's objectives. We also believe that our commitment to fairness and upholding human rights will stimulate all our employees to work to their best abilities.

### Upholding Human Rights

We ensure that we do not employ child labor and there are no incidents of forced labor. Our minimum employment age and the application of SHE policies strictly upholds this attitude. **[G4-HR5]**

Furthermore, we have disseminated and provided training in human rights to all PGN's employee, in particular to our security staff. We provide ongoing human rights training to our security staff in cooperation with the National Police. As of the end of the 2014 reporting year, all our security guards had received Human Rights information and training. **[G4-HR2] [G4-HR7]**

In addition, PGN upholds the rights of its employees to channel their political aspirations and be politically active, provided it takes place outside of their working hours. In accordance with the Company's Code of Conduct, we prohibit our employees from forcing their political views on others and ensure that PGN is not involved in political activities and does not provide donations for political activities or for political parties.

## FREEDOM OF ASSOCIATION AND INDUSTRIAL RELATIONS

One human right is the right to associate and gather. In support of this, PGN guarantees its employees the right of association and a labor union. Undeniably, the company and its employees have a relationship of mutual need. We believe that good relations and good communications with our employees will ensure PGN continues to head in a good direction. We remain in compliance with Law No. 21/2000 on Labor Unions. [\[G4-DMA\]](#)

The labor union within PGN is the PT Perusahaan Gas Negara (Persero) Tbk Labor Union, abbreviated to SP-PGN. SP-PGN has been officially registered with the West Jakarta Manpower Agency under Proof of Registration: 387/II/P/IX/2009, dated 19 September 2009. Through SP-PGN, we expect support in the realization of the three principles of partnership (partner in profit, partner in responsibility and partner in production) in day-to-day industrial relations. PGN conducts an employee satisfaction survey to obtain direct feedback from its employees about their working conditions and this is the basis for all efforts to improve employee satisfaction. [\[G4-HR4\]](#)

We have a Collective Labor Agreement (CLA) that governs industrial relations, which is the result of intensive discussions and mutual agreement with employee representatives of SP-PGN. The mutually agreed CLA undergoes review every two years, demonstrating the success of our industrial relations. The current CLA was jointly approved and ratified on 1 July 2013 and will remain in effect until 30 June 2015. The CLA contains the rights and obligations of both employees and the company, such as:

- Certainty regarding the rights and obligations of both employees and the company with regard to industrial relations, working conditions and company procedures;
- The partnership between the company and its employees; and
- The method for fair settlement of differences of opinion that do not result in disputes. All differences of opinion shall be settled through the principle of consultation and consensus.

Through this CLA, the rights of all PGN's permanent employees (100%) are protected [\[G4-11\]](#). Also contained within the CLA are regulations on the notice period required prior to any significant changes to operational activities being implemented. In certain cases, such as fundamental changes to the company's structure as would occur with planned acquisition, merger or business restructure, PGN will provide a minimum one month's notice to all its employees prior to the change coming into effect. [\[G4-LA4\]](#)



## PGN'S COMMITMENT TO THE PRINCIPLE OF EQUALITY

In addition to supporting freedom of association, PGN also upholds the principle of equality in interacting with all its people. We are committed to ensuring there is no differentiation in the way we treat our employees based on gender, religion, ethnicity or race. This equality is also applied at every stage of human resource management, from recruitment to training, performance assessment, determining career paths and providing remuneration. [\[G4-DMA\]](#)

PGN is committed to providing salaries that exceed the minimum standards set by regional governments. This is demonstrated in the table below, which shows the salary of a newly recruited PGN employee in comparison to the minimum regional or provincial salary at PGN's main location. [\[G4-EC5\]](#)

No.	Operation Region	Amount of Basic Salary in Region / Province (IDR)	New Worker Amount Basic Salary (IDR)	Minimum Wage Ratio Compare to Basic Salary PGN (%)
1	Head Office	2,700,000	2,800,000	96%
2	SBU Distribution Region I	2,700,000	2,800,000	96%
3	SBU Distribution Region II	2,710,000	2,800,000	97%
4	SBU Distribution Region III	2,037,000	2,800,000	73%
5	SBU Transmission Sumatera - Jawa	2,700,000	2,800,000	96%
6	Gas Pipeline Construction Project	2,700,000	2,800,000	96%
7	Subsidiary	2,700,000	2,800,000	96%

PGN is committed to ensuring remuneration equality between male and female employees. Furthermore, PGN also provides the same health insurance for its female employees as for its male employees. The following table illustrates the remuneration difference ratio between male and female employees; all differences are due to differing periods of employment and job grades. [\[G4-LA13\]](#)

Position	Men	Women
Senior Management	1.00	1.04
Middle Management	1.00	1.01
Junior Management	1.00	1.06
Staff	1.02	1.00

We also implement the principle of equality in determining career paths in the promotion process. By selecting based on performance and competence, there is no predominant gender or age discrimination at management level. The following table demonstrates the range of employees based on rank, age group and gender. [G4-LA12]

Classification	Number of Employees 2013			Employees based on Age			Employees based on Age		
	Men	Women	Total	Men			Women		
				<30	30-50	>50	<30	30-50	>50
Senior Management	59	16	75	0	25	34	0	4	12
Middle Management	123	34	157	0	91	32	0	27	7
Junior Management	413	173	586	21	356	36	6	153	14
Staff	541	150	691	273	190	78	98	46	6
Total	1136	373	1,509	294	662	180	104	230	39

## PGN HUMAN RESOURCE PROFILE

In 2014, PGN employed a total of 1,509 people, a 2.05% reduction from 2013, in which 1,540 people were employed. This reduction is in line with the company's efforts to transform its business and improve company productivity to ensure the company becomes a world-class natural gas company. [G4-LA1] [G4-10]

Level	2014			2013		
	Male	Female	Total	Male	Female	Total
Head Office	227	128	355	279	133	412
SBU I Region	278	83	361	348	91	439
SBU II Region	133	29	162	166	34	200
SBU III Region	78	35	113	105	39	144
SBU TSJ Region	139	27	166	159	32	191
Project Site	201	48	249	69	23	92
Subsidiaries	80	23	103	44	18	62
TOTAL	1,136	373	1,509	1,170	370	1,540

Education	2014	2013
Doctorate	1	1
Master degree	110	115
Bachelor degree	621	627
Diploma	498	496
High School Equivalent	279	301
Total	1,509	1,540

## EMPLOYEE ASSESSMENT MANAGEMENT [G4-DMA][G4-LA11]

As a means to manage performance assessment and determine employee career paths, we have developed the Individual Performance Management System, which is able to synergize employee competencies and performance with the aim of long-term business development.

Determining individual targets is always synergized with the Business Priority Strategy and related to targets set by an employee's manager. The company's targets are directly supported and divided into targets for each director with follow up at the staff level. This is reflected in the company's united aim of achieving its corporate vision and mission in accordance with the capabilities at each level.

The Individual Performance Management System has been supported by web-based applications used by all employees across Indonesia to monitor information related to performance management. Making use of Internet connections anywhere and in any place, our employees can do everything needed for performance management throughout the year. Individual employee assessments at PGN are divided into six categories: Outstanding, Very Good, Good Plus, Good, Reasonable and Unsatisfactory. Overall, these categories present quantitative and qualitative measurements of the achievement of Key Performance Indicators (KPI). The results of this assessment form the basis for remuneration determination and career development in PGN. The company determines its promotions, transfers and rotations with reference to special assessment achievements conducted once every two years.

Transparent and accountable performance assessment is expected to encourage all PGN's employees to work to their best ability. As of the end of 2014, all employees had received their KPIs for the 2013 assessment year.

## EFFECTIVE COMMUNICATION

PGN believes that good communication influences individual, group and business performance. The quality of communication between the management and employees to disseminate information on company policies, the implementation of various programs and to conduct assessments impacts greatly on the creation of a positive work environment.

We have developed a corporate portal for use by all employees to support daily work-related communication. Features of this portal include:

- Corporate e-mail application,
- E-sms application to provide notifications about letters being received and sent,
- E-attendance application for online notification about employee attendance,

- INFOKU application, which contains an employee's profile, leave requests and other HR-related matters, can be updated independently by employees,
- Healthcare and Social Security Agency Registration application to facilitate employees with this compulsory registration, and
- Knowledge Management Online application as a facility to share knowledge and best practices related to every day work.

By facilitating communication within the Company environment, we expect all work can be achieved optimally and without any miscommunication. Ultimately, this prevents employee dissatisfaction that could cause reduced performance levels.

## EMPLOYEE TURNOVER

Employee turnover in PGN is low, demonstrating the company's success is providing job satisfaction for its people. It also supports cost efficiencies in developing employee competencies and in recruitment, thus having a positive impact on the company's performance. Throughout 2014, there were 49 employees who ceased their employment with PGN; the majority of reasons for this were natural, such as reaching retirement age or death. Only a few PGN employees resigned for personal reasons. [G4-LA1]

Classification	2014			2013		
	Men	Women	Total	Men	Women	Total
<b>New employee by age group</b>						
<30	6	5	11	6	4	10
30-40	1	0	1	1	0	1
>40	1	2	3	2	0	2
Total	8	7	15	9	4	13
<b>New employee by work region</b>						
Head Office	3	3	6	3	2	5
SBU Distribution Region I	1	4	5	1	2	3
SBU Distribution Region II	0	0	0	0	0	0
SBU Distribution Region III	0	0	0	0	0	0
SBU Transmission Sumatera - Jawa	4	0	4	5	0	5
Project	0	0	0	0	0	0
Total	8	7	15	9	4	13
<b>Employee Out</b>						
Voluntary resigned	5	2	7	4	2	6
Disciplinary sanction	0	0	0	0	0	0
Death	4	0	4	4	0	4
Retired	33	1	34	18	2	20
Early Retired	2	2	4	7	0	7
Others	0	0	0	0	0	0
Total	44	5	49	33	4	37

## RECRUITING THE BEST

We target recruiting only the best people across the Company. The selection process for new employees is one of the keys to the successful achievement of the Company's vision and mission. To achieve this, we involve a competent independent third party to efficiently identify the best talent. In addition, we also post public notices in well-known print media and on the Company's website for our recruitment program.

We have three programs in our selection process at PGN, namely:

### 1. Regular Recruitment from External Sources

This selection and recruitment program is aimed at obtaining quality new recruits from universities. The selection process is transparent and is organized by an independent third party.

### 2. Recruitment from Non-permanent Employees (Internal)

This selection and recruitment program is aimed at obtaining new employees from third (supporting) parties and Fixed Term Contract employees. The aim of this process is to show our appreciation for the performance and loyalty of these workers.

### 3. Recruitment from National Athletes

This program is PGN's support of a government program to foster athletes, while appreciating their efforts and services, which have been instrumental in promoting the country.

In addition, we also recruit employees from areas in the vicinity of our operations. This demonstrates our commitment to providing benefit and supporting local communities to achieve self-sufficiency and prosperity.

#### PRE-EMPLOYEE-CANDIDATE SELECTION EDUCATIONAL SCHOLARSHIP PROGRAM (PBSPSCP) [G4-DMA][G4-LA1]

PGN also works with educational institutions to obtain qualified candidate employees. The company has developed a work-related educational scholarship program called Pre-Employee-Candidate Selection Educational Scholarships (PBSPSCP).

We also cooperate with Taruna Nusantara high school -Magelang and PTK AKAMIGAS STEM-Cepu energy and minerals college to educate and prepare candidate employees with suitable capabilities for the oil and natural gas industry. Every year, PGN recruits 10 graduates from Taruna Nusantara high school to take part in one, two and three-year diploma studies at PTK AKAMIGAS STEM.

In 2014, 11 students received scholarships at Taruna Nusantara high school, while 30 students at PTK AKAMIGAS STEM received scholarships. PGN has invested Rp2,516,926,750 in this scholarship program.



## EDUCATION AND TRAINING

The human resource quality development program is inseparable from education and training programs we design for our people, and it is through these programs that we expect to raise the competencies and performance of every person employed by PGN.

To improve employee competencies in the field of natural gas, PGN sends employees on an overseas post-graduate degree program and on internship programs to world-class natural gas companies. During 2014, six of PGN's employees took post-graduate education in the US.

PGN has also developed job-appropriate training programs for its people. These programs have been designed in a planned, systematic and focused way to improve the competency levels of our human resources. In 2014, we provided total training hours of 25,115 man days at an investment value of Rp41,698,373,085.69. The training programs we ran for PGN employees in 2014 included. [\[G4-LA9\]](#)

No.	Training Category	Program	Participants	Man Days
<b>1</b>	<b>Required Competencies</b>			
	Required Competencies	6	146	1,084
<b>2</b>	<b>Supporting Competencies</b>			
2 a	Generic Competencies		953	3,068
2 b	Specific Competencies			
1	Technical and Operational	57	1,107	3,320
2	Finance	10	234	684
3	Administration and General Affairs	20	506	1,208
4	Domestic Public Training	265	796	2,882
2 b 5	Overseas Public Training	10	22	89
2 b 6	Education	13	65	12,780
	Total	425	3,829	25,115

## EXECUTIVE PROGRAM

In the interest of developing future leader competencies for PGN, in 2014, the company started its Executive Development Program. This program has been designed as a leadership program for AVP and VP levels and supports the PGN STAR Talent program, which prepares talent to take strategic positions in PGN in the future. This program consists of five sessions with six batches of participants, totaling 120 people. Of these five program sessions, two were "Setting The Strategic Mindset" and "Maximizing Commercial Leadership Potential". [\[G4-LA9\]](#)



Having successfully laid the foundations of competency-based HR management, we are now preparing future leaders for the company with a more developed program that is both comprehensive and integrated.

On 19 June 2014, PGN launched STAR Program, a combined program to manage talent and succession in PGN in accordance with the company's condition and needs.

The Board of Directors has determined the criteria and selected 124 candidates for Vice President and Assistant Vice President level to participate in the STAR Program. To support the STAR program, the program candidates will be provided training through the Executive Development Program, as well as project assignment, coaching and mentoring by the BOD. All STAR Program activities are supported by the application of Success factors, namely development and succession modules.

## CAREER PATH MANAGEMENT

One of our PGN employee development programs after performance assessment and training is project and career path planning. We realize that good career path management is not only important for succession planning and manpower planning in the company, but also as a way to retain employees. For this reason, PGN has compiled projected career paths for employees during their employment with the company. These career path projections consist of:

- A career path based on positions that focus on job competency, individual competence, performance, formal education and work experience.
- A career path based on salary grades with reference to formal education, salary grade and age/length of employment.
- Employee career development contained within a projected career path used as a basis for Succession and Promotion Planning.

The annual employee performance review serves as momentum for career planning and promotions for those employees meeting the assessment criteria. In addition to considering performance results, promotions are also based on consideration of three other factors: company requirements, competency and work experience. In accordance with basic HR management policies, we apply the principle of equality when deciding on employee promotions. At certain position levels, we also consider leadership potential and certain other criteria based on what is required for that position to ensure accurate and appropriate decision making.

In 2014, based on performance assessment results, position requirements and business development, we promoted 150 employees to new positions, summarized below.

Level	Men	Women	Total
Senior Management	11	2	13
Middle Management - 1	11	3	14
Middle Management - 2	24	22	46
Middle Management - 3	27	15	42
Junior Management - 1	26	9	35
Total	99	51	150

## RETIREMENT PREPARATION

In addition to employee competency and professional training, we also run special training for employees approaching retirement to facilitate their continued participation in productive activities to fulfill their life needs. Retirement Preparation Training is programmed for PGN employees in the final 3 (three) working years prior to retirement. This training and post-retirement preparation falls under the Retirement Planning Program. [G4-LA10]

## EMPLOYEE WELFARE

Employee competence and performance assessments always form the basis of employee compensation. The higher the level of competency, responsibility and performance achieved, the higher the level of compensation. PGN determines the amount of employee remuneration based on work evaluation, job description, salary structure, employee performance, company performance and salary survey. Our salary survey is conducted based on a comparison of remuneration and benefits in similar companies. PGN provides a very competitive benefits package compared to companies of a similar class, to ensure that the company always attracts the best talent in appropriate fields as employees. At the same time, it means that human resources with continually improving competency and skills remain committed to working to their optimum and developing with PGN.

In 2014, funds allocated for employee remuneration and benefits totaled Rp1,077,269,526,434, which covered salaries, bonuses, leave, religious holiday allowance (THR), medical care, overtime, pension

fund and pension. Compared to previous years, in 2014 on average, PGN employee remuneration rose 3%. [G4-EC3]

A description of the current benefits package at PGN follows.

### EMPLOYEE REMUNERATION

There are certain differences to the overall remuneration structure provided to the two groups of employees based on employment status. These are related to the type of facilities and benefits that form part of the overall remuneration package paid to employees. Meanwhile, we ensure that the basic and normative rights of outsourced personnel are always above the official minimum levels. PGN always cooperates with and ensures that employment agencies providing personnel to PGN provide guidance as part of their responsibility to outsourced workers. [G4-LA2]

**BENEFITS PROVIDED TO ORGANIC WORKERS THAT ARE NOT PROVIDED TO NON-ORGANIC**

No	Return Type Services	Organic Workers	Non-Organic Workers
A	Wages	✓	✓
B	Support Facilities:		
	Workplace Accident and Disability Insurance	✓	✓
	Work-Related Death Benefits	✓	✓
	Non-Workplace Accident and Disability Insurance	✓	✓
	Non-Work-Related Death Benefit	✓	✓
	Health Benefits for Employees	✓	✓
	Health Benefits for Employees' Spouses	✓	✓
	Health Benefits for Employees' Children	✓	✓
	Leave Entitlements	✓	✓
	Maternity Leave	✓	✓
	Menstrual Leave	✓	✓
	Pilgrimage Leave and Leave for Spiritual Purposes	✓	✓
	Facilities for the Celebration of Religious Holidays	✓	✓
	Pension Fund	✓	
	Severance Payments	✓	✓
	Special Needs Facilities and Support	✓	✓



## VARIOUS PGN EMPLOYEE BENEFITS PROGRAMS

### Employee Assistance Programme (EAP)

Employee Assistance Program (EAP) provides counseling and external counselors, as well as mini seminars with speakers from outside the company and started in 2013.

During 2014, a total of 217 employees took part in EAP counseling throughout PGN, while seven mini seminars were held across PGN's operational area.

### Elderly Health Program

is the result of cooperation between the PGN Management and SP-PGN. The objective of the Elderly Health Program is to assist PGN retirees to meet healthcare costs. The healthcare funds for this program are obtained from routine fees paid by PGN employees for retirement.

Through this program, PGN retirees and their spouses, who currently number approximately 1,276 people, have access to healthcare across the country by using a health insurance membership card.

### Pension and Insurance Program

This program has been running since 2009 with a Fixed Fee scheme. Through this program, every employee is able to choose their own pension fund and investment portfolio.

To ensure employee welfare, PGN also registers its employees in the national Jamsostek program. Beyond normative matters, the company also provides facilities for inpatient and outpatient care for employees and appropriate family members. For individual employees, PGN enrolls them in a pension fund program, provides personal accident insurance and protection from workplace accidents through hospital care, death benefits and funeral costs.

For the pension program and pension fund participation, the company allocates pension fund fees of 15% from each employee's basic salary, while the remaining fee is paid by the employee to a maximum of 5% of basic salary.

## HEALTHCARE AND SOCIAL SECURITY AGENCY (BPJS KESEHATAN) PROGRAM

In accordance with the legislated government mandate regarding BPJS Kesehatan, which requires all Salaried Employees to register themselves in the National Healthcare Insurance program managed by BPJS Kesehatan, and the National Social Security system managed by BPJS Kesehatan, with the aim of providing assured protection and social welfare for all citizens, including in this case PGN employees, PGN fully complies with this government legislation and has registered itself as a business with BPJS Kesehatan and actively registered its Employees in the required programs since December 2014.







09

## Improving Community Welfare







## Improving Community Welfare

PGN always strives to assist and support the local community to improve their quality of life and achieve self-sufficiency.





PGN is committed to helping Indonesia progress, including by sharing with the communities in the vicinity of our operational areas. We help local communities by creating employment, providing training and education programs, and assistance through our CSR programs. [\[G4-DMA\]](#)

As one of our stakeholders, we understand how communities want to grow with the company. For this reason, PGN has developed its Corporate Social and Environmental Responsibility program, which is more commonly known as Corporate Social Responsibility (CSR). This program encompasses the Stewardship Program and Corporate Social and Environmental Responsibility with the objective of improving welfare and quality of life.

The implementation of PGN's Corporate Social and Environmental Responsibility program is based on SOE Ministerial Decree No. PER-05/MBU/2007 dated 27 April 2007. The program has since been amended based on the issuance of SOE Ministerial Decree No. PER-08/MBU/2013 dated 10 September 2013. In compliance with these regulations, PGN utilizes funds from profits after tax from the previous year and the company budget calculated as funding for the Partnership and Community Stewardship Program (PKBL). Since 2013, the company has funded the Stewardship Program from its Company Budget and Work Plan (RKAP), while the Partnership Program has optimized available funds.

Based on the 2013 GMS, the company did not set aside any funds to be used for the Partnership Program. The 2014 Partnership Program only made use of funds remaining from the previous year and funds repaid by PGN's foster partners.

## SYNERGY WITH LOCAL SMES [G4-EC7][G4-SO1]

In its implementation, the partnership program is divided into lending capital and coaching. The program is expected to stimulate the economic growth of the nation through community-based pillars of economic strength, namely SME's and farmers fostered by PGN. Fund disbursement takes two forms: given directly to PGN's fostered small enterprises, and through SOE synergy whereby the SOE serves as the guarantor for the foster partner. Capital loans are prioritized for SMEs within a cluster system or group, with the aim of helping SMEs grow faster through the support of fellow SMEs, while also facilitating coaching.

During 2014, PGN disbursed to 6,755 fostered SMEs, with Rp156.09 billion or equal to USD12.54 million funding for the Partnership Program disbursed as capital loans or counselling to:

- SME Cluster Kulon Progo, Yogyakarta
- SME Cluster Sleman and Bantul, Yogyakarta
- SME Cluster Gunung Kidul, Yogyakarta
- PGN Fostered Farmers in synergy with PTPN IX in Central Java
- PGN Fostered Farmers in synergy with PTPN X in East Java
- PGN Fostered Farmers in synergy with PTPN XI in East Java

To foster SME activities, PGN has developed a program to improve skills and knowledge through a variety of product marketing training activities and through promotions and participation in various

exhibitions. During 2014, counseling activities undertaken with our foster partners included:

- Simple Financial Management and Motivation Training for SME Cluster Kulon Progo, Sleman and Gunung Kidul, Yogyakarta.
- INACRAFT Exhibition 2014
- Adiwastra Exhibition 2014
- Indonesia Fashion Week Exhibition 2014
- CRAFTINA Exhibition 2014
- INACRAFT Malaysia Exhibition 2014
- Publishing Foster Partners in the INACRAFT 2014 Directory
- ICRA Exhibition 2014
- TEI Exhibition 2014
- Central Java Fair 2014
- FESRA Exhibition 2014
- Palembang EXPO 2014
- IFFINA Exhibition 2014

### PGN'S SOCIAL INVESTMENT [G4-EC7][G4-SO1]

PGN directly supports community development programs. The purpose of these programs is to work with the local people to try and understand local needs and resolve social and economic problems that are relevant PGN's activities. PGN's employees also contribute to social and environmental activities. Funds distributed through the Social and Environmental Responsibility Program, including Community Stewardship, totaled Rp139.92 billion. Funding for this program is derived from the company's budget and the balance of the previous years' profit allocation.

### Natural Disaster Relief: Quick Response To Crises [G4-Ec7][G4-S01]

Natural disasters have the potential to destroy homes, roads and communication networks. The economic impact on communities affected by such disasters is enormous and victims of natural disasters can be injured or even killed. A quick response is vital to protect the victims. During 2014, we provided aid to demonstrate our concern for those affected by natural disasters. The aid we provided included:

- Aid to flood victims in Serang and Tangerang - Banten
- Health services, staple goods and kitchen facilities for flood victims in West Jakarta and Bekasi (Muara Bekasi – Babelan and Hurip Jaya)
- Corned beef and beef sausages for state emergency food aid for disaster-affected areas
- Rubber boats and equipment to handle flooding in Jakarta
- Kitchen facilities for victims of landslides in Banjarnegara – Central Java
- Staple goods, towels and blankets for flood victims in Pati and Semarang – Central Java
- Staple goods for flood victims in Bojonegoro, Batu and Malang – East Java
- Healthcare and kitchen facilities for victims of the Mt. Kelud eruption in Kediri – East Java
- Seeds and organic fertilizer to support the economic recovery of victims of the Mt. Kelud eruption in Kediri – East Java

### Educational Support: Inspiring The Young [G4-Ec7][G4-S01]

Education can open the door to a better future and help break out of poverty. We have been working with a number of parties to provide the opportunity of a better education. During 2014, we provided educational support including:

- Sending young teaching staff on the 31 SD Support Program in South Sumatra, Lampung, Banten and East Java in cooperation with Yayasan Indonesia Mengajar (Indonesian Teaching Foundation)
- Building and renovating schools in the vicinity of the operational area, including Medan, Deli Serdang, Batam, Pulau Pemping, Palembang, Lampung, Jakarta, Semarang and Pasuruan implemented through the synergy program with PT WIKA and PT PP
- Providing scholarships to 1,125 university students from 15 state universities in Indonesia.
- Character-based training for elementary school and early learning teachers in the vicinity of PGN's operational area
- Building School Reading Parks in Batam, Pulau Pemping, Jakarta and East Java in cooperation with PT Balai Pustaka

### Healthcare: A Healthy Community is a Prosperous Community [G4-Ec7][G4-So1]

Health has an important influence on one's life. When a person falls ill, medical personnel such as doctors and nurses are needed, but many people still do not have access to adequate health care. PGN is committed to actively participate in providing access to reliable health services for the community. Some of the health-related assistance we have provided include:

- Community Health Services provided by 10 PGN Health Vehicles that can conduct pre-natal checkups, provide supplements for pregnant women, contraceptive services, general health services and basic dental care, check toddler growth and provide food supplements for babies and toddlers in the vicinity of PGN's operational area.
- Three ambulances for YKPP PGN, Central Red Cross and Pusdikajen Lembang
- Social care by providing walking frames, hearing aids and cataract operations for poor people living in the vicinity of the company's operations.
- Support for operations to rectify crooked legs
- Seven water tankers and seven blood donor vehicles for the Red Cross in the vicinity of the company's operations.
- Support for Health Posts established during the Lebaran Exodus and Homecoming providing healthcare, vitamins and entertainment facilities in Lampung, Brebes, Semarang and Surabaya
- Health equipment for community health centers
- Disseminating information on HIV/AIDS in several schools in Surabaya and Jakarta

### Building Public Facilities and Infrastructure: Building To Serve [G4-Ec7][G4-So1]

Even levels of development across the whole of Indonesia will encourage economic growth for everyone. However, this is still a problem in several areas in Indonesia. Adequate public facilities and infrastructure remain limited. Several initiatives PNG has taken during 2014 include:

- Building a bridge in Tangerang
- Building a bridge in Pagardewa village – Muara Enim
- Providing two generators for Pulau Pemping
- Providing one water tanker for the Surabaya Municipal Government

### Building Places of Worship: Providing the Opportunity To Worship [G4-Ec7][G4-So1]

Everyone has the right to worship, however, not everyone has access to a decent place of worship. Over time, PGN has provided its support through building and renovating public places of worship. In 2014, we did the following:

- Built five Tahfidz in Medan, Batam, Palembang, Lampung and Serang.
- Provided assistance to build and renovate religious facilities and supporting infrastructure, as well as to conduct religious activities such as donations to orphans, donations to the poor, a mass wedding and other religious activities related to celebrating religious holy days.

### Community Social Assistance: Alleviating Poverty [G4-Ec7][G4-S01]

Limiting poverty is not the final answer. Opportunities and hard work give communities a better life. One way of attempting to alleviate poverty is by providing community social assistance that aims to help people seize opportunities and gives them the chance to achieve their dreams and create a better quality of life. Community social assistance provided during 2014 included:

- Joint Lebaran Travel Program for the public
- Providing geo-membrane facilities for salt farmers in Madura
- Assistance to overcome the electricity crisis in Pulau Karimu, Java
- Building an SME Gallery in Yogyakarta

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- Providing geo-membrane facilities for salt farmers in Madura
- Assistance to overcome the electricity crisis in Pulau Karimun, Java
- Building an SME Gallery in Yogyakarta

### PGN ACHIEVES TOP 3 RANK IN SRI-KEHATI AWARD 2014

At the end of 2014, Yayasan Keanekaragaman Hayati Indonesia (KEHATI – Indonesian Biodiversity Foundation) for the third time conveyed awards to companies fulfilling the principle of sustainable and responsible investment (SRI). Of 25 companies selected for SRI-KEHATI 2014, PGN came in the three best for our efforts to operate according to principle of sustainability that cares for the environment, community development, human rights, employment, business conduct and good corporate governance.





**Independent Assurance Statement**  
Report No. 0315/BD/0016/JK

**To the management of PT Perusahaan Gas Negara (Persero), Tbk**

We were engaged by PT Perusahaan Gas Negara (Persero), Tbk ('PGN') to provide assurance in respect to its Sustainability Report 2014 ('the Report'). The assurance has been carried out by a multi-disciplined assurance team with a broad range of skills and depth of experience, thus providing a high level of competency for the assurance engagement.

**Independence**

We were not involved in the preparation of any key part of the Report and carried out all assurance undertakings with independence and autonomy. We did not provide any services to PGN during 2014 that could conflict with the independence of assurance engagement.

**Assurance Standards**

We conducted our work in accordance with ISAE3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Accounting Standards Board. In addition, we have also planned and carried out our work in accordance with AA1000AS (2008) 'AA1000 Assurance Standards (2008)', issued by AccountAbility.

**Level of assurance and criteria used**

Our evidence-gathering procedures have been designed to obtain a limited level of assurance based on SAE3000 and a moderate level of assurance engagement as set out in AA1000AS (2008) in order to provide confidence to readers by reducing risks or errors to a very low but not to zero. Moreover, the AA1000 AccountAbility Principles Standard (2008) of Inclusivity, Materiality and Responsiveness has also been used as criteria to evaluate the Report.

**Scope of Assurance**

We provided Type 2 assurance engagement under AA1000AS (2008). This involved:

- 1) an assessment of PGN's adherence to the AA1000 AccountAbility Principles Standard (2008) and
- 2) an assessment on the accuracy and quality of specified sustainability performance information contained within the Report, in relation to the agreed scope. The scope of work consisted of:
  - Partnership and community stewardship program
  - Occupational health and safety
  - Environmental management.

The assured GRI G4 indicator related to the agreed scope above is marked with the sign ✓ at the GRI G4 Core Index section of the Report.

**Responsibility**

PGN is responsible for all information and claims contained in the Report, including established sustainability management targets, performance management, data collection and report preparation, etc. Our responsibility in performing this engagement is to the management of PGN only for the purposes of verifying its statements relating to its sustainability performance, more particularly as described in the agreed scope. Our responsibility is to express our conclusions in relation to the agreed scope.

**Methodology**

We have assessed several assertions and specified data sets included in the report and the systems and processes used to manage and report these using the following methods:

- Reviewed report, internal policies, documentation, management and information systems
- Carried out interviews with staff involved in sustainability-related management and reporting
- Followed data trails to initial aggregated source and checked sample data to a greater depth during the engagement process.

## Limitations

Our scope of work was limited to a review of the accuracy and reliability of specified data and interviews with data providers, persons in charge of data collection and processing, as well as persons in charge of sustainability performance-related information.

## Conclusions

We have confirmed that the Report has been prepared in accordance with G4 Core Criteria issued by the Global Reporting Initiative (GRI).

Findings and conclusions concerning adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness include:

### ■ Inclusivity

An assessment has been made to determine whether PGN has included all key stakeholders in developing and achieving an accountable and strategic response to sustainability issues.

We found PGN demonstrates a strong commitment to stakeholder inclusivity. PGN has an effective system in place for key stakeholders to participate in the development of the organization's response in the context of sustainability. This is demonstrated for instance, by conducting needs assessment surveys in relation to the partnership and community stewardship programme and materiality level survey to the key stakeholders group.

However, we recommend that PGN continues to improve stakeholder inclusivity systems and procedures on a regular basis to maintain their effectiveness.

### ■ Materiality

An assessment has been made as to whether PGN has included in the Report the material information required by its stakeholders in order to enable them to make informed judgements, decisions and actions.

We found PGN has a strong process in place to determine material issues. Key material issues were adequately reported and were found to provide balanced information about PGN's sustainability performance. A range of internal stakeholders are involved in PGN's materiality determination process. However, we recommend that PGN continues to conduct materiality test on a regular basis in future reports.

### ■ Responsiveness

An assessment has been made as to whether PGN demonstrates that it responds to its stakeholders and is accountable to them.

PGN was found to be responsive to key stakeholder concerns and expectations. This was achieved through the organization's allocation of resources to stakeholder engagement, the timeliness and accessibility of reported information, and the types of communication mechanisms regularly employed.

However, we recommend that PGN continues to improve stakeholder engagement procedures on a regular basis in future reports.

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the data of the Report has been materially misstated.

All key assurance findings are included herein, and detailed observations and follow-up recommendations have been submitted to PGN management in a separate report.

Jakarta, March 12, 2015



**James Kallman**  
President Director



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*We can rely on the skills of more than 33,400 professionals operating together in 97 countries, sharing the same values and sense of responsibility, whilst in Indonesia is served by Moore's Rowland, one of the leading sustainability assurance providers.*

## GRI G4 CORE INDEX

Indicator Disclosures	Page	External Assurance
<b>GENERAL STANDARD DISCLOSURES</b>		
<b>Strategy and Analysis</b>		
G4-1 : Statement from the Board of Commissioner and Boar of Director	16, 18	
<b>Organization Profile</b>		
G4-3 : Name of the organization.	40, 51	✓
G4-4 : Primary brands, products, and services.	40, 51	✓
G4-5 : location of the organization's headquarters.	51	✓
G4-6 : Location of the organization's operates that are covered in the report.	44, 45	✓
G4-7 : Nature of ownership and legal form.	40, 51	✓
G4-8 : Markets served	40	✓
G4-9 : "Scale of the organization"	50	✓
G4-10 : Profile of the employees	145	✓
G4-11 : Collective bargaining agreements.	143	✓
G4-12 : the organization's supply chain.	49	✓
G4-13 : Significant changes during the reporting period	40	✓
G4-14 : Precautionary approach or principle addressed	58,62	✓
G4-15 : Externally developed economic, environmental and social charters, principles, or other initiatives	63	✓
G4-16 : List memberships of associations	63	✓
<b>Identified Material Aspects and Boundaries</b>		
G4-17 : The entities included in the organization's consolidated financial statements that are covered by the report.	24	✓
G4-18 : "Process for defining the report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for Defining Report Content	25, 27	✓
G4-19 : List all the material Aspects identified in the process for defining report content.	27	✓
G4-20 : Aspect Boundary within the organization	24, 27	✓
G4-21 : Aspect Boundary outside the organization.	27	✓
G4-22 : Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	24	✓
G4-23 : Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	24	✓
Stakeholder Engagement	64	✓
G4-24 : List of stakeholder groups engaged by the organization.	64	✓
G4-25 : Basis for identification and selection of stakeholders	61, 64	✓
G4-26 : The organization's approach to stakeholder engagement	64	✓
G4-27 : Key topics and concerns that have been raised through stakeholder engagement.	162, 166	✓
<b>Report Profile</b>		
G4-28 : Reporting period	24	✓
G4-29 : Date of most recent previous report (if any).	24	✓
G4-30 : Reporting cycle	24	✓
G4-31 : Contact point for questions regarding the report or its contents.	29	✓

Indicator	Disclosures	Page	External Assurance
<b>GRI G4 Index Content</b>			
G4-32	The 'in accordance' option chosen, GRI Content Index and cross reference to External Assurance report	24	
<b>Assurance</b>			
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<b>Good Corporate Governance</b>			
G4-34	Governance structure of the organization, including committees of the highest governance body.	57, 58, 59	
<b>Ethics and Integrity</b>			
G4-56	the organization's values, principles, standards and norms of behavior	34, 35, 36, 37, 63	
<b>CATEGORY: ECONOMIC</b>			
<b>Aspect: Economic Performance</b>			
G4-EC1	Direct economic value generated and distributed	73	✓
G4-EC3	Coverage of the organization's defined benefit plan obligations	152	
<b>Aspect: Market Presence</b>			
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<b>Aspect: Indirect Economic Impacts</b>			
G4-EC7	Development and impact of infrastructure investments and services supported	11, 161, 162, 163, 164	✓
G4-EC8	Indirect economic impacts	73, 79	
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<b>Aspect: Materials</b>			
G4-DMA	Disclosure Management Approach (DMA)	98	
G4-EN1	Materials used by weight or volume	98	✓
<b>ASPECT: ENERGY</b>			
G4-DMA	Disclosure Management Approach (DMA)	99	
G4-EN3	Energy consumption within the organization	100	✓
G4-EN4	Energy consumption outside of the organization	99	✓
G4-EN5	Energy intensity	100	✓
G4-EN6	Reduction of energy consumption	100	✓
G4-EN7	Reductions in energy requirements of products and services	100	✓
<b>Aspect: Water</b>			
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Indicator Disclosures		Page	External Assurance
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<b>Aspect: Occupational Health and Safety</b>			
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G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	120, 122, 124	✓
G4-LA8	Health and safety topics covered in formal agreements with trade unions	110, 111, 125	✓
<b>Aspect: Training and Education</b>			
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G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	152	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	146	
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Indicator Disclosures		Page	External Assurance
<b>Aspect: Supplier Assessment for Labor Practices</b>			
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<b>Aspect: Investment</b>			
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G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	142	
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G4-DMA	Disclosure Management Approach (DMA)	143	
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G4-HR10	Percentage of new suppliers that were screened using human rights criteria	62	
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<b>Aspect: Anti-corruption</b>			
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G4-SO5	Confirmed incidents of corruption and actions taken	60	
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
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G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	134	
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## FEEDBACK SHEET

We would like to thank you for taking your valuable time to read this Sustainability Report 2014. In an effort to improve the Sustainability Reporting the coming years, the PT Perusahaan Gas Negara (Persero) Tbk would like to ask you to kindly fill out this feedback sheet and send it back to us.

1. This Sustainability Report has provided you with any information on activities that have been conducted by PT Perusahaan Gas Negara (Persero) Tbk in its compliance with corporate social responsibility?

☐ Agree ☐ Don't Know ☐ Disagree

2. The material in this Sustainability Report includes data and information that is easily understood.

☐ Agree ☐ Don't Know ☐ Disagree

3. The material in this Sustainability Report includes data and information that is sufficiently complete.

☐ Agree ☐ Don't Know ☐ Disagree

4. The material in this Sustainability Report includes data and information that is accountable and can be validated.

☐ Agree ☐ Don't Know ☐ Disagree

5. The information in this Sustainability Report is well presented, well designed and laid out with suitable photographs.

☐ Good ☐ Don't Know ☐ Dissatisfactory

6. What information do you feel was useful in this Sustainability Report?

.....  
 .....  
 .....

7. What information do you feel was not useful in this Sustainability Report?

.....  
 .....  
 .....

8. What information was missing or incomplete and should be included in future Sustainability Reports?

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 .....  
 .....

### Your Information

Full Name : .....

Institution/Company : .....

Email : .....

Identification of stakeholder groups (select one):

- Government • NGO • Industry
- Academic • Media • Public
- Other

.....

Please send back this form to:

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# Sustainability Report 2014



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