# PT Perusahaan Gas Negara (Persero) Tbk 2015 Sustainability Report



# One PGN serving One Indonesia

# PGN One For A Sustainable Future

In any year, change occurs. PGN is focused on sustainable operations within PGN's changing environment and focused also on sustaining the environment throughout all of its changes. PGN's switching from CFC's to gas for coolant, measuring of the company's carbon footprint and efficiency programs, and solid commitment to community empowerment are steps we take to promote a sustainable future.

The global energy market has shifted greatly over the past two years and PGN has responded by dramatically increasing its pipeline network, in an effort to consistently expand gas delivery. PGN itself has grown considerably and we have reorganized to remain able to deliver on the company's objectives. The future of energy in Indonesia will require a sustainable approach within an environment of larger and smaller changes, and with sustainable energy we can together build a sustainable future.





## **PGN – WORLD CLASS TRANSFORMATION**

In order to attain the PT Perusahaan Gas Negara (Persero) Tbk vision of "Becoming a World Class Energy Company in the Utilization of Natural Gas", and to accomplish its mission amidst the prevailing challenges in the industry, PGN recognizes the importance of embarking on a project of transformation, starting from the inner core of the Company.

This transformation is in line with PGN's long term strategic goals, namely the creation of stronger existing businesses, new businesses along the gas business chain, and a world class organization in terms of reputation, growth, and profitability. This transformation also harnesses the five principal values of PGN, namely professionalism, continuous improvement, integrity, safety, and excellent service.

This transformation will see PGN metamorphose from its current state as Key Manager to Active Advisor in the short term, and eventually to become a Strategic Leader as the final steady state.

Such a transformation for PGN to become Active Advisor will consist of these fivemajor changes:

- PGN as a holding company acting as Active Advisor for its subsidiaries, providing them with strategic direction.
- 2. PGN streamlining and strategically controlling its organization structure so as to focus more on its role on strategic and control functions.
- 3. PGN separating the management of its infrastructure business with its commodity business.
- 4. PGN establishing two business units with the role of directly running the business activities, namely BU Gas Product and BU Infrastructure & Operations.
- 5. PGN changing the mechanism of management of supporting functions by implementing the centralized model for various supporting functions and one common service platform for various work units within the scope of a region.

As the initial step in this PGN transformation, in 2015 PGN issued decrees authorizing the changes to the organization structures to be implemented on May and October 2015.

As Active Advisor, PGN Group will work with synergy, starting from defining strategy to the operational activities. PGN Holding will focus on the determination of direction and strategy for PGN and Business Units/Subsidiaries will focus on running the operational activities to support PGN's strategy.



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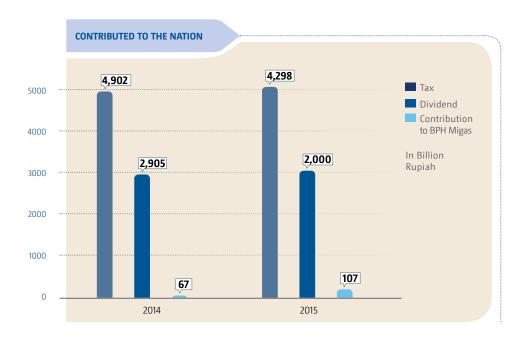
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## **ECONOMIC PERFORMANCE**

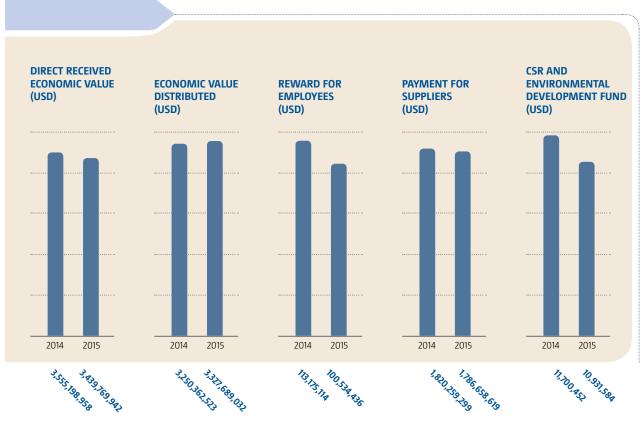


RECEIVED AND DISTRIBUTED ECONOMIC VALUE (USD)

	2014 (Restated)	2015
DIRECT RECEIVED ECONOMIC VALUE		
Income	3,253,388,634	3,068,790,845
Interest Income	32,016,480	18,439,067
Income from Investment in Subsidiaries		_
Income from Sale of Property, Plant and Equipment		-
Income from Investment in Foreign Currencies	49,074,653	(14,304,070)
Other Income	105,290,176	137,981,239
Total	3,439,769,942	3,210,907,082
ECONOMIC VALUE DISTRIBUTED		
Operating expenses	2,270,418,450	2,380,024,032
Employee Salaries and Other Benefits		
- Operations Department	31,381,783	16,184,362
- Administration Department	81,793,332	84,350,074
Total Employee Salaries and Other Benefits	113,175,114	100,534,436
PAYMENTS TO INVESTORS (SHAREHOLDERS)		
- Dividend Payment	443,982,248	268,723,467
- Interest Payment	73,651,657	119,162,853
Total Payments to Investors (Shareholders)	517,633,905	387,886,320
Expenditure to the Government	415,116,235	321,528,256
Expenditure to Communities	11,345,328	10,114,628
Total	3,327,689,032	3,200,087,671
ECONOMIC RETAINED VALUE BEFORE DIVIDEND	556,063,159	279,542,878
ECONOMIC RETAINED VALUE AFTER DIVIDEND	112,080,911	10,819,411













5.29

**5.30** 

2015

## CSR AND ENVIRONMENTAL DEVELOPMENT FUND 2015

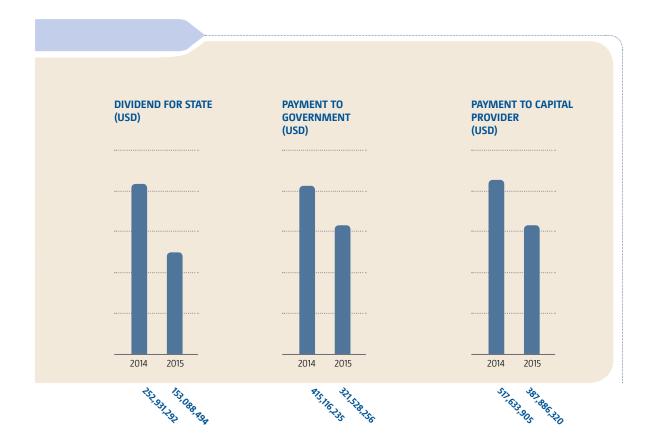


usp**10,931,584** 

## INFRACTION OF MARKETING CASES 2015

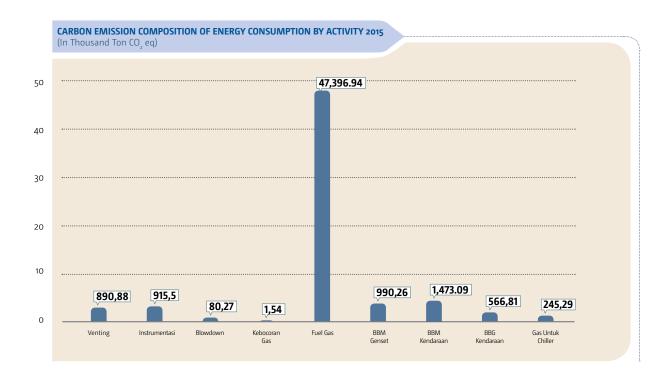


NONE





## **ENVIRONMENTAL PERFORMANCE**









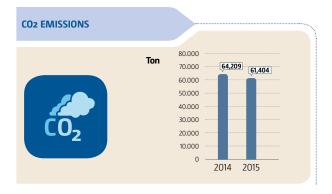
Trees Planted in PGN Revegetation Program

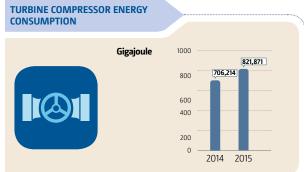
YEAR	2012	2013	2014	2015
Trees	570,858	500,675	230,696	11,985

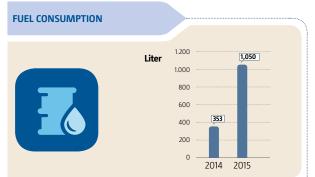


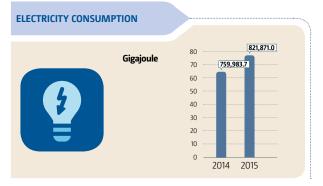


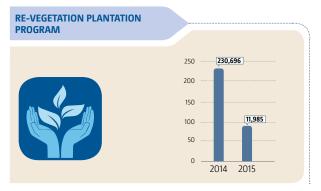
## **ENVIRONMENTAL PERFORMANCE**











ENVIRONMENTAL STEWARDSHIP AND CORPORATE SOCIAL RESPONSIBILITY FUND IN ENVIRONMENTAL SECTOR

NO	ACTIVITY DESCRIPTION	AMOUNT (RP)
1	Environmental Impact Analysis (EIA)/UKL-UPL preparation and Environmental Permits Processing	8,237,269,389
2	Environmental Monitoring	3,705,493,000
3	Making Absorption Wells Strategic Business Unit Distribusi I and III	_
4	Environmental Campaign	56,500,000
5	Hazardous Waste Management	1,295,972,000
6	Environmental Management Program Related to PROPER	1,291,748,500
7	Equipment Calibration for Environmental Measurements	12,000,000
8	Environmental Training	271,659,289
9	Energy Monitoring System and Carbon Calculator	_
10	Energy Efficiency Program	910,814,000
11	Environmental Management Facility (temporary B3 waste storage)	242,704,500
12	Environmental Report	55,852,500
13	Environmental Management System	192,940,000
14	Biodiversity Consultant Services	-
	TOTAL	16,272,953,178



## **SOCIAL PERFORMANCE**





100%

### **EMPLOYEES WALKED OUT**



NONE

## HUMAN RIGHTS INFRINGEMENTS



NONE

## EMPLOYEE INCORPORATED IN THE



100%

## **EMPLOYEE RETIREMENT FUND**



**FAIR** 

## EMPLOYEE REGULATIONS INFRINGEMENT



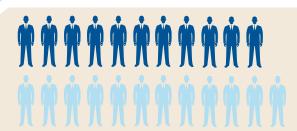


NONE

## **NUMBER OF MALE EMPLOYEES**

1,107

1.136



## **NUMBER OF FEMALE EMPLOYEES**

370

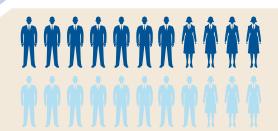
**373** 



### **TOTAL NUMBER OF EMPLOYEES**

1,477

1,509



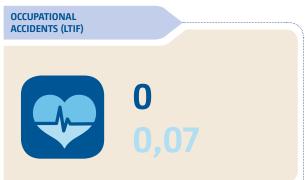




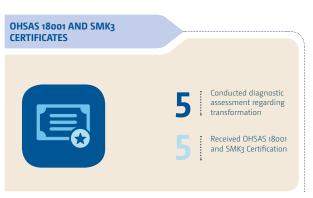


## **SAFETY PERFORMANCE**









2015 2014





## **ASSISTANCE TO COMMUNITIES**

#### **NATURAL DISASTER RELIEF**

- Food and healthcare packages for the victims of flooding in Jakarta, Tangerang, Bekasi, Gresik, Lamongan and Pasuruan.
- National Food Security Aid in the form of corned beef and beef sausage for areas affected by natural disasters.
- Clean water for communities experiencing drought in Pasuruan, East Java.
- Masks and eyedroppers for those affected by the haze in Medan, Pekanbaru, and Palembang.

## **EDUCATIONAL ASSISTANCE** [G4-EC7][G4-SO1]

- Dispatching young teachers in the Mentoring
   Program of 31 Elementary Schools in Musi Banyuasin,
   Muara Enim, Tulang Bawang Barat, and Lebak
   Regencies, and Pulau Bawean Island Gresik
   Regency, in partnership with Yayasan Indonesia
   Mengajar. The year 2015 was the fifth consecutive
   year where PGN participated in the program.
- Construction and renovation of 11 schools around the operational areas, namely in Siak (Riau), Majalengka, Cirebon, Semarang, Kendal and Demak, carried out under a synergy with PT WIKA.
- Educational Assistance for 1,125 students from 15 state universities in Indonesia.
- PGN Innovation Camp Program in partnership with Yayasan Karya Salemba Empat. This event was a training in the form of a competition involving 143 students that have received PGN scholarship and have come up with effective innovations and community empowerment activities.
- Assistance to enhance teachers' competence, participated by 150 teachers from Probolinggo,
   Pasuruan, Mojokerto, Sidoarjo, Gresik and Surabaya.
- Laboratory facilities for 17 vocational schools in DKI
   Jakarta on the celebration of the 70th Anniversary of
   Indonesia (BUMN Hadir untuk Negeri).
- Siswa Mengenal Nusantara Program, a student exchange program involving high school students to encourage their learning of other culture, economy and education, taking place in DKI Jakarta (for students from Aceh) and in Riau (for students from DKI Jakarta).

#### **HEALTHCARE ASSISTANCE** [G4-EC7][G4-SO1]

- Public Health Service through 10 Mobil Sehat PGN
  (Mobile Clinic) providing free pregnancy test, provision
  of supplements for pregnant women, contraceptives,
  general healthcare and basic dental care, children's
  growth check, and provision of supplementary nutrients
  for children in PGN's operational areas. This activity
  took place in Medan, Batam, Sumsel, Lampung, Banten,
  DKI Jakarta, West Java and East Java.
- Assistance of 10 ambulances and 1 hearse in DKI Jakarta and East Java.
- Social assistance in the form of walking aid, hearing aid, cataract operation for underprivileged society around the operational areas.
- Assistance for congenital disability treatment provided to 19 people with congenital disabilities in East Java.
- Assistance for cataract surgery for 500 people in Palembang, Bandar Lampung, Jakarta and Cirebon.
- Assistance for Health Post during the Mudik Lebaran, providing healthcare, health supplements, and entertainment facility in Lampung, Brebes, Semarang and Surabaya.

## **INFRASTRUCTURE/PUBLIC FACILITY ASSISTANCE** [G4-EC7][G4-SO1]

- Renovation of 45 veterans' houses in Greater Jakarta region on the 70th Anniversary of Indonesia (BUMN Hadir untuk Negeri).
- Construction of roads and children's playgrounds in East Java, road and cemetery gate in Glugur, Medan, roads and waterways in Semarang, village roads in Megamendung, cemetery road in Terong Island, Riau Archipelago, running tracks in Depok, public facilities in Taman Menteng.
- Construction of the bridge in Pagardewa village, Muara Enim.
- Construction of the suspension bridge in Hamberang village in Cipanas, Lebak.
- Public facility for the construction of arboretum in Pagardewa – Muara Enim for the achievement of Green Proper. The public facilities include visitor information centre, amphitheater, deck, gazebo, roads, jogging track, nursery, security post, stairs, and pond.



## **ASSISTANCE TO COMMUNITIES**

Public facility for the development of Biodiversity
 Park in Bedegung – Muara Enim for achievement of
 Green Proper. The public facilities include visitor
 information centre, toilet, gates, gazebo, roads, bird
 sanctuary, butterfly sanctuary, green house, and
 security post.

### **RELIGIOUS FACILITY ASSISTANCE** [G4-EC7][G4-SO1]

- Assistance for the construction and renovation of religious facilities and supporting facilities as well as religious activities such as providing donations to orphans, the underprivileged, mass weddings, and other religious activities related to celebration of religious holidays.
- Donation of sacrificial animals for the celebration of Eid al-Adha 1436 H. Assistance is provided to the communities living around PGN's operational areas.
- Construction of 5 Rumah Tahfidz in Medan, Batam, Palembang, Lampung and Serang. This assistance was instigated in 2014 and the results have been used since the end of 2015.

## **ENVIRONMENTAL CONSERVATION ASSISTANCE**

[G4-EC7][G4-SO1]

- Procurement for plant seeds for Sedati Sidoarjo, Megamendung – Bogor, Medan, and Batam.
- Planting of 10,000 mangrove trees in Medan.
- Biopores production activity in Bogor.

### **SOCIAL/COMMUNITY ASSISTANCE**

[G4-EC7][G4-SO1]

- Community empowerment training programs, such as:
  - Cooking training for housewives in apartments in Jakarta.
  - Mechanic training for bajaj gas drivers in Jakarta.
  - Sugarcane farming training in Malang, East Java.
  - Branding and Intellectual Property Rights training for development partners of PGN.
  - Waste Recycling training in Medan (processing plastic waste, used paper, used items to make useful items).
- Provision of 17,000 basic goods package for the underprivileged in 5 areas in DKI Jakarta on the 70th.
   Anniversary of Indonesia (BUMN Hadir untuk Negeri).
- Construction of an exhibition gallery and its supporting facilities for development partners in Jogjakarta.
- Assistance for the participation of 12 development partners of PGN in the INACRAFT expo in Jakarta.
- · Lighting appliances for the fishermen community.
- Free birth certificate assistance for the underprivileged in Medan
- PGN also conducted social mapping in 5 areas and has implemented the social mapping result in 2 programs, i.e. mulberry farmers program in Garut and togabuzi planting program in Bogor.







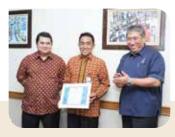
## **2015 EVENT HIGHLIGHTS**



**JANUARY 2015** Strategic Partnership between PGN and GDF Suez



JANUARY 2015
Enervation - Muda Bergerak
dengan Energi Baik
50th anniversary of PGN &
Kompas "Jakarta High School
Saving Energy Declaration"



**FEBRUARY 2015**Driver Awards



APRIL 2015 Yearly GMS



MAY 2015 Mass Mariage 50 Years PGN



MAY 2015 Social Service 50 Years PGN



**AUGUST 2015**Warta Ekonomi 2015 Social
Business Innovation Awards



AUGUST 2015 PGN Held "Pasar Murah", In Commemoration with 70th Indonesia Independance Day



**SEPTEMBER 2015**PGN, Pelni, and ASDP Signed Agreement for Gas Utilization for Sea Transportation





MARCH 2015 PGN Achieved CECT Awards



APRIL 2015
The Launch of Indonesia Smart City Index 2015 - 24 March 2015



APRIL 2015 PGN – Jawa Post Bromo 100 km Cycling



MAY 2015 Blood Drive 50 Years PGN



**JUNE 2015**PGN Developed CNG
Clustering Project Central Java



**JULY 2015** PGN's Mudik Bareng with #EnergiBaik PGN



**OKTOBER 2015**PGN Giving Series of Cooking Training for Domestic Gas Customer in Housing Projects in Jakarta



**NOVEMBER 2015**Energi Baik Field Trip Darul
Abidin SMPIT Students
Depok



**DECEMBER 2015**PGN Attends Indonesia Vice
President Hearing with the
Young Teachers of Indonesia
Mengajar



## **AWARDS AND CERTIFICATIONS**



## TOP 50 PUBLIC LISTED COMPANY

Awarded by IICD – Investor Daily for PGN's achievement in becoming one of the Top 50 Public Listed Companies.







## TOP 10 SOCIAL BUSINESS INNOVATION COMPANIES AWARD

Awarded by Warta Ekonomi. SOCIAL BUSINESS INNOVATION COMPANY AWARD 2015 (OTHER SERVICE) Awarded by Warta Ekonomi.



## THE BEST ROLE STAKEHOLDER

Awarded by IICD – Investor Daily.



## THE GLOBAL 2000 FORBES

Category the 2000 Biggest Public Companies 2015.



## CECT CSR AWARD - SILVER WINNER

Award for CSR Governance Performance of All Sector.



## ZERO ACCIDENT AWARD

Awarded by the Ministry of Manpower of the Republic of Indonesia.





### **BEST CAMPAIGN 2015**

BUMN Award by Investor Magazine. TOP 5 GREEN CEO AWARD 2015 Awarded by Warta Ekonomi



### OIL & GAS OCCUPATIONAL SAFETY AWARD

For the category of
"Zero Lost Time due
to Accidents" in
transportation.
Hiv & Aids Prevention &
Handling Award
Awarded by Ministry of
Manpower of the Republic
of Indonesia.
#10 in the category
of Fastest Growing
Companies in Asia.



### THE PLATTS AWARD

46 in the Overall Performance in Asia category.

THE PLATTS AWARD 51 in the Global Performance category.



### **PLATINUM AWARDS**

Best Annual Report
Cover in the Asia Pacific
Region in the Annual
Report Vision Awards
2014 competition
organized by the
League of American
Communications
Professionals (LACP) in
2015.



## **IN ASIA PACIFIC**

Top 50 Annual Report in the Asia-Pacific Region in the Annual Report Vision Awards 2014 competition organized by the League of American Communications Professionals (LACP) in



## **PLATINUM AWARDS**

Best Annual Report Cover Worldwide in the Annual Report Vision Awards 2014 competition organized by the League of American Communications Professionals (LACP) in 2015.





## CECT CSR AWARD - SILVER WINNER

Awarded for CSR Governance Performance of All Sector.



#### **PLATINUM AWARDS**

In the Utilities - Gas
Category in the Annual
Report Vision Awards
2014 competition
organized by the
League of American
Communications
Professionals (LACP) in



# GOLD WINNER INTERNATIONAL ARC AWARD XXIX

Non-Traditional Annual Report: Energy Infrastructure category.



## 2 GLOBALLY

Top 100 Annual Report Worldwide in the Annual Report Vision Awards 2014 competition organized by the League of American Communications Professionals (LACP) in 2015.



### **TOP 10**

Best Annual Report in Indonesia Region in the Annual Report Vision Awards 2014 competition organized by the League of American Communications Professionals (LACP) in 2015.





## **GOLD WINNER INTERNATIONAL ARC AWARD XXIX**

Interior Design: Energy Infrastructure category. BRONZE WINNER INTERNATIONAL ARC AWARD XXIX Printing & Production: **Energy Infrastructure** category.



## **BEST IN 2015**

Consistent Environmental Management Reporting Industry in 2015 from the Provincial Government of East Java.



### **BLUE PROPER RATING**

Companies' Environmental and Forestry Management Performance Assessment Program



**BRONZE WINNER** STEVIE® AWARD 2015 Publication Award

category.



### THE BEST **SUSTAINABILITY REPORT**

Energy, Oil & Gas Awarded by NCSR in SRA 2015



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



**Iman Sugema**President Commissioner

The impact of climate change in the last two decades has become a major global issue that must be overcome together. In the COP 21 (Conference of Parties 21) meeting in Paris, France, in December 2015, the Government of Indonesia asserted its commitment to reducing greenhouse gas (GHG) emissions by 29% by 2030. This target could be increased if there is concrete support from international communities. To realize this commitment, the Government of Indonesia absolutely requires the active participation of businesses to participate and perform real actions for GHG emission reduction.



In this regard, the Board of Commissioners appreciates all the strategic steps that have been carried out by PGN's Board of Directors to reduce GHG emissions. PGN currently has a Carbon Calculator to measure the Company's carbon footprint, then follows up the results with the formulation of the right policies for environmental conservation.

The Board of Commissioners hails the reforestation program as an important step in reducing GHG emissions. All of these efforts demonstrate the PGN management's concern about the preservation of the Earth and its contents.

As a more environmentally friendly energy source, natural gas should be utilized with increasing intensity and prioritized. The more people switch from conventional energy sources to natural gas, the better it is for the preservation of the Earth. Therefore, the Board of Commissioners supports the management's efforts to improve the reliability of the natural gas supply and to continue campaigning for the use of natural gas as a more environmentally friendly energy and to establish the mindset that by using natural gas, we are taking part in saving the Earth.

The Board of Commissioners also appreciates the strategic steps that have been implemented by the Board of Directors in the social field, as PGN's contribution to the achievement of Sustainable Development Goals (SDGs) by 2030. As a state-owned enterprise (SOE) whose functions include serving as "an agent of development", PGN plays an important role in executing the program through a variety of activities under its Corporate Social Responsibility (CSR) initiatives, which are increasingly needed by society.

The Board of Commissioners appreciates the implementation of CSR programs throughout 2015 aimed at improving the lives of marginalized communities, especially those located in the vicinity of the Company's operations. Economic empowerment programs are expected to spur economic growth.

Similarly, the distribution of aid in the areas of health, education and other fields that are used to improve infrastructure is in line with the Government's efforts to achieve the Sustainable Development Goals (SDGs).

In the context of sustainability, the commitment and implementation of these programs demonstrates PGN's concrete measures in addressing issues of sustainability from both economic and environmental points of view, as well as socially. Commitment and implementation through various strategic measures must be sharpened continuously, and must include programs related to improving the professionalism of employees, giving priority to health and safety, and building harmonious industrial relationships with PGN's employees and business partners.

Taking into consideration the global economic condition, which has borne unfavorable impacts on the Indonesian economy, PGN is set to face a future more rife with challenges, especially in fulfilling natural gas supply. To that end, the Board of Commissioners mandated that the management of PGN work hard and professionally to create many innovations and breakthroughs to overcome all these challenges.

In closing, the Board of Commissioners would like to express its gratitude and highest appreciation to the Board of Directors and all staff who have worked hard to achieve 2015's sustainability performance. May we improve this performance in the year to come.

Jakarta, February 2016

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**Iman Sugema**President Commissioners





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

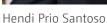


**Hendi Prio Santoso**President Director

Sustainability is defined as the ability to survive in the midst of limitations and environmental issues that one faces, namely limited natural resources, disturbance to ecosystems, the proliferation of chemicals that damage the environment and health, socio-cultural conditions that continue to move toward a situation of rapid change, and other issues that overlap and intersect with each other. When everything continues the way it is, the fundamental question that arises is what kind of Earth would we bequeath to future generations?









Mochtar Riza Pahlevi Tabrani



Djoko Saputro

We certainly would want to bequeath a healthier and better Earth than it is at the present. This can be achieved if development is carried out based on the concept of sustainability, which in the world of business is known as the sustainability concept.

PGN will continue to run based on sustainability principles in the broad sense of the term, so that it can ensure that what we are doing right now will not interfere with, or even become detrimental to, the lives of future generations.

Therefore, in every activity, PGN always pays attention to environmental and social aspects. PGN's operational activities are carried out in such a way to minimize the environmental footprint, including carbon footprint, as well as care for a variety of social issues faced by society, including workers and their families.

We have passed the year 2015 with an encouraging achievement in our sustainability performance. In line with the 2030 Sustainable Development Goals (SDGs), we continue to implement sustainability programs

through a series of measures aimed at achieving these goals, among others: preserving the environment, improving the living conditions of marginalized communities in the fields of education and health, maintaining employees' work comfort, and sharing with the community in order to establish a self-reliant, healthy, educated and prosperous society.

## ADAPTATION AND MITIGATION OF CLIMATE CHANGE

PGN has implemented various strategic measures in the framework of climate change adaptation and mitigation. In 2015, we successfully implemented a carbon calculator to calculate our carbon footprint across all corporate entities, including our subsidiaries. The PGN Carbon Calculator system was developed using a greenhouse gas (GHG) emission calculation method recommended by the World Business Council on Sustainable Development (WBCSD). With this system, PGN can trace and calculate the amount of GHG emissions generated by all of its operations.

In 2015, various programs to mitigate carbon emissions were implemented and will continue to be ramped up, including power consumption reduction, conversion of energy from oil to natural gas, control of employee work-related travel, and implementation of the 3R (reduce, reuse, recycle) principle. In addition, PGN continues to carry out reforestation activities, and in 2015, we planted 11,985 trees.

### SUSTAINABLE DEVELOPMENT

As a continuation of the Millennium Development Goals (MDGs), the Indonesian Government is now encouraging the business world to participate and contribute to the achievement of Sustainable Development Goals (SDGs). There are 17 sustainable development goal programs to be implemented









Muhammad Wahid Sutopo

Jobi Triananda Hasjim

Hendi Kusnandi

by all countries, including Indonesia, until 2030. The programs are aimed at creating better living conditions for all populations.

As a state-owned enterprise (SOE), PGN is committed to implementing various programs to achieve the SDGs through its CSR programs. CSR expenditures in 2015 amounted to Rp141,378,831,471. PGN is present in society through its educational, health, as well as public infrastructure development, programs.

## **INCREASED CONVENIENCE WORKERS**

For PGN, labor is primary capital to run the Company's operations. The presence of workers is a major requirement in achieving the vision and mission of the Company. Therefore, we are constantly working to enhance the professionalism and skills of our employees through a variety of education and training programs. In 2015, these training programs involved 3,302 employees, with an average training time of 11 hours per person per year. The expenditure for education and training in 2015 reached Rp38,089,858,520.

Career development mechanisms are in place to supplement education and training, followed by regular performance reviews. The cultivation of moral values and corporate culture in all employees is conducted regularly. All employees have freedom of association and both genders have equal opportunities in the workplace. They are treated without discrimination against their race, ethnicity, religion and gender. To note, in 2015, no strikes or boycotts were carried out by PGN's employees.

## **CHALLENGES AND OPPORTUNITIES**

PGN continues to support efforts to use gas as a more environmentally friendly fuel. In the next three to five years, the demand for natural gas is expected to increase. This presents a challenge and an opportunity at the same time for PGN. Therefore, we will continue to revitalize and refine the organization, including improving our systems and processes to ensure the availability of a gas supply to meet customer requirements in the industrial, commercial and household sectors.

Going forward, PGN will continue to be present as an important element in the efforts to mitigate GHG emissions. With hard work and real support from the Government and other stakeholders, we believe this challenge can be overcome. The spirit and hard work of everyone within PGN will play a major role in improving PGN's sustainability performance.

Finally, on behalf of the Board of Directors, we express our thanks to the Board of Commissioners and the shareholders for their direction and support throughout 2015. We also express our appreciation to all other stakeholders for their support and participation in our sustainability performance achievements in 2015.

Jakarta, February 2015

**Hendi Prio Santoso** President Director











WELCOME TO THE 2015
SUSTAINABILITY REPORT!

PGN publishes a Sustainability Report once a year, and this is the seventh edition of such report, starting from its initial publication in 2010. The 2014 Sustainability Report was published in March 2015.

[G4-29][G4-30]



## **ABOUT THIS FILE**

This report contains PGN's performance in three aspects, namely economic, environmental, and social (triple bottom line). As in previous reports, this report is also prepared with the intention to inform stakeholders and allow them to evaluate to what extent PGN has run its operations in an environmentally and socially beneficial manner. Through this Report, one can read the efforts pursued by PGN in mitigating greenhouse gas emissions, in addition to the implementation of other programs aimed at achieving the Sustainable Development Goals (SDGs).

## FORMAT LAPORAN DAN INDEKS KONTEN GRI G4 [G4-32]

This report was prepared in accordance with the G4 Sustainability Reporting guideline issued by the Global Reporting Initiative (GRI). As in the 2014 Report, this report was prepared also by applying the G4-Core format.

To facilitate readers in finding GRI G4 indicators applied to this report, the GRI G4 indicators have been provided on each relevant page under blue print and in brackets, while the complete index of GRI indicators is provided on page 163.

### **REPORTING PERIOD AND BOUNDARIES**

This year's report contains data and information related to PGN's and its subsidiaries' economic, social and environmental performance, for the period of 1 January 2015 to 31 December 2015. [G4-28]

In 2015, PGN made a fundamental and strategic change in order to transform the Company (see page 1, which significantly affected the scope and boundary of the report. In June 2015, PGN made an overarching change to the organization structure, from previously a decentralized form to that of a holding company that controls a number of subsidiaries as operating entities. Therefore, the presentation of a number of data sets in this year's report is not to be compared directly and in detail with the corresponding data from previous years' reports. [G4-22][G4-23]

## **DETERMINING REPORT CONTENT**[G4-18]

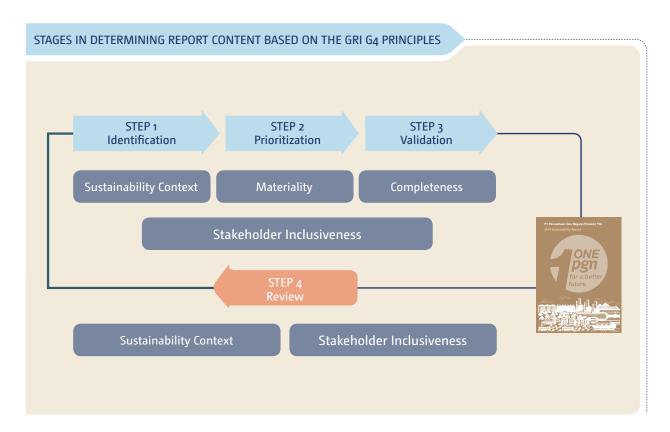
The content of this report is determined according to the four mandatory principles of GRI G4, namely:

- Stakeholder Inclusiveness;
   This principle requires stakeholders to be involved in the reporting process, starting from the determination of report content up to receiving inputs regarding the published report.
- Materiality;
   This principle requires the report to contain issues or aspects that are material for the stakeholders to assist them in their decision-making.



- Sustainability Context; and
   This principle requires the report to cover all sustainability issues that are relevant to PGN.
- 4. Completeness.
  This principle requires the report to be made with a specific scope and for a specific reporting period, and to be supported by complete data sets for the given reporting scope and period.

As in previous years, the determination of this year's report content was carried out through four stages, namely: identification, prioritization, validation, and reviewing to provide input for the following year's report content.









## **DETERMINING MATERIAL ASPECTS AND REPORTING BOUNDARY**

We conducted Focus Group Discussions (FGD) to determine material aspects and the boundary of the report content. These discussions were attended by the members of the Sustainability Report Preparation Team from the related work units. In addition, in accordance with the principle of stakeholder inclusiveness, we involved stakeholders in the report materiality survey by sending survey materials through e-mail. Various stakeholders to whom we delivered our survey included the labor union, suppliers, distributors, business partners, customers, the government, professional associations, regulators, non-governmental organizations, and prominent figures in the society. This process took place in January 2016. [G4-18]

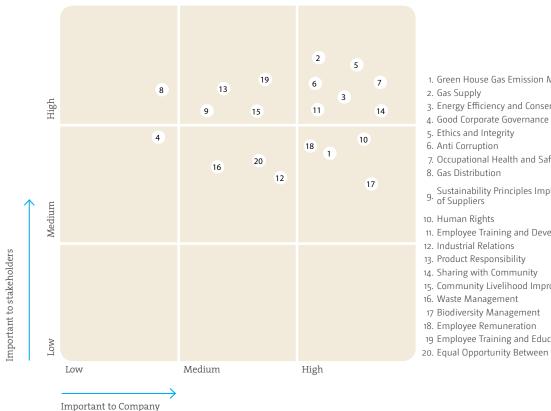
LIST OF MATERIAL AND BOUNDARY

			BOUNDARY			
MATERIAL ASPECTS [G4-19]	PGN [G4-20]			OUTSIDE PGN [G4-21]		GRI G4 INDEX
	HOLDING COMPANY	SUBSIDIARY	TRANSPORTATION	CLEANING SERVICE	SECURITY	
Category: Economic						
Economic Performance	•	•				G4-EC1,G4-EC3
Market Presence	•	•				G4-EC5
ndirect Economic Impacts	•	•				G4-EC7, G4-EC8
Category: Environmental						
Material	•	•				G4-EN1
Energy	•	•				G4-EN4,G4-EN5, G4-EN6, G4-EN7
Water	•	•				G4-EN8
Emissions	•	•				G4-EN15,G4-EN16, G4-EN18,G4-EN21
Effluents and Waste	•	•				G4-EN22,G4-EN23,G4-EN31
Category: Social						
Sub Category Labor Practice	25					
Employment	•	•				G4-LA1,G4-LA2
Labor/Management Relations	•	•				G4-LA4
Occupational Health and Safety	•	•				G4-LA5,G4-LA6,G4-LA8
Training and Education	•	•				G4-LA9,G4-LA10,G4-LA11
Diversity and Equal Opportunity	•	•				G4-LA12
Equal Remuneration for Women and Men	•	•				G4-LA13
Supplier Assessment for Labor Practices			•	•	•	G4-LA14
Sub Category Human Right	S					
nvestment	•	•				G4-HR2
Freedom Of Association And Collective Bargaining	•	•				G4-HR4
Child Labor	•	•		•	•	G4-HR5
Security Practices	•	•			•	G4-HR7
Sub Category Society						<u> </u>
Local Communities	•	•				G4-S01
Anti-corruption	•	•	•	•	•	G4-S03,G4-S04,G4-S05
Sub Category Product Resp	onsibility		'			1
Product and Service Labeling	•	•				G4-PR3,G4-PR4,G4-PR5
Marketing Communications	•	•				G4-PR7
						G4-PR8



## **MATERIALITY**

As described above, in addition to PGN's internal stakeholders, we also involved other stakeholders in determining the materiality of the report. We accomplished this through Focus Group Discussions (FGD) and the sending of survey materials to our external stakeholders. The result of this process is described in the materiality graph below.



- 1. Green House Gas Emission Mitigation
- 3. Energy Efficiency and Conservation
- 7. Occupational Health and Safety
- Sustainability Principles Implementation
- 11. Employee Training and Development

- 15. Community Livelihood Improvement
- 17 Biodiversity Management
- 19 Employee Training and Education
- 20. Equal Opportunity Between Men and Women



# **INDEPENDENT ASSURANCE** [G4-33]

To improve the report's credibility, as in previous years, we have appointed an independent assurer, Moores Rowland, to conduct limited assurance on this report. This process is important in order to ensure that the information provided in this report is correct in all material issues.

Throughout 2015 we did not have any other professional engagements with Moores Rowland, apart from the aforementioned assurance service. The appointment of Moores Rowland as the assurer was approved by the Board of Directors, represented by the Corporate Secretary. The considerations taken in determining the assurer include experience and capability as assurer. The independent assurer's report is presented on page 160.

To ensure that this report has been prepared in accordance with GRI G4 guidelines, we have also requested the National Center for Sustainability Reporting (NCSR) to do G4 In Accordance Check. The NCSR report can be found on page 162.

# **PERSONAL CONTACT** [G4-31]

We invite all readers and stakeholders to provide their input, ideas, and criticisms on PGN 2015 Sustainability Report, addressed to:

### **Corporate Secretary**

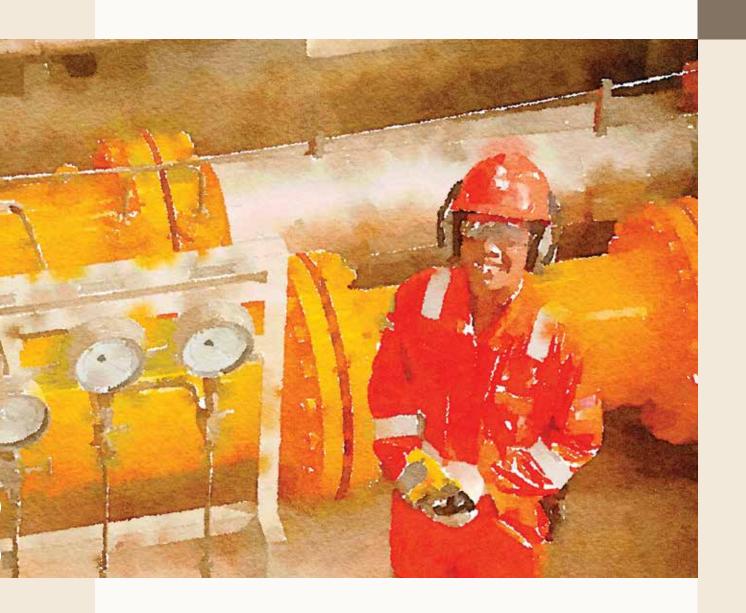
# PT Perusahaan Gas Negara (Persero) Tbk

Manhattan Square Lt. 30 Jl. TB. Simatupang, Jakarta, 12540, Indonesia T +6221 633 4838 F +6221 638 54917

# **Contact Center**

T 1500 645 E contact.center@pgn.co.id www.pgn.co.id











PT Perusahaan Gas Negara (Persero) (PGN) contributes to the progress of the Indonesian nation and the world by providing natural gas as an alternative for fuel that is cleaner, more environmentally friendly, economical, and sustainable, to be utilized by the society and industries and support development efforts.



# VISION, MISSION AND CORPORATE CULTURE

# **VISION**

To be a world class company in gas sector in 2020

# **MISSION**

To enhance the value of the organization for stakeholders through:

- · Customer: Secure energy needs fulfillment solutions, value-added, costeffective 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 Vision is stipulated based on the Decree of the Board of PT Perusahaan Gas Negara (Persero) Tbk No: 000303.K/HM.03/UT/2015 issued on 8 Januari 2015



# **CORPORATE CULTURE**

The corporate culture is the values and philosophies agreed and believed by all PGN employees as the basis and reference for PGN to achieve the goals. PGN defines it corporate culture through the five values, abbreviated into ProCISE and translated into 10 corporate behaviors.

Guidelines for PGN Corporate Culture were established under Decision No. 010705.K / SM.02.02 / UT / 2009 dated May 12, 2009 on Guidelines for Corporate Culture.

ProCISE has become a culture for f each PGN employee's behavior.







# PGN'S CORE BEHAVIORAL GUIDELINE

[G4-56]

Based on the company's corporate culture and the principles of good corporate governance, PGN has established the Code of Conduct for all Employees of PGN.

The Code of Conduct in general contains the desired behaviors of all PGN employees in their daily activities and in their interaction with the stakeholders. This guideline is further intended to provide a practical guideline on conflict of interest, corruption, bribery, gratification, management of information, and many more. The Code of Conduct has been published and must be adhered to by all employees of PGN.

# **PROFESSIONALISM**



#### **PROFESSIONALISM**

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





Responsibility



# CONTINUOUS IMPROVEMENT



# CONTINUOUS IMPROVEMENT Committed to continual

Committed to continual improvements.





**Adaptive to Change** 



# **5 CORE VALUES OF PGN**

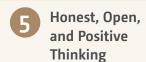


# **INTEGRITY**



# **INTEGRITY**

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





Disciplined and Consistent

# **SAFETY**



# SAFETY

Always prioritizing workplace health and safety for one self and the surrounding environment

**Prioritizing Workplace Health** and Safety



**Prioritizing the Environment and** Society

# **10 MAIN BEHAVIORS OF PGN** [G4-56]



# **EXCELLENT SERVICE**



# **EXCELLENT SERVICE**

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

**Prioritizing** Internal and External Customer Satisfaction



**Proactive** and Quickly Responding



# **MILESTONES**

PT Perusahaan Gas
Negara (Persero) Tbk.,
widely known as PGN
with ticker code PGAS
on the Indonesian
Stock Exchange, is a
pioneering state-owned
company dating back
to 1859, when it was
named L.J.N. Eindhoven
& CO Gravenhage.

PGN successfully
completed the
Grissik – Duri
Transmission Pipeline
and subsequently
established a subsidiary
in the business of
Transmission, namely
PT Transportasi Gas
Indonesia (TGI).

# 1998

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

2008

# 1965

On 13 May 1965, pursuant to Government Regulation No. 19/1965, the Company was designated as a State-Owned Company and known as Perusahaan Gas Negara (PGN), and became the official date of inception.

# 1994

The Company's change in status was accompanied by an expansion in the scope of its business, from natural gas distribution to encompass transmission as well, in which PGN functioned as transporter.

# 2007

On 11 March 2007, the Company successfully conducted Gas-In (first gas channeling) which was followed by the gas commercialization from Pertamina's Pagardewa gas field through the South Sumatera-West Java pipeline to a Company customer in Cilegon (PT Krakatau Daya Listrik). On 25 October 2007, Minister of SOE inagurated SSWJ pipeline phase II for Grissik - Pagardewa segment.



In accordance with Law No. 40 year 2007 regarding Limited Liability Companies and related to a stock split, the Company's Articles of Association was amended by Deed No. 50 dated 13 Juni 2008 jo. Deed No. 8 dated 2 July 2008.

PGN established a subsidiary company, PT PGN LNG Indonesia (PGN LNG). The scope of PGN LNG business among others are procuring LNG and natural gas supply, deviation activity including regasification to the buyer, as well as other business activities.

# 2012

In late August 2015, PGN through its affiliate, PT Borneo Java Gas has successfully completed the construction of 200 km transmission pipeline Kalija I section from the Kepodang gas field to Tambak Lorok PLTG Semarang and proceeded with the commercialization of the pipeline.

2015

# 2008



# 2009

PGN established two subsidiaries, respectively engaged in upstream and downstream natural gas business. The upstream subsidiary is PT Saka Energi Indonesia (SEI) while the downstream subsidiary is PT Gagas Energi Indonesia (GEI). PGN ownership stands at 99% of both subsidiaries with 1% owned by by PT PGAS Solution.

# 2014

PGN established subsidiary company PT Permata Graha Nusantara (Permata). The scope of Permata's business among others covers property management, manpower outsourcing services, management facilities, and profitization of company's resources and assets.

# 2009

To optimize the strengths and competencies that have been developed over time by leveraging opportunities for future business expansion, in 2009 the Company set up a subsididary company named PT PGAS Solution which engages in the provision of services related to engineering, operations and maintenance, EPC contractors, and trade.



PT Perusahaan Gas Negara Tbk was established on 13 May 1965 and has grown to become a 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.

The early years of the Company's history started in 1859 when it was the privately held Dutch Firma 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 State-Owned Enterprise (Tbk) and, on 5 December 2003, it was listed on the Jakarta Stock Exchange with the ticker code "PGAS" thus allowing the public to own its shares. As of the end of 2014, PGN shares were owned 56.96% by the government of Indonesia and 43.04% by the public. [64-7]

To date, PGN is a professionally managed SOE active in the field of distribution and

connectingIndonesia'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 SHARE** [G4-8]

PGN's customers range from the household, commercial, industrial, and power generation sectors. In conducting its marketing activities, PGN is supported by its subsidiaries engaged in various fields, among others, upstream exploration, downstream businesses, LNG, construction, telecommunication, natural gas transmission, regasification terminal and floating storage.

In 2015 the market share in each of these sectors are: household 97.0%, commercial 1.6%, industry 1.4%, in total of 100%. PGN's market share in the country amounted to 46% of the total national gas distribution.

In 2015 there were significant changes related to the introduction of organizational structure PGN PGN transformation as described on page 2 of this report. [G4-13]

# **PGN'S CUSTOMERS AS AT 31 DECEMBER 2015**

#### 1,529

Customers from the industrial sector including power plants with gas distribution volume reaching 778 MMSCFD

# 107,690

Household customers with gas distribution volume of 2 MMSCFD

# 1,857

Customers from the commercial sector including shopping areas, hotels, restaurants, and hospitals, with gas distribution volume of 23 MMSCFD

# **1,600** MW per day

Electricity generated every day from the distribution to power plants in Java, Batam, and Sumatera (including power plants owned by PLN group, IPPs for PLN group, and IPPs for industrial zones



# **GAS DISTRIBUTION NETWORK**

PGN operates natural gas distribution network for the total length of 5,782.89 km and for subsidiaries pipe network (TGI, PLI, KJG dan NR) with a length of 1,243.05 km, supplying natural gas to power plants, industries, commercial businesses including restaurants, hotels, and hospitals, and households all over Indonesia.

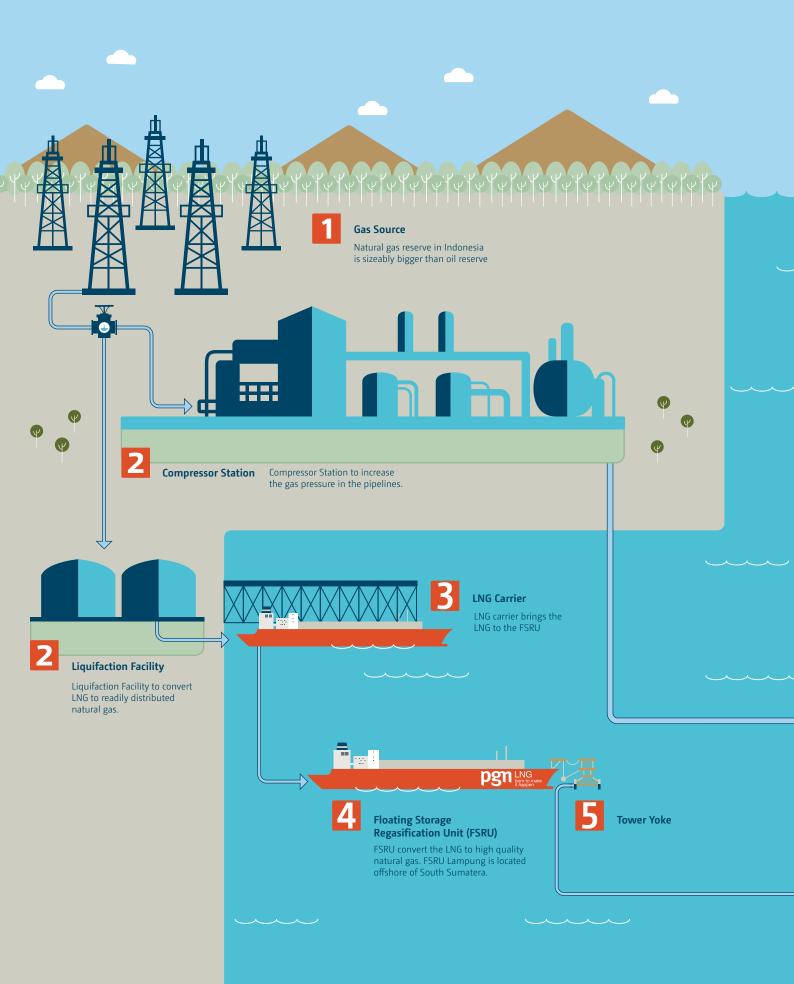
The natural gas transmission pipelines operated by PGN consist of high-pressure pipeline network to transport natural gas from gas fields/gas suppliers to bulk customers and offtake stations to be subsequently distributed to power plants, industrial zones, commercial areas, end-users, and depots to be further transported into other marketing areas using gas distribution pipelines. Up to the end of the reporting period, we control 83% of the gas distribution market share and 46% of the gas transmission market share in Indonesia.

The gas transportation activities are carried out in accordance with the provisions in the Gas Transportation Agreement (GTA) with an operational period of ten to twenty years.





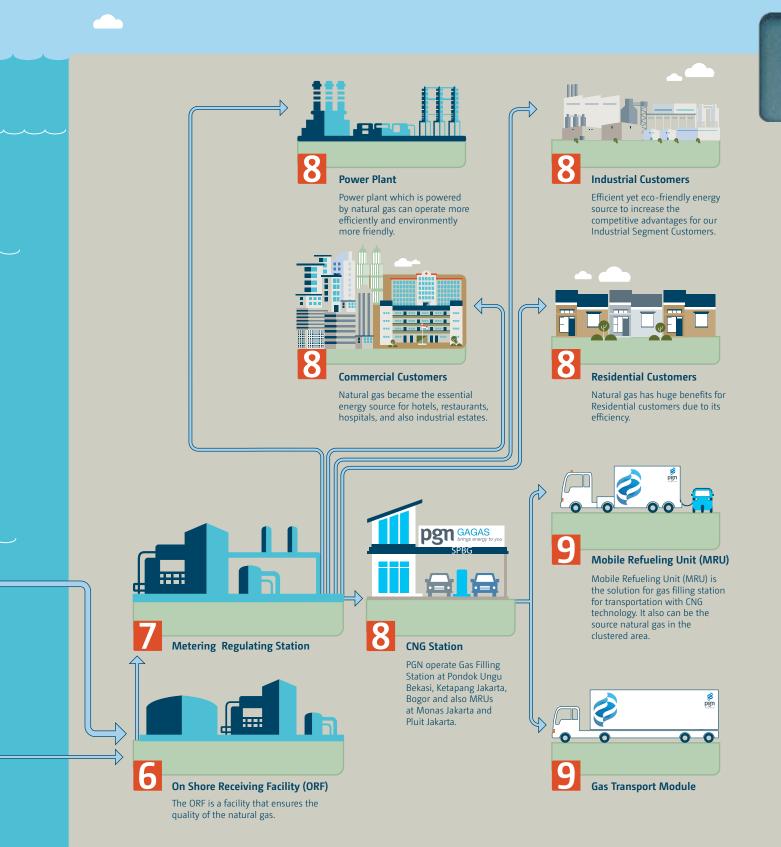
# **NATURAL GAS FOR THE COUNTRY**





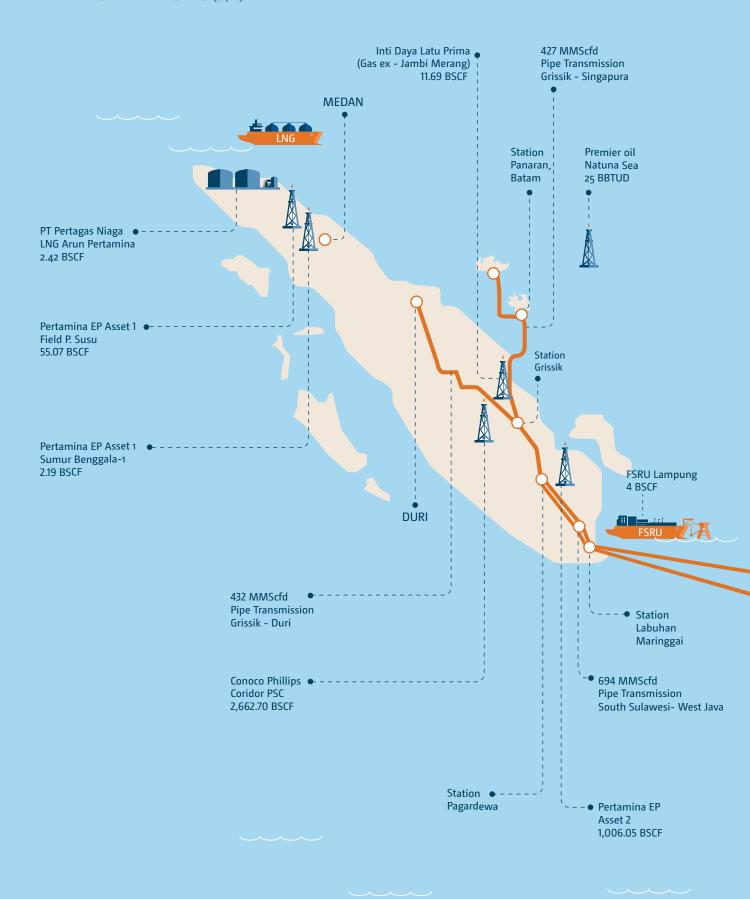
# **HOW NATURAL GAS COMES TO YOUR HOMES**

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.



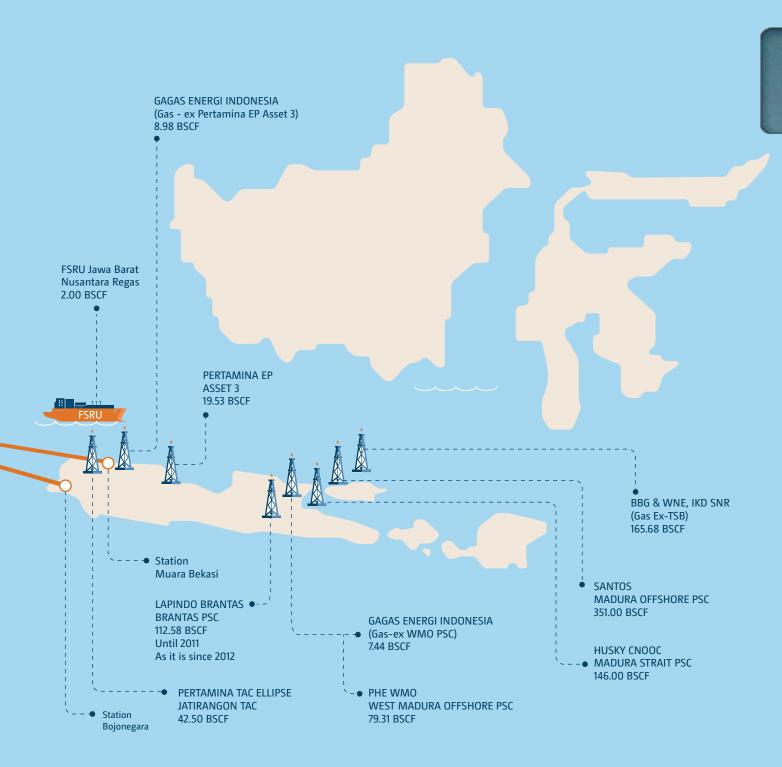


# **MAP OPERATIONS** [G4-6]











# **SUBSIDIARIES AND AFFILIATED ENTITIES** [64-17]

ENTITY NAME	SUBSIDIARY/ AFFILIATED ENTITY	SHARE OWNERSHIP	LINE OF BUSINESS	DESCRIPTION	STATUS
PT Saka Energi Indonesia (SEI)	Subsidiary	PGN – 99.997% PT PGAS Solution – 0.003%	Upstream Business	PT Saka Energi Indonesia 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.	Operational
PT Transportasi Gas Indonesia (TGI)	Subsidiary	PGN — 59.87% Transasia Pipeline Company Pvt. Ltd 40% Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara — 0.13%	Gas Transportation	TGI was established on 1 February 2002. Now, TGI owns and operates more than 1,000 km pipeline network connecting Grissik to Duri and Grissik to Singapore, with distribution capacity of 835 MMSCFD.	Operational
PT PLI Indonesia (PLI)	Subsidiary	PGN — 99.999% PT Gagas Energi Indonesia— 0.001%	Liquified Natural Gas	PT PGN LNG was established on 26 June 2012 and operates Liquified Natural Gas business, including but not limited to processing, transportation, storage and trading.  Now, FSRU Lampung with regasification capacity of 240 MMSCFD has entered commercialization stage.	Operational
PT Nusantara Regas (NR)	Joint Venture	PT Pertamina (Persero) – 60% PGN – 40%	Floating Storage and Regasification Terminal ("FSRT") Facility	ng PT Nusantara Regas as established ge and on 14 April 2010 as a joint venture company between PT Pertamina inal ("FSRT") (Persero)and the Company. NR	



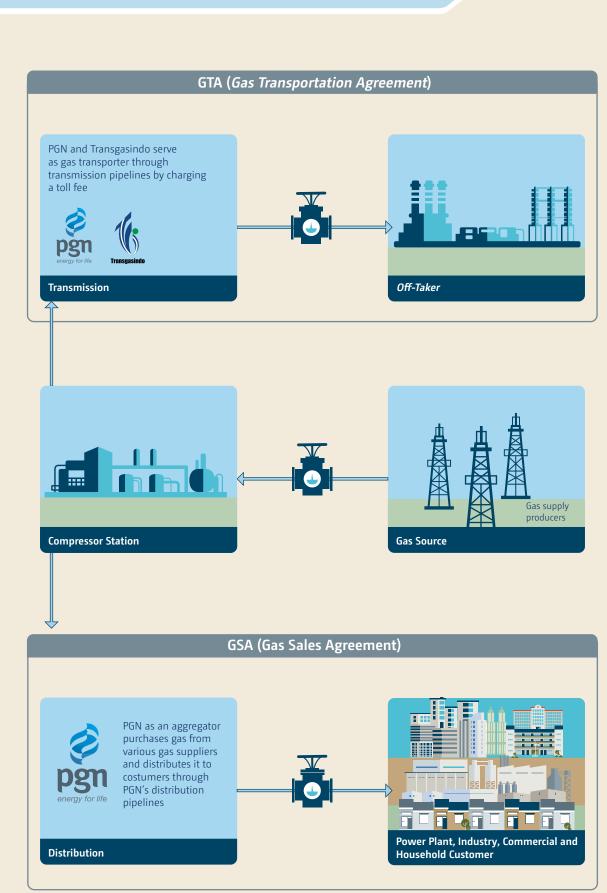
ENTITY NAME	SUBSIDIARY/ AFFILIATED ENTITY	SHARE OWNERSHIP	LINE OF BUSINESS	DESCRIPTION	STATUS
PT Gagas Energi Indonesia (GEI)	Subsidiary	PGN – 99% PT PGAS Solution – 1%	Downstream Business	PT Gagas Energi Indonesia was established on 27 June 2011 and operates in processing, transportation, storage and trading of oil and natural gas. 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.	Operational
PT PGAS Solution (PGAS Solution)	Subsidiary	PGN — 99.91% Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara — 0.09%	Engineering	PGAS Solution was established on 6 August 2009 and provides services in engineering, operations and maintenance, workshop, trading and development.	Operational
PT PGAS Subsidiary PGN – 99.93% Telekomunikasi Yayasan		Kesejahteraan Pegawai Perusahaan Umum Gas Negara –	Telecommunications	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). Since 5 March 2009, PGASCOM hasreceived license from epartmentof 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.	Operational



ENTITY NAME	SUBSIDIARY/ AFFILIATED ENTITY	SHARE OWNERSHIP	LINE OF BUSINESS	DESCRIPTION	STATUS
PT Permata Graha Nusantara	Subsidiary	PGN – 99.95% PGAS Solution – 0.05%	Property Management, Provision of Labor Force and Facility Management, Profitization of Resources and Assets	PGN Mas was established on 24 April 2014 and provides services in facility management, assets management and entrepreneurial real estate.	Operational
PT Gas Energi Jambi (GEJ)	Joint Venture	Perseroan — 40% PT Wahana Catur Mas — 40% PT Jambi Indoguna Internasional — 10%PT Bukaka Corporindo —	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 equipment.	Not Yet Operational
PT Banten Gas Synergi (BaGS)	Joint Venture	PT Andiracitra Grahawira (68.43%) PT Banten Global Synergi (14.14%) PT Banten Global Development (8.57%) Izma Agyano Bursman (8.71%) PGN (0.14%)	Services, Transportation, Trading and Mining	BaGS operates its business in services sector, transportation, trading and mining.	Operational
PT Kalimantan Jawa Gas (KJG)	Affiliate	PT Permata Graha Nusantara — 80% PT Bakrie & Brothers Tbk — 20%	Gas Transportation	KJG was established on 23 July 2013 and provides 3 (three) services, among others planning, procurement, construction, development and operating of gas transmission pipeline and natural gas storage facilities and also transportation of other gasses, and trading of transmission pipeline capacity.	Operational



# BUSINESS MODEL & SUPPLY CHAIN [G4-12]





# **PGN IN NUMBER** [G4-9)

# 1,477

Total employees as at 31 December 2015

# 7,025.94 KM

Total length of PGN gas transmission and distribution pipeline of 5,782.89KM and total length for subsidiary pipeline network (Transgasindo, PLI, KJG and NR) of 1,243.05 km by end of December 2015

# 802 MMSCFD

Volume of gas distributed to industrial, commercial, and household customers every day in 2015.

# Rp145,449,176,000

Market Capitalization

# 789 MMSCFD

Volume of gas transmitted in 2015

# USD401,199,880

2015 Operating Income



# **CORPORATE IDENTITY** [G4-3][G4-4][G4-5][G4-7]

In accordance with the Government Regulation No. 19/1965, Perusahaan Gas Negara (PGN) is a legal entity that has the right to operate independently within its own scope of business, namely the provision of gas and gas industries, in particular to improve the quality of life of the public.

#### **COMPANY NAME**

PT Perusahaan Gas Negara (Persero) Tbk

#### **HEAD OFFICE ADDRESS**

PT Perusahaan Gas Negara (Persero) Tbk Jl. K.H. Zainul Arifin No. 20 Jakarta 11140, Indonesia T +6221 633 4838 F +6221 633 3080

#### **BUSINESS SECTOR**

Oil and Gas

#### PRODUCTS & SERVICES

Distribution and Transmission of Natural Gas

### LEGAL BASIS OF ESTABLISHMENT

BUMN, PP No. 19/1965

#### AUTHORIZED CAPITAL

Rp7,000,000,000,000

#### ISSUED AND FULLY PAID CAPITAL

Rp2,424,150,819,600

SHAREHOLDERS (as at 31 December 2015)

Republic of Indonesia (56.96%)

Public (43.04%)

# SHARES REGISTERED ON

Indonesia Stock Exchange

Surabaya Stock Exchange

### TICKER CODE

PGAS

### CONTACT

PT Perusahaan Gas Negara (Persero) Tbk Jl. K.H. Zainul Arifin No. 20 Jakarta 11140, Indonesia T +6221 633 4838 F +6221 633 3080 Email: contact.center@pgn.co.id Contact Center: 1500 645

PO BOX 1119 JKT www.pgn.co.id











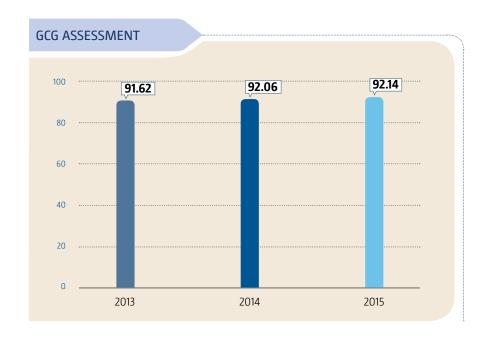
Sustainable Governance

Implementation of the best practices of Good Corporate Governance (GCG) provides a strong basis for PGN to achieve the vision and mission that have been established. The implementation of best practices in GCG is also expected to prevent practices of corruption, collusion, nepotism, and improve the function of oversight in the management of the Company. Accordingly, the Company can prevent the risk of losing the trust of its stakeholders.





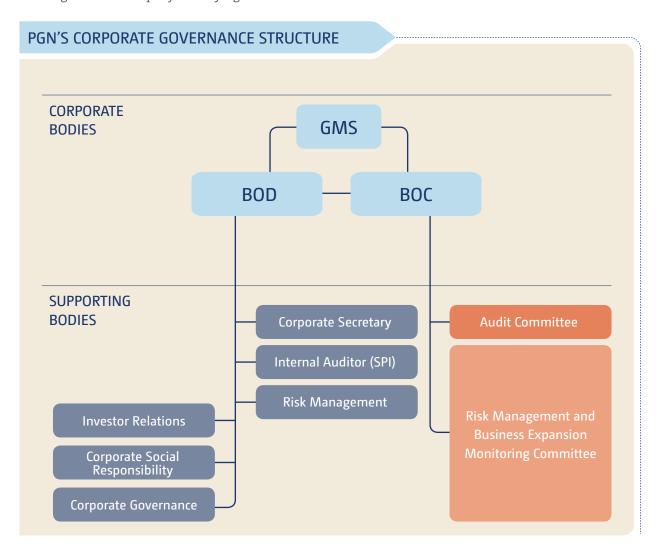
To ensure that the corporate governance practices are carried out properly, we periodically commission an independent consultant to conduct assessments. From the assessments we make improvements on the elements of good corporate governance that are still considered weak. Through the corporate governance practices based on the sustainability principle, we are also working to make the Company run with the best system of governance, by implementing the best corporate governance practices, not just as regards the financial sector but also in the aspects of economy, environment and social (triple bottom line). Thus, we are able to apply the Company's performance excellence and maintain the trust of stakeholders, increase the Company's value, and ensure the existence of the Company in the long term. On the other hand, the governance of sustainability is a means to make the Company more resilient, so as to overcome any challenges ahead and take advantage of every business opportunity.





# **GOVERNANCE STRUCTURE** [64-34]

PGN's governance structure involves the main organs of the Company, consisting of the General Meeting of Shareholders (GMS), the Board of Commissioners, Board of Directors, as well as supporting organs, namely the Committees under the Board of Commissioners. The structure is designed to ensure independence of each organ of the Company in carrying out its functions.



# **GENERAL MEETING OF SHAREHOLDERS (GMS)**

The GMS, which consists of the Annual General Meeting (AGMS) and Extraordinary General Meeting (EGMS), is the supreme organ of the Company and a formal forum for shareholders to take strategic decisions. Implementation of AGMS and EGMSis in accordance with the articles of association of the Company and other provisions of the Financial Services Authority (OJK).

Through the AGMS, the shareholders may use their rights, which is to vote in line with their opinions and take important and strategic decisions in an independent and balanced manner. Balanced means that neutral decisions are taken, taking into account both the interests of the shareholders and the Company's.

Formally, through the AGMS shareholders can execute their rights and provide their opinion, advice and recommendation to the Board of Directors. Each GMS decisions binding the Board of Commissioners and the Board of Directors, and thus it must be implemented. In the AGMS, the interests of minority shareholders are represented by the Independent Commissioner.



Other than through the AGMS, shareholders can provide advice and opinion to the Board of Directors through meetings with the majority shareholders, in this case the Ministry of SOE. Providing opinions and suggestions can also be done through Investor Meetings, or when investors pay a visit to PGN.

GMS is also a means to assess the performance of the two organs of the Companies, namely the Board of Commissioners and the Board of Directors, in meeting operational targets that have been set at the beginning of the year. The Board of Directors' performance is measured against the key performance indicators (KPI), to be accounted for at the GMS. Determination of KPI is reviewed annually and adjusted to the risks and opportunities currently faced by PGN. The measurement for performance includes performance in economic, environmental, and social aspects.

In addition to assessing the performance of the Board of Commissioners and the Board of Directors, the AGMS/EGMS can also produce a variety of important decisions regarding various corporate actions, including:

- a. Appointment and dismissal of members of the Board of Commissioners and Board of Directors;
- b. The Company's capital increase;
- Merger, consolidation, acquisition or separation of business units of the Company with another company or into other business units;
- d. Underwriting of corporate assets; and
- e. Approval of material transactions and even changes to the Company's main business activities, and so forth.

# STRUCTURE OF THE BOARD OF COMMISSIONERS AND THE BOARD OF DIRECTORS

In accordance with the legal provisions in Indonesia, PGN adopts a two-tieredboard system composed of the Board of Commissioners and the Board of Directors. Each board has its own duties and authorities clearly regulated in the articles of association and the prevailing regulations. The Board of Commissioners and the Board of Directors jointly have the responsibility to maintain the sustainability of PGN. To avoid conflict of interest, the Commissioners are not allowed to have concurrent positions as Directors. Similarly,

the Directors are not allowed to hold concurrent positions that are one level below the Board of Directors, except in situations of emergency.

The Commissioners and Directors are elected, appointed and dismissed by the GMS. As an SOE, the right of taking initiative to propose the appointment and dismissal of members of the Board of Commissioners and the Board of Directors at the GMS is in the hands of the majority shareholder, also known as the shareholder of A series share, which is the Government of Indonesia, whose implementation is carried out by the Minister of SOE.

#### **BOARD OF COMMISSIONERS**

The main task of the Board of Commissioners is to supervise the policy of the Board of Directors of the Company in its execution, both regarding the Company itself and its business activities, and advise the Board of Directors to ensure the interests of PGN are put forward.

Members of the Board of Commissioners of PGN in the reporting period amounted to five members, headed by a Commissioner, two of whom are Independent Commissioners or 40% of the number of members of the Board of Commissioners.

In performing its duties, the Board of Commissioners is assisted by several Committees formed by and responsible to the Board of Commissioners. These committees include: Audit Committee, Remuneration and Nomination Committee, Insurance and Business Risk Committee and Good Corporate Governance (GCG) Committee. A complete description of the functions and duties of each committee can be found in PGN's 2015 Annual Report.

The Board of Commissioners has established two committees and a team which aims to assist in their supervisory duties. These committees include: the Audit Committee, Risk Management Oversight Committee and Business Development (PMRPU) and Remuneration and Nomination Team. The description of the functions and duties of each committee and the team can be seen in PGN's 2015 Annual Report.



#### **BOARD OF DIRECTORS**

The Board of Directors of PGN consists of five members, headed by a President Director (CEO), which coordinates the activities of the Board of Directors. The Board of Directors is authorized and fully responsible for the management of the Company and represents PGN both inside and outside of the court of law, in accordance with the provisions of the articles of association. The Board of Directors is in charge and responsible collegially, although each is able to act and make decisions in line with the division of duties and authorities, including in environmental and social aspects.

To support the effective management of the Company, the Board of Directors has formed functional committees, namely: Knowledge Management Committee, Risk Committee and the Health, Safety and Environmental Management Committee. A complete description of the composition of these committees, functions and responsibilities can be found in PGN's 2015 Annual Report.

# PREVENTION OF CORRUPTION

[G4-SO<sub>3</sub>] [G4-SO<sub>4</sub>]

PGN has a strong commitment to prevent corruption or fraud with the application of strict rules. The internal policies of the Company assert that PGN's personnel are not allowed to engage in corrupt practices or acts that encourage corruption, as well as in the giving or receiving of bribes.

In addition to policymaking and improving the quality of supervision, we also apply the whistleblowing system to report violations. Through this system, we encourage PGN's personnel to submit reports if they become aware of any act of corruption or any other acts that may lead to corruption. We protect the identity of the whistleblower, in order for the reporting mechanism to run smoothly and effectively.

To ensure common perception, common determination and effectiveness in the prevention of corruption movement, we provide education and training regarding anti-corruption. It is conducted in the form of seminars and workshops attended by all employees of the Internal Audit Unit (IAU),

the procurement unit, and other units that are considered prone to the acts of corruption, fraud, bribery, and the like. [G4-DMA]

Corporate policy, PGN prohibits familial and financial relationships or concurrent positions between members of Board of Commissioners and Board of Directors.

# 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 $[G_4-SO_3]$

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 2015, the Internal Audit unit conducted Operational Assessments with audit resulted in 48 recommendations. Of these findings, recommendations 45.83% had been followed up by the end of 2015.

In addition to routine audit, we reported that throughout 2015, one special audit has been done and as much as 3 times of subsidiary audit. During this reporting periode, there were no reported case of corruption in the company.

[G4-S05]

# ANTI CORRUPTION COMMUNICATION AND TRAINING [G4-S04]

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 anti corruption steps is through the improvements of the whistleblowing system. The application of which in whistleblowing in 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. o66303. 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) No.0184001.K/OT/03/UT/2014 on 1 October 2014.

To promote the spirit of anti corruption in every PGN employee, we also provide anti corruption training and education in the form of seminars and workshops attended by all employees in the Internal Audit unit (SPI), 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 2015, there were no trainings regarding corruption because it has already been socialized in 2014. [G4-S04]

The Company also has several anti corruption 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 the employees about the company's stance toward corrupt acts.

Anti corruption 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.



# 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.

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]

# MEMBERSHIP IN INDUSTRY ASSOCIATIONS AND OTHER ORGANIZATION S [64-16]

In order 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 2015, PGN actively participated in industry organizations as follows:

NO.	ORGANIZATION	STATUS
1	Indonesia Gas Association	(President)
2	Asosiasi Emiten Indonesia	(Member)
3	International Gas Union	(Member)
4	Bursa Efek Indonesia	(Member)
5	Kustodian Sentral Efek Indonesia	(Member)
6	Forum Komunikasi SPI	(Official and Member)
7	Forum IT BUMN	(Member)
8	Forum SDM BUMN	(Member)
9	Forum Humas BUMN	(Member)
10	Forum PKBL BUMN	(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 2015.



<b>STAKEHOLDERS</b> [G4-24]	BASIS FOR SELECTION [G4-25]	ENGAGEMENT/ COMMUNICATION [G4-26]	FREQUENCY OF MEETINGS [G4-26]	<b>TOPIC</b> [64-27]
Shareholder and Investor	Representative Influence	<ul> <li>Company Visit</li> <li>Conference Call</li> <li>Site Visit</li> <li>Analyst Meeting</li> <li>Non-deal Roadshow</li> <li>Investor Summit</li> <li>RUPS</li> <li>Public Expose</li> </ul>	<ul> <li>Minimal 12 times/ quarter</li> <li>Minimal 3 times / year</li> <li>Minimal 1 times / year</li> <li>Minimal 1 times / year</li> <li>Minimal 4 times / year</li> <li>Minimal 4 times / year</li> <li>1 time /year</li> <li>Minimal 1 time / year</li> <li>Minimal 1 time / year</li> <li>Minimal 1 time / year</li> </ul>	<ul> <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	<ul> <li>Dependency Influence</li> </ul>	<ul> <li>Labor Union Management and Employee Forums</li> </ul>	Depending on the needs	<ul><li> Equality</li><li> Wealth</li><li> Career path</li><li> Fair treatment</li><li> Conducive and secure environment</li></ul>
Authorities and Regulators	Representative Influence	Bipartite meeting Parliament hearing Tripartite meeting	Depending on the needs Minimal 2 times per year	Operational excellence and optimum     Harmonious and constructive relationship with regulatory body and comply to any law and regulation.
Partner (vendor, supplier, agent, reseller, installer)	<ul> <li>Dependency</li> </ul>	<ul> <li>Goods and services contract procurement Performance evaluation of suppliers and any partners</li> </ul>	Depending on the needs Minimal 1 time per year	<ul> <li>Fair and transparent procurement process</li> <li>Objective selection and evaluation in process</li> <li>Mutually beneficial growth.</li> </ul>

# **ETHICS AND INTEGRITY**

The corporate culture contains the values and philosophy of the Company as the foundation towards achieving its vision and mission.

PGN's corporate culture defines the five values, abbreviated as ProCISE, and explained further into 10 Conducts of the Company. Implementation of 10 Conducts of the Company are further explained in the Code of Conduct for Leaders and Employees.

The Code of Conduct for Employees outlines the guidelines for the conduct of PGN personnel in their daily activities and procedures for dealing with stakeholders. The Code of Conduct for Employees also provides practical guidance regarding conflicts of interest, corruption, bribery, graft, information management, and other issues. The Code of Conduct for Leaders establishes the desirable conducts of leaders in PGN in carrying out their duties and responsibilities.

The Code of Conduct for Leaders and Employees have been published and must be adhered to by all PGN employees.

# **INTEGRITY PACT**

As an implementation of business ethics, PGN requires that all parties involved in the procurement of goods and services to sign an integrity pact. The aim is to prevent fraud and discrepancies in the process of procurement of goods and services.

The Company's involvement in public policymaking has been limited to providing a view in front of the House of Representatives of the Republic of Indonesia at the behest of related parties with respect to policymaking regarding the fulfillment of demand for natural gas for domestic consumption, both for the fertilizer industry and as an environmentally friendly fuel.







# Economic Development











PGN as a Driving Force of the Nation's Economy

PGN has been consistently and continually developed in parallel with the development and economic progress of Indonesia. PGN has also contributed in improving the people's income and stakeholders' economic value.



PGN is mainly engaged natural gas transmission and distribution provider entity. PGN had also strived to achieve the optimal effectiveness and efficiency in maintaining these 2 (two) business lines, so that PGN could be well developed and could provide a contribution and economic benefit to all stakeholders and state income, that PGN could take a significant participation as a driving force of the country's economy engine.

#### **NATURAL GAS TRANSMISSION**

Natural gas transmission is an activity of natural gas transporting from the shipper's natural gas from producers' gas fields to off takers' delivery points through high-pressured transmission pipelines. For this activity, PGN provided such transportation facilities by earning a service reward as toll fee through this activity.

PGN made Gas Transportation Agreements (GTA) with shippers (gas transporter) with various contractual periods ranging from 10 (ten) to 20 (twenty) years as a legal basis for the natural gas transmission business.

#### **NATURAL GAS DISTRIBUTION**

Natural gas distribution is one of the services that PGN provides. This service is an activity of direct-to-consumer natural gas. In such activity, PGN conducts trading business which sells natural gas to end user, distributing it through pipeline network. PGN earns sales revenues from such trading activities.

PGN made Gas Sale and Purchase Agreement ("PJBG") with industrial and commercial customers, as the basis for gas delivery. Meanwhile, for household customers and small-scale customers, PGN issues Gas Subscription Receipt as the basis for gas delivery.

The main component of natural gas content is checked regularly to always be in accordance with applicable regulations and in accordance within the specified parameters in the gas supply agreement.

The natural gas transportation to customers is conducted with distribution pipeline network or special transportation fleet. Such natural gas pressure is arranged to comply with the PJBG. The primary component of natural gas content is regularly examined to comply the prevailing rules and regulations and to comply with the established parameters in the PJBG.

PGN's customers are grouped into 3 (three) categories, i.e. household, commercial and industrial. In 2015, PGN had a total of 111,076 customers, with the percentages of each groups based on the number of customers being 97.0% household customers, 1.6% commercial customers, and 1.4% industrial customers. Based on consumption volume, from a total gas sale of 802 MMSCFD, industrial customers absorbed 97.0%, with the rest of 2.8% were absorbed by commercial customers and 0.2% by household customers. PGN covers around 83% of gas distribution market share and 46% of gas transmission market share in Indonesia. The complete description of PGN's product and service are presented in PGN Annual Report.



### **DISTRIBUTION OF ECONOMIC VALUE** [G4-EC1] [G4-DMA]

PGN will continue to grow parallel with the national economic development. PGN's business development consistently and continually contributes significantly to the society, among others through the implementation of social empowerment and development programs, reduction of production costs due to lower price of gas compared to crude oil, improvement of environmental quality, dividend payments to Government, tax payment, and compensation distribution to its employees.

The following table describes the economic value generated and distributed by PGN to its various stakeholders:

RECEIVED AND DISTRIBUTED ECONOMIC VALUE (USD)

	2014 (Restated)	2015
DIRECT RECEIVED ECONOMIC VALUE		
Income	3,253,388,634	3,068,790,845
Interest Income	32,016,480	18,439,067
Income from Investment in Subsidiaries	-	-
Income from Sale of Property, Plant and Equipment	-	-
Income from Investment in Foreign Currencies	49,074,653	(14,304,070)
Other Income	105,290,176	137,981,239
Total	3,439,769,942	3,210,907,082
ECONOMIC VALUE DISTRIBUTED		
Operating expenses	2,270,418,450	2,380,024,032
Employee Salaries and Other Benefits		
- Operations Department	31,381,783	16,184,362
- Administration Department	81,793,332	84,350,074
Total Employee Salaries and Other Benefits	113,175,114	100,534,436
Payments to Investors (Shareholders)		
- Dividend Payment	443,982,248	268,723,467
- Interest Payment	73,651,657	119,162,853
Total Payments to Investors (Shareholders)	517,633,905	387,886,320
Expenditure to the Government	415,116,235	321,528,256
Expenditure to Communities	11,345,328	10,114,628
Total	3,327,689,032	3,200,087,671
Economic Retained Value Before Dividend	556,063,159	279,542,878
Economic Retained Value After Dividend	112,080,911	10,819,411



### **CONTRIBUTION TO THE STATE**

PGN contributes to state in cash dividend which was provided from current year operating profit. Such cash dividend monetary amount was determined by the General Meeting of Shareholders (GMS), which was proportionate to the ownership of PGN by the state, In the last couple of years, the dividend payout ratio ranged of 50% to 60% of the current year's net profit.

Based of 2015 General Meeting of Shareholders' decision, the total dividends paid to the state as the majority shareholder was Rp2 trillion.

PGN also delivered other forms of direct financial contribution to the state, namely the payment of taxes and dues to the Downstream Oil and Gas Regulatory Agency (BPH Migas). Contributions to the state in the form of tax payments in 2015 reached Rp4.2 trillion and while dues to BPH Migas in 2015 reached Rp107 billion whereas in 2014 the figure stood at Rp67 billion.

The 2015 of PGN total contribution to the state was Rp6.4 trillion.

### CONTRIBUTIONS TO THE STATE

TYPE OF CONTRIBUTIONS	2015	2014
Taxes (Included Subsidiary)	4,298	4,902
Dividends	2,000	2,905
Contribution to BPH Migas	107	67

Note: The above figures are presented in billions of Indonesia Rupiah (IDR).



### PGN'S CONTRIBUTION TO REGIONAL ECONOMIC GROWTH

PGN's existence directly contributes to the state and to the economic development of the regions where PGN operates. Such locations where PGN built its operational office and supporting office near the transmission and/or distribution pipeline of PGN's natural gas were directly and significantly affected by these contributions.

The supply of natural gas to a certain area may attract investors to develop new industrial areas. Moreover, such areas could be developed in parallel with the development of housings, shopping centers, hotels and other real sectors. Even, in locations where PGN operated its business, were new economic regions. Such things were positive benefits to such areas to absorb manpower, to earn income from natural resources utilization, and to improve district/region own source revenue (PAD) from local tax, advertisement tax and others.

PGN designed and realized the activities which were directly addressed to improve economic development, beside realizing indirect economic effect from its operating activities. Such activities encompassed designing and realizing community development program in areas where PGN operated its business.

# DEVELOPING A PGN'S MUTUAL RELATION WITH BUSINESS PARTNERS

PGN developed either short term or long termbusiness relationships with good and/or service suppliers in conducting PGN's operating activities.

PGM implemented basic principles in effective, efficiency, open, transparent, fair, competitive and accountable good and/or service procurement in fulfilling such needs to achieve determined target and to hold responsible the procurement process conducted to stakeholders.

PGN established professional qualification for its business partners in procuring good and/ or service based on quality standard and good and/or service specification, good and/or service procurement service standard and good and/ or service procurement time standard, based on clean, transparent and mutually beneficial business ethics.

The collaboration for goods and/or services procurement between PGN and its business partners consists of 4 (four) stages, i.e. procurement specification, procurement method, contractual agreement and contract management. PGN regularly evaluates such stages to maintain business collaboration contractual quality with its business partners in good and/or service procurement. Such regular evaluation conducted by PGN, was also addressed to ensure such good and/or service supply acquisition has been conformed with determined quality and specification with competitive price and timely delivered.

PGN has regularly evaluated all of its business partners' performance which were recorded in PGN database, supported by information technology based good and/or service procurement system (e-procurement).



### **BUSINESS DEVELOPMENT**

Recently, the natural gas demand in economic activities and daily society's activities tends to be increased. Such demand increase was caused by 2 (two) factors, such as the economic value improvement of natural gas utilization and the improvement of user friendly natural gas.

PGN is looking for opportunities regarding to Government plan to fulfill future energy needs, besides the improvement of gas utilization for household segment and commercial segment.

The Government was determined to fix infrastructures such as providing of electricity infrastructure and providing transportation infrastructure as stated in The Masterplan for Acceleration and Expansion of Indonesia's Economic Development. Both infrastructures more needed gas as primary energy in the future

Indonesia is one of largest natural gas producing countries di the world. The 2014 of Indonesia Energy Outlook Data published by the Energy Council of Republic of Indonesia, showed the proven natural gas reserve was 101.54 (one hundred and one point fifty four)trillion feet cubic. With such proven reserve, Indonesia sat on 14th (fourteenth) position of largest reverse owner in the world. Such proven reserve were predicted to be continually and gradually increasing, in parallel with new reserve of natural gas sources exploration effort. Such reserve were adequate as primary energy source which substituted fuel oil. Moreover, the utilization of gas fuel were more environmental friendly.

The abundance of such natural gas consumption reserves and growth has opened the business opportunities for PGN. The Government has also initiated with regulations which were more accommodating the natural gas utilization effort as primary energy sources in fulfilling energy needs Indonesia, either for power plant or to directly support the economy activities.





### **DEVELOPMENT STRATEGY**

PGN has determined several business strategy priorities which was commenced in 2014. Such priorities were conducted by PGN to grab business opportunities and to face future challenge, to improve revenues and PGN market capitalization value. Moreover, these things also provided maximum benefit to all stakeholders.

PGN's current strategic business priorities are:

- Market Retention and Expansion
- Certainty of Gas Supply and Reserves
- Infrastructure Development
- Regulatory and Stakeholder Management
- Business Expansion and Diversification
- Technology Development
- Organization and Human Resources (HR) Capacity and Capability
- Operation Excellence and Safety

STRATEGIC CHALLENGES	STRATEGIC BUSINESS PRIORITIES	DESCRIPTION
Existing market competition and anticipation of new supplies	1 Market Retention & Expansion	Proactive and aggressive program and initiative in order to maintain and develop the market.
Competition in existing supplies and new supplies	<b>2</b> Certainty of Gas Supply	Program and initiative to retain the gas volume contract in accordance to price and tenor.
Gap in supplies availability, market and infrastructure	3 Infrastructure Development	Infrastructure improvement and development which is connected to market and and supplies future development.
Unfair and unconstructive regulation and policy	Regulatory & Stakeholder Management	Promote fair and supportive regulation that makes PGN as the chosen entity.
Monetization of new businesses to anticipate Red Ocean market	5 Business Expansion & Diversification	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	6 Technology Development	Identification, quantification, control and monetization of new technologies
Gap on human resource capability and capacity in present and future organization and business structure	7 Organization & HR Capacity & Capability	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	8 Operation Excellence & Safety	Operation excellence implementation to achieve prudent operator in running managing entity asset



### **BUSINESS DEVELOPMENT PLANS & REALIZATION**

To achieve PGN's vision, that is "to be a world class company in gas sector in 2020", PGN has prepared a number of strategic measures by formulating various business development programs to be carried out consistently and continuously by all levels within the Company.

PGN focuses its efforts on strengthening its upstream business through the gas supply security program, so that PGN will always be able to fulfill the demand for natural gas in the future. In addition, the physical infrastructure development programs and reorganization comprise the absolute and important aspect that must be carried out in PGN's Business Development Program. Such infrastructure development includes:

Construction of the Liquefied Natural Gas
 (LNG) Receiving Terminal in Lampung
 As a follow up to the Regulation of the
 Minister of State-Owned Entities as stipulated
 in the Letter No. S-141/MBU/2012 dated 19
 March 2012 on the Relocation of LNG Terminal
 Project in Belawan, Medan, and the LNG Arun
 Terminal Revitalization Project, PGN relocated
 its liquefied natural gas (LNG) receiving
 terminal, from Medan to Lampung.

The main purpose of the LNG receiving terminal is to meet the demand for gas in Lampung, Banten, West Java, and the surrounding regions. The LNG receiving terminal in Lampung and the Floating Storage and Regasification Unit (FSRU) were inaugurated in April 2014.

Minority Investment Upstream
 To expand access to gas supply, PGN maintains its minority investment in business entities engaged in the upstream side of the natural gas business. In addition, PGN also intends to invest in the following refineries: natural gas refineries that are in production, refineries that have received Plan of Development (POD)

approval from the SKK Migas, and refineries with small- to medium-scale remaining reserves.

### Gas Trading

As part of the expansion of the natural gas industry value chain, PGN has developed the gas trading business by cooperating under mutually beneficial agreement with other entities, such as Regional State-Owned Entities in the supply and distribution of natural gas. PT Gagas Energi Indonesia, as a subsidiary of PGN, holds an important role in implementing this cooperative program. During the reporting year, PT Gagas Energi Indonesia has been operating and has owned the gas sale and purchase agreement with a number of suppliers.

#### LNG Mini

To fulfill demand for gas in the eastern region of Indonesia and other regions not yet covered by the gas pipeline network, PGN will build and operate small-scale (mini) LNG terminals.

- Point-to-Point Natural Gas CNG is intended to fulfill the demand for gas fuel (BBG) in the industrial and transportation sectors located in West Java, East Java, Central Java, and other regions outside of the currently existing natural gas distribution pipeline network. PGN will continue to develop Pointto-Point CNG as a follow up of the oil to gas fuel conversion policy which has long been implemented by the government. This provides an opportunity for PGN to develop Point-to-Point CNG in regions that are not yet covered by the natural gas pipeline network.
- Municipal Gas Distribution
   PGN will continue to expand its municipal
   gas distribution network in existing areas,
   i.e. Purwakarta Subang and Bogor Ciawi –
   Sukabumi, and will penetrate into new areas
   such as Dumai and Semarang. This expansion



was intended to fulfill demand for gas from power plants, small industries, commercial industry, transportation industry, and households. The expansion of the distribution network is strengthened by the increasing demand for gas in these potential areas.

### Power Plant

Gas is an alternative fuel which is currently 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 value added in the utilization of natural gas. The power generation business is being conducted by a downstream subsidiary of PGN.

PGN has also designed various strategic steps to strengthen this growth, encompassed among others:

- Regulatory Management
   This initiative is concerned with the impact
   of natural gas regulations as they affect the
   PGN's future growth. PGN has established a
   special team to handle issues such as rules,
   regulations and laws with clear organization
   structure and business process.
- Stakeholder Management
   This initiative is intended to create and to build harmonious relationship with stakeholders.
- Integrated Project Management
   This initiative is intended to prepare business process strategy and organization structure to realize integrated, effective and efficient project management.
- Supply Chain Management
   This initiative is intended to create a reliable, effective and efficient supply chain to support PGN business encompasses procurement, asset management, inventory management and asset transportation.

- Integrated IT and Operating Technology
   Implementation
   This initiative is intended to develop and to implement the integrated information technology system and operating technology (SCADA, GMS and Others) to improve PGN business proves and to PGN achieve operational excellence.
- Enterprise Risk Management
   This initiative is intended to encourage PGN risk management implementation based best practices of world scale risk management.
- PGN Transformation and Business Process Re engineering
   This initiative is intended to corporately and organizationally develop PGN which encompasses the preparation of PGN restructuring towards holding company, synergy improvement and clarity improvement of PGN and its subsidiaries relationship model and synergic, effective and efficient business preparation both cross divisions and between PGN as a parent entity with its subsidiaries or SBUs.
- Integrated Human Resources Management
   This initiative is intended to prepare a
   human resources development strategy in
   parallel with organization roadmap and to
   create human resources as PGN's competitive
   advantage.
- Culture and Change Management
   This initiative is intended to simultaneously create a competitive and conducive PGN's culture to support PGN's transformation.
- Corporate Branding & and Reputation
   This initiative is intended to improve PGN's
   brand image before stakeholders in improving
   PGN value and improving its customers' and
   employees' loyalties.
- Safety Excellence
   This initiative intended to guarantee the implementation safety excellence in all PGN's, subsidiaries' and SBU's operational area.



### PARTNERSHIP PROGRAMS [G4-DMA] [G4-EC8] [G4-S01]

The society is one of key aspects which has to be concerned in order to guarantee PGN's going concern.

PGN put all its effort to be a driving force of society's economy in all of its operating areas and the surrounding areas through Partnership Program(PK) to reduce economic gap in economic development. This program emphasizes community economic development so that the business capabilities of SMEs can be improved to become more resilient and self-reliant.



PGN has always prioritized the disbursement of its development fund to generate business clusters to attain the positive benefits of efficiency in supervision, ease of coordination, and strong communication with foster partners. In addition, the cluster system aids foster partners in the sharing of experiences and allows them to assist in their own development. An example of PGN's development clusters is the

Tenun Ikat cluster in Garut (which was then developed into Kampung Tenun – Mitra Binaan PGN).

PGN implemented development programs which has been adjusted with its development partners specialties consisted of production techniques, financial management training, English training, and marketing training. PGN also included its development partners in local, national and international exhibitions.





### A Testimony from PGN's SME partner:

### HAND EMBROIDERY CRAFT

Name: Zahra sulaman

Line of Business: Kerajinan sulam tangan

Address: Balai Gurah Kec. Ampek Angkek Kab. Agam

Bukit tinggi, Sumatera Barat.

Managing a hand embroidery craft business was the choice that Ibu Zulfia took after she retired from her job as the headmaster of an elementary school in Bukittinggi area. "I want to continue my parents' heritage as they were once famed for managing the Bukittinggi hand embroidery craft since 1974."

A mother of one child, she has been focused on the hand embroidery craft business since 2011, which she had branded as "Zahra Sulaman". The revenue at that time was around Rp3 to 5 million per month, through sales made to local buyers who pre-ordered before.

"In 2012 I applied to become PGN's development partner, and then I received a capital assistance amounting to Rp10 million, which I used to increase my inventory of fabrics."

As part of the effort to develop its development partners, PGN collaborates with Yayasan Sulam Indonesia to provide technical training on how to develop the hand embroidery craft. "I participated in training on embroidery thread color mixing techniques and development of embroidery motifs, and also I have participated in a national exhibition in Jakarta."

As her marketing network expands, she currently markets her wares at Rumah Sulam, whose construction was assisted by PGN, and made available to embroidery partners in Bukittinggi. Zahra Sulaman also serves orders from various regions, such as Padang, Pekanbaru, Jakarta, as well as Malaysia.

With such an oustanding growth, the number of employees of Zahra Sulaman increased to 15 personnel, while the average revenue reaches Rp75 to 90 million per month.











**Evolving Towards an Environmentally Friendly Business** 

PGN is aware that its operations, just as in other businesses, affect the condition of the environment, which continues to undergo dramatic changes owing to the impacts of human activities, especially those related to industry.



The average rise of global temperatures has occurred both in land and ocean, and such a rise has been proven to be caused by the concentrations of greenhouse gases, such as carbon dioxide, in the atmosphere that has passed the limits that are considered safe. A long dry season occurring in Indonesia in 2015, the depleting Arctic ice sheet, and a warmer central Europe are a few of the many examples of conditions that have been caused by the increase in temperatures globally.

Some factors that influence global warming is the burning of fossil fuel in massive amounts to generate energy, lack of green zones to absorb the carbon dioxide in the air, and runaway emission of greenhouse gases.

An uncontrolled climate change bears the risk of creating many disasters that should have been

preventable, and their ramifications may greatly disrupt PGN's business sustainability in the long run. The increasing frequency of flooding in many areas, including in PGN's operational areas, may jeopardize the integrity of PGN's gas pipes and disrupt its business processes.

Given this context, PGN's strong commitment to contribute to the planet's stewardship is demonstrated through its efforts to minimize its environmental impacts, including the carbon footprint of its business activities.

Apart from implementing environmentally friendly policies and pursuing ways to improve efficiency in utilizing natural resources in its business processes, PGN also encourages its business partners to strive to engage in a more environmentally friendly business together with PGN. [G4-DMA]

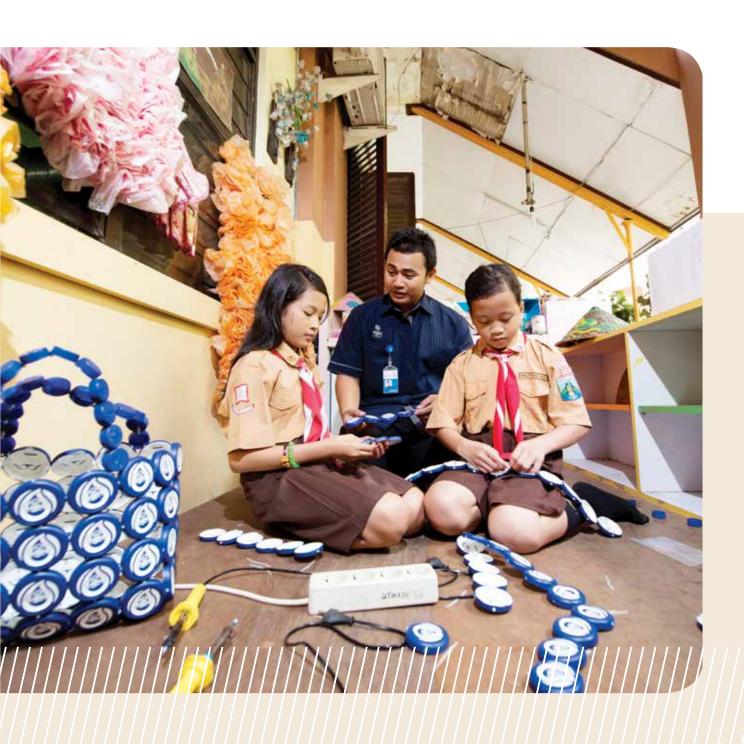
### PGN'S CASE FOR ENVIRONMENTAL MANAGEMENT

Main activities revolve around the management of gas distribution and transmission pipelines between production wells and the consumers, both industrial and domestic. Although PGN's main activities are not directly related to extraction process, PGN realized that its business activities bear impact on the environment.

PGN continues its commitment to environmental conservation and participation in the mitigation of greenhouse gases (GHG), in order to become an environmentally friendly company that is driven by the spirit of green and clean energy for life. [G4-DMA]

PGN produces alternative fuel that whose performance in maintaining environmental sustainability has been excellent, as gas is a relatively cleaner fuel compared to other fossil fuels (such as oil and coal). In a world that is paying increasing attention to the sustainability of the environment, it is PGN's view that demand for PGN's product will continue to rise. In line with this increase, PGN continues to invest in innovations in the upstream and downstream aspects of its business. This is in order to ensure the availability and meet the needs of customers, by increasing supply to the gas distribution and transmission systems.







## ENVIRONMENTAL MANAGEMENT SYSTEM

PGN applies an Environmental Management and Integrated Energy System that is aligned with the PGN Environmental Transformation Roadmap for the period of 2013–2017. The implementation is crucial to ensure that "environmental transformation" becomes an integral part of PGN and becomes a culture for all elements within PGN.

The Environmental Transformation Roadmap for the period of 2013–2017 has become PGN's reference in achieving its business goals, and also in developing programs to attain one of its targets, namely achieving the PROPER Green rating (Beyond Compliance) for 2014–2016, and subsequently the PROPER Gold rating (Environmental Excellence) for 2016–2017. PROPER, which in Indonesian stands for Environmental Management Performance Assessment Program for Companies, is performed on companies in Indonesia by an authorized government body, namely the Ministry of Environment.

The implementation of the Environmental Transformation Roadmap must include activities that support one another, namely:

- · Participation in PROPER,
- · Development of carbon footprint calculator,
- Implementation of Environmental Impact Analysis (AMDAL), Environmental Monitoring & Protection Plans (UKL-UPL), and environmental licensing.

Furthermore, PGN conducts an energy audit at least once every three years, aimed at finding out the rate of energy consumption and potentials for improvement in energy efficiency through measures that can be pursued by PGN. From the energy audit results PGN can identify, among other results: ways to improve its energy management system so it can gradually achieve the green energy level; locating facilities with the greatest energy consumption; locating facilities with the least efficient operations in terms of energy usage; and ways to enhance employees' understanding and awareness about conserving energy. Thus, aside from being able to improve its energy usage efficiency, PGN can also reduce its energy-related expenditures.

### PGN'S ENVIRONMENTAL POLICY

PGN's environmental policy is an element of a unified policy that addresses the aspects of safety, health, security and the environment, altogether referred to as the Occupational Health and Safety, Security and Management of the Environment and Energy Policy, which was ratified on 30 September 2015.

The implementation of this environmental policy are made manifest through the following environmental work programs, encompassing: [64-14]

- Preparation of an Environmental Impact
   Assessment (EIA) as well as Environmental Plan
   (UKL) Environmental Monitoring (UPL) and
   environmental licenses for all new projects,
   involving independent external parties.
- Implementation of RKL (Environmental Management Plans) and RPL (Environmental Monitoring Plans) as well as UKL-UPL, and regular reporting in each semester to the relevant authorities.
- Inculcation of employees to conserve energy through environmental campaigns.
- Replacement of machinery with new energysaving technologies.
- Efforts to implement efficiency culture, among others by going paperless.
- Installation of converter kits on all operational vehicles, enabling them to be fueled by Gas.

The implementation of the above programs is the responsibility of the Health, Safety, Security and Environment (HSSE) Division, and the Corporate Social Responsibility (CSR) Division.

PGN's principle in managing the environment has been adopted from the clauses in the ISO 14001 Environmental Management System, although PGN has yet to be ISO 14001 certified. Periodically, PGN identifies the most material environmental aspects and impacts, the regulations and evaluation of PGN's compliance with such



regulations, and determines its environmental goals and objectives, conducts internal audit on the Environmental Management System' implementation, and reviews the management's implementation of the Environmental Management System at Environmental Meeting events.

PGN also runs the PGN Ecocare program in its aim to become a sustainable business. The main objectives that were accomplished in 2015 in relation to the PGN Ecocare program are 100% compliance with the environmental regulations, and the development of baseline data for environmental management.

For 2016, PGN Ecocare has the aim to obtain ISO 14001:2004 certification and to release zero pollution to the environment.

# TRAINING IN ENVIRONMENTAL ASPECT

PGN continuously conducts various training programs related to the environment and environmental management, participated in by its employees. Some of the training programs conducted in 2015 which addressed the environmental aspect are:

- Management of Hazardous and Toxic Waste and Domestic Waste
- Asbestos Control and Governance in the Workplace
- · Energy Audit
- · Control of Air Pollution
- · Management of Waste Water.

# AWARDS FOR PGN'S ENVIRONMENTAL PERFORMANCE

In 2015, for its achievements in environmental management, PGN received awards from external institutions, one of which was an award as a company that consistently reports its environmental management implementation for 2015, from the Governor of East Java.

The participation of PGN and its business units in PROPER 2015 program resulted in the following achievements:

- PROPER Blue for Gas Distribution Management Area I, Cimanggis Offtake Station
- PROPER Blue for Gas Distribution Management Area II, Tandes Waru, Kalisogo and Gresik Offtake Station
- 3. PROPER Blue for Gas Distribution Management Area III, Panaran Offtake Station
- 4. PROPER Blue for Gas Transmission Management, Pagardewa Compressor Station
- 5. PROPER Blue for PGN Affiliate, SAKA, Indonesia Pangkah Limited.

# MITIGATION OF GREENHOUSE GAS EMISSIONS

[G4-DMA]

One of the concrete measures conducted by PGN in curbing climate change is by running more efficient operations and limiting its emission of greenhouse gases, which contribute directly to global warming.



PGN is carrying out a concerted effort to reduce its carbon emissions from its operational activities, which in actuality never involved processing or extraction, and thus did not use other materials, or even water. PGN's production processes only use energy, both directly and indirectly. Therefore, PGN's carbon emissions is directly proportional to its energy consumption.

Since 2012, PGN has been using the carbon calculator mechanism as part of the environmental transformation that it is currently engaged in. The areas that use the carbon calculator include all

areas that use the electricity supplied by PLN as their source of energy, the power generation from PGN's own power plants, as well as emissions from the use of PGN's operational vehicles.

Since 2014, PGN has implemented the carbon accounting system in calculating its carbon footprint. In 2015, based on its carbon calculator mechanism's measurement, PGN successfully reduced the total carbon emission across its operational activities, by 4.4%, from 64,209.65 tons of CO2eq in 2014 to 61,404.02 tons of CO2eq. This achievement demonstrates a higher efficiency in PGN's energy utilization. [G4-EN15]

SCOPE 1 CARBON EMISSIONS [G4-EN15]

ENERGY CONSUMPTION ACTIVITY	CARBON EMISSION (TON CO2E	EQ)
ENERGY CONSOMPTION ACTIVITY	2014	2015
Venting	5,138.42	890.88
Instrumentation	3,186.79	915.5
Blowdown	300.54	80.27
Gas Leakage	-	1.54
Fuel Gas	38,572.77	47,396.94
Genset Fuel	1238.67	990.26
Vehicle Fuel	2,290.61	1473.09
Vehicle Gas Fuel	492.72	566.81
Gas for Chiller	1,104.18	245.29
Total	52,324.70	52,560.58



SCOPE 2 CARBON EMISSIONS [G4-EN16]

ENERGY CONSUMPTION ACTIVITY	CARBON EMISSION (TON CO2EQ)	
ENERGY CONSOMPTION ACTIVITY	2014	2015
Utility	11,530.07	8,217.58
Flights	354.86	625.86
Total	11,884.93	8,843.44

In addition to carbon dioxide, another greenhouse gas that poses a great risk to the environment is CFC. One of the CFCs, freon, is a chemical compound in a gas state that also resulted in the disintegration of the ozone layer, which in turn affects global warming. Freon is commonly used as a chiller medium or heat exchanger in cooling systems (room air conditioners, refrigerators, cooling towers, etc.). When these system are being serviced, the chiller material will be evaporated to the surrounding air, and then the freon lingers in the Earth's atmosphere.

PGN has pioneered the use of natural gas from its internal installation network to replace the non-environmentally friendly chiller material, since 2011. Natural gas used as the chiller medium can still be used as fuel. As a result, PGN needs no longer reports the emission data for gases that are considered as harmful for the ozone layer owing to the presence of freon.

PGN'S GHG EMISSIONS INTENSITY IN 2014 & 2015 [G4-EN18]

	2014	2015
Total Carbon Emitted (ton CO2eq)	73,113.37	61,404.02
Production Volume (MMscfd)	859.05	1,408.57
GHG Emission Intensity (ton CO2eq/MMscfd)	85.11	43,59



### SUSTAINABLE ENVIRONMENT MANAGEMENT & MONITORING

PGN implements the Environmental Management and Monitoring program in line with its commitment to environmental conservation. This program is conducted in each of PGN's projects that must be initiated with the preparation and execution of the AMDAL or UKL-UPL activities.

PGN's main production activities in general bear no significant negative impact on the environment. However, in conducting its operational activities, PGN strives to adhere to the environmental principles by taking action to safeguard the environment by complying with environmental quality standards set by the Government. PGN also reports its environmental monitoring results each

semester to the relevant authorities, namely the Environment Agency, Bapedalda, and BP Migas. [G4-DMA]

PGN's operational activities do not produce emissions or air pollution directly to environment, nor solid and liquid waste. In accordance with the provisions in the EIA and UKL-UPL documentation, PGN conducts monitoring of:

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

The parameters that are measured in the environmental quality monitoring in all of PGN's major operational areas have been consistently below the environmental quality standards stipulated in the prevailing regulations.

RESULTS OF ANALYSIS OF WATER QUALITY & WASTEWATER VOLUME AT API SEPARATOR OUTLET, PAGARDEWA COMPRESSOR STATION IN 2014 & 2015 [G4-EN22]

	PARAMETER		QUALITY					TESTING I	RESULTS IN	l 2014 IN	IN MONTH					
	PARAMETER	UNIT	STANDARDS **)	1	2	3	4	5	6	7	8	9	10	11	12	
1	рН	-	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	Minyak & lemak	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	mg/L	110	2.2	2.2	2	1.6	1.5	1.8	2.2	2.8	1.5	*)	2	3.8	
4	Flow	m3/ 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	

			QUALITY					TESTING	RESULT	S IN 2015 I	N MONTH	1			
	PARAMETER	UNIT	STANDARDS **)	1	2	3	4	5	6	7	8	9	10	11	12
1	рН	-	6-9	6.9	7.56	7.1	7.56	6.8	7.1	7	7	8	6	9	7
2	Minyak & lemak	mg/L	25	0.42	0.5	0.4	1.6	<0.2	0.6	0.4	<0.2	<0.2	0.2	<0.2	<0.2
3	Total Organic	mg/L	110	3.4	1.8	3.2	4.62	7	33.9	36.2	0.5	<0.25	91.9	<0.25	0.6

<sup>\*)</sup> At the time of sampling, the API Separator outlet was dry, so a sample was not taken

<sup>\*\*)</sup> Regulation of South Sumatera No. 8/2012 on Quality Standards for Wastewater for Installation and Oil Depot & Terminal Businesses



GDM I, II and III do not generate wastewater from their operational activities in the field/station. Only Pagardewa Station at GTM generates liquid waste.

RESULTS OF MONITORING OF AIR EMISSION QUALITY AT PAGARDEWA COMPRESSOR STATION'S CHIMNEYS [G4-EN21]

		UNUT	QUALITY						TESTING	RESULTS					
	PARAMETER	UNIT	STANDARD *)	TURBIN	GAS A	TURBIN	N GAS B	TURBI	N GAS C	GE	G A	GE	G B	DI	EG
				May-14	Oct-14	Feb-14	Dec-14	Feb-14	Aug-14	Apr-14	Oct-14	Peb-14	Aug-14	Peb-14	Aug-14
1	Carbon monoxide (CO)	mg/Nm3	500	**	**	***	**	**	**	166	142	196	187	362	360
2	Sulphur Dioxide (SO2)	mg/Nm3	150	2	6	***	7	8	6	6	4	4	4	**	**
3	Nitrogen Dioxide (NO2)	mg/Nm3	320	10	5	***	4	24	26	12	12	15	13	5	5
4	Total Particulate	mg/Nm3	50	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

		UNUT	QUALITY						TESTINO	RESULTS					
	PARAMETER	UNIT	STANDARD	TURBIN	I GAS A	TURBI	N GAS B	TURBI	N GAS C	GE	G A	GE	G B	D	EG
			*)	May-15	Nov-15	Jan-15	Sep-15	Jan-15	Sep-15	Jan-15	Sep-15	Peb-15	Nov-15	Peb-15	Sep-15
1	Carbon monoxide (CO)	mg/Nm3	500	**	**	**	**	**	**	86	480	155	62	340	559
2	Sulphur Dioxide (SO2)	mg/Nm3	150	28	<1	8	<1	9	<1	8	4	3	63	5	24
3	Nitrogen Dioxide (NO2)	mg/Nm3	320	235	22	6	4	8	28	14	55	10	138	8	218
4	Total Particulate	mg/Nm3	50	17	5	16	5	17	7	18	5	18	7	23	12
5	Oxygen (O2)	%	-	15	18	15	18	15	19	14	15	12	16	14	16
6	Flow Velocity	m/s	_	7	10	20	28	20	27	18	23	25	8	20	12

<sup>\*)</sup> Regulation of the Minister of Environment No. 13/2009 on Quality Standards for Stationary Emission Sources and/or Oil and Gas Activities, and Gubernatorial Regulation of South Sumatera No. 6/2012 on Quality Standards for Stationary Emission Sources and Limit of Emissions from Motorized Vehicles

<sup>\*\*\*)</sup> Engine not operational



<sup>\*\*)</sup> Not mandatory to be measured



In accordance with Minister of Environment Regulation No. 13/2009 on Emission Quality Standards from Stationary Oil and Gas Sources, it is sufficient to measure emissions once every three years for the chimneys in GDM I, II and III, with a capacity of <570 kW.

### **WASTE MANAGEMENT**

Currently, PGN does not have a waste management unit. Therefore, all toxic and hazardous (B3) waste generated by PGN in the Head Office as well as in the GDMs is immediately collected by a third party, PT Prasada Pamunah Limbah Industri, to be processed accordingly outside of PGN's premises.

PGN'S HAZARDOUS & TOXIC WASTE PRODUCTION IN 2014 & 2015 [G4-EN23] (in tons)

		Q1	Q2	Q <sub>3</sub>	Q4	2014			Q1	Q2	Q <sub>3</sub>	Q4
GTM	Bojonegara	-	0.396	-	0.297	0.693	GTM	Bojonegara		0.2628		
	Muara Bekasi	-	0.7608	-	1.0367	1.7975		Muara Bekasi		0.04674		0.00985
	Pagardewa	_	2.8523	1.254	6.495	10.6013		Pagardewa	4.89811	2.57889	1.64647	3.03765
	Labuhan Maringgai	-	0.40304	-	0.247	0.65004		Labuhan Maringgai	0.1248	0.71715	0.36012	0.67676
	Terbanggi Besar	-	0.623	-	21.725	22.348		Terbanggi Besar	0.1418	0.2399	0.16745	0.13285
GDM I	Cimanggis	-	0.007	0.067	0.008	0.082	GDM I	Cimanggis	0.0502	0.0887	0.0891	
	Jakarta	-	0.007			0.007		Jakarta				
	Klender	-	0.088			0.088		Klender				
	Cilegon	-	0.056			0.056		Cilegon				
	Bogor	_	0.018			0.018		Bogor				
GDM II	Tandes	0.0235	0.0155	0.002	0.034	0.075	GDM II	Tandes	0.029	0.0005	0.00012	0.0125
	Gresik	0.088	0.011	0.006	0.009	0.114		Gresik	0.00375	0.079	0.00015	0.007
	Waru	0.024	0.0197	0.0075	0.0415	0.0927		Waru	0.007	0.02325	0.00075	0.0301
	Kalisogo	0.01	0.009	0.006	0.01	0.035		Kalisogo	0.0045	0.0035	0.00652	0.0054
	Porong	0.043	0.077	-	0.055	0.175		Porong	0.124	0.009	0.0003	0
GDM III	Pasar 9	-	-	0.06	-	0.06	GDM III	Pasar 9	2.22	0.21	0.537	0
	Panaran	-	0.4685	-	0.074	0.5425		Panaran	0.07	0.15	0.1569	0.179
Kantor Pusat		-	-	-	1.48	1.48	Kantor Pusat					
					Total	38.91504						Total



### REFORESTATION PROGRAM

As a complement to PGN's efforts to monitor emissions and increase efficiency in energy consumption, PGN planted 11,985 trees in 2015 around the plants where the main pipe transmission lies. The types of tree planted are

sengon laut, fruits, pucuk merah, mangrove and local special type of plants. The presence of these trees will reduce the concentration of carbon dioxide in the atmosphere, as these trees absorb that gas during photosynthesis.

TOTAL TREES PLANTED BY PGN

VEAD					
YEAR	2011	2012	2013	2014	2015
TOTAL TREES	934,638	570,858	500,675	230,696	11,985

### WATER CONSERVATION

In 2015, total water supplied from the city water company (PDAM) amounted to 44,342 m3, signifying a total reduction of 32,731 m3 from the previous year's total water consumption. The measurement was done by direct measurement from the water discharge flow meters. [G4-EN8] [G4-DMA]

Having a significantly large area of open space surrounding its Head Office, PGN utilizes this area for water catchment and water absorption purposes. In the areas dedicated for these purposes, PGN has created boreholes to facilitate the absorption of rain and wastewater into the ground. As a result, groundwater levels have remained stable and there have been no complaints from

members of community in surrounding areas or from other institutions regarding a drop in the water table.

PGN applies a closed-loop system, whose output signal has direct effect on the control, so that no water is discharged outside of the system. All the water that has been used, after being subjected to open cooling, is reused as a cooling medium. Some of the water that is not used is returned directly to the nearest water body, without being recycled.

The recycling process at the Head Office uses the carbon absorbent filtration method. PGN utilizes the water generated from this recycling process for simple applications, such as washing operational vehicles and watering plants.

WATER CONSUMPTION IN KETAPANG OFFICE [G4-EN8]	2014	2015
PDAM	77,073 m³	44,342 m³
Deep well	45,460 m³	49,887 m³



### **MATERIALS USAGE**

PGN, whose main activity is developing natural gas business in Indonesia, continuously adds new pipes to the network. These pipes are made from steel or polyethylene (PE) plastic. These pipes are coated and protected by other materials that prevent rust from forming on the pipe, and prolong the age of the pipe, so that the pipes can be buried underground for a relatively long period (about 30 years).

Another important material in PGN's main operational activities is an impurities absorber or filter. This filter is placed in the pipes. The function of this filter is to remove dirt in the form of steam or dissolved minerals to maintain gas quality. The

absorbent material is replaced with a new one after being used for a certain period of time. The used absorbent material is treated as solid waste that is further treated in accordance with the applicable regulations so as not to pollute the environment. PGN uses these materials to minimize the impact of its production activities. [G4-DMA]

As at the end 2015, the accumulated length of PGN's transmission and distribution network reached 7,025.94 km. This signifies an 16.3% increase from the previous year's total length of 6,066.61 km. The accumulated lengths of PGN's pipe network for 2014 and 2015 are:

TRANSMISSION AND DISTRIBUTION PIPE LENGTHS (km) [G4-EN1]

	NETWORK LENGTH (KM)			
SBU	DEC-14	DEC-15	ADDITION	
DISTRIBUTION	-			
Jakarta	575.78	759.43	183.65	
Bogor	589.22	616.47	27.25	
Tangerang	264.52	403.18	138.66	
Cilegon	85.38	89.62	4.25	
Bekasi	326.70	330.95	4.25	
Karawang	130.19	144.91	14.72	
Cirebon	402.33	389.36	(12.97)	
Palembang	153.81	162.95	9.13	
Lampung	-	87.52	87.52	
Sidoarjo	222.45	312.99	90.54	
Pasuruan	163.93	189.37	25.44	
Surabaya	375.00	493.79	118.79	
Semarang	6.46	10.49	4.03	
Medan	613.97	627.00	13.03	
Pekanbaru	12.69	15.12	2.42	
Batam	97.47	108.87	11.40	
Total Distribution	4,742.01	4,019.89	722.12	
TRANSMISSION				
Medan	36.90	36.90	0.00	
Grissik-Duri	536.36	536.36	0.00	
Grissik-Batam-Singapore	469.48	469.48	0.00	
SSWJ	1,003.98	1,003.98	0.00	
Kepodang - Tambak Lorok*	0.00	207.00	207.00	
LNG Lampung*	21.32	21.32	0.00	
LNG Jakarta*	15.12	15.12	0.00	
Total	6,066.61	7,025.94	443.92	



In its operational activities, PGN also maintains a policy to reduce paper usage, by using used paper as a material for recycling and further processing of paper.

PGN has developed a technology-based electronic secretariat management system (e-sms) to reduce the amount of paper ending up as solid waste. PGN's policy on paper usage encourage these activities: using both sides of paper to print draft letters; recycling waste paper; and increasing the efficiency of paper usage.

PGN implements a policy that allows materials that can no longer be used but can be recycled to be obtained by a competent third party for subsequent processing. The handling of materials that are no longer used by PGN is handled in three different ways, namely sold, donated or destroyed.

# IMPLEMENTING ENERGY AUDIT RECOMMENDATIONS

PGN's operational activities use both indirect and direct forms of energy. Energy is used directly to drive the gas turbine compressor so that the gas in the transmission network flows toward the end-user installations such as power plants, the ceramics industry, commercial customers (hotels and shopping centers) and households. [G4-DMA]

Indirect energy includes the use of electricity at the Head Office, GDM offices, and to power the lights in the vicinity of PGN's operations. In this manner, electricity is supplied by PLN and PGN's own power plants (fuelled by gas).

Following up the recommendations of the energy audit, PGN uses natural gas as its energy source, considering that the use of gas reduces emissions by 25.3% compared to diesel. PGN always applies the results of the energy audit and its recommendations across all our operations.

PGN consumed a total of 821,871 gigajoule in 2015. Meanwhile, in 2014 the total electricity used by PGN was 759,983.7 gigajoule. This was an improvement in electricity usage efficiency by around 8.1%. [G4-EN3]

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

	2014	2015
Total Electricity Consumption (GJ)	759,983.7	821,871
Total Production (MMscfd)	859.05	1,408.57
Energy intensity (GJ/MMscfd)	884.68	583.48



In 2015, PGN has succeeded in reducing its energy intensity by 301.2 Gj/MMscfd, from the energy intensity in 2015 which amounted to 583.48 Gj/MMscfd over the previous year of 884.68 Gj/MMscfd.

To reduce the use of electricity at PGN, it has implemented various repair improvement programs, namely: [G4-EN6]

- Rewiring of light switches based on need, function, and gradual use of energy efficient LED light bulbs. In 2015, this program successfully reduced PGN's carbon emissions, which grew by 27% in 2015.
- 2. Using solar cells for lighting outside PGN Head Office with a 9,000-watt capacity, and for temporary hazardous and toxic waste storage space at GDM II Eastern Java with 4 units each at 100 watts capacity and repeater towers along the Grissik Labuhan Maringgai transmission pipeline.

### SUPPORTING THE GOVERNMENT'S OIL TO GAS CONVERSION PROGRAM

PGN continues to support the Government's efforts to convert from gasoline to gas fuel, as explained in the previous year's Report. PGN's active participation in this energy conversion program is made manifest through the provision of the mobile refueling units (MRU), i.e. mobile gas refueling stations for vehicles.

PGN has provided four MRUs through its subsidiary, GEI. The MRUs are located in Monas, Grogol, and Pluit in Jakarta, and one in Gresik, East Java. There are also five gas stations located at PGN Head Office in Jakarta, Pondok Ungu Bekasi, Bogor, Cilegon, and Surabaya.





### ENVIRONMENTAL PROGRAMS & BUDGET [G4-DMA] [G4-EN31]

As a demonstration of PGN's commitment to implementing many different natural conservation programs, PGN has been engaged in a number of environmental conservation initiatives as part of its corporate social responsibility. These programs are discussed in another section of this Report.

PGN has allocated funding to support the smooth running of these programs. In 2015, a total of Rp16,272,953,178 was incurred, with the details as follows:

EXPENDITURES FOR ENVIRONMENTAL PROGRAMS AND CSR ACTIVITIES RELATED TO THE ENVIRONMENT

NO	DESCRIPTION OF ACTIVITIES	EXPENSES 2015
1	Preparation of Environmental Documents AMDAL/UKL-UPL and Environmental Licensing	8,237,269,389
2	Environmental Monitoring	3,705,493,000
3	Construction of Infiltration Wells at Strategic Business Units Distribution I and III*	<u>-</u>
4	Environmental Campaign	56,500,000
5	Management of Hazardous & Toxic Waste	1,295,972,000
6	PROPER-related Environmental Management Programs	1,291,748,500
7	Calibration of Environmental Measurement Tools	12,000,000
8	Environment-related Training	271,659,289
9	Energy Monitoring System & Carbon Calculator*	
10	Energy Efficiency Programs	910,814,000
11	Environmental Management Facility: Temporary Landfill for Hazardous and Toxic Waste	242,704,500
12	Environmental Reports	55,852,500
13	Environmental Management System	192,940,000
14	Biodiversity Consultant Fee*	-
	Total	16,272,953,178

<sup>\*</sup> Did not take place in 2015 as this is not a routine activity.











Safer Operations, Healthier Employees

In order to achieve world-class safety excellence, PGN implements its Occupational Safety and Health(OHS) management in a well-directed and comprehensive manner. It is PGN's goal to ensure that its workplace is safe, healthy, and comfortable for all of its employees.





The industry and operational activities in which PGN is engaged carry a high OHS-related risks. For this reason, the management of OHS aspect is one of the main focus points addressed by PGN's sustainability strategy.

In general, OHS implementation and management in PGN is based on the stipulations of the Law No 1/1970 on Occupational Safety and No. 13/2003 on Employment, Article 86 clause 2 of that Law stipulates the companies' obligation to conduct occupational safety and health measures for their employees.

OHS provisions are inserted into a number of clauses in the Collective Labor Agreement (CLA), which has been jointly signed by the PGN Labor Union (SP-PGN) and the management. In addition, OHS aspects are also made as an integral part of each employee's KPIs. It is hoped that this will engender the culture of OHS management in all employees.[G4-LA8]

To uphold PGN's commitment to the implementation of OHS programs, PGN has established an organization structure to manage OHS aspect involving all levels of management, from top management to workers.



### OCCUPATIONAL SAFETY AND HEALTH POLICIES AND OBJECTIVES [G4-DMA]

The management of occupational safety and health (OHS) at PGN is vital, as PGN is engaged in the transmission and distribution of natural gas, which is a high-risk activity. With sound OHS management, the risk of workplace accidents or occupational health hazards can be avoided entirely or at least minimized. As such, policies and goals regarding OHS have been established and included within PGN's OHS management structure. [G4-LA8]

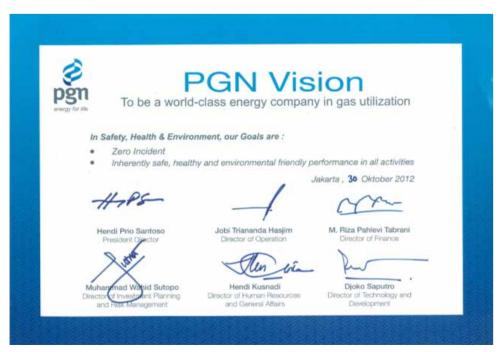


K<sub>3</sub>PL-E Policy



PGN has implemented a highly standardized OHS management in a consistent manner, by referring to OHSAS 18001:2007 Occupational Health and Safety Management System certification. OHSAS (Occupational Health and Safety Assessment) 18001 is an internationally recognized standard for the implementation of Occupational Health and Safety Management System, or OHS Management in short. PGN's OHS policy emphasizes on the implementation of OHS management system in all of PGN's activities, achieved through the strengthening of the principles of Plan, Do, Check and Action.

The OHS goals of PGN also emphasize the health aspect, as an embodiment of PGN's concern for the health of each of its employees. Only with a healthy workforce can PGN achieve its goals and ensure its business sustainability.

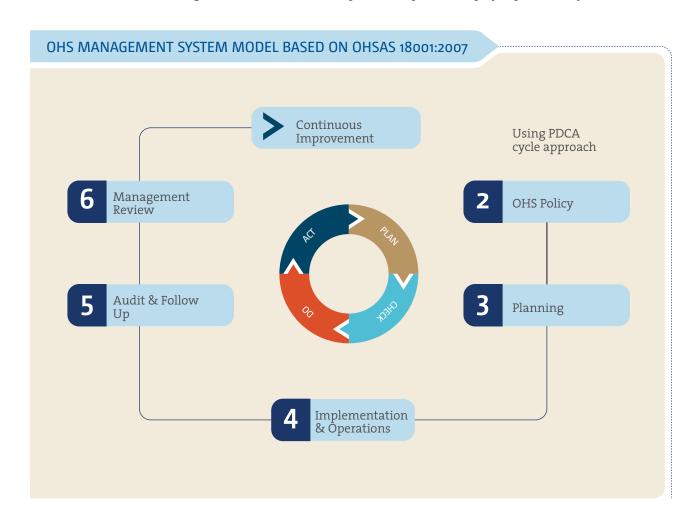


SHE Goals



#### **OHS MANAGEMENT SYSTEM**

One of the key measurements indicating PGN's success is how PGN is able to provide protection and comfort to all of its workers, not just its own employees but also to the parties working in PGN's operational areas. Risks to occupational health and safety are categorized as high level in the industry PGN is engaged in. This drives PGN's efforts to always implement the highest standards in OHS management. Furthermore, a secure, comfortable and safe working environment does have a positive impact on employee productivity. [G4-DMA]



PGN's OHS Management System

PGN makes various efforts to prevent OHS incidents, and it encourages the use of "business sense" to properly implement the principles of OHS, and in accordance with the existing regulations and norms. At all times PGN closely examines the occupational health and safety risks it faces in each of its operational processes and activities.

For PGN, a satisfactory level of occupational safety and health also means:

- · Greater welfare of employees and their families.
- · Lower accident compensation costs.
- · Lower repair costs.
- Lower cost of prevention compared to the cost of handling industrial accidents.
- Upholding of PGN's good standing as a company in general.



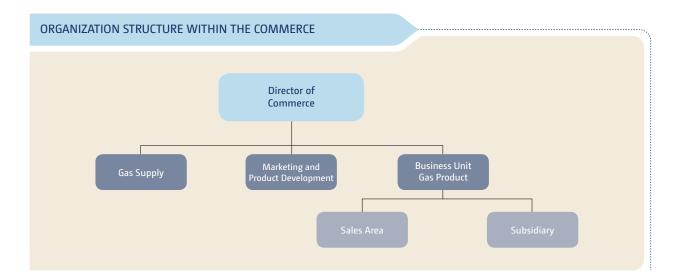
#### **CENTRAL SAFETY COMMITTEE**

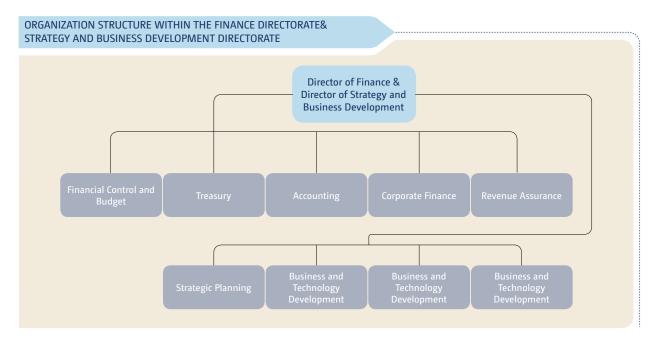
In PGN's organizational hierarchy, the management and implementation of OHS programs fall under the responsibility of the Safety, Security and Environment Division (HSSE Division), under the Director of Infrastructure and Technology. The HSSE Division has 16staff, equivalent to 1 % of PGN's total employees. [64-LA5]

PGN formed a Central Safety Committee (CSC) at corporate level, as well as at SBU and Project levels, so that OHS implementation and management can be effective and efficient.

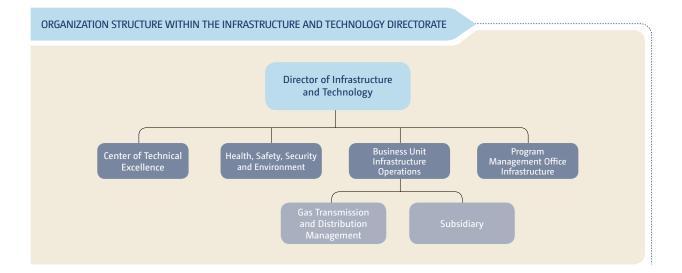
The role of the CSC as the driving force for safety activities is crucial for PGN's success in inculcating a safety culture in all employees and business partners. Various strategic policies and activities related to OHS continue to be implemented.

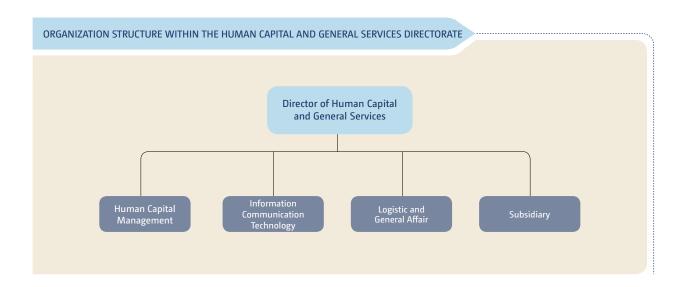
The CSC organization structure in each directorate and project is as follows

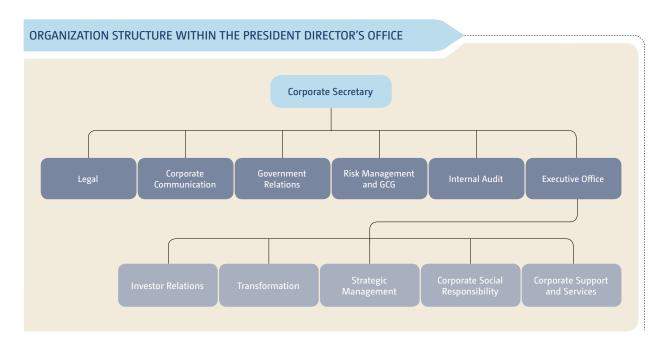














#### TARGET AND PROGRESS IN IMPLEMENTING THE OHS ROADMAP

To ensure the successful implementation of PGN'sOHS culture program, a number of parameters have been determined as targets to be achieved in each stage of the operational period.

To continually and sustainably improve PGN's OHS management system performance, the relevant OHS-related targets to be achieved in line with PGN's overall growth are described below.

	DESCRIPTION	TARGET 2015
LAGGING INDICATOR		
	Fatality	0
Lost Time Injury	Severe Injury	0
	Serious Injury	0
	Slight Injury	≤3
Incident	Serious Vehicle Accident Vehicle Accidents with losses of more than Rp50 million)	No Target Set
	Nearmiss dan First Aid	No Target Set
Health	TSAF	≤0,45
EADING INDICATOR		
	% Participation	100%
	% Severity 4/5	No Target Set
	% Improvement Severity 4/5	100%
Risk Containment Audit	% Improvement Severity 3	85%
	% Training RCA dan Refresh	100%
	Average of Severity	No Target Set
	% Participation	100%
Observasi	Safe Index	No Target Set
	Unsafe Act/Hour	No Target Set
	Audit Result Follow Up %	100%
	Surveillance OHSAS 18001:2007	1 Year
	% Medical Check-Up (MCU)	100%
Health	Workplace Measurement	100%

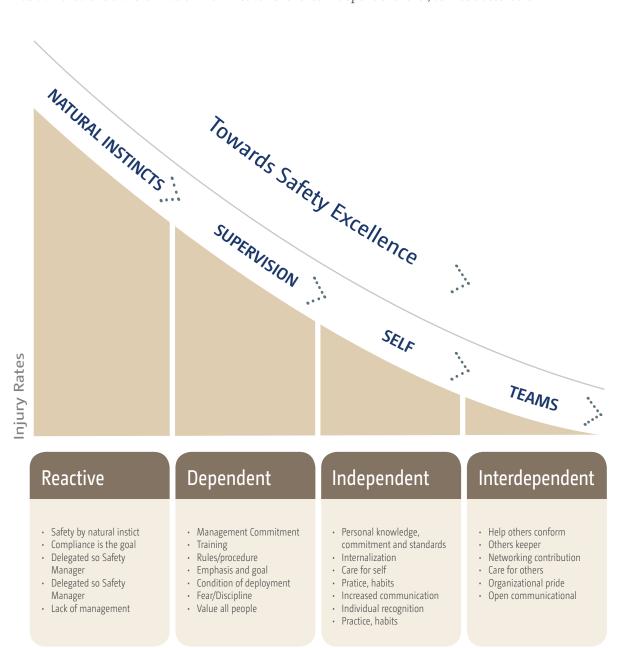


#### **OHS PROGRAMS IN 2015**

Throughout 2015, PGN fulfilled a number of OHS-related activities in accordance with the OHS road map which has been established before, in order to ensure that all of its operations are safe and healthy.

#### **WORKPLACE SAFETY**

Since 2009, the Safety Excellence Program has resulted in significant developments to support PGN towards achieving its Interdependent Goal in 2016. PGN realizes the importance of mitigating risks and ensuring that all of its employees understand the aspects of OHS to reduce frequency of incidents and workplace fatalities. The results of audits conducted in several of PGN's work units demonstrate that PGN's Safety Excellence Journey has been able to establish a culture of OHS awareness in its employees. In addition, PGN has achieved the transformation from Reactive level to Independent level, as illustrated below:





The OHS programs that were carried out in 2015 as well as in the previous years are as follows:

- Management Visit PGN's management regula
  - PGN's management regularly visits GDM and work units to generate employee motivation and provide guidance on the implementation of OHS regulations. This direct interaction between the management and employees at the operational level is expected to result in 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 of the cycle
  of PGN's continually improving its OHS
  management system. In such review meetings,
  reports are submitted as regards the status of
  OHS management system implementation.
  In 2015, the overall OHS management review
  meeting agendas are:
  - Evaluating SMK<sub>3</sub>PL-E Policy Implementation
  - Follow ups from incidents that occurred in 2015
  - · Participation and Consultation
  - Organization and Human Resource Management
  - Evaluating Legislation Compliance
  - Audit Results and Recommendations
  - Evaluations and refinement of K<sub>3</sub>PL-E targets for 2016
- 2015Non Organic HSSE Competition to Assess HSSE Implementation Benchmark
   To celebrate PGN's 50th anniversary, the HSSE

- Division cooperated with the Logistic and General Affair Division to organize the 2015HSSE Competition for non-organic employees. The enthusiasm of non-organic employees to participate in this competition was high, as demonstrated by the participation of almost all the non-organic employees in each unit's competitions. The HSSE competition is held as a benchmark for the implementation of HSSE by non-organic employees within the PGN environment, while also demonstrating our appreciation for the HSSE implementation by all non-organic employees in their work environment.
- 4. OHSAS 18001:2007 and OHS Management System Diagnostic Assessment
  In 2013 PGN received OHSAS 18001:2007 and OHS Management System certifications for all of its Units, the Head Office, and it's Projects in recognition of PGN's implementation of OHS Management System and compliance with all Government's regulations. In line with PGN's organizational transformation, the OHSAS 18001:2007 certification needed to be adjusted. To address this issue, the HSSE Division conducted a diagnostic assessment according to the OHSAS 18001:2007 standards at the PGN holding and a number of subsidiaries.
- 5. OHS Campaign PGN routinely and continuously conducts OHS campaigns in an effort to increase OHS awareness among all employees. This is expected to reduce risks arising from unsafe situations and behaviors. These campaigns take various formats and include posters, banners and education

related to Workplace Safety.





#### 6. OHS Training

PGN conducts training to improve the competence of its employees in relation to OHS risk procedures and audit knowledge. PGN carries out these training programs 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. In 2015, PGN organized the following OHS training programs:

10	TRAINING	NUMBER OF PARTICIPANTS	NUMBER OF DAYS	NUMBER OF MANDAYS
1	Job Safety Analysis	17	5	85
2	Safety Management for Manager	18	3	54
3	Pre Start-up Safety Review	13	2	26
4	Critical Procedure	13	1	13
5	OHSAS 18001:2007 Lead Auditor (IRCA)	5	5	25
6	Quality Assurance	11	1	11
7	Incident Trend Analysis	13	1	13
8	Basic Safety	75	1	75
9	Safety Action Plan in Project	8	3	24
10	Risk Containment Audit	50	1	50
11	Food Hygiene for OB & CS	84	1	84
12	TBC Awareness	48	1	48
13	FGD Berhenti Merokok	70	1	70
14	HIV/AIDS Awareness	75	1	75
15	Process Safety Management	16	3	48
16	OHS and Environmental Monitoring Competence and Certification Guidance	1	6	6
17	Waste Management Technological Guidance In Line with Clean Production Technology	1	2	2
18	Refreshment of First Aid Officers	20	1	20
19	First Aid Officers Certifications from Indonesian Ministry of Labor and Transmigration	26	3	78
20	Energy Auditor	27	3	81
21	Training for Trainer Basic Safety	10	2	20
22	Audit Training and Provisioning on OHS and Environmental Management for AMI SMM 2015	8	2	16
23	Health Risk Identification and  Identifikasi Bahaya Kesehatan dan Asbestos Monitoring and Regulation in Work Area	12	2	24
24	D Level Fire Fighters Certification from Indonesian Ministry of Labor and Transmigration	26	3	78
25	General OHS Experts	1	12	12
26	Air Emission Control	1	4	4
27	Hazardous Waste Management	1	1	1
28	Domestic Waste Management	1	3	3
29	Waste Water Management for MPPA Competence	1	4	4

#### 7. Employee OHS Awards

PGN presents OHS awards in each semester to employees and third-party workers that have been considered excellent in their implementation of OHS practices, thus providing an example for others in the workplace. These awards are given to motivate other employees so they will implement the OHS principles at the same excellent level of quality.

#### 8. OHS Reporting

PGN routinely submit OHS reports to regulators. These reports are submitted quarterly to the Ministry of Manpower and Transmigration and monthly to the Directorate General of Oil and Gas.



#### **2015 OHS PERFORMANCE**

Commitment to OHS policy and implementation of OHS practices in PGN's business activities are evaluated using a set of parameters that are considered representative to assess the OHS performance of PGN year after year. The following describes PGN's OHS performance in 2015.

#### **2015 SAFETY METRIC**

Safety Metric is an OHS management and implementation performance indicator for PGN's

SBUs and Head Office. The Safety Metric aims to monitor and assess, as well as to determine steps to improve PGN's OHS performance on a monthly basis.

The 2015 safety metric demonstrates that all the Units and Head Office successfully achieved the target of zero incident. However, there was one slight injury incident taking place at GTM and 11 slight injury incidents taking place at PMO. LTIF across all locations was 0 in 2015.

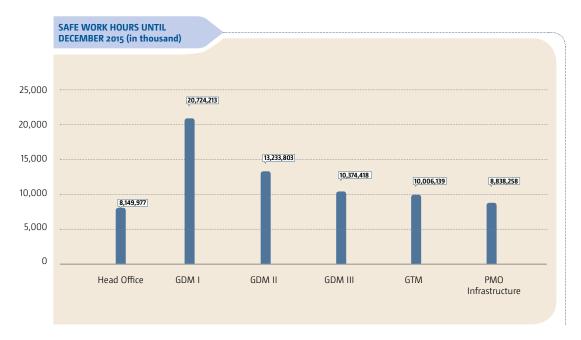
[G4-LA6]

ITEM	١		HEAD QUARTERS	GDM I	GDM II	GDM III	GTM	PMO	TARGET
		Fatality	0	0	0	0	0	0	0
		Severe Injury	0	0	0	0	0	0	0
~		Serious Injury	0	0	0	0	0	0	0
108		LTIF	0	0	0	0	0	0	0
S	ncident	Slight Injury	0	0	0	0	1	11	<3
LAGGING INDICATOR	Inci	Serious Vehicle Accident (involving losses of more than Rp50 million)	0	0	0	0	0	2	Not targeted
NG		Minor Vehicle Accident	0	0	1	0	1	19	Not targeted
99		First Aid	0	0	0	0	3	14	Not targeted
Z		Near missed	0	0	3	0	3	24	Not targeted
	댶	TSAF	0.14	0.39	0.31	0.48	0.27	0.02	0.45
	Health	Occupational Diseases	0	0	0	0	0	0	0
		- % Participation	51%	100%	100%	100%	100%	72.00%	100%
	RCA	- % Follow Up Severity 4/5	73%	100%	100%	100%	100%	100%	100%
		- % Follow Up Severity 3	56%	90%	100%	35.00%	93%	58%	≥ 85%
LEADING INDICATOR	Observation	- % Participation	54.05%	100%	100%	100%	100%	64.93%	100%
2	_	% Workplace Measurement (MCU)	72.00%	96%	100%	100%	95%	72.00%	100%
NG	Health	OHS Audit Implementation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100%
AD	=	Surveillance OHSAS 18001:2007	100%	100%	100%	100%	100%	100%	100%
<b>37</b>		Surveillance OHSAS 18001:2007	Diagnostic Assessment	Diagnostic Assessment	Diagnostic Assessment	Diagnostic Assessment	Diagnostic Assessment	Diagnostic Assessment	Not targeted
	ij	OHS Audit Implementation	100%	100%	100%	100%	100%	100%	100%
	Audit	% Completeness of Audit Result Follow Up	100%	100%	100%	100%	100%	100%	100%
		Safe Work Hours (hours)	8,149,977	20,724,213	13,233,803	10,374,418	10,006,139	8,838,258	



#### **SAFE WORKING HOURS**

In 2015, as there was no Lost Time Injury (LTI) due to the excellent OHS performance in all areas, no lost working hours were recorded, and thus PGN successfully booked total safe working hours of 71,501,131.59 hours as of the end of 2015.

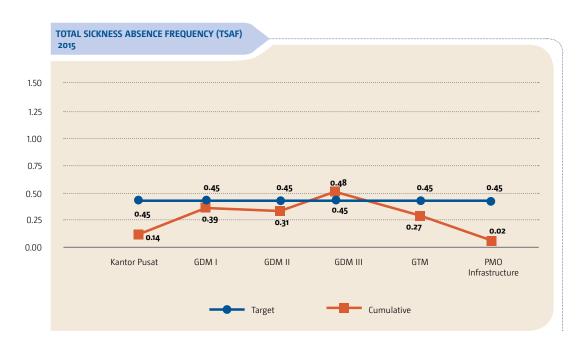


#### SAFE VEHICLE DISTANCE TRAVELED

During 2015, there were no reported incidents involving heavy vehicles across all Units, Head Office and Projects. As of the end of 2015, the total safe vehicle distance traveled reached 76,062,317 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. For 2015, employee sickness at SBU and project level was below the target. Thus PGN managed to achieve a TSAF of 0.22 in 2015, better than 0.26 in 2014. [G4-LA6]

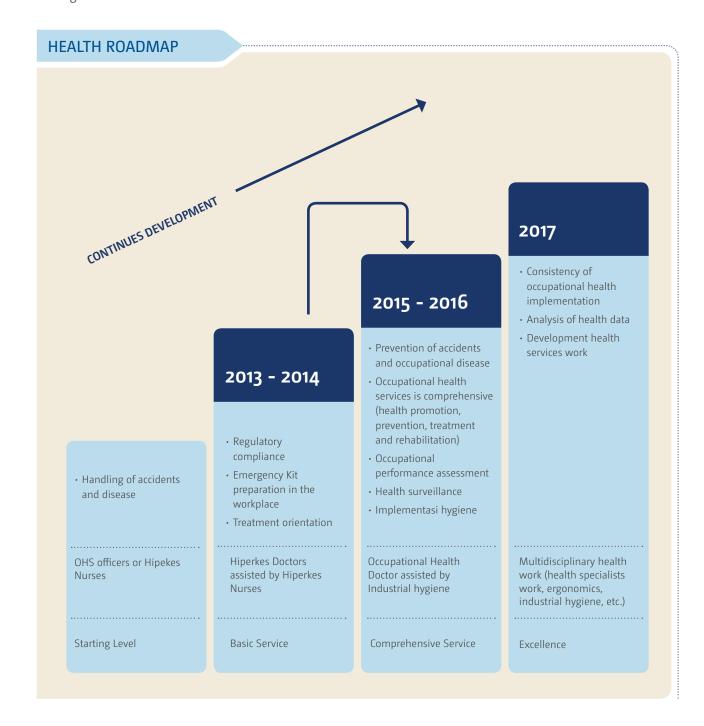




#### **WORKPLACE HEALTH**

PGN wishes to ensure not only that the employees' safety is well-covered across all operational activities, but also that employees take good care of their health. This will ensure that employee productivity can be maintained at a desirable level, and in addition, the quality of life of every employee can also be improved as long as they are healthy.

PGN has various health programs in place for its employees, and in some aspects the degree to which the health programs are given to the employees are administered in relation to their respective risk at the workplace. PGN conducts health education programs such as seminars and road shows, employee health data management through the E-Medical Record application, industrial hygiene program including workplace inspection, and annual health risk assessment. PGN has also formulated the Work Reference Document to serve as a legal umbrella for to regulations governing employee health management.









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

PGN continues to ramp up its efforts to prevent and manage the occurrence of HIV/AIDS in the workplace, considering that Indonesia is one of the countries with the fastest HIV epidemic growth rate in Asia and that around 80% of those who have contracted HIV are aged between 25-49, i.e. productive age. This this health risk is also present in the workplace. The actions taken by PGN to prevent and manage the occurrence of HIV/AIDS in the workplace in 2015 are:

- Voluntary Counseling & Testing of HIV & AIDS, involving 20 participants.
- Application for the HIV/AIDS Prevention & Management Award from the Ministry of Manpower of the Republic of Indonesia
- Educational program outside of the Company during the AIDS National Meeting V in October 2015.
- Training of Trainer (TOT) for HIV/AIDS peer educators, involving 30 employees' representatives in February 2015.

#### 2015 OHS AWARDS

In 2015, PGN received a number of accolades and awards from independent parties, in recognition of PGN's excellent OHS performance in the pursuit of its operational activities, and also of its commitment to the occupational health and safety of its employees.

The awards and accolades received in 2015 in relation to OHS aspect are:

#### 1. ZERO ACCIDENTS AWARDS FROM INDONESIA MINISTRY OF MANPOWER GIVEN TO:



PGN Kantor Pusat dengan jumlah Jam Kerja Aman 5,049,163 jam



PGN SBU Distribusi Wilayah I dengan Jam Kerja Aman 18,201,958 jam



PGN SBU Distribusi Wilayah II dengan Jam Kerja Aman 11,233,684 jam



PGN SBU Transmisi Sumatera Jawa dengan Jam Kerja Aman 8,752,333 jam



### 2. OIL AND GAS OHS AWARDS FOR THE CATEGORY "ZERO LOST TIME INJURY FREQUENCY FROM ACCIDENTS" IN TRANSPORTATION SECTOR GIVEN TO:



PGN SBU Distribution Area I, PATRA NIRBHAYA KARYA UTAMA Category



PGN SBU Distribution Area II, PATRA NIRBHAYA KARYA UTAMA Category



PGN SBU Distribution Area III, PATRA NIRBHAYA KARYA MADYA Category



PGN SBU Transmission Sumatera-Java, PATRA NIRBHAYA KARYA MADYA Category

## 3. AWARDS IN HIV/AIDS PREVENTION AND MITIGATION IMPLEMENTATION IN THE WORKPLACE INDONESIA MINISTRY OF MANPOWER GIVEN TO:







PGN Headquarters Gold Category



PGN SBU Distribution Area III, Gold Category

#### 4. SMK3 CERTIFICATIONS IN ACCORDANCE WITH PP 50 YEAR 2012 WITH SATISFACTORY RATINGS











SMK3 Certificate Headquarters

SMK<sub>3</sub> Certificate RD I

SMK<sub>3</sub> Certificate RD II

SMK<sub>3</sub> Certificate RD III

SMK<sub>3</sub> Certificate RT











# **Providing Products & Services Optimally**

For any business to be sustainable, it must be supported by the loyalty of its customers. Grounded on this belief, PGN is implementing a superior operational management and creating innovations to achieve product &service excellence in order to ensure the satisfaction of its customers. This is because for PGN, customers are one of the stakeholders who play a central role in ensuring the sustainability of its business through their purchase of PGN's products and services. Customers are also PGN's main partner in developing future business endeavors. [G4-DMA]





PGN aims to achieve customer satisfaction among others by fulfilling various customer expectations. PGN especially pays attention to the quality and quantity of gas that it supplies, exceptional service, and competitive pricing. PGN is fully committed to fulfilling all customer expectations in accordance with a component of its corporate culture: "Prioritizing the satisfaction of both internal and external customers by providing the best service."

# RELIABLE & TRUST WORTHY PRODUCT INFORMATION [G4-PR3]

To ensure conformity of gas quality with the customers' gas sales and acceptance contract, PGN always ensures that everything is done in accordance with the prevailing 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 that it uses, by following what is stated on the Material Safety Data Sheet (MSDS). PGN then provides its customers and prospective customers with the MSDS for gas use, for safety reasons.

PGN obtains samples to inspect components of the gas it supplies at the points of production, representative commingle pipe points, and at the points of input to the customers (for certain customers only). There are several major components of concern to PGN when conducting natural gas quality checks, including methane content as the main component in natural gas, followed by ethane, propane and butane, as well as other gas components. Meanwhile, checks are conducted to identify the presence of dangerous impurities, such as carbon dioxide, nitrogen, mercury and hydrogen sulfide, especially at the point of production and prior to entering the transmission network. This is done to maintain customer health and safety, as well as to optimize



the customers' gas appliances. Examination of these gas components demonstrates PGN's responsibility for the quality of gas it supplies.

Gas pressures in the pipelines are carefully regulated to match the provisions of the gas supply agreement and to comply with safety aspects. The results of regular pressure checks are then attached to the customer's gas supply billing manifest. The goal is that all product information received by the customers is clear and accountable.

# MAINTAINING PRODUCT QUALITY AS PER REGULATIONS & 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.

PGN then monitors the quality and amount 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 manner, the affected customer will have 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 off take station and filters at the customer's meter. The instrument helps reduce or even eliminate dust particles, condensates, as well as other non-gas particles that may damage the customer's gas equipment. This measure eliminates customer complaints related to quality or pressure of gas flowing through PGN's transmission and/or distribution pipelines.

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

To demonstrate PGN's commitment to improving customer service, PGN has established a center to provide information and handle customer complaints called PGN Contact Center. The Contact Center can be easily contacted by calling 1500645 or e-mailing contact.center@pgn.co.id. This service facilitates customers, prospective customers, and relevant stakeholders in obtaining information, submitting 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 the Contact Center agents. The response time for complaint handling is a maximum of 24 hours from the receipt of the complaint. Generally, both questions and complaints are recorded in the Contact Center database.

In line with the organizational transformation that is currently taking place in the Company, PGN also transforming its Contact Center. In 2015, with the elimination of Strategic Business Unit (SBU) functions and to support the PGN Sayang Ibu program, as well as in line with the mandate of the Gas Network for Households program from the Ministry of Energy and Mineral Resources (Gas Network of the Energy and Mineral Resources) and



the Government, PGN has centralized its Contact Center at its Head Office, by pulling all the agents and operational system of the Contact Center in the previous SBUs. This centralization was performed to increase the quality and strengthen the service of PGN's Contact Center. To support the performance optimization of Contact Center at the Head Office, PGN assigns walk in agents at each Sales Area to promptly follow up customers' complaints by coordinating with the relevant functions at the Sales Areas. The walk in agents also provide consultation services to the customers and prospective customers at the Sales Areas. [G4-DMA]

To improve the quality of service to customers, PGN conducts programs to improve the skills of customer service personnel, enforce a minimum service standard policy, and enact service quality provisions that are part of the KPI assessment. In addition, PGN also improves its 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 PGN's 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 that PGN has not been sanctioned or required to pay any fines during the reporting period.

#### **CUSTOMER GATHERING**

Customer Gatherings are routine and proactive PGN events to improve the quality of its customer service. Customers who participate hail from industrial, commercial, and household segments.

The Customer Gathering program fosters a harmonious relationship between PGN and its customers. PGN believes that face-to-face events such as this will engender 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 the network, and establish a stronger rapport so that both sides understand each other more and can narrow the gap between customer expectations and PGN's abilities.

In 2015, PGN held Customer Gatherings in several cities in each of the existing Sales Areas and in municipalities that will be penetrated by PGN. Through these gatherings, PGN was able to obtain feedback so both sides could recognize PGN's abilities and its customers' expectations.

In addition to Customer Gatherings, PGN through Customer Management and Sales actively visits customers/potential customers to establish harmony and synergy in the business of natural gas distribution. In line with the organization's transformation program, PGN transformed the functions and duties of the sales spearheads, which previously was held by the Account Executive, into two major groups, namely Customer Management and Sales. Customer Management focuses on serving existing customers, while Sales focuses on acquiring new prospective customers. This separation of duties and functions reflect PGN's breakthrough in order to improve its service quality, increase sales volume, and accelerating the subscription processes of new customers. During these visits, Customer Management and Sales personnel actively provide input to customers/ potential customers on how to increase the efficiency in the utilization of their equipment, as well as to understand the business situation of the customers/prospective customers, which subsequently serves as valuable input for the management in devising gas subscription policies.





# ASSURING CUSTOMER SATISFACTION [G4-PR5]

PGN conducts surveys on customer satisfaction levels to obtain feedback to improve levels of Service Excellence. As in previous years, customer satisfaction levels were measured in 2015 in each Sales Area, aiming at all customer segments in line with the appropriate survey norms.

In 2015, the measurement of customer satisfaction was internally conducted by PGN, although the processing of the survey data was conducted by an independent consultant. PGN hired independent consultants to process the survey results in order to maintain objectivity of the survey results and to obtain input on the survey methodology, questionnaire, and processing techniques that previously had been conducted by PGN.

In 2015, 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 2015, we emphasized the measurement of customer satisfaction for every service encounter through the eight PGN service dimensions (service bites) 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.

Measurement results are presented in Customer Satisfaction Index (CSI), Customer Loyalty Index (CLI), Customer Referral Index (CRI), and Net Promoter Score (NPS) matrices. From the results of the 2014 research, our CSI = 5.30 (Likert scale 1-6). [G4-PR5]

In addition to the measures to design and accomplish various service improvements based on the customer satisfaction level survey results, we endeavored to resolve the root of the main problems causing customer complaints. As most customer complaints in 2015 were related to the recurrence of reduced pressure in the gas distribution pipeline



close to end-user outlets, which was in turn caused by reduced supply from the gas producers, PGN has followed this up with a substantial investment in the upstream sector of its natural gas business chain, the construction of Floating Storage Regasification Unit (FSRU), and other modes of gas transportation. We have also coordinated with gas suppliers to supply gas in accordance with the contract, and requested for allocation of additional gas supply to the Government.

Thus the future should there is an insufficient supply of gas from the gas producers, PGN will be able to compensate for the reduction and supply gas from PGN's own wells, gas supply from other suppliers and from the FSRU facilities, Compressed Natural Gas (CNG) facilities, and LNG Receiving Terminals, which have been or are in the process of being completed in areas close to the key customers, namely industrial and commercial zones.

In addition to issues related to gas supply, a majority of customer complaints were directed at PGN's pipe network and customers' pipeline reliability. To overcome this issue, PGN collaborated with its Subsidiary, PGASOL, to operate and maintain PGN's infrastructure network and PGN provides counseling with regard to the maintenance of the customers' pipelines.

#### **CUSTOMER CARDS**

To continue to improve service quality to loyal customers, in 2015 PGN issued 15,027new Customer Cards. The issuance of Customer Cards has been done since 2014. These Customer Cards are distributed to all PGN customers as a form of appreciation for their loyalty to PGN.

The Customer Card acts as the subscriber's identity, allowing them ease of interaction with PGN and providing them with easier access to area codes, customer identification number, PGN Contact Center number, and the address of the the nearest PGN office.

All the programs to improve service quality as described above are testament to PGN's sincere intention to always prioritize customer satisfaction.

#### **CUSTOMER LOYALTY PROGRAM**

This promotional program acknowledges the loyal support of PGN's customers. As a form of appreciation from PGN to its loyal customers, PGN gives reward in the form of:

- "Berbagi Kehangatan"
  PGN gives away free water heaters complete
  with the installation service to select Household
  customers. Not only as a reward, this program
  is also intended to increase the diversification
  of the utilization of natural gas by Household
  customers, which so far have only used PGN's
  natural gas for cooking.
- "Berbagi Hemat"
  PGN gives away free converter kits complete
  with the installation service to select Industrial
  customers' operational vehicles. Not only as a
  reward, this program is also intended to increase
  the diversification of the utilization of PGN's
  natural gas by the transportation businesses,
  considering that gas is far cheaper than crude
  oil, and in support of the Government's Blue Sky
  program.















PGN employees determine the performance and success of PGN in its long term aim to become a world class company.

PGN employees play a key role in shaping the growth of its business. In line with this, PGN fosters strong rapport with its employees, pays attention to their and their families' well-being, and develops their professional skills and careers in line with their talents.





The main expectations expressed by PGN employees are related to a comfortable and supportive work environment, a clear career path and fair performance assessment, remuneration commensurate with performance, and assurance in their well-being. In managing human resources, PGN makes an effort to implement a human resources management program that is aligned with PGN's vision and mission.

[G4-DMA]

PGN has developed a human resources management program that strikes a balance between expectations and the optimization of its workforce, improving employees' competencies in accordance with the business developments and challenges faced by PGN.

#### UPHOLDING HUMAN RIGHTS AT WORK

PGN strives to attract the best talents to work together with PGN, to achieve a common goal. In running the business, PGN ensures that the basic human rights of all of its employees are upheld at all times. [G4-DMA]

PGN ensures that it does not employ child labor and that there are no incidents of forced labor across its operations. PGN's strict adherence to the minimum employment age and the application of SHE policies upholds these practices.

Furthermore, PGN has disseminated and provided training on human rights to all employees of PGN, in particular to the security staff. PGN's provision of human rights training to security staff is held in cooperation with the National Police. As of the end of 2015 year, all security guards of PGN had participated in Human Rights dissemination 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 work hours. In accordance with PGN's Code of Conduct, employees are prohibited from forcing their political views on others. PGN further ensures that it is not involved in any political activities and does not provide donations for political activities or for political parties.



#### FREEDOM OF ASSOCIATION AND INDUSTRIAL RELATIONS

PGN guarantees its employees' right to form associations and labor unions. A strong rapport and intense communication between the management and the employees will bring positive impacts on PGN. In line with the Law No. 21 of 2000 on Labor Unions, PGN provides the freedom to its employees to become members of labor unions. [G4-DMA]

The labor union registered in PGN is PT Perusahaan Gas Negara (Persero) Tbk Labor Union, abbreviated SP–PGN. SP-PGN is officially registered with the West Jakarta Office of Manpower under the Proof of Registration: 387/II/P/IX/2009, dated 19 September 2009. SP-PGN supports the fulfillment 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. This is then used as the basis for improving employee satisfaction in finding better ways to conduct business.

PGN has a Collective Labor Agreement (CLA) that governs industrial relations, resulting from intensive discussions and a mutual agreement with employee representatives of SP-PGN. The mutually agreed CLA

undergoes review every two years. The current CLA was jointly approved and ratified on 1 July 2013 and will remain in effect until 30 December 2015. The CLA contains the rights and obligations of both employees and PGN in an equal standing, and these include:

- Certainty regarding the rights and obligations of both employees and PGN with regard to industrial relations, working conditions and company procedures;
- The partnership between PGN and its employees;
   and
- The method for fair settlement of difference of opinion so as to 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. 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] [G4-11]



#### **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 employees. No employee of PGN is to be discriminated based on their gender, religion, ethnicity or race. This equality is also applied at every stage of human resources 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 salary at PGN's main location.  $[G_4-EC_5]$ 

	OPERATIONAL AREA	MINIMUM WAGE IN PROVINCE/REGENCY	BASIC SALARY FOR LOWEST ENTRY LEVEL POSITION (RP)	RATIO OF REGIONAL MINIMUM WAGE TO PGN BASIC SALARY (%)
1	Holding	2,700,000	2,800,000	96%
2	Jakarta & surrounding areas	2,700,000	2,800,000	96%
3	Surabaya & surrounding areas	2,710,000	2,800,000	97%
4	Medan & surrounding areas	2,037,000	2,800,000	73%
5	Program Management Office	2,700,000	2,800,000	96%
6	Subsidiaries	2,700,000	2,800,000	96%

PGN is committed to ensuring equality in remuneration 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]

MALE	FEMALE
1.00	1.03
1.00	1.00
1.00	1.05
1.02	1.00
	1.00 1.00 1.00



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

	TOTA	AL EMPLOYEES	5 IN 2015		EMF	PLOYEES BY A	GE GROUP		
CLASSIFICATION	BAALE	FERRALE	TOTAL		MALE			FEMALE	
	MALE	FEMALE	TOTAL —	<30	30-50	>50	<30	30-50	>50
Top Management	62	16	78	0	27	35	0	5	11
Middle Management	129	39	168	0	101	28	0	30	9
Lower Management	388	164	552	2	347	39	0	143	21
Staff	528	151	679	185	268	75	72	72	7
Total	1,107	370	1.477	187	743	177	72	250	48

#### **PGN HUMAN RESOURCE PROFILE**

In 2015, PGN employed a total of 1,477 people, a 2.17% reduction from 2014's total workforce of 1,509 personnel. This reduction was in line with PGN's efforts to transform its business and improve its productivity to help achieve its goal of becoming a world-class natural gas company. [G4-10]

NUMBER OF EMPLOYEES BY REGION & BY GENDER

	MALE	FEMALE	TOTAL
Head Office	227	128	355
Area SBU I	278	83	361
Area SBU II	133	29	162
Area SBU III	78	35	113
Area SBU TSJ	139	27	166
Area PMO Infrastructure	201	48	249
Subsidiary	80	23	103
Total	1,136	373	1,509



In 2015 PGN embarked on an organizational transformation and thus the resulting numbers of employees by business unit and by gender became as follows:

NUMBER OF EMPLOYEES BY REGION & BY GENDER 2015

NUMBER OF EMPLOYEES BY REGION & BY GENDER	MALE	FEMALE	TOTAL
Holding	335	181	516
Business Unit Gas Product	172	79	251
Business Unit Infrastructure Operations	137	25	162
Program Management Office	140	46	186
Subsidiaries	323	39	362
Total	1,107	370	1,477

LEVEL OF EDUCATION	2015	2014
Doctorate	1	1
Master's	126	110
Bachelor's	649	621
Diploma	457	498
High School or equivalent	244	279
Total	1,477	1,509

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

As a means to manage performance assessment and determine employee career paths, PGN has developed an Individual Performance Management System, which is intended to synergize the various competencies and performance levels of its employees with PGN's long-term business development.

An individual's targets are synergized at all times with the Business Priority Strategy and are linked to the targets set by their superior. PGN's corporate targets are directly supported and divided into targets for each director with follow up at the staff level. This is reflected in PGN's unified goal 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 perform any task required for performance management throughout the year. Results of the individual employee assessment 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). Assessment results will form the basis for determining employee remuneration and career development in PGN.

PGN determines employee promotions, transfers and rotations with reference to special assessment achievements conducted once every two years. A transparent and accountable performance assessment is expected to encourage all PGN employees to work to their best ability. As of the end of 2015, all employees had had their KPIs for the 2014 assessment year assessed.



#### **EFFECTIVE COMMUNICATION**

PGN believes that good communication influences individual, group and business performances alike. The quality of communications between the management and employees in order to disseminate information on policies, program implementation and assessments, greatly impacts the creation of a positive working 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 employee profile, leave requests and other HR related matters, can be updated independently by employees,
- Healthcare and Social Security Program
   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 entire working environment, PGN expects all work to be accomplished optimally and without any miscommunication. Ultimately, this will prevent employee dissatisfaction that may cause further reduction in performance levels.

#### **EMPLOYEE TURNOVER**

Employee turnover in PGN is low, demonstrating its success is providing job satisfaction for its people. It also supports cost efficiency measures in developing employee competencies and in recruitment, thus bearing a positive impact on PGN's performance. [G4-DMA]

In 2015, 40 employees ceased to work at PGN; the majority of reasons for this were natural, such as reaching retirement age or death. Seven PGN employees resigned from their employment at PGN for personal reasons. [G4-LA1]

ASSIFICATION		2014	TOTAL
B :: 1 A 6	P	W	TOTAL
New Recruits by Age Group			
<30 years old	6	5	11
<30 years old	1	0	1
>40 years old	1	2	3
Total	8	7	15
New Recruits by Region			
Head Office	3	3	6
SBU Distribution I	1	4	5
SBU Distribution II	0	0	0
SBU Distribution III	0	0	0
SBU TSJ	4	0	4
PMO Infrastructure	0	0	0
Total	8	7	15
Employees Out			
Personal Reasons	5	2	7
Disciplinary Action	0	0	0
Death	4	0	4
Retirement	33	1	34
Early Retirement	2	2	4
Others	0	0	0
Total	44	5	49



## RECRUITING THE BEST IN THE FIELD

In recruiting the best talents in the field, PGN involves competent independent third parties to efficiently identify them. PGN also places public notices in well-known print media and on its corporate website as part of the recruitment program.

PGN runs three programs in its selection process, namely:

- 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.
- Recruitment of National Athletes
   This program is part of PGN's support for the
   government's program for fostering athletes,
   while appreciating their efforts and services,
   which have been instrumental in bringing the
   country into renown.

PGN also recruits employees from the vicinity of its operations. This demonstrates PGN's commitment to providing benefit and supporting local communities to achieve self-sufficiency and prosperity.

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

PGN works together with educational institutions to obtain qualified candidate employees through a work-related educational scholarship program called Pre-Employment Candidate Selection Educational Scholarship (PBPSPCP).

PGN cooperates with PTK AKAMIGAS STEM – Cepu energy and minerals college, to educate and prepare candidate employees with suitable capabilities for the oil and natural gas industry.

In 2015, 19 students received scholarships from PGN to study at PTK AKAMIGAS STEM. For these scholarships PGN incurred an expense of Rp2,315,695,000.



#### **EDUCATION AND TRAINING [G4-DMA]**

Human resources quality development at PGN is implemented through various training and education programs to enhance the competence and performance of every employee.

PGN enrolls its employees in overseas postgraduate degree programs and in internship programs at world-class natural gas companies. In 2015, nine of PGN's employees participated in postgraduate level education in the United States.

PGN develops training programs that are adjustable to the demands of the respective positions of its employees. These programs have been devised in a planned, systematic and focused manner to improve workforce competence.

In 2015, total training hours stood at 20,688 man-days, with an investment value of Rp39,114,062,861. Employee training programs in 2015 are detailed below. [G4-LA9]

AVERAGE HOURS OF TRAINING FOR PGN EMPLOYEE IN 2015

CLASSIFICATION	TOTAL TRAINING HOURS PER YEAR (MAN HOURS)			TOTAL TRAINING HOURS PER YEAR PER PARTICIPANT (MAN HOURS)		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Top Management	1,800	472	2,272	29	30	59
Middle Management	15,368	6,960	22,328	119	178	298
Lower Management	10,280	4,424	14,704	119	27	53
Officers	21,400	6,240	27,640	41	41	82
Total	48,848	18,096	66,944	215	276	491

#### **EXECUTIVE PROGRAMS**

In an aim to develop the competence of the future leaders of PGN, in 2015 PGN conducted two development programs for its talented individuals, as follows:

- Executive Development Program (EDP)
   The EDP is a leadership program for AVP and VP level employees. The program is designed to support the PGN STAR Talent program, which is intended to prepare talented individuals to work at strategic positions within PGN. This program consists of three sessions with five batches of participants. A total of 125 individuals participated in this program.
- 2. Management Development Program (MDP)

  STAR Program-MDP is a talent development program for Supervisor to Manager level employees within PGN Group. The program is intended to prepare capable and reliable leaders of the future so as to contribute effectively towards the achievement of PGN's vision and mission. The STAR Program-MDP is integrated with an MBA degree program, and in this regard, currently PGN is collaborating with various reputable educational institutions. A total of 109 employees qualified to participate in this program, and at the writing of this report, 98 employees are still in the program.





Having successfully laid the foundations for competence-based HR management, PGN is now preparing future leaders of PGN with a more highly 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 its corporate conditions and needs.

The Board of Directors has determined the criteria and selected 125 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 (EDP), 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.

To make way for a sustainable leadership succession pathway in PGN Group, PGN has developed the STAR Program that has been implemented for employees from the Supervisor to the Manager levels. This program is called the Management Development Program (MDP). This program is designed in such a way that it is integrated with the E-MBA program, and in this regard PGN is collaborating with one of the leading business education institutions in Indonesia.

Using the predetermined criteria, 109 employees from the Supervisor to the Manager levels from within the PGN Group have been admitted to this program. This development program is conducted in an integrated manner, involving blended in-class program, leader camp, project assignment, coaching and mentoring from related SMEs, and leadership sharing sessions from the best CEOs from the country and elsewhere.

The MDP Program consists of four learning modules, namely Module 1 (Managing Self and Others), Module 2 (Managing Business), Module 3 (Managing with Strategy) and Module 4 (Managing Human Resources). Participants that passed the First Stage may continue the E-MBA program with 24 credit units remaining.



#### **CAREER PATH MANAGEMENT**

One of PGN's employee development programs after the performance assessment and training is career path planning and projection. Sound career path management is important for succession planning and manpower planning in PGN. It is also a good means to retain employees.

PGN has compiled projected career paths for employees during their period of employment with PGN. These career path projections consist of:

- A career path based on positions that focus on job competence, individual competence, performance, formal education and work experience.
- A career path based on salary grades with reference to formal education, salary grade, and 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 PGN's basic HR management policies, the principle of equality is applied when making decisions on employee promotions. At certain position levels, PGN also considers said employee's leadership potential and certain other criteria based on what is required for the position, to ensure accurate and appropriate decision making.

In 2015, based on performance assessment results, position requirements and business development, 55 employees were promoted to new positions, as summarized below:

POSITION	MALE	FEMALE	TOTAL
Top Management	7	1	8
Middle Management 1	19	6	25
Middle Management 2	13	1	14
Middle Management 3	3	2	5
Lower Management 1	3	0	3
Total	45	10	55



#### PREPARATION FOR RETIREMENT

In addition to employee competence and professional training, PGN also conducts special training for employees approaching retirement, to facilitate their continued participation in productive activities to fulfill their needs in life. Called the Retirement Planning Program, the training is intended for PGN employees in their final three years of work prior to retirement. [G4-LA10]

#### **EMPLOYEE WELFARE**

Employee competence and performance assessment always form the basis of employee compensation. The higher an employee's levels of competence, responsibility and performance achieved, the higher the employee's compensation. PGN determines the amount of employee remuneration based on work evaluation, job description, salary structure, employee performance, company performance and salary survey. The salary survey is conducted based on a comparison of remuneration and benefits in similar companies.

PGN provides a highly competitive benefits scheme compared to companies of a similar class, to ensure that it always attracts the best talent in appropriate fields as employees. At the same time, this means that employees with ever-improving competence and skills remain committed to working to their optimum and developing together with PGN.

In 2015, expenditures allocated for employee remuneration and benefits amounted to Rp1,159,393,912,564, which covered salaries, bonuses, leave, religious holiday allowances (THR), healthcare, overtime, pension fund and retirement. Compared to the previous year, in 2015 on average PGN employees' remuneration increased by  $\pm 6\%$ .

#### **EMPLOYEE REMUNERATION**

There are a number of differences in the overall remuneration scheme for the two different types of employees based on their status of employment. These differences consist of the types of allowances and benefits that are part of the remuneration package given to the employees as compensation.

For outsourcing employees, PGN ensures at all times that their basic rights and normative rights are above the proscribed standards. It further cooperates with and ensures that the outsourcing providers manage these outsourced employees in a manner that are responsible and nurturing. PGN melakukan seleksi perusahaan penyedia pekerja alihdaya terutama terkait kepatuhan terhadap peraturan ketenagakerjaan.

[G4-DMA] [G4-LA14]



COMPARISON OF BENEFITS FOR PERMANENT EMPLOYEES & NON-PERMANENT EMPLOYEES [G4-LA2]

TYPE OF BENEFIT	PERMANENT EMPLOYEES	NON-PERMANENT EMPLOYEES
Salary	$\sqrt{}$	√
Allowances/Benefits:		√
Insurance for Workplace Accident & Disfigurement		√
Insurance for Occupational Accident Resulting in Death		
Insurance for Accident & Disfigurement Outside of the Workplace	$\sqrt{}$	$\sqrt{}$
Insurance for Death due to Causes other than Workplace- Related	$\checkmark$	$\checkmark$
Healthcare Coverage for Self	$\sqrt{}$	$\sqrt{}$
Healthcare Coverage for Spouse	$\sqrt{}$	
Healthcare Coverage for Children	$\checkmark$	$\sqrt{}$
Paid Leave	$\sqrt{}$	
Maternity Leave	$\sqrt{}$	$\sqrt{}$
Menstruation Leave		
Hajj or Religious Pilgrimage Allowances		
Religious Festivity Allowances	$\sqrt{}$	
Retirement Fund	$\sqrt{}$	
Severance Pay	$\sqrt{}$	$\sqrt{}$
Allowances for Hardships		





#### BENEFIT PROGRAMS FOR PGN EMPLOYEES

### Employee Assistance Program (EAP)

Employee Assistance
Program (EAP) provides
counseling and external
counselors, as well as mini
seminars with speakers
from outside of PGN. It was
initiated in 2013. In 2015, a
total of 143 employees took
part in EAP counseling
throughout PGN, while three
mini seminars were held
across PGN's operational
areas.

## **Elderly Health Program**

This program is conducted through a cooperation between PGN Management and SP-PGN. The objective of the Elderly Health Program is to assist PGN retirees to cover healthcare expenses. 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

[G4-EC3]
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, PGN 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, PGN 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.



#### **HEALTH BPJS PROGRAM**

As mandated by the Government through regulations concerning BPJS, that every worker Recipients of Wages shall enroll in Health Insurance program administered by BPJS Health, and the Social Security system of the National managed via BPJS aims to provide certainty protection and social welfare for all citizens, including in this case the workers PGN, PGN has registered business entities in BPJS and enroll employees in the Health BPJS program since December 2014.













Creating a Prosperous Society [G4-EC7] [G4-S01]

PGN plays its role as a responsible corporate citizen by upholding its responsibility to foster a self-reliant, progressive, and prosperous society.





PGN's commitment in this matter is demonstrated through its sharing with the communities living in the vicinity of PGN's operational areas. PGN assists local communities through various means, among others by creating employment opportunities, providing training and education programs, and extending assistance through corporate social responsibility (CSR) programs. [G4-DMA]

The Corporate Social Responsibility (CSR) programs of PGN comprise the Stewardship Program (BL) and the Corporate Social and Environmental Responsibility Program (TJSL), both having a common goal, that is, to improve the quality of life of the communities.

The implementation of PGN's TJSL program is in accordance with Minister of SOE Regulation No. PER-05/MBU/2007 dated 27 April 2007, as amended by Minister of SOE Regulation No. PER-08/MBU/2013 dated 10 September 2013. In compliance with these regulations, PGN uses the funds from its profit after tax from the previous accounting year and the company budget calculated as the source of funding for the Partnership and Community Stewardship Program (PKBL). Since 2013, PGN has allocated funding for the Stewardship Program (BL) from its Company Budget and Work Plan (RKAP), while the Partnership Program is funded through the optimal utilization of the available funds (i.e. repayment of principal and interest amounts loaned to PGN's Foster Partners).

In 2015 there were a number of changes to the policy underlying PGN's CSR programs, which came from within PGN (the current transformation of PGN has resulted in changes to the organization structure of PGN) as well as from the Ministry of State-Owned Entities (SOE), in line with the newly issued regulations. Internally, PGN decided to temporarily suspend its Partnership Program in order to reduce its exposure to non-performing loans in the provision of funds through said program. From the external point of view, there was a change in the policy of PKBL as regulated by the Ministry of SOE, through the issuance of Minister of SOE Regulation No. 09/MBU/07/2015 dated 3 July 2015.

In 2015 PGN incurred a total of Rp130.4 billion to fund its various CSR programs. The details for many of the main CSR programs of PGN in 2015 are provided below.



#### PARTNERSHIP PROGRAM

PGN decided to temporarily suspend its provision of funds to the society through its Partnership Program, as explained in the previous section. However, in 2015 prior to the new policy, PGN had provided loans to sugarcane farmers in East Java amounting Rp10 billion, and provided training related to the mechanization of sugarcane farms to these farmers.

#### **NATURAL DISASTER RELIEF**

PGN remains responsive towards the various conditions occurring in the surrounding environment and communities, including to the occurrence of natural disasters, which may cause significant disturbances to the people's daily activities and their pursuit of a higher quality of life.

In 2015 a number of natural disasters occurred in Indonesia, and PGN participated in alleviating the situation arising from these natural disasters, among other by providing:

- Assistance of food packages and health care services to victims of flooding in Jakarta, Tangerang, Bekasi, Gresik, Lamongan, and Pasuruan.
- National Food Watch assistance in the form of prepackaged foods for areas affected by disasters.
- Clean water assistance for the victims of drought in Pasuruan.

Free masks and eye droppers for the victims of the heavy forest fire smog disaster in Medan, Pekanbaru, and Palembang.

# IMPROVING THE STATE OF PUBLIC EDUCATION

PGN is greatly concerned with the state of national education and aims to contribute to its progress. This is made manifest through various educational assistances provided by PGN to various beneficiaries. Throughout 2015, PGN's educational assistances include:

- Assignments of young teachers in the Fostering Program involving 31 elementary schools in Musi Banyuasin, Muara Enim, Tulang Bawang Barat, Lebak, and Bawean Island in Gresik, in partnership with Yayasan Indonesia Mengajar. This was PGN's fifth consecutive year participating in this program.
- Construction and renovation of 11 schools around PGN's operational areas, i.e. in Siak (Riau), Majalengka, Cirebon, Semarang, Kendal, and Demak. The program was conducted in collaboration with PT Wijaya Karya (WIKA).
- Educational assistance to 1,125 students of 15 state universities across Indonesia.
- PGN Innovation Camp, held in collaboration with Yayasan Karya Salemba Empat. This was a competition-based training for 143 recipients of PGN's scholarships that had come up with useful innovations and community empowerment activities.
- Teachers' competence development training in Surabaya, participated in by 150 teachers.
- Laboratory equipment and assistance for 17 vocational schools in DKI Jakarta on the anniversary of the 70thyear of Indonesia's Independence (as part of the BUMN Hadir untuk Negeri program).
- Siswa Mengenal Nusantara program, a student exchange program for high school students, aimed at enhancing the understanding of each others' culture, economy and education among students, taking place in DKI Jakarta (for students from Aceh) and in Riau (for students from DKI Jakarta).



# BRIDGING THE GAP IN HEALTHCARE SERVICES

Some of PGN's CSR programs are aimed at fostering a healthy society in Indonesia. PGN acknowledges that in many areas in Indonesia the situation and distribution of healthcare services are alarmingly low and far from adequate. In that regard, PGN strives to contribute to the bridging of the gap in healthcare service provision, through direct aid and healthcare facility assistance to the people living in the areas deemed to have the greatest need for healthcare services.

PGN provides the public with free healthcare services through 10 Health Cars (Mobil Sehat PGN), which provide pregnancy tests, supplements for pregnant women, contraceptives, general healthcare and basic dental care, growth examination for toddlers, and supplement for children and toddlers in the areas where PGN operates. These include Medan, Batam, South Sumatera, Lampung, Banten, DKI Jakarta, West Java, and East Java.

PGN also donated 10 ambulances and 1 hearse in DKI Jakarta and East Java, as well as walking aids, hearing aids, and free cataract surgery for the underprivileged society living in and around PGN's operational areas, among others in Palembang, Bandar Lampung, Jakarta, and Cirebon. In addition, 19 people suffering from congenital deficiencies in East Java were treated with surgery, free of charge.

PGN established health posts in anticipation of the Lebaran homecoming season, in Lampung, Brebes, Semarang, and Surabaya. At these health posts, PGN provided healthcare services, health supplements, and entertainment for those on the road, on their way back to their hometowns.

# ADVANCING THE NATION THROUGH INFRASTRUCTURE

It is PGN's view that one of the fastest methods to propel the advancement of the nation is by providing adequate infrastructure that will allow the smooth circulation of goods and services and also knowledge and information across all levels of society.

In 2015, PGN's measures related to infrastructure development include, among others:

- Provision and funding for the renovation of 45 houses belonging to armed forces veterans living in Greater Jakarta (as part of the BUMN Hadir untuk Negeri program).
- Assistance for public infrastructure such as roads, bridges, water canals, and children's playgrounds in various areas.
- Construction of arboretum and biodiversity park in Bedegung, Muara Enim, demonstrating PGN's commitment to improving public awareness of the environment. The construction is set to be completed in 2016.
- Construction of religious buildings and facilities, renovation of places of worship, and participation in religious celebrations/events.
- Construction of five Rumah Tahfidz in Medan, Batam, Palembang, Lampung, and Serang, which as of end of 2015 had been functional.

#### **ERADICATING POVERTY**

As a responsible business entity, PGN takes part in the Government's as well as global efforts to eradicate poverty on earth. PGN believes that poverty often lingers in a community due to a prolonged lack of access to proper and adequate education. Without this education, there are few chances for those in the community to embark on a journey to improve their living standards.



Grounded on this line of thinking, in its poverty eradication programs PGN focuses on providing training and education to the underprivileged, in addition to providing direct aid that is done on an ad-hoc basis.

In 2015, PGN conducted a number of training programs for the underprivileged, among others:

- Cooking course for housewives living in residential areas in Jakarta.
- Mechanical training for drivers of the gasfueled bajaj in Jakarta.
- Training for sugarcane farmers in Malang, East Java.
- Branding and Intellectual Property Rights training for PGN's Foster Partners.
- Waste recycling training in Medan.

In addition to providing training, PGN further empowers those who already run certain businesses by assisting in their participation in the Inacraft Expo in Jakarta. PGN's Foster Partners in Jogjakarta also received assistance in the form of a comprehensive gallery to showcase their products to the public.

# PRESERVING THE ENVIRONMENT, PRESERVING LIFE

As a business that relies on the availability of energy sources provided by nature to run its endeavors in a sustainable manner, PGN has the interest to protect the environment, so that nature in return may continue to support the lives of the next generation.

PGN's efforts in environmental preservation in 2015 consisted of, among others, procurement for plant seeds in Sidoarjo, Bogor, Medan and Batam; planting of 10 thousand mangrove trees in Batam; and creation of biopores in Bogor.

As a measure to acquire the Green PROPER rating, PGN extended assistance for the construction of an arboretum at Station Pagardewa and Biodiversity Park in the Bedegung Waterfall Tourist Area in Muara Enim.

In addition, PGN is also engaged in various longterm environmental preservation programs, i.e. tree planting in Eco Edu Sentul area in Bogor, and greening of the upstream area of Citarum, in Pacet, Bandung.







# DEVELOPING SILKWORM BUSINESS, REDUCING THREAD IMPORT FROM CHINA

Almost all of the domestic needs for silk thread is currently imported from China, as the raw material available domestically can only supply up to 5% of the total raw material needed for production. The lack of locally sourced material and dependence of material on import result in the high cost of production.

Eventually this condition will adversely affect the sustainability of silk weaving businessses, one of which is located in the village of Panawuan, Garut. The small town in West Java has long been renowned for its beauty, be it the beauty of its natural environs as well as its silk weaving creations which are rich in culture.

The silk weaving creations have motifs of geometric shapes and oversize flowers. As a form of local creative industry's heritage, the silk weaving art should be preserved in order to increase the income of Garut's own silkworm farmers. And as a food source for the silkworms, mulberry plantations must be expanded in order to fulfill the local needs for raw material.

To develop the productivity of silk weaving business in Panawuan, a number of activities are required in order to increase the selling value of Garut's silk weaving creations. In light of this, PT Perusahaan Gas Negara (PGN) through its Corporate Social Responsibility (CSR) Division developed the Silk Agribusiness Development Program.

Based on a study of the social, economic, cultural, environmental and potential landscape of the region of Panawuan – Tarogong Kidul, Garut, PGN lanched the Silk Agribusiness Development Program as part of its Community Development Program's Social Assistance for Eradicating Poverty sector.

As the initial step in developing this program in 2014-2015, PGN selected the village of Panawuan, subdistrict of Tarogong Kidul, Garut Regency, West Java. In conducting the program, PGN received the assistance of the Head LPPM IPB (Lembaga Penelitian & Pengabdian Kepada Masyarakat Institut Pertanian Bogor).

This program targets the mulberry farmers' group and silkworm cultivators in the village of Wangunjaya – Banjarwangi, Garut, and the silk weavers' group in Panawuan – Tarogong Kidul, Garut.

Through this program, PGN disbursed funding of Rp 745,317,060 for the plant intensification and areal extensification, and HR competence development activities through training and mentoring in the cultivation of mulberry plant and silkworm, as well as expanding the silk weaving art by improving the HR competence as well as technologies employed.

The first harvest of the mulberry farmers in 2015 resulted an improved result after the implementation of the development program. Their mulberry plants were higher in quality, with the cocoons produced from the silkworms reaching 130 kg and is considered of Grade A, which fetches an average of Rp 50,000/kg. Previously they were only able to produce Grade B cocoons, which sell at an average of Rp 40,000/kg.

This also resulted in the increase of the amount of raw material supplied to the silk weavers in Panawuan. The weavers that have been trained in cocoon processing and silk weaving finally can improve the silk weaving production, enabling them to meet demand from all around the regions in Indonesia.



#### TESTIMONY FROM THE MAYOR OF SEMARANG



Assalamu'alaikum Wr. Wb.

Kind and warm greetings for everyone.

On behalf of the Government and the people of Semarang, I extend my gratitude and appreciation for the support, performance, and active role of PGN in the efforts to assist the Municipal Government of Semarang in increasing the wellbeing of the people and improving the quality of the environment.

As a State-Owned Enterprise, PGN whose one of the operational areas is Semarang has proven to be not merely profit oriented, but also provided substantial benefits for the livelihoods of the people of Semarang. Demonstrating this is the development of PGN's SME foster partners, which to a degree improve the wellbeing of all SME businesspeople. Another proof of this is PGN's involvement in various social endeavors in Semarang, among others in education by renovating six schools and providing the facilities, scholarships, health assistance, and collaboration in the provision of Posko Mudik Lebaran as well as road repairs.

We hope that the cooperation and synergy between the Municipal Government of Semarang and PGN can be sustained not for one, two, or three years in the future, but more than that, ten or twenty more years to come.

Thank you.

Wassalamu'alaikum Wr. Wb.





#### Independent Assurance Statement Report No. 0316/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 2015 ('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 2015 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:

- an assessment of PGN's adherence to the AA1000 AccountAbility Principles Standard (2008) and
- 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 program
  - · Community stewardship program
  - · Occupational health and safety
  - Environmental management.

#### 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 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 l

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 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 14, 2016

Two land



James Kallman President Director

Moores Rowland is an international organization specializing in audit, accounting, tax, legal and advisory services. Moores Rowland is a member of Praxity AISBL, the world's largest Alliance of independent and unaffiliated audit and consultancy companies.

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 Moores Rowland, one of the leading sustainability assurance providers.







#### STATEMENT GRI G4 CORE IN ACCORDANCE CHECK



#### Statement GRI G4 Core In Accordance Check

The National Center for Sustainability Reporting (NCSR) has conducted a GRI G4 Core in Accordance Check on the PT Perusahaan Gas Negara (Persero) Tbk 2015 ("Report"). The check communicates the extent to which the GRI G4 Core criteria has been applied in the Report. The check does not provide an opinion on the sustainability performance of the reporter or the quality of the information provided in the report.

We conclude that this Report has presented disclosures, either fully or partially, in accordance with GRI G4 Core criteria.

Jakarta, 14 March 2016

**National Center for Sustainability Reporting** 

Elmar Bouma
Direktur Director



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#### **FEEDBACK SHEET**

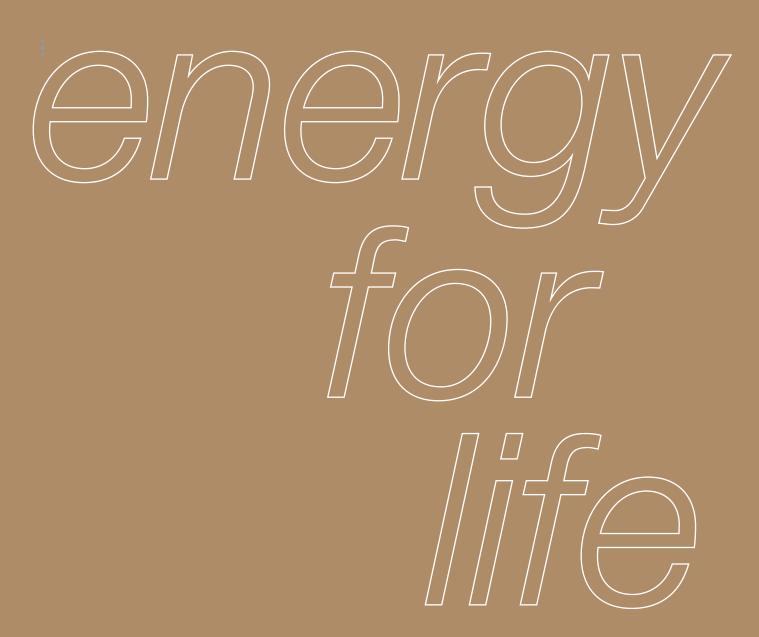
We would like to thank you for taking your valuable time to read this Sustainability Report 2015 In an effort to improve the Sustainability Reporting the coming years, the PT Perusahaan Gas Negara (Persero) Tbk would like to ask you to kindly fill out this feedback sheet and send it back to us.

1.	Gas Negara (Persero)		mpliance with corpora		ivities that have been conducted ibility?	. by PT Perusahaan
2.	The material in this S		y Report includes data : ] Disagree	and information	that is easily understood?	
3. The material in this Sustainability Report includes data and information that is sufficiently complete.  Agree Don't Know Disagree						
4.		Sustainability 't Know	y Report includes data : Disagree	and information	that is accountable and can be v	alidated.
5.		nis Sustainab t Know	oility Report is well pre	sented, well desi	gned and laid out with suitable	photographs.
6.			s useful in this Sustain			
7.	What information do	you feel wa	s not useful in this Sus	ainability Repor	t?	
8.					future Sustainability Reports?	
Υοι	ur Information					
Ful	ll Name	:				
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#### 2015 Sustainability Report

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