



DOORS OF OPPORTUNITY

“Environmentally-friendly” has become a trend and topic of discussion in public and among businesses in recent years, resulting in increased awareness of the importance to protect the planet from global warming. The trend is an excellent opportunity for PGN as a supplier of the relatively cleanest fossil fuel. We wish to capitalize the opportunity to develop the economy, create value, and conserve the environment for future generations. Together, we can open doors of opportunity.

TABLE OF CONTENTS

2	SUSTAINABILITY AT PGN	90	OPPORTUNITY IN CONSERVATION
2	Economy	95	Environmental Management Systems
3	Social	95	Environmental Program Policies
5	Environment	96	Environment Training
6	Important Events	96	Environmental Management and Monitoring
10	Awards and Certifications	96	Water
		97	Emissions
		98	Waste
14	REMARKS	99	Effluent Waste
17	Remarks from the President Commissioner	100	Energy
21	Remarks from the President Director	101	Material
		102	Environmental Programs
26	ABOUT THIS REPORT	104	OPPORTUNITY IN PRIORITIZING SAFETY
30	Reporting Period, Scope and Frequency	108	Occupational Health and Safety Aspect Policy
30	Reporting Standards and Compliance with Standards	109	Ohs in Collective Labor Agreement
30	Determination of Report Content and Topic Boundaries	109	Ohs in Pgn Management System
31	Determining Materiality Level	113	Ohs Road Map Implementation
32	List of Materiality Aspects	116	Ods Performance 2018
33	Change in the Report	121	Ohs Awards
33	Assurance By External Party		
33	Contact For Sustainability Report	124	OPPORTUNITY TO SERVE THE CUSTOMER
36	OPPORTUNITY TO DEVELOP SUSTAINABILITY	129	Giving Priority to Customers' Health and Safety
42	Operational Location	129	Quality Assurance
44	Vision of Pgn	129	Priority for Customer Safety
45	Mission of Pgn	129	Delivering Quality Consistent with Regulations and Standards
46	Corporate Culture	130	Providing the Best Service
50	Company History in Brief	130	Customer Interaction
52	Corporate Business Development	131	Ensuring Customer Satisfaction
54	Market Segment	131	Customer Card
54	Jaringan Pipa Gas	131	Latest Technology
54	Organizational Scale	131	Network Expansion
56	Supply Chain		
58	Changes In Organization and Supply Chains	134	OPPORTUNITY TO BUILD PGN'S PEOPLE
60	Business Units of Subsidiary and Affiliated Companies	138	Strategies and Policies to Develop PGN Individuals
		139	PGN Employee Profile
		140	PGN Employee Turnover
		142	Welfare of PGN Individuals
		144	Developing Diversity and Equality
		145	Ratio of Basic Wage and Remuneration for Female to Male Employees
		145	Fulfilling the Employees' Human Rights
		146	Development of Pgn Individuals
		148	Retirement Welfare Program
64	OPPORTUNITY TO BUILD THE BUSINESS	150	OPPORTUNITY TO BRING PROSPERITY TO THE NATION
69	Governance Structure	154	Background
70	General Meeting of Shareholders	156	Natural Disaster Assistance
70	Board of Commissioners	156	Education and/or Training Assistance
70	Directors	160	Health Improvement Assistance
71	Risk Management	160	Assistance for Infrastructure and/or Public Facility Development
71	Risk Management Governance	160	Assistance for Worship Facilities
72	Precautionary Approaches and Principles	161	Nature Conservation Assistance
72	Corruption Prevention	161	Community Social Assistance
74	Ethics and Integrity		
74	Integrity Pact	164	ASSURANCE STATEMENT
75	International Initiatives and Association Memberships	166	STATEMENT GRI IN ACCORDANCE CHECK
76	Stakeholder Involvement	167	GRI STANDARDS INDEX
		171	LINKING THE SDGS AND GRI STANDARDS
80	OPPORTUNITY TO PROSPER THE NATION		
85	Contribution to Stakeholders' Economy		
85	Contribution to The State		
86	Contribution to Regions		
86	Business Lines And Customers		
86	Development Strategies		
88	Climate Change Challenges		

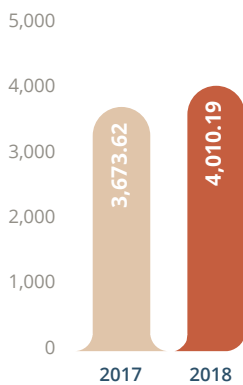
SUSTAINABILITY AT PGN

GCG SCORE

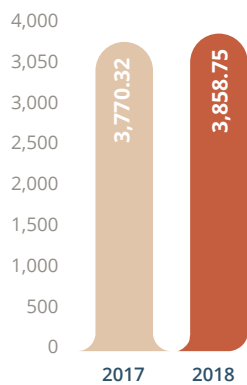


CREATING SHARED ECONOMIC VALUE

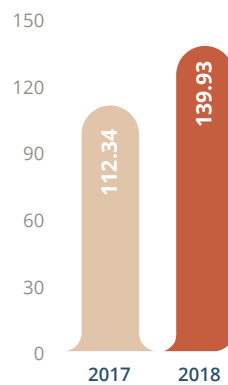
DIRECT ECONOMIC VALUE GENERATED
(US\$ Million)



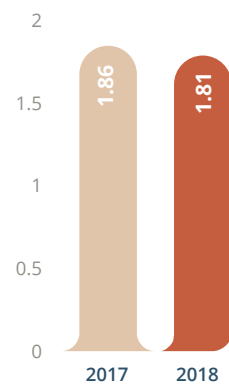
ECONOMIC VALUE DISTRIBUTED
(US\$ Million)



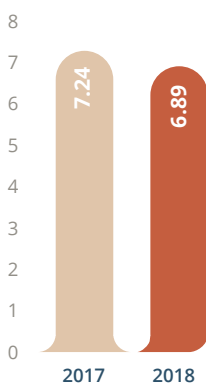
REWARD FOR WORKERS
(US\$ Million)



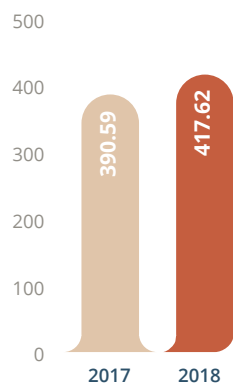
PAYMENT TO SUPPLIERS
(US\$ Million)



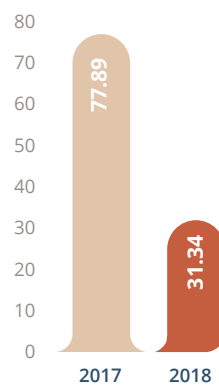
CSR FUND
(US\$ Million)



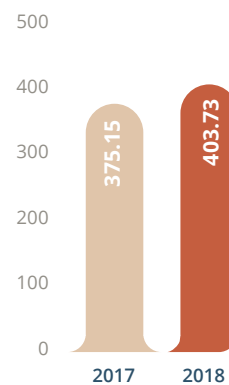
CONTRIBUTION TO THE STATE
(US\$ Million)



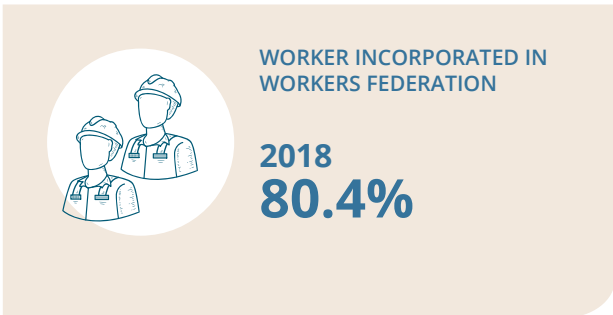
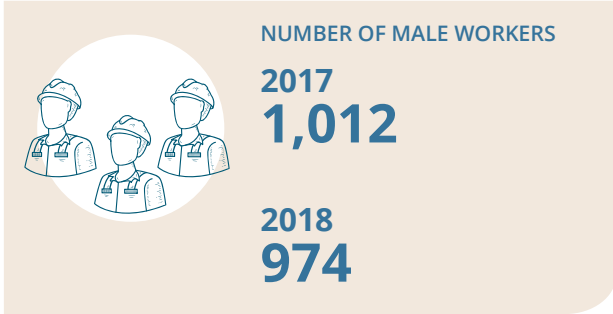
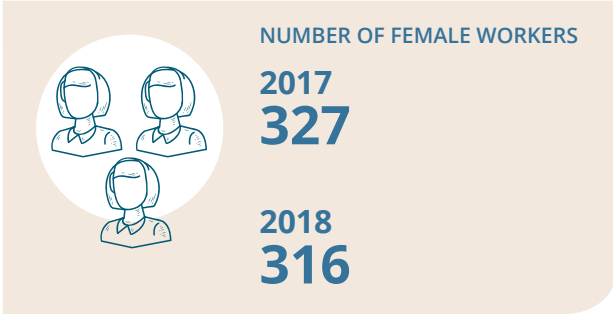
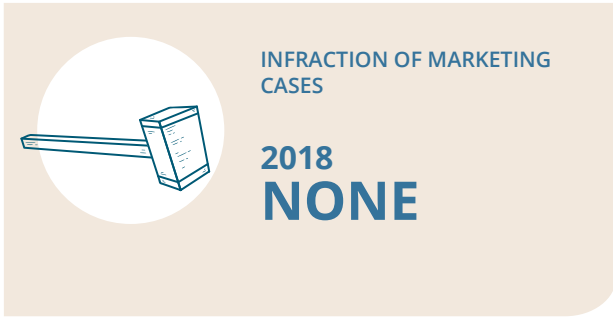
DIVIDEND FOR STATE
(US\$ Million)



TAX PAYMENT
(US\$ Million)

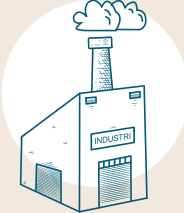


SOCIAL



**FEMALE SENIOR LEADERS
(TOP AND MIDDLE) - (PEOPLE)****2017
56****2018
63****AWARDS IN OCCUPATIONAL
SAFETY****2017
8****2018
11****TOTAL EMPLOYEE****2017
1,339****2018
1,290****TRAINING AND EDUCATION
(MANDAYS)****2017
11,592****2018
9,946****NUMBER OF FATALITY****2017
4****2018
NONE****SAFE-MAN HOURS****2017
83,009,685****2018
94,407,387**


ENVIRONMENT



AIR EMISSION MONITORING RESULTS

2017
< QUALITY STANRADS

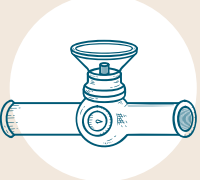
2018
< QUALITY STANRADS



TREE PLANTING

2017
96,314


2018
30,000



ACCUMULATED LENGTH OF TRANSMISSION & DISTRIBUTION PIPES (KM)

2017
7,453.19


2018
9,915.87



ENERGY CONSUMPTION (GIGAJOULE)

2017
686,255

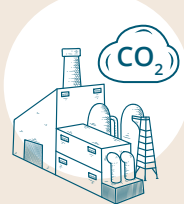
2018
693,943



NATURAL WATER CONSUMPTION

2017
44,509 m³

2018
14,565 m³



GREENHOUSE GAS EMISSION INTENSITY (TON CO₂EQ/MMscfd)

2017
68.85

2018
57.14

IMPORTANT EVENTS

18 January 2018

Widar Operates Two Power Plants in a Week in Aggressive Expansion (January 18, 2018)



PT Widar Mandripa Nusantara (Widar), a subsidiary of PGN, recorded new achievements. After supplying electricity to the Teluk Lamong Port, Widar is now supplying 5 megawatts (MW) of electricity to Pulau Tanjung Balai Karimun in Riau for use in the Zone II Tanjung Balai Karimun free trade zone. This achievement was made possible thanks to collaboration with PT Karimun Power Plant (KPP), the electricity license holder in the region. This achievement demonstrated PGN's commitment to distribute good energy across the country.

25 January 2018

Extraordinary General Meeting of Shareholders



PGN held the Extraordinary General Meeting of Shareholders (EGMS) to show its commitment and in response to the Government's instructions, the Series A Dwi Warna Shareholder. The meeting adopted two agenda items: amendment to the Company's Articles of Association and changes in the Company's management.

9 February 2018

Inauguration of 10,101 Home Connections Mojokerto; Minister of Energy and Mineral Resources: Prioritize Resources for the People



On February 9, 2018, the Minister of Energy and Mineral Resources, Ignasius Jonan, inaugurated 10,101 home connections (sambungan rumah, SR) to the Residential Natural Gas Distribution Network (Jaringan Distribusi Gas Bumi Rumah Tangga, Jargas) in Kota Mojokerto and Kabupaten Mojokerto. The project was funded using the State Budget 2017. Development of the network's infrastructure in Kota Mojokerto was assigned to PGN while PT Pertamina (Persero) was responsible to build the network in Kabupaten Mojokerto. The gas distribution network is constructed following President Joko Widodo's direction for social equity, prioritizing existing resources for people's prosperity in the spirit of energy security.

15 February 2018

PGN Collaborates With Regional Government-Owned Enterprises Of Papua To Expand Natural Gas Infrastructure



PGN continued to demonstrate its commitment to develop natural gas infrastructure and its utilization in many regions. This time, PGN collaborated with PT Papua Doberai Mandiri (Padoma) to develop a natural gas infrastructure network in Papua in order to improve the region's access to energy.

5 April 2018

Three State-Owned Enterprises Sign MoU on Settlement of Civil Cases and State Administration with the Attorney General Office



Deputy Attorney General for Civil Law and State Administration (Jaksa Agung Muda Bidang Perdata dan Tata Usaha Negara, Jamdatun) of the Attorney General of the Republic of Indonesia, Loeke Larasati Agoestina, signed a joint memorandum of understanding (MoU) with three State-Owned Enterprises, PGN, PT Rajawali Nusantara Indonesia (Persero), and PT TASPEN (Persero), at the Sheraton Grand Hotel, Jakarta. PGN also signed an MoU with the Lampung High Attorney Office to improve effectiveness in settling legal issues in civil and state administration matters between the Parties.

11 April 2018
 Ministry of State-owned Enterprises and PT Pertamina (Persero) Sign Deed of In Kind Share Transfer



The Government, represented by the Ministry of State-owned Enterprises, has increased the Capital Investment of the Republic of Indonesia in the share capital of Perusahaan Perseroan (Persero) PT Pertamina. The additional placement was from the transfer of all Series B shares held by the Republic of Indonesia in Perusahaan Perseroan (Persero) PT Perusahaan Gas Negara Tbk.

26 April 2018
 Annual General Meeting of Shareholders



Besides discussing the routine agenda in each Annual GMS, GMS also gave initial approval due to the integration of PT Pertamina Gas to PGN, approving amendments to the articles of association and changes to the composition of PGN's Board of Directors and Board of Commissioners.

30 April 2018
 Having Established a Reading Park and Reading House, PGN Extends Benefits for the Village Development Program in Batam



PGN expanded benefits for Desa Tembesi, Batam under the Assisted Village program by improving the community's public facilities. PGN and the Creative Mandiri Women Group (KPKM), a PGN-assisted association, constructed libraries in the Tembesi Tower, Kelurahan Tembesi, Kecamatan Sagulung, Batam. By giving access to quality reading materials, PGN hopes that the community, especially children, can enjoy a better future.

4 May 2018
 PGN Signs Purchase Agreement with Medco E&P



PGN has signed a Gas Purchase Agreement (PJBG) PT Medco E&P Indonesia to supply 0.25 MMscfd of gas to Kabupaten Musi Banyuasin, Sumatera Selatan. The agreement is PGN's support for the government policies to encourage development of residential gas networks. In addition, the agreement was also PGN's effort to maintain consistent supply of natural gas for the public.

13 May 2018
 PGN's 53rd Anniversary



PGN celebrated its 53rd anniversary by holding sports competitions and social events for the public, such as renovation of public facilities in Perumnas II Tangerang City and Bidaracina Flat; blood drive at the Head Office; free healthcare in Krukut; and discount bazaars for domestic products. Celebration of PGN's 53rd began on April 3, 2018 and concluded with an awards ceremony for employees who have served for at least 8 years.

KEY EVENTS

8-9 June 2018

PGN Mudik Bersama Assisted 3,000 Travelers; Figures Rise 33%



Public enthusiasm to take part in PGN's Mudik Bersama rose significantly this year. In 2018, the recurring program assisted 3,000 travelers, a 33.63% increase compared to 2,245 travelers last year. The goal of the free program is to assist people return to their hometowns without having to worry about travel costs. This Mudik Bersama also marked the ending of the PGN Safari Ramadan 2018.

7 August 2018

PGN and Three SOEs Finance 2,000 Electricity Installations for the Less Fortunate in Bogor



PGN, PT Perusahaan Listrik Negara (Persero), PT Pos Indonesia (Persero), and Perum Percetakan Negara collaborated to install 2,000 electricity connections for the less communities in Kabupaten Bogor and Kota Bogor as part of their commitment to the BUMN Hadir untuk Negeri. The Cooperation Agreement was signed by the PLN Central Java Regional Business Director Amir Rosidin; PGN HR and General Director Desima Equalita Siahaan; Pos Indonesia Financial Services and Network Director Ihwan Sutardiyantai; and Director of Perum Percetakan Negara Djakfarudin Junus at the Ministry of State-Owned Enterprises.

18 August 2018

PGN's Gas Ignites Asian Games Torch



PGN tested ignition of the Asian Games torch to ensure reliability of its equipment used in the Asian Games opening ceremony, led by the President Joko Widodo at Bung Karno Main Stadium on August 18, 2018. PGN is ready to serve the Asian Games until September 2, 2018. PGN's Corporate Secretary, Rachmat Hutama stated that the Indonesian Asian Games Organizing Committee (INASGOC), organizers of the Asian Games, has requested the company to supply natural gas to ignite both the main cauldron in the stadium and the secondary cauldron outside during the games. These cauldrons must always be alight, as the blazing flame symbolizes the spirit of athletes competing in the Asian Games.

29 June 2018

Pertamina Merges PGN and Pertamina to Enhance National Gas Business



PGN has signed a Conditional Sale and Purchase Agreement (CSPA) with PT Pertamina (Persero), marking a new phase in the establishment of a State-Owned Gas Enterprise Holding Company. The CSPA, signed to acquire Pertamina, advanced PGN's integration into the State-Owned Gas Enterprise Holding Company officially established on April 11, 2018.

22 August 2018

PGN Distributes Qurban Animals and Donates Rp1.3 Billion to Lombok Earthquake Victims



PGN distributed qurban animals and donated packaged meat worth Rp1.3 billion to the earthquake victims in Lombok, Nusa Tenggara Barat. The donation was distributed in the Eid al-Adha 1439 Hijri celebration held at PGN's Head Office.

29 August 2018
 PGN Collaborates with 3 Universities to Prepare Competent Human Resources



PGN collaborated with 3 leading Indonesian universities for the Certified Student Internship Program. Launched by the Ministry of SOEs and the Indonesian Human Capital Forum (FHCI), the program aims to improve the synergy of human resource management within SOEs. Universities signing the collaboration with PGN are Telkom University, Trisakti University, and Hidayatullah Syarif State Islamic University.

10 September 2018
 Extraordinary General Meeting of Shareholders



PGN held an Extraordinary GMS which took place at Four Season Capital Place Hotel, Jakarta. In the event there were 3 agreed agendas, namely the presentation and evaluation of the performance of 2018 Semester I, changes in the articles of association, and changes in the composition of PGN's management. In front of the shareholders, PGN's management explained the achievement of the corporate performance which incised positive performance throughout the first semester of 2018 with posted revenues of US \$ 1.62 billion and net income that reached US \$ 145.94 million or more than Rp 2 trillion (average exchange rate for 6 months in 2018 of Rp. 13,765 per dollar).

1 October 2018
 PGN Menyapa in Desa Sriminosari



As part of the PGN Menyapa 2018, participants of PGN Innovation Camp presented their innovations in Desa Sriminosari. Following the presentation was a symbolic handover of PGN's innovative technologies to the Village Head of Desa Sriminosari. PGN Menyapa is a program to apply innovative technologies made by state university students who are recipients of the PGN and Yayasan Karya Salemba Empat (KSE) scholarship.

16 November 2018
 PGN Launches 32 Natural Gas-Powered Gaslink Truck



In November 16, 2018, PGN's subsidiary PT Gagas Energi Indonesia launched 32 gas-powered Gaslink Trucks. This launching is PGN Group's commitment to serve customers not served by existing natural gas pipeline network. In addition, the efficiency of the natural gas-fueled Gaslink Trucks is equivalent to saving 50% or 140,000 liters of diesel fuel of approximately per year.

28 December 2018
 PGN and Pertamina Sign Sale and Purchase Agreement (SPA) of Shares in Pertagas



PGN is officially a gas sub-holding of Pertamina after signing the Sale and Purchase Agreement of Shares in Pertagas with Pertamina. The signing ceremony took place at the Ministry of State-owned Enterprises. The Agreement concerns the sale and purchase of 51% of shares in Pertagas, including shares in its subsidiaries.

AWARDS AND CERTIFICATIONS

Asia Sustainability Reporting Rating



PGN was recognized for its commitment to the principles of Sustainable Development Goals.

PGN won Platinum Rank award in the Asia Sustainability Reporting Rating (ASRR) 2018 held by the National Center for Sustainability Reporting (NCSR). Receiving the award in Lampung on Saturday (08/12/2018) was Feronica Yula Wardhani, Division Head of HSSE.

Stevie Awards

The Stevie Awards are a set of hundreds of business awards given annually by the American Business Awards organization. Created in 2002, the awards are given to recognize accomplishments and contributions of companies, especially in the Asia Pacific region.

In 2018, PGN has won in two categories: human resources (HR) and human capital management (HCM) category and in the annual report category.



Indonesia Green Award



IGA is an award given by the La Tofi School of CSR to companies that are dedicated to communities through its activities.

PGN was named the Best Indonesia Green Awards 2018 and won 6 other awards in various categories.

BPPT Innovation Award

The BPPT Innovation Award is the highest form of continuous recognition to individuals, institutions, bodies, higher education institutions, and companies for their achievements in Tangible Technology Products.

PGN was named second runner-up by the awards panel among 3 State-owned Enterprises that innovated in Tangible Technology Products.



ARC Award



PGN won second runner-up in the Vision Award 2017 in the financial statement category. The award was given by the League of American Communications Professionals (LACP).

TOP CSR Award

Top CSR is an assessment and the highest award given to Indonesian companies for running the best CSR programs. CSR is assessed based on 3 criteria: adherence to ISO 26000, business strategy, and GCG practice.

PGN won the Top CSR in the gas distribution category.



LHKPN Award



PGN again received recognition from the Corruption Eradication Commission (Komisi Pemberantasan Korupsi, KPK) of its Report on Assets of State Officials (Laporan Harta Kekayaan Penyelenggara Negara, LHKPN). The award was given in conjunction with the World Anti-corruption Day 2018, held at the Bidakara Hotel in Jakarta on Wednesday (5/12/2018).

In the occasion, PGN won the Best LHKPN Implementation 2018 by institutions. PGN has won the same award in 2017.

CECT Sustainability Award

The CECT Sustainability Awards (CSA) is an award given to companies with the best sustainability performance according to the ISO 26000, a global guideline and standard for social responsibility. CSA is assessed based on studies by Sustainability Experts.

In CSA 2018, PGN won the Overall CSR Performance for Infrastructure, Utilities & Transportation Industry; Community Enterprise Development (Publicly Listed Company); and Best Human Rights Program.





MESSAGE

PGN has aggressively expanded the use of good energy from natural gas for customers in our operating areas and customers unserved by our natural gas pipeline network. The solid economic expansion is paired with our commitment to improve our sustainability performance.



01

MESSAGE FROM THE PRESIDENT COMMISSIONER [GRI 102-14]



Esteemed Stakeholders,

It is an honor for us to present this sustainability report to our stakeholders who have lent their support and help to grow PGN together.



IGN WIRATMAJA PUJA
PRESIDENT COMMISSIONER



MOHAMAD IKHSAN
COMMISSIONER



PAIMAN RAHARJO
INDEPENDENT COMMISSIONER



KISWODARMAWAN
INDEPENDENT COMMISSIONER



HAMBRA
COMMISSIONER

2018 was a very good year. Thanks to the hard work by the Directors and our employees, PGN managed to increase its revenue to US\$3,870,266,738, or up 8% from US\$3,570,597,761 booked in the previous year.

We recognize that a company's success is not assessed purely from an economic standpoint (profit), but also from its social (people) and environmental (planet) contributions. The triple bottom line has been guiding PGN in its operations: caring for environment so that the generations of tomorrow can meet their needs after the generation of today have met theirs. In relation to bottom line, PGN also pays close attention to the quality of life of the community around its operating areas. PGN understands that its presence is with the community and it grows with the community. PGN has invested US\$6,896,487 in the community through its CSR programs.

For its consistent placement of the principles of sustainability at the front and center, PGN scored 94.68 in its Good Corporate Governance (GCG) assessment, giving it the “excellent” rating. This rating demonstrated that PGN’s achievements in economic, environmental, and social aspects correlates positively with its improvements in corporate governance. We believe that good corporate governance provides a solid foundation for PGN to transform into a world-class energy company in the gas field.

The Board of Commissioners extends its utmost gratitude to the Directors and employees who have worked hard to achieve the sustainability performance excellence in 2018. Further, we wish to extend our gratitude to every stakeholder for their support and contribution. Together, we will raise a PGN that cares for sustainability.

Jakarta,



IGN Wiratmaja Puja
President Commissioner

MESSAGE FROM THE PRESIDENT DIRECTOR [GRI 102-14]



Esteemed Stakeholders,

Doors of Sustainability is a theme that represents PGN's growth into what is now the premier provider of integrated energy solutions in natural gas utilization that serves Indonesia. Driven by the strength and unity of its individuals and business units, PGN serves a variety of customers across a kaleidoscope of industries and diversity of cultures from Sabang to Merauke. Our unity is reflected in our desire to realize the vision of becoming a world-class energy company in the gas field, all while holding true to the principles of sustainability in our role as a gas subholding entity.



GIGIH PRAKOSO
PRESIDENT DIRECTOR



DILO SENO WIDAGDO
INFRASTRUCTURE AND
TECHNOLOGY DIRECTOR



DESIMA E. SIAHAAN
HUMAN CAPITAL & GENERAL
SERVICES DIRECTOR



SAID REZA PAHLEVY
FINANCIAL DIRECTOR



DANNY PRADITYA
COMMERCIAL DIRECTOR

Natural gas is among the most environmentally-friendly and economical source of energy compared with other fossil fuels, such as crude oil and coal. As Indonesia's population continues to grow and standard of living continues to improve, so will demand for natural gas. More than just Indonesia, it is estimated that by 2030, natural gas will assume coal's position as the second most utilized source of energy after crude oil. In general,

PGN is active in developing Indonesia's economy by supplying a clean and economical source of energy. In addition, natural gas is proven to be more cost-efficient for businesses, enabling them to earn higher profits and reduce production costs, thus automatically improving competitiveness of national industries. It has been shown that fuel costs can be reduced by 30 to 60% when using natural gas. This value offered by natural gas encourages PGN to continue expanding its business and promote the use of natural gas in industrial estates, in electricity generation, and in households.

Natural gas prices were on a positive trend in 2018 thanks to strong demands. Such a demand was good news for us – PGN recorded a 8% rise in revenue from US\$3,570,597,761 in 2017 to US\$3,870.266.738 in 2018. It follows that the higher revenue results in a higher contribution the state through taxes and non-tax receipts (Penerimaan Negara Bukan Pajak, PNBP). Taxes payable to the state increases by approximately 8% to US\$403.73 million from US\$375.15 million paid in 2017. In this reporting period, PGN distributes US\$31,338,574 in dividends.

As a company that cares for the objectives of sustainability, PGN has consistently invested in the environment and in the community. We understand that the Company's success is not entirely based on economic calculations, but also from its contribution to the community and environment through targeted CSR programs. In 2018, PGN has allocated US\$6,896,487 for its CSR programs.

In environmental matters, PGN holds true to prevailing legislation. More than just compliance, PGN strives to be beyond compliance with prevailing legislation in its conservation efforts.

PGN's demonstrates its commitment to sustainability in integrated policies and performance aimed at conservation and community care. Indeed, sustainability goals are part of the Company's overall strategy. For its every operations, PGN has an Environmental Transformation Roadmap and CSR Roadmap. People, planet, and profit are inseparable in the Company's overall assessment.

One of PGN's steps forward in 2018 was launching the Gaslink Truck program to expand its natural gas network as an environmentally-friendly and efficient energy source. Expanding sales using Gaslink Trucks demonstrated the PGN Group's commitment to serve customers who are beyond the reach of its natural gas pipeline network. Another of PGN's achievement was commencement of the first phase of gas conveyance in the Duri-Dumai transmission pipeline. This is our commitment to foster the use of good energy from natural gas in Sumatera, in particular in Riau Province.

As it continues to grow and expands its market, PGN is fully committed to promote Good Corporate Governance (GCG) in every business unit. We believe that GCG is the foundation to build a company that boasts a strong and sustainable performance. In 2018, PGN's scored 94.68 in its Good Corporate Governance (GCG) evaluation, giving it the "excellent" rating. We believe this is the fruits of labor and hard work by each and every PGN individual, committed to make PGN an internationally standardized-leading company.

On behalf of the Directors, I extend my utmost gratitude and appreciation to every PGN individual for their dedication that allowed this company to become a solid and growing company. I trust that our hard work will continue to improve PGN's sustainability performance in the years to come. Together, we serve the diverse public with the sincerest of dedication and unity.

Jakarta,



Gigih Prakoso
President Director



ABOUT THIS REPORT

We have pursued an aggressive approach to expand the use of good energy from natural gas for customers in numerous regions, including regions unserved by our natural gas pipeline network. The solid economic expansion is paired with our commitment to improve our sustainability performance.



02

ABOUT THIS REPORT



PGN's Sustainability Report describes PGN's commitment and performance in economic, environment and social fields. The discussion on the Company's responsible and capacity in three sustainability pillars is compiled with transparency principle in communicating PGN's achievement to all stakeholders.

We believe that it is important to convey the Company's performance to the stakeholders and greater public in transparent way. It is expected that through this report, the stakeholders can obtain clear and transparent view of PGN's contribution in the efforts to realize the Sustainable Development Goals (SDGs).

REPORTING PERIOD, SCOPE AND FREQUENCY

This report contains data and information for the period of Monday, January 1, 2018 - Monday, December 31, 2018. This report also discusses the Company's and subsidiaries' sustainability performance. Financial data contained in Chapter 6 (Opportunity to Prosper the Nation) is a consolidated data with subsidiaries, while data in other chapters is only data about the parent entity head office. As regards the performance of the Subsidiaries and Affiliates, it is presented on page 60 of this Report. **[GRI 102-50]**

This report is the tenth annual report, since the first publication in 2010. The report had previously been published in March 2018. **[GRI 102-51, GRI 102-52]**

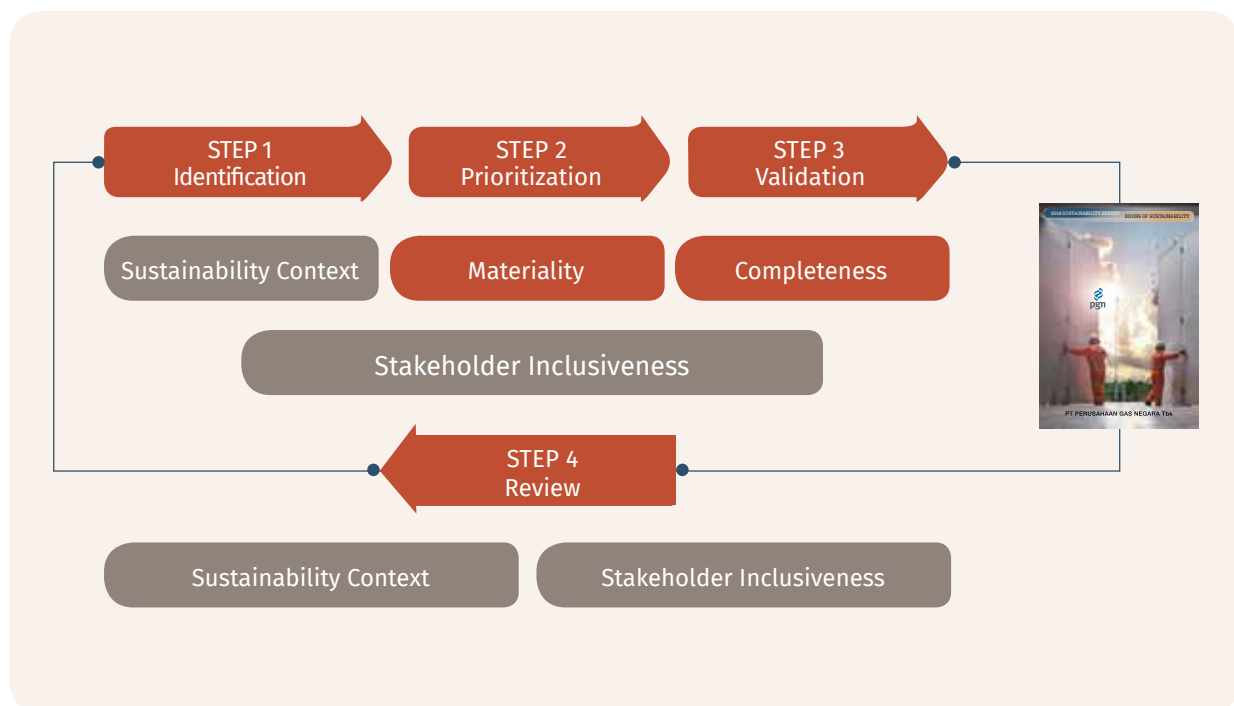
REPORTING STANDARDS AND COMPLIANCE WITH STANDARDS

This report has been prepared in accordance with GRI Standards: The core options with disclosure stated in every relevant section along with the index are available on page 167. **[GRI 102-54]**

DETERMINATION OF REPORT CONTENT AND TOPIC BOUNDARIES **[GRI 102-46]**

We set the content of the Report in the following four phases:

1. Identification: Identifying the material aspects along with the boundaries
2. Prioritization: Determining the priority of the aspects identified previously.
3. Validation: Validating the material aspects
4. Analysis: Analyzing the report after the publication to improve the quality of the Report in succeeding years.



In preparing this report, we uphold four principles of sustainability, namely:

- (1) Stakeholder Inclusiveness;
- (2) Sustainability Context;
- (3) Materiality; and
- (4) Completeness.

IDENTIFICATION. In this stage, we select the issues that are relevant in sustainability context, i.e. economy, environment and social.

PRIORITIZATION. Through materiality test, we set the significant sustainability issues and topics, that are influential in the stakeholders' evaluation and decision making.

VALIDATION. We assure that we have analyzed the aspects of scope, boundary, and period of sustainability topics by applying completeness principle.

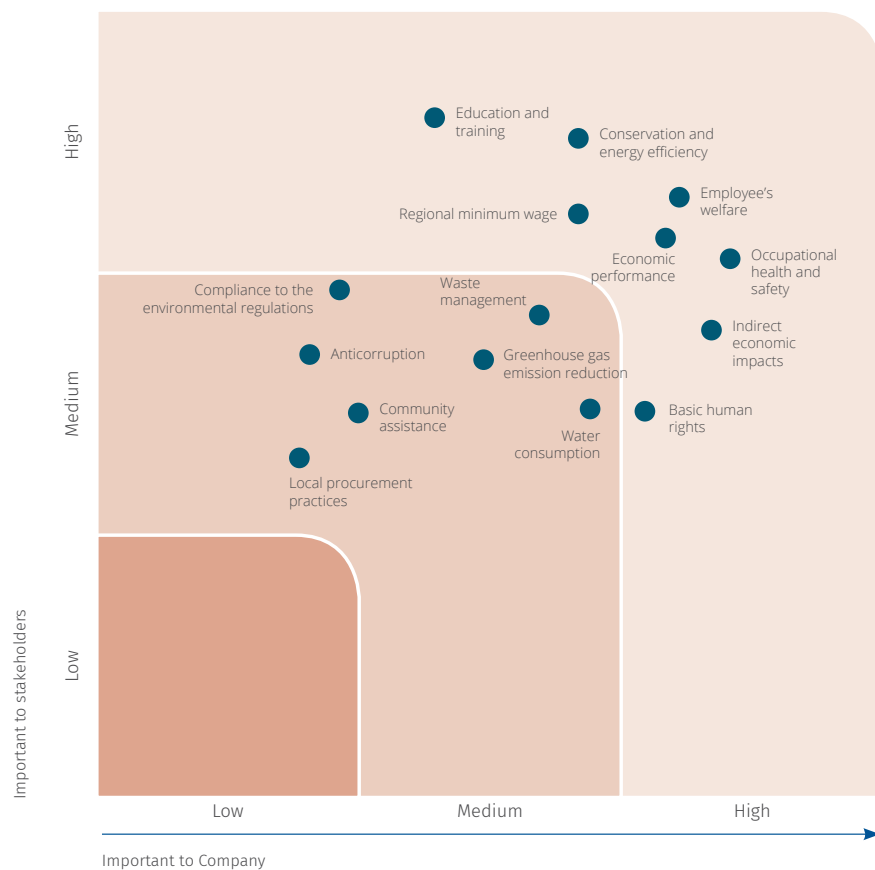
REVIEW. Involving the stakeholders, we assure that the report content is in line with their expectation and fair

interest. We use questionnaire method to obtain input of the stakeholders.

DETERMINING MATERIALITY LEVEL

We include relevant topics that we consider important for reflecting the economic, environmental and social impacts resulted by the organization, or which influence the stakeholders' decision making. Stakeholders are individuals or parties which presumably would be significantly affected by PGN's activities, products or services, or whose actions would presumably influence the Company's ability in applying its strategies or achieving its objectives. In order to obtain this input, we use a survey technique of questionnaire, to be filled by the stakeholders as follows: PGN's Trade Union, suppliers, customers, NGOs, Partnership Program beneficiaries, scholarship recipients and beneficiaries of other assistance.

Based on the questionnaire results, we identify the priority scale of material aspects; the materiality aspect distribution that is resulted is as follows:



LIST OF MATERIALITY ASPECTS

The whole process of determining the report content as described above would result in the important issues as well as their boundaries and the disclosure under GRI Standards as follows:

Material Topics [GRI 102-47]	Why is the Topic Material [GRI 103-1]	Disclosure Number	Boundary of	
			Within PGN	Outside PGN
ECONOMIC				
Economic performance	Significantly affect the Stakeholders	201-1, 201-3	√	
Indirect economic impacts	Significantly affect the Stakeholders	203 -1	√	
Anticorruption	Significantly affect Development	205-2, 205-3	√	
ENVIRONMENTAL				
Energy	Significantly affect Sustainability	302-3	√	√
Water	Significantly affect Sustainability	303 -1	√	
Emission	Significantly affect Sustainability	305-1, 305-2, 305-4	√	√
Waste	Significantly affect Sustainability	306-1, 306-2	√	
SOCIAL				
Employment	Significantly affect Compliance with regulations	401-1, 401-2	√	
Occupational health and safety	Significantly affect Employees	403-1, 403-2, 403-4	√	
Training and education	Significantly affect Employees	404-1, 404-2, 404-3	√	
Diversity and equality	Significantly affect Employees and the communities	405-1, 405-2	√	
Non Discrimination	Significantly affect Employees and the communities	406-1	√	
Security Practices	Significantly affect Employees and the communities	410-1	√	
Local Communities	Significantly affect the Stakeholders	413 -1	√	
Customer Health and Safety	Significantly affect Consumer	416-1	√	√
Marketing and purchase	Significantly affect Consumer	417-1, 417-2, 417-3	√	√

CHANGE IN THE REPORT

There is not any significant change to the list of material topics and the boundaries between this year’s report and the previous one. However, there is change over information from previous year, i.e. data related to economics and finance. **[GRI 102-48, GRI 102-49]**

ASSURANCE BY EXTERNAL PARTY [GRI 102-56]

Bearing in mind the importance of the report’s credibility and assurance that the information conveyed is free from material error, PGN has undertaken an independent assurer to guarantee the report’s quality. This year, we have assigned Moores Rowland. The process of selecting an assurer was conducted with the approval of the Board of Directors, represented by the Corporate Secretary. Considerations taken to identify an appropriate assurer included experience and capability. The independent assurer report is presented on page 164. PGN also involved National Center for Sustainability Reporting (NCSR) in order to assure that this report has been compiled in accordance with GRI standards. NCSR’s statement is available on page 166.

CONTACT FOR SUSTAINABILITY REPORT

[GRI 102-53]

In order to improve our report’s quality from year to year, we invite you, as readers, and all the stakeholders to send us any suggestion, idea, criticism or questions concerning the sustainability report to:

Corporate Secretary

PT Perusahaan Gas Negara Tbk
 Jl. K.H. Zainul Arifin No. 20
 Jakarta 11140, Indonesia
 T +6221 633 4838, F +6221 638 54917
 Contact Center
 T. 1500 645
 E. contact.center@pgn.co.id
 www.pgn.co.id

Sustainability at PGN

Message

About This Report

Opportunity to Develop Sustainability

Opportunity to Build the Business

Opportunity to Prosper the Nation

Opportunity in Conservation

Opportunity in Prioritizing Safety

Opportunity to Serve the Customer

Opportunity to Build PGN’s

Opportunity to Bring Prosperity to the Nation



OPPORTUNITY TO DEVELOP SUSTAINABILITY

Using clean energy, we are taking the opportunity to develop the nation and improve the prosperity of its peoples. In addition to lead Indonesia's natural gas transmission and trading business, we are also leading in conservation and social efforts - demonstrated by awards for such endeavor.



03

OPPORTUNITY TO DEVELOP SUSTAINABILITY




As the largest state company in the field of transportation and trading in natural gas, PGN also contributes significantly to Indonesia's economic growth through the provision of natural gas which is relatively more environmentally friendly. PGN is committed to serving the community while continuing to prioritize sustainability principles and governance.

- Sustainability at PGN
- Message
- About This Report
- Opportunity to Develop Sustainability
- Opportunity to Build the Business
- Opportunity to Prosper the Nation
- Opportunity in Conservation
- Opportunity in Prioritizing Safety
- Opportunity to Serve the Customer
- Opportunity to Build PGN's
- Opportunity to Bring Prosperity to the Nation




Throughout the history of its establishment to date, PGN is committed to continuous transformation into a professional company with a focus on distributing and connecting gas sources with consumers. Established on May 13, 1965, PGN has now grown to become the leader in the field of transmission and distribution of

natural gas in Indonesia. The rich experience possessed makes PGN a safe, effective and efficient gas distribution company. Through clean energy, PGN builds the nation and brings prosperity to all people.



ORGANISATION NAME
PT Perusahaan Gas Negara Tbk
[GRI 102-1]




ORGANISATION NAME
Natural gas transmission and distribution
[GRI 102-2]



HEAD OFFICE LOCATION
Jl. K.H. Zainul Arifin No. 20
Jakarta 11140, Indonesia
[GRI 102-3]

+6221 633 4838 contact.center@pgn.co.id
+6221 633 3080 www.pgn.co.id



KOWNERSHIP AND LEGAL BASIS
[GRI 102-5]

1
Series-A share of Dwiwarna of the State of Republic of Indonesia

56.96%
PT Pertamina (Persero)

43.04%
Public

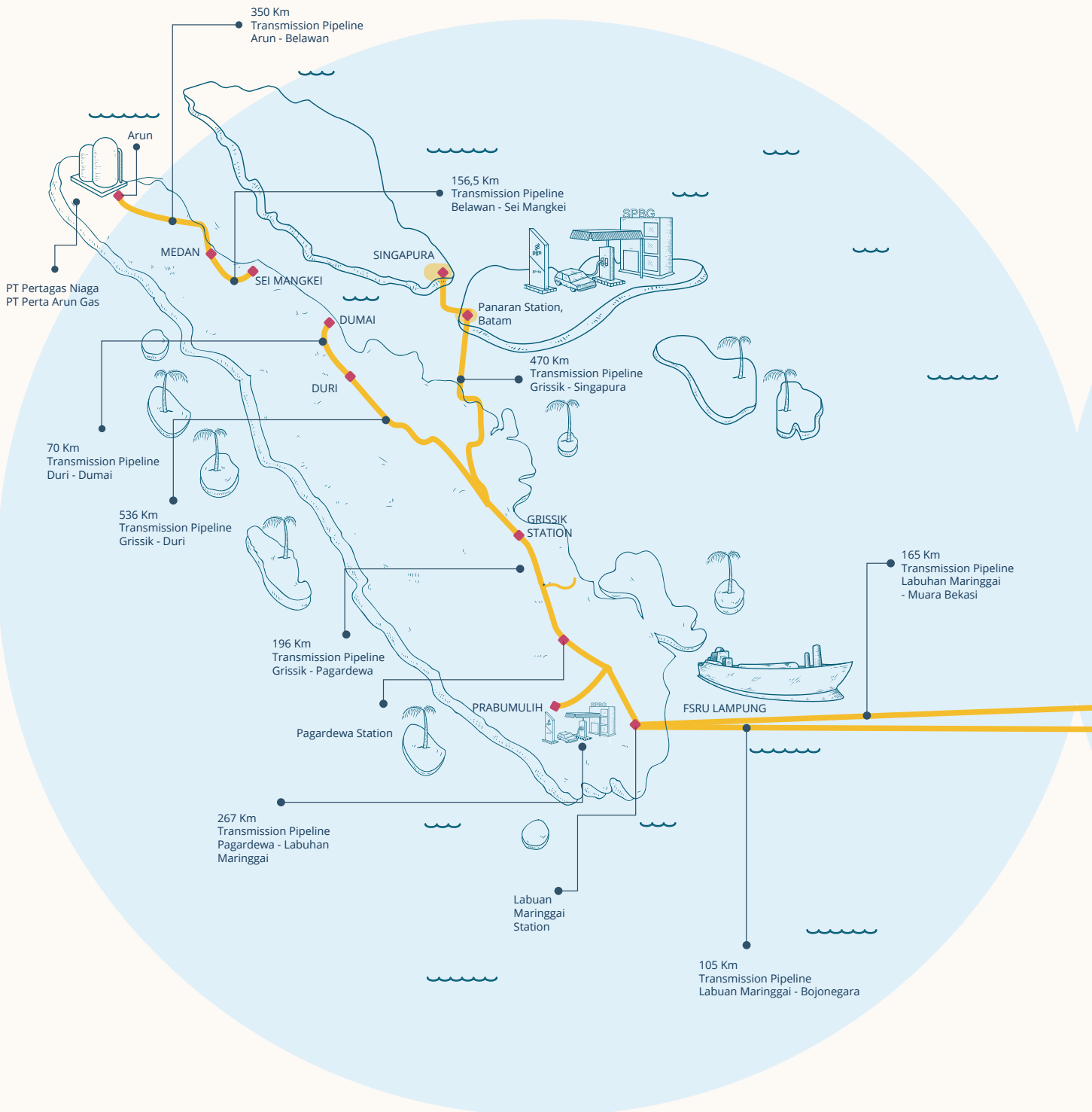
The Company's shares have been listed on the Jakarta Stock Exchange and Surabaya Stock Exchange since December 15, 2003 with the Stock Code on the Exchange: [PGAS]

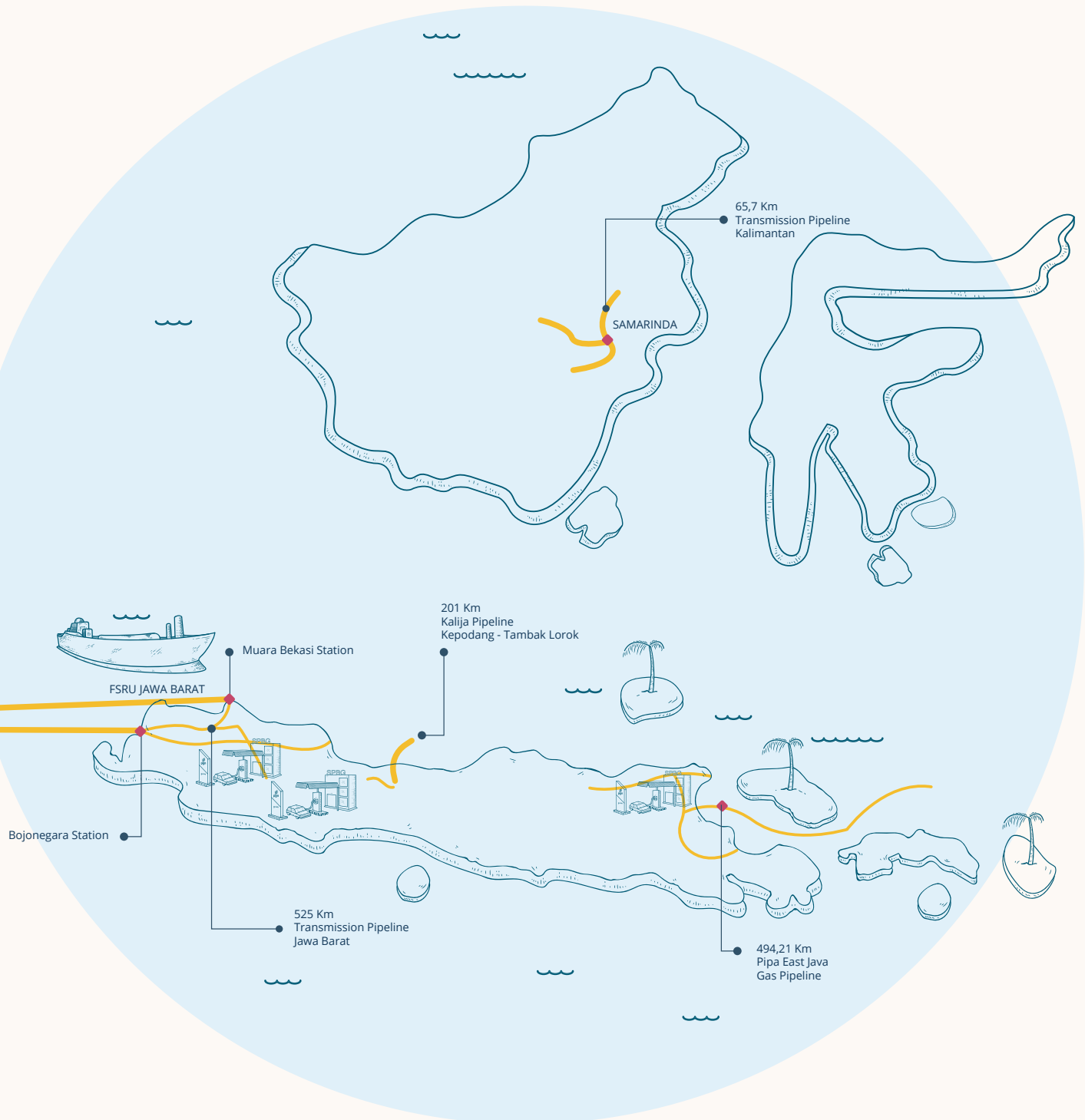
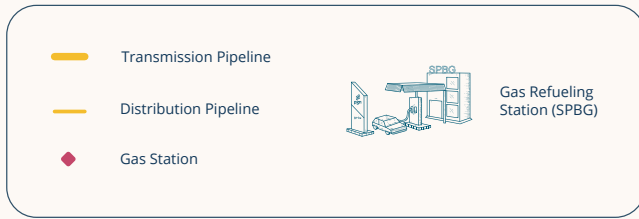
Date of establishment of May 13, 1965 through Government Regulation No. 19 of 1965. There has been a change in the form of the Company, from Persero to Non-Persero in accordance with Government Regulation No. 6 of 2018 concerning the Addition of the State Equity Participation of the Republic of Indonesia to the Share Capital of PT Pertamina (Persero) dated February 28, 2018. This regulation was followed up by the Company in the Annual GMS of 2018 dated April 26, 2018 by changing its name to PT Perusahaan Gas Negara Tbk.

Sustainability at PGN
Message
About This Report
Opportunity to Develop Sustainability
Opportunity to Build the Business
Opportunity to Prosper the Nation
Opportunity in Conservation
Opportunity in Prioritizing Safety
Opportunity to Serve the Customer
Opportunity to Build PGN's
Opportunity to Bring Prosperity to the Nation

OPERATIONAL LOCATION [GRI 102-4]

PGN integrated the natural gas infrastructure in Indonesia and sought the utilization of domestic natural gas by promoting natural gas access to the whole society and users. Currently, PGN has operated in 54 cities and 16 provinces in Indonesia by serving power plant customers, industrial customers, commercial sector, household customers, and transportation segment.





Sustainable Indicator
 Remarks
 About This Report
 United to Develop Sustainability
 Sustainability Governance
 United Building a Prosperous Nation
 United in Conservation
 United in Prioritizing Safety
 United to Serve
 United to Grow Individuals
 United to Bring Prosperity to the Nation

VISSION

To Become the World-Class
Energy Company in Gas Business
in 2020

MISSION

To increase the Company's added values for stakeholders through:

- Customers: Energy needs fulfillment solution that is safe, value-added, economic, and increase the competitiveness;
- Society: The improvement of welfare and sustainable economic growth through energy independence and environmental conservation efforts;
- Shareholders /Investors: The creation of the optimal and sustainable Company's values through internal and external synergies.

VISSION AND MISSION



CORPORATE CULTURE [GRI 102-16]

Corporate culture is one of the factors that distinguish successful companies from failing companies. Corporate culture has a role to be values that motivate, build and encourage each employee to jointly achieve company goals. In achieving PGN's vision of being a world-class energy company in the gas field, we implemented a culture of "ProCISE" (Professionalism, Continuous Improvement, Integrity, Safety & Excellent Service) each of which is described as follows:



PROFESSIONALISM	
CONTINUOUS IMPROVEMENT	
INTEGRITY	
SAFETY	
EXCELLENT SERVICE	

I

1

Kompeten di Bidangnya

2

Bertanggung Jawab



II

3

Kreatif, Inovatif dan Implementatif

4

Adaptif terhadap Perubahan



III

5

Jujur, Terbuka dan Berpikir Positif

6

Disiplin dan Konsisten



IV

7

Mengutamakan Keselamatan dan Kesehatan Kerja

8

Peduli Lingkungan Sosial dan Alam



V

9

Mengutamakan Kepuasan Pelanggan Internal dan Eksternal

10

Proaktif, Cepat dan Tepat Tanggap



PROFESSIONALISM

Always provide the best results by improving the competence in its field and be responsible for every action and decision were taken.

1. Competent in its fields
2. Responsible

CONTINUOUS IMPROVEMENT

Committed to continuous improvement.

3. Creative, innovative and implementation-oriented
4. Adaptive to changes

INTEGRITY

Honest with ourselves and others. Consistency among thoughts, words and deeds following noble ethical standards.

5. Honest, open and positive thinking
6. Disciplined and consistent

SAFETY

Consistently prioritize the occupational safety and health, both for ourselves and the surrounding environment.

7. Prioritize the Occupational Safety and Health
8. Care for the social and natural environment

EXCELLENT SERVICE

Prioritize satisfaction for both internal and external customers by providing best services.

9. Prioritizing internal and external customers' satisfaction
10. Proactive, agile and responsive

It is hoped that these values be adopted by every PGN employee as part of their values and behavior in the workplace, and unite the entire PGN organization, and in turn, raise the spirit of "ONE PGN". Through unity, we provide the best service for customers and other stakeholders. ONE PGN for a better future ("ONE PGN") is our motto to encourage synergy from every person and part of PGN, considering that the company continues to develop its business through the

collaboration of various components within the PGN Group towards world-class companies.

ONE PGN, SPIRIT OF WORLD CLASS ACTION

The corporate culture built according to these noble values continues to be communicated and integrated within the PGN Group environment. Although every PGN Group subsidiary is free to develop its respective culture in accordance with its business vision and challenges, the developed cultural values are in line with ProCISE. Efforts to harmonize values in the PGN Group are carried out through joint work programs and competitions that are challenging yet uniting. The work program was named "World Class Action", which consisted of 5 programs:

SAFETY FIRST

Through this program, PGN seeks to increase the awareness and concern of every PGN employee about the importance of health and safety aspects. As a natural gas management company, the safety aspect needs to be prioritized through the embedding of safety induction, safety sharing/contact and the 5R (office safety) cultures.

EFFECTIVE MEETING

A good meeting becomes the beginning of productive performance. Therefore PGN Group recommends that every meeting can produce strategic and appropriate decisions, by utilizing every available resource efficiently.

ENGLISH FOR BUSINESS COMMUNICATION

To realize the vision of becoming a world-class company, we highly regard the importance of international language competence. Therefore, one of the programs in the PGN Group is to cultivate communication in English.

ACTIVE PARTICIPATION IN PROFESSIONAL COMMUNITY

The professional community is very important for building networks and togetherness, and enriching



knowledge and skills that are useful for the development of the Company. In this professional community, PGN also distributes “updates” and current knowledge for fellow natural gas managers, for mutual progress that is positively correlated with the interests of the nation.

PROFESSIONAL AT WORK

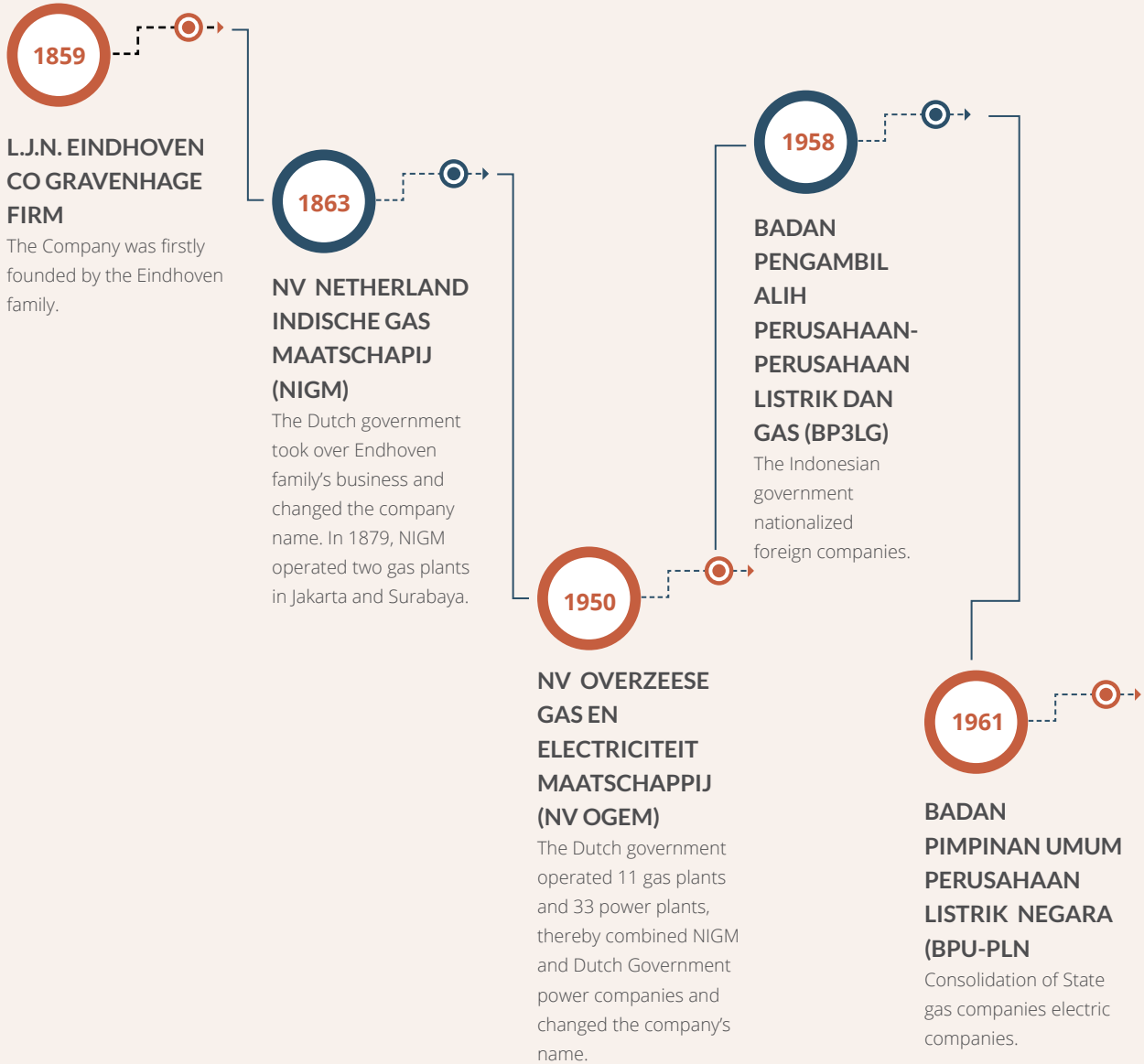
Professionalism is the competence, expertise and ability to provide optimal results with a good attitude. Every PGN employee is committed to developing professionalism in the workplace with the aim of building stakeholder trust and achieving the goal of PGN as a world-class company.

With management support, these five “World Class Action” programs were implemented in all PGN Group subsidiaries. From time to time, we carry out evaluations in various forms, and at the end of the year we selected three work units that successfully

implemented the ProCISE and World Class Action programs. PGN also selects “Culture Champion” which is a work unit has excellently applied the corporate culture.

In realizing healthy and integrity corporate governance, PGN has compiled and cultivated the Code of Business Ethics and Work Ethics (“Code of Conduct”). This document contains guidelines for the conduct of PGN employees in carrying out their daily activities and procedures for communication with stakeholders. This guideline also provides practical guidance regarding conflicts of interest, corruption, bribery, gratuities, information management and other issues. This Code of Business Ethics and Work Ethics is a compulsory behavior guide that all PGN employees must adhere to.

THE COMPANY'S BRIEF HISTORY



1965
PERUSAHAAN GAS NEGARA

On May 13, 1965, pursuant to Government Regulation No. 19 of 1965, PGN was designated as a State Enterprise.

1984
PERUSAHAAN UMUM GAS NEGARA

The form of business is Changed into Public Company (Perum).

1994
PT PERUSAHAAN GAS NEGARA (PERSERO)

The change in the status of the company was accompanied by the addition of a broader scope of business that was in addition to the distribution of natural gas PGN also took part in the transmission field, where PGN served as a transporter.

2003
PT PERUSAHAAN GAS NEGARA (PERSERO) TBK

The shares of PGN have been listed in the Jakarta Stock Exchanges and the Surabaya Stock Exchange on December 15, 2003 with the trading transaction code "PGAS".

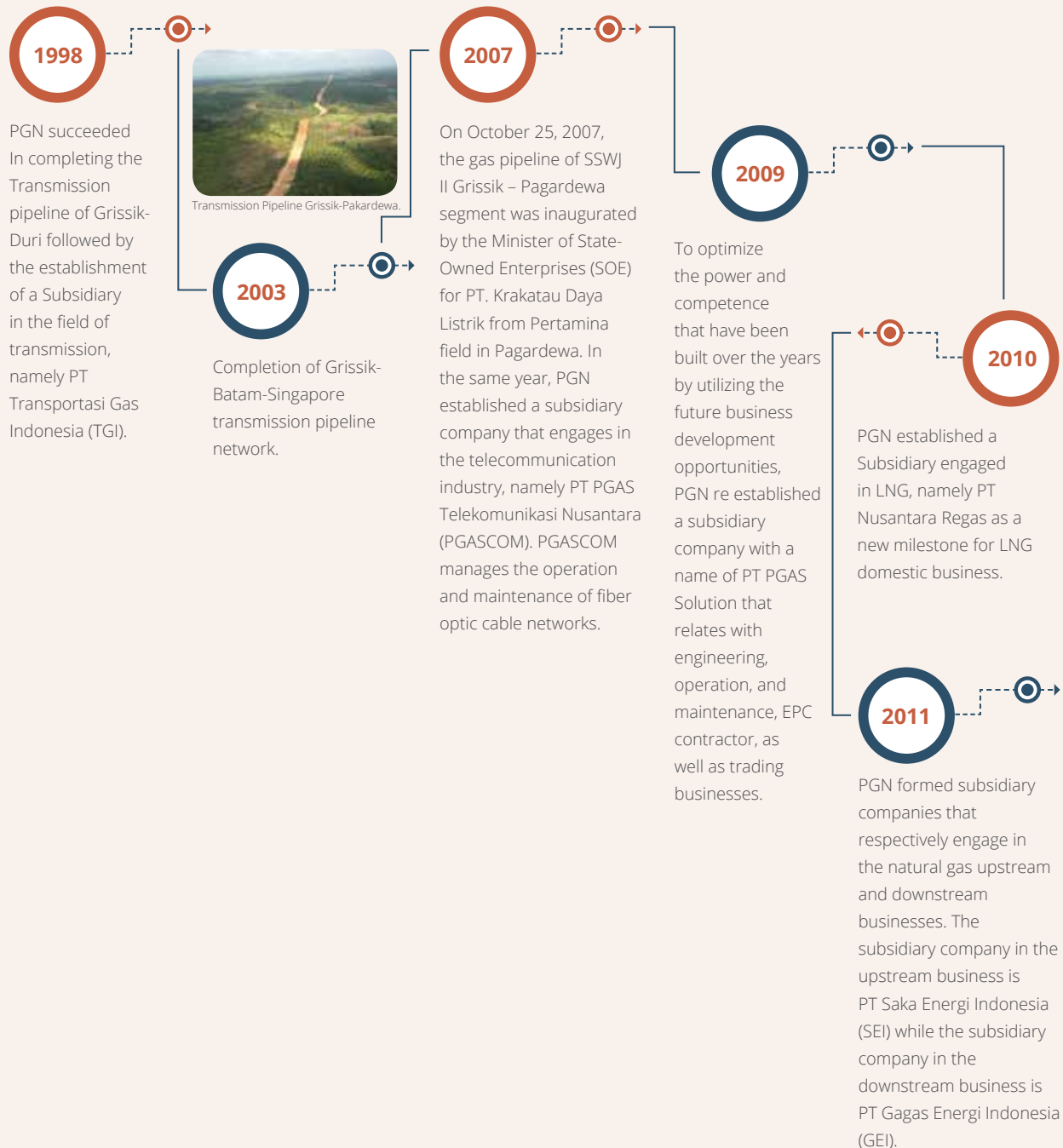
2018
PT PERUSAHAAN GAS NEGARA TBK

On April 11, 2018, based on Government Regulation Number 6 of 2018, Government diverts 56.96% of series B shares to Pertamina. In line with the initiative establishment of Oil and Gas Holding and PGN as Gas Subholding.

THE COMPANY'S MILESTONE



Gas infrastructure maintenance and operation operations by PGAS Solution.

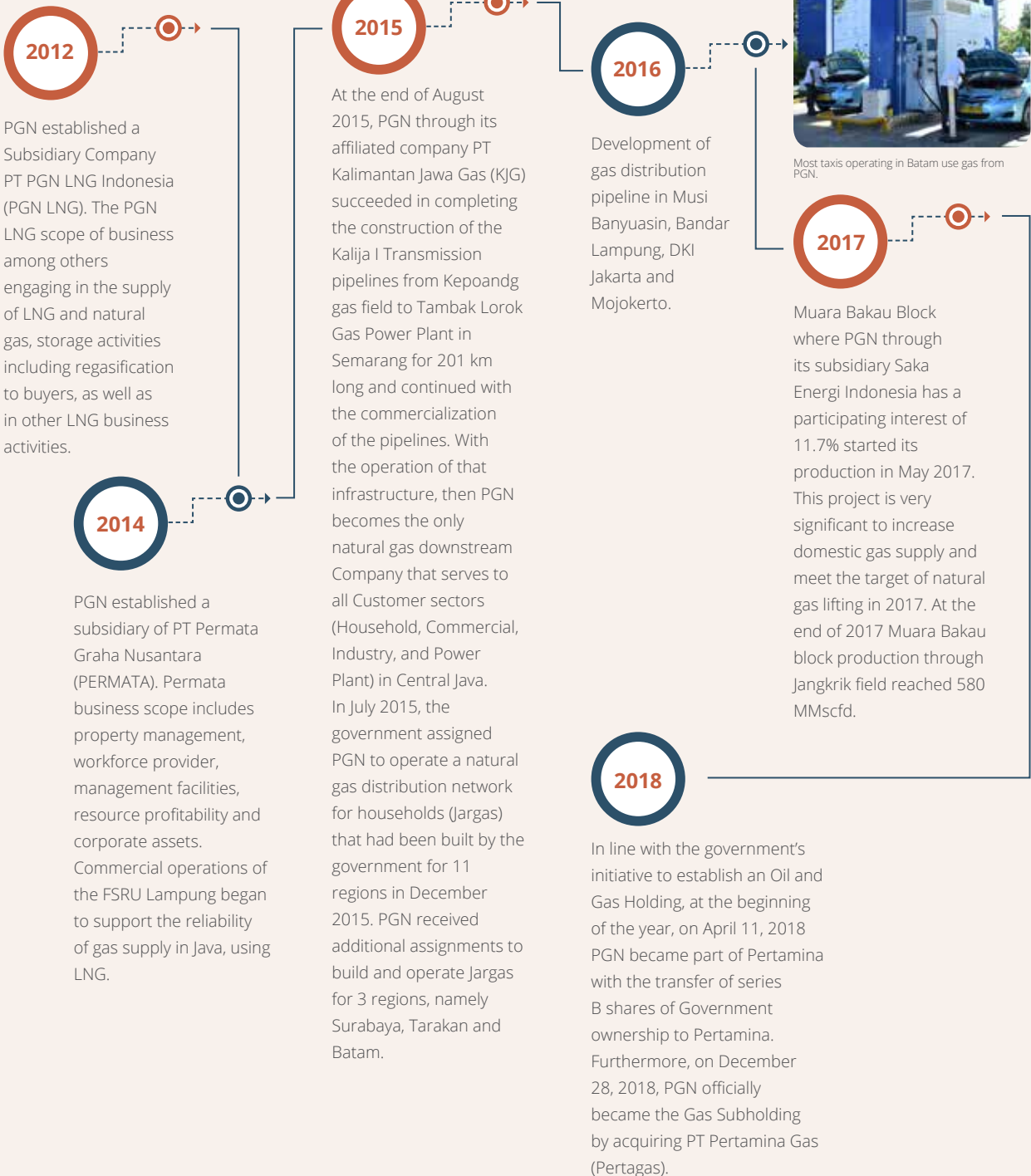




LNG regasification process in FSRU Lampung by PGN LNG.



Gas network for households are available in 16 provinces in Indonesia.



Most taxis operating in Batam use gas from PGN.

MARKET SEGMENT [GRI 102-6]

PT Perusahaan Gas Negara Tbk is committed to managing natural gas professionally and providing the best service for each of its customers. PGN's customers consist of various sectors, from household, commercial, industrial sector to power plant. In its operations, PGN is supported by its subsidiaries which are engaged in upstream, downstream exploration, LNG, construction, telecommunications, natural gas transmission, regasification terminals and floating storage.

Until the end of 2018, PGN distributed natural gas to

- 218,583 household customers
- 1,470 small customers
- 2,290 commercial and industrial customers

The various types of customers that PGN serves are health centers, hospitals, orphanages, educational institutions, government offices, private offices, shopping centers, hotels, restaurants and other commercial businesses.

GAS PIPELINES

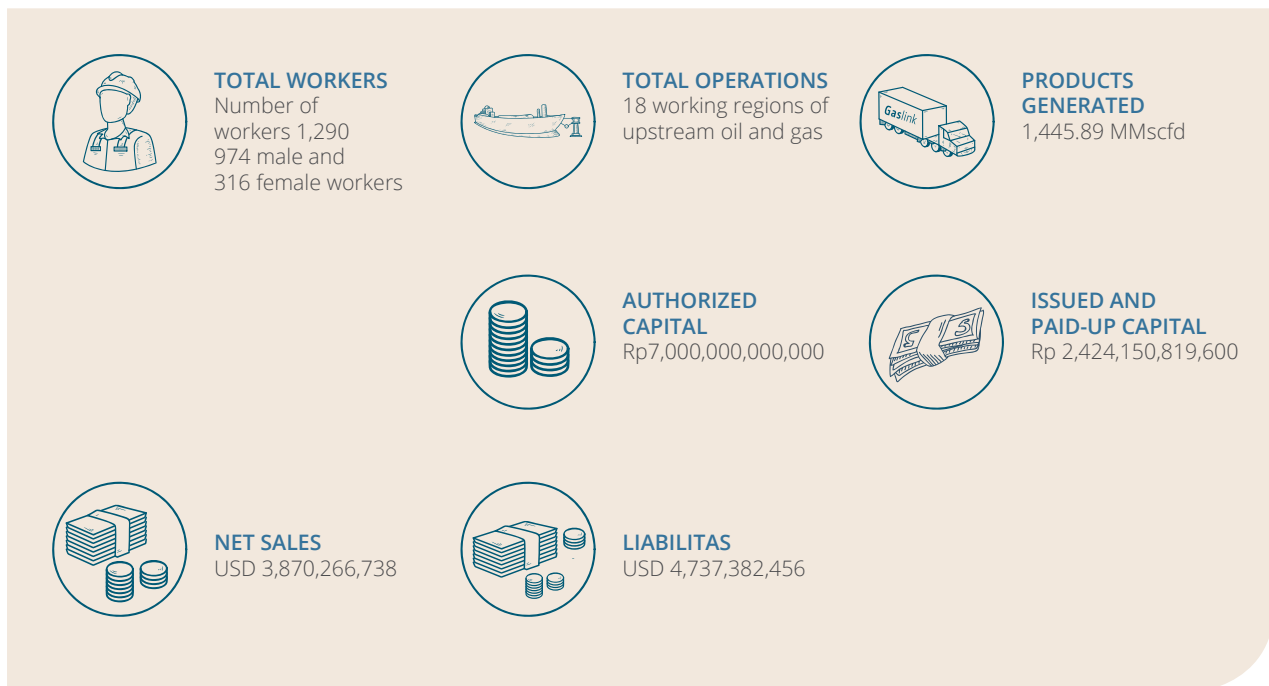
The pipelines PGN manages are in the form of:

- 6,443 km of distribution and transmission pipelines
- 3,473 km of subsidiary pipelines (TGI, PLI, KJG, NR and Pertagas)

It consists of high pressure pipes to transport natural gas from the fields or gas suppliers to bulk customers (customers in large quantities) and offtake stations (where gas is taken to be distributed to an area). Furthermore, through distribution pipes, gas is channeled to power plants, industrial estates, commercial areas, household customers and other end consumers.

Until the end of 2018, PGN controlled 78% of the Facility-Equipped Commercial Enterprises in the distribution sector

ORGANIZATIONAL SCALE [GRI 102-7]



The financial data above is consolidated financial data with Subsidiary Entities. However, the data in other parts of this report only concerns the Holding Entity.



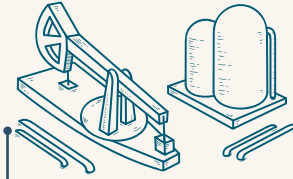
SUPPLY CHAIN [GRI 102-9]

UPSTREAM

OIL AND GAS PRODUCTION

Indonesia has natural gas reserves of 100 Trillion Standard Cubic Feet (TCF) (www.migas.esdm.go.id) which can be used as a domestic energy source for the realization of economic independence. PGN utilizes this potential through SEI, a PGN Subsidiary for business development in upstream oil and gas.

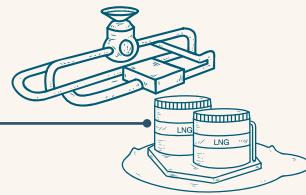
The main supply chain in the PGN business is the pipe used to distribute natural gas. The monetary value paid to natural gas suppliers is USD1,809,875,542. In addition to natural gas suppliers, there are around 108 other suppliers from all over Indonesia, with an estimated total payment of USD343,833,368.



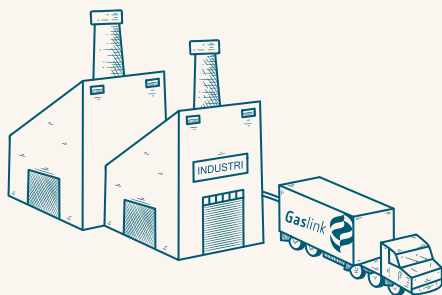
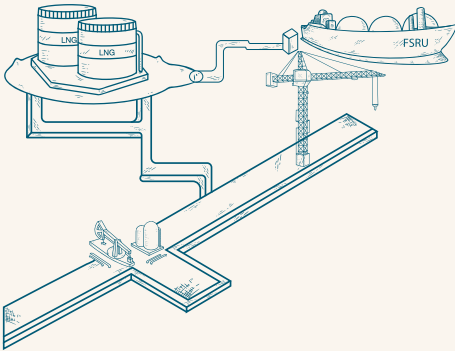
MIDSTREAM

Through TGI, KJG & Pertagas, PGN maintains a very high reliability and operational infrastructure security.

FSRU converts LNG into high-quality natural gas. PGN has 2 (two) FSRUs namely FSRU Lampung and FSRU West Java and also land base regasification facility in Arun through Pertagas.

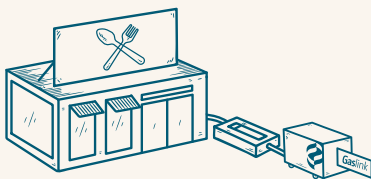


DOWNSTREAM



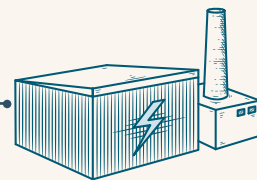
GAS TRANSPORT MODULE (GAS LINK)

Gas Link is a solution for channeling natural gas to locations that are not connected to a gas pipeline.



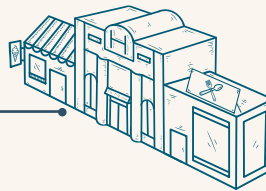
COMMERCIAL CUSTOMERS

MRU is the solution for natural gas filling stations for transportation using CNG technology.



POWER PLANTS

Power Plant made from gas fuel is more environmentally friendly compared to oil fuel or coal.



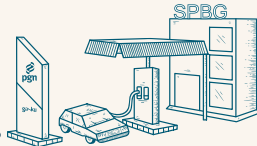
COMMERCIAL CUSTOMER

Efficiency and reliability are important factors in distributing energy to commercial customer. PGN, in this case, can fulfill these needs.



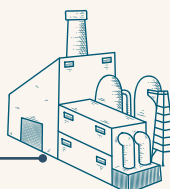
HOUSEHOLD CUSTOMER

PGN is the biggest company of natural gas distribution through pipes in Indonesia.



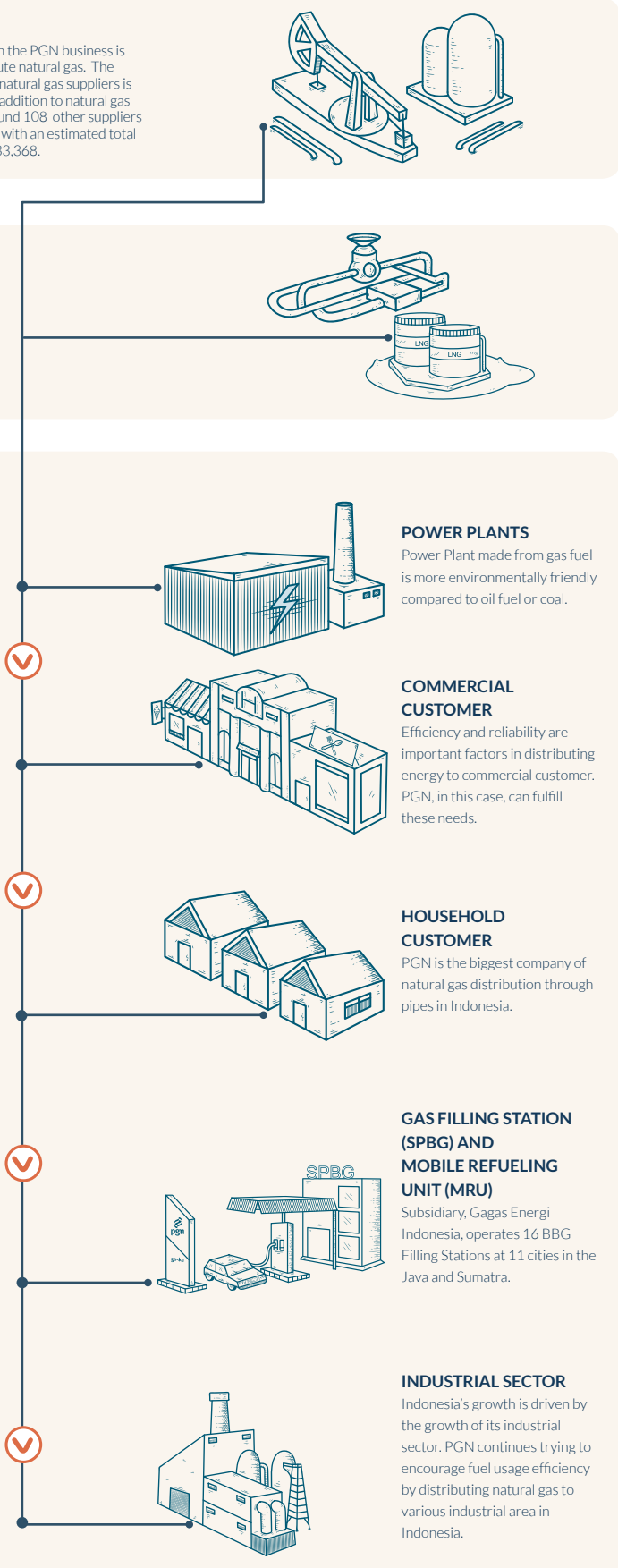
GAS FILLING STATION (SPBG) AND MOBILE REFUELING UNIT (MRU)

Subsidiary, Gagas Energi Indonesia, operates 16 BBG Filling Stations at 11 cities in the Java and Sumatra.



INDUSTRIAL SECTOR

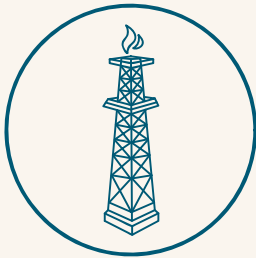
Indonesia's growth is driven by the growth of its industrial sector. PGN continues trying to encourage fuel usage efficiency by distributing natural gas to various industrial area in Indonesia.



MOVE TOGETHER AS ONE PGN TO BECOME AN INTEGRATED ENERGY SOLUTION.

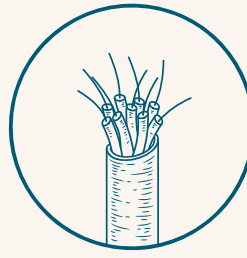
PGN's subsidiaries are moving together to increase the value that we provide to our Customer and Indonesia. Through providing high quality natural gas and reliable supply, the support of our subsidiaries on operations, expertise on engineering, archive and asset management, transmission pipeline management, provide a high quality and flexible CNG supply, and the support of our information technology, has made PGN one of it's kind in Indonesia.

SUPPORTING



pgn SAKA
power to discover

SEI manages ten PSCs in Indonesia and one gas shale block in US, five of which are operated entirely by SEI with 100% shares ownership. The five PSCs are Pangkah PSC, South Sesulu PSC, Wokam II PSC, Pekawai PSC and West Yamdena.



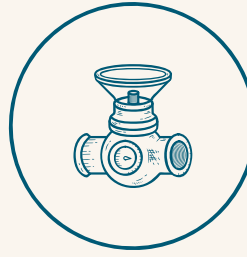
pgn COM
always reliable

PGASCOM does a business in telecommunications sector which has lots of opportunities and high growing potential, because it completes his expertise with the creation of integrated technology information solutions and international commercial.



pgn GAGAS
brings energy to you

GEI operates a filling station gas fuel for transportation sector. In addition, GEI also developed CNG business for industrial and commercial sector, especially for markets that are not passed by PGN's gas pipeline.

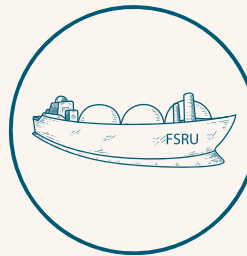


TGI is the first Indonesian company focusing on natural gas transportation for domestic market in Sumatra and Batam as well as international markets in Singapore.



pgn MAS
commitment to service

Growing from managing assets owned by PGN in the form of buildings and warehouses, PERMATA has developed his expertise being a property developer. Nowadays, its property products, BerandaMAS are one of the iconic properties in Vida Bekasi area.



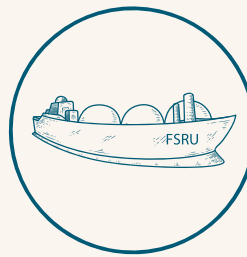
pgn LNG
born to make it happen

PGN LNG transformed into important infrastructure that supports reliability of gas distribution. In 2018 PGN LNG has distributed gas products of regasification as many as 256 Bbtud.

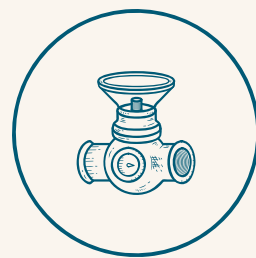


pgn SOLUTION
action for excellence

PGAS Solution has business activities focusing on 4 main fields, namely: Operation, Maintenance, Engineering, EPC and Trading. With the support of an experienced workforce and technology, PGAS Solution is capable to carry out operational activities and infrastructure maintenance of PGN with the level of network reliability of 99.86%.



Nusantara Regas is developing and growing along with natural gas demand to support the national electricity sector.

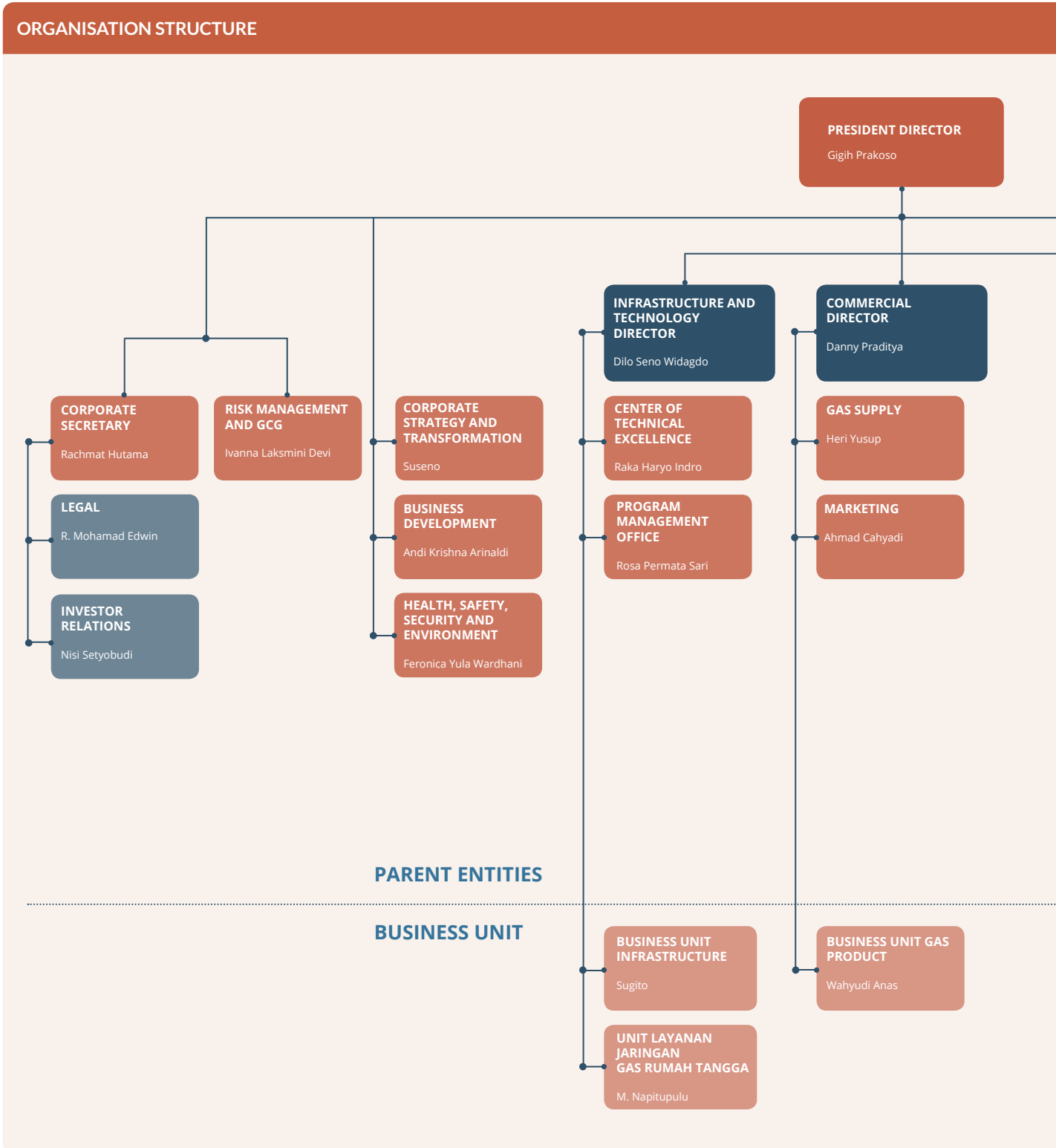


Integration of Pertagas into PGN will strengthen PGN's position in managing the downstream natural gas business in Indonesia.

Sustainability at PGN
Message
About This Report
Opportunity to Develop Sustainability
Opportunity to Build the Business
Opportunity to Prosper the Nation
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Opportunity to Build PGN's
Opportunity to Bring Prosperity to the Nation

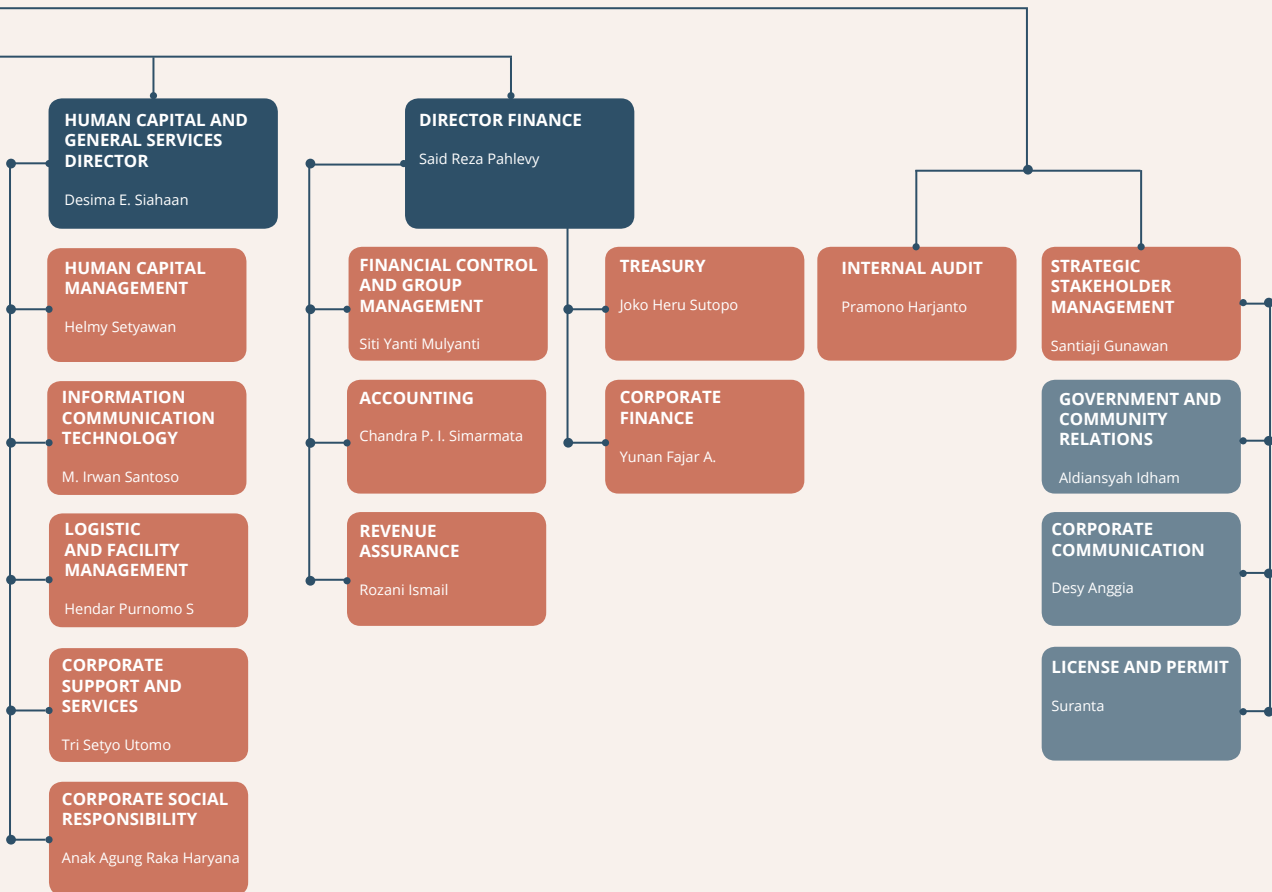
CHANGES IN ORGANIZATION AND SUPPLY CHAINS [GRI 102-10]

In 2018, there was an organizational change, namely the dissolution of the Directorate of Business Strategy and Development. This was confirmed at the 2018 Annual GMS on April 26, 2018. As a consequence, now the organization consists of five Directorates, Main Directorate, Finance Directorate, Commercial Directorate, Infrastructure and Technology Directorate, as well as HR and General Directorate. The other change is the change of PGN ownership from government to Pertamina. The change is expected to create a number of benefits, such as



creating efficiencies in the natural gas supply chain, such that gas prices for consumers are more competitive; improve the nation's capacity and volume in gas management; and improve our financial performance.

Based on Directors Decree Number 030706.K/OT.00/PDO/2018 dated 22 November 2018 concerning the Organizational Structure of PT Perusahaan Gas Negara Tbk, the Company's structure is as follows:



Sustainability at PGN
 Message
 About This Report
 Opportunity to Develop Sustainability
 Opportunity to Build the Business
 Opportunity to Prosper the Nation
 Opportunity in Conservation
 Opportunity in Prioritizing Safety
 Opportunity to Serve the Customer
 Opportunity to Build PGN's
 Opportunity to Bring Prosperity to the Nation

BUSINESS UNITS OF SUBSIDIARY AND AFFILIATED COMPANIES [GRI 102-45]

The following is information about the Entity and Subsidiaries with consolidated financial statements (marked with an asterisk for those which are not consolidated) in this report.

Company	Category	Share Ownership	Line of Business	Status
PT Saka Energi Indonesia (SEI)	Subsidiary	<ul style="list-style-type: none"> Company 99.997% PT PGAS Solution: 0.003% 	Upstream business	In operation
PT Transportasi Gas Indonesia (TGI)*	Joint venture	<ul style="list-style-type: none"> Company: 59.87% Transasia Pipeline Company Pvt. Ltd: 40% Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara: 0.13% 	Gas transportation	In operation
PT PGN LNG Indonesia (PLI)	Subsidiary	<ul style="list-style-type: none"> Company: 99.999% PT Gagas Energi Indonesia: 0.001% 	LNG Sector	In operation
PT Gagas Energi Indonesia (GEI)	Subsidiary	<ul style="list-style-type: none"> Company: 99.88% PT PGAS Solution: 0.12% 	Downstream business	In operation
PT PGAS Solution (PGASSOL)	Subsidiary	<ul style="list-style-type: none"> Company: 99.91% Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara: 0.09% 	Engineering	In operation
PT PGAS Telekomunikasi Nusantara (PGASCOM)	Subsidiary	<ul style="list-style-type: none"> Company: 99.93% Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara: 0.07% 	Telecommunication	In operation
PT Permata Graha Nusantara (PERMATA)	Subsidiary	<ul style="list-style-type: none"> Company: 99.989% PGAS Solution: 0.011% 	Property management, provision of employment service & facility management, commercialization of company's resources and assets	In operation
PT Nusantara Regas (NR)*	Joint venture	<ul style="list-style-type: none"> PT Pertamina (Persero): 60% Company: 40% 	Floating Storage and Regasification Terminal (FSRT) Facility	In operation
PT Kalimantan Jawa Gas (KJG)	Affiliate	<ul style="list-style-type: none"> PERMATA: 80% PT Bakrie & Brothers Tbk: 20% 	Gas transportation	In operation
PT Permata Karya Jasa (PERKASA)*	Affiliate	<ul style="list-style-type: none"> PERMATA: 75% Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara: 25% 	Oil and gas sector support services	In operation
PT Solusi Energi Nusantara (SENA)	Affiliate	<ul style="list-style-type: none"> PGAS Solution: 99.9% PERMATA: 0,1% 	Engineering	In operation

Company	Category	Share Ownership	Line of Business	Status
PT Widar Mandripa Nusantara (WIDAR)	Affiliate	<ul style="list-style-type: none"> GEI: 99.996% PERKASA: 0.004% 	Power generation and trade	In operation
PT Gas Energi Jambi (GEJ)*	Joint venture	<ul style="list-style-type: none"> Company: 40% PT Wahana Catur Mas: 40% PT Jambi Indoguna Internasional: 10% PT Bukaka Corporindo: 10% 	Trade, Construction, and services	Not yet operating
PT Banten Gas Synergi (BaGS)*	Joint venture	<ul style="list-style-type: none"> PT Andiracitra Grahawira: 68.43% PT Banten Global Synergi: 14.14% PT Banten Global Development: 8.57% Izma Agyano Bursman: 8.71% Company: 0.14% 	Services, transportation, trade, and mining	In operation
PT Perkasa Abdi Bhuana (PRABHU)	Affiliate	<ul style="list-style-type: none"> PERKASA: 60% Yayasan Kesejahteraan Pegawai Perusahaan Umum Gas Negara: 40% 	Services, Trade, Industry and Transportation	In operation
PT Pertamina Gas (PERTAGAS)	Subsidiary	<ul style="list-style-type: none"> Company: 51% PT Pertamina (Persero): 49% 	Commercial natural gas and its derivatives, transportation / transmission, processing, storage and other businesses	In operation
PT Perta Samtan Gas*	Affiliate	<ul style="list-style-type: none"> PERTAGAS: 66% Samtan Co. Ltd.: 34% 	Gas processing	In operation
PT Pertagas Niaga	Affiliate	<ul style="list-style-type: none"> PERTAGAS: 99% PT Pertamina Hulu Energi: 1% 	Commercial gas	In operation
PT Perta Kalimantan Gas	Affiliate	<ul style="list-style-type: none"> PERTAGAS: 70% PT Medco Gas Indonesia: 30% 	Commercial gas facilities	Not yet operating
PT Perta Daya Gas*	Affiliate	<ul style="list-style-type: none"> PERTAGAS: 65% PT Indonesia Power: 35% 	Gas/LNG transportation, gas regasification, distribution and processing	In operation
PT Perta Arun Gas	Affiliate	<ul style="list-style-type: none"> PERTAGAS: 90% PT Pertagas Niaga 10% 	Gas processing (Regasification)	In operation



OPPORTUNITY TO BUILD THE BUSINESS

PGN has established a company that strongly adheres to the principles of Good Corporate Governance (GCG) in order to generate sustainable economic value and build a sustainable company.



04

OPPORTUNITY TO BUILD THE BUSINESS



PGN is committed to implement Good Corporate Governance founded on the principles of transparency, accountability, responsibility, independence, and fairness. With regard to sustainability, we promote a governance that focuses on sustainability performance: caring for social and natural environments while achieving economic goals.

Governance is one of the key factors to a company's success as it ensures that the business remains healthy, competitive, and sustainable in the long-term. In addition, good governance helps a company to build trust with its stakeholders. To that end, we have issued the Good Corporate Governance Guidelines under policy number P-003/0.20 enacted on October 22, 2018. The Guidelines contain 7 objectives, as follows:

1. Optimize PGN's value to remain competitive, both nationally and internationally, in order to maintain its presence and sustainability to achieve its aims and objectives;
2. Foster PGN to be managed in a manner that is professional, efficient, and effective as well as empowering the functions and self-reliance of the Corporate Bodies;
3. Foster Corporate Bodies to make decisions and take actions founded on sound moral values and in compliance with regulations, and awareness of PGN's social responsibility to stakeholders and awareness to conserve PGN's immediate environment;
4. Increase PGN's contribution to the national economy;
5. Improve accountability to stakeholders;
6. Improve the investment climate to ensure national investments are satisfactorily developed;
7. Improve the Company's image for the better.

The implementation of good corporate governance in a listed company is based on the following regulations:

1. Regulation of the Financial Services Authority (Otoritas Jasa Keuangan) Number 21/POJK.04/2015 on Governance Guidelines for Listed Companies, in effect since November 16, 2015.
2. Circular Letter of the Financial Services Authority (Otoritas Jasa Keuangan) Number 34/SEOJK.04/2015 on Governance Guidelines for Listed Companies, in effect since November 17, 2015.

The Governance Guidelines for Listed Companies guides the implementation and describes the principles of good corporate governance. It consists of 5 aspects, 8 good corporate governance principles, and 25 recommendations. The five aspects of Good Corporate Governance are:

1. Relationship between a listed company and its shareholders in protecting shareholders' rights;
2. Functions and roles of the Board of Commissioners;
3. Functions and roles of Directors;
4. Stakeholder involvement;
5. Information disclosure.

We are committed to comply with prevailing legislations on corporate governance. To that end, our guidelines, operating procedures, and current manuals are updated to reflect prevailing legislations, which is then followed by a directed outreach and enforcement. In our plans and decisions, we strive to integrate sustainability principles and practices with due consideration to three important aspects: people, planet, and profit.

PGN's implementation of Good Corporate Governance (GCG) is assessed periodically to ensure that it is well carried out. In 2018, our GCG implementation was rated EXCELLENT with a score of 94.68, up from 94.61 in the previous year.

SCORE GCG

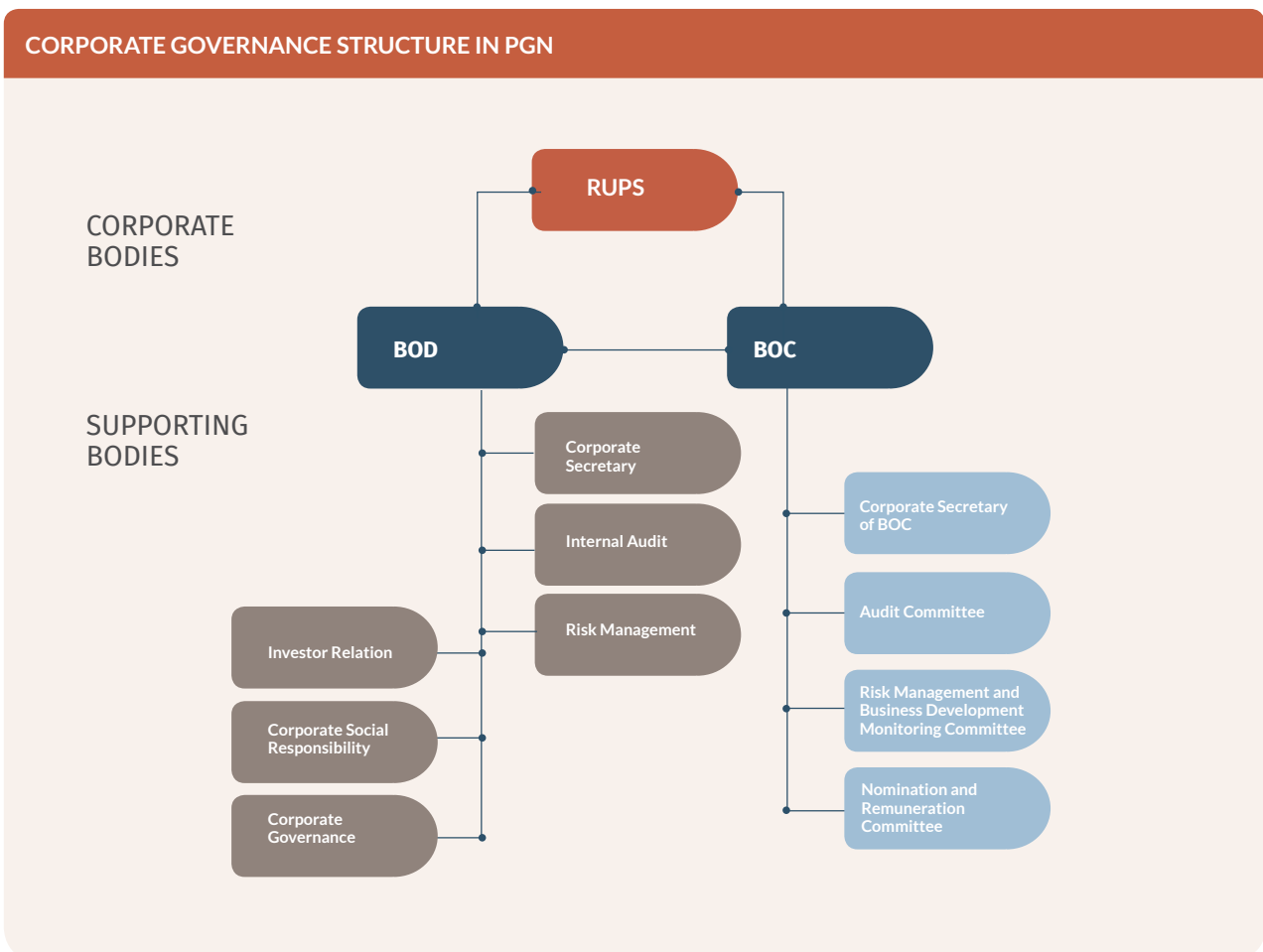
2018	2017	2016
94.68	94.61	93.94

GOVERNANCE STRUCTURE [GRI 102-18]

In accordance with the Law No. 40 Year 2007 on Limited Liability Companies, PGN has three Corporate Bodies, as follows:

1. The General Meeting of Shareholders (Rapat Umum Pemegang Saham, RUPS), the highest authority in a Limited Liability Company and the holder of all authorities that are not delegated to the Board of Commissioners and Directors within the limits under law and/or Articles of Association.
2. The Board of Commissioners, a board that conducts general and/or specific supervision in accordance with the Articles of Association and advises the Directors.
3. The Directors, a Corporate Body responsible for management to achieve the Company's vision and mission in its best interests. The Directors are also responsible to represent the Company both within and outside of a court of law in accordance with the Articles of Association.

In carrying out their duties, the Corporate Bodies' functions are governed by laws, the Company's Articles of Association, as well as other provisions, based on the principle that each body independently carries out its duties, functions, and responsibilities in the Company's interests.



GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders (Rapat Umum Pemegang Saham, RUPS) is the highest authority in a Limited Liability Company and the holder of all authorities that are not delegated to the Board of Commissioners and Directors within the limits under law and/or Articles of Association. In practice, the General Meeting of Shareholders is a forum in which shareholders have the authority to obtain accounts on the Company from the Directors and Board of Commissioners. Under Law No. 40 Year 2007 on Limited Liability Companies, General Meetings of Shareholders consist of the Annual General Meeting of Shareholders (RUPS Tahunan), convened once in a year; and the Extraordinary General Meeting of Shareholders (RUPS Luar Biasa), convened from time to time upon request by any one of the Corporate Bodies. In 2018, we have convened 3 (three) General Meetings of Shareholders, consisting of 1 (one) Annual General Meeting and 2 (two) Extraordinary General Meetings, as follows:

- a. An Extraordinary General Meeting of Shareholders on January 25, 2018;
- b. An Annual General Meeting of Shareholders on April 26, 2018;
- c. An Extraordinary General Meeting of Shareholders on September 10, 2018.

The General Meetings of Shareholders have adopted significant resolutions, such as:

1. Amendment to the Company's Articles of Association;
2. Change in the Company's Management;
3. Ratification of the Consolidated Financial Statement and the Community Partnership and Development Program (Program Kemitraan dan Bina Lingkungan, PKBL) Financial Statement;
4. Delegation of the General Meeting's authority in relation to PKBL activities to the Board of Commissioners, conditional upon written approval from the Dwiwarna Series A Shareholder.
5. Approval of the allocation of the Company's Profit in Fiscal Year 2017 of US\$143,146,347.
6. Approval of the Director's preliminary actions to integrate PT Pertamina Gas with the Company.

BOARD OF COMMISSIONERS

The Board of Commissioners is a board that conducts general and/or specific supervision in accordance with the Articles of Association and advises the Directors.

The Board of Commissioners considers aspects of sustainability, i.e. economic, social, and environmental in the discharge of their duties. In this reporting period, the Board consists of 5 members led by a President Commissioner and 2 (two) Independent Commissioners. The Board is assisted by one Board Secretary and 3 (three) Committees: the Audit Committee, Risk Management Monitoring and Business Development Committee (Pemantau Manajemen Risiko dan Pengembangan Usaha, PMRPU), and Nomination and Remuneration Committee. For a description of the functions and duties of each committee, please refer to the PGN Annual Report 2018. PGN prohibits familial relationships, financial relationships, and concurrent positions for members of both the Board of Commissioners and Directors.

DIRECTORS

The Directors consist of 5 (five) members, led by a President Director, who is responsible to coordinate the Directors' activities. The Directors are authorized to and fully responsible for the Company's management. They also represent PGN both within and outside of a court of law pursuant to the Articles of Association. Directors perform and assume collective responsibilities for their duties, although they may act and take decisions according to their respective duties and authorities, including in economic, environmental, social matters. PGN prohibits familial relationships, financial relationships, and concurrent positions for members of both the Board of Commissioners and Directors.

In relation to risk management, the Directors' duties and responsibilities are set out in the Implementation of Risk Management in PGN, issued with reference to the Regulation of the Minister of State-owned Enterprises Number PER-01/MBU/2011 on Implementation of Good Corporate Governance in State-owned Enterprises as amended by the Regulation of the Minister of State-owned Enterprises Number PER-09/MBU/2012. Article 25 of the Regulation describes the Directors' duties and responsibilities pertaining to Risk Management, as follows:

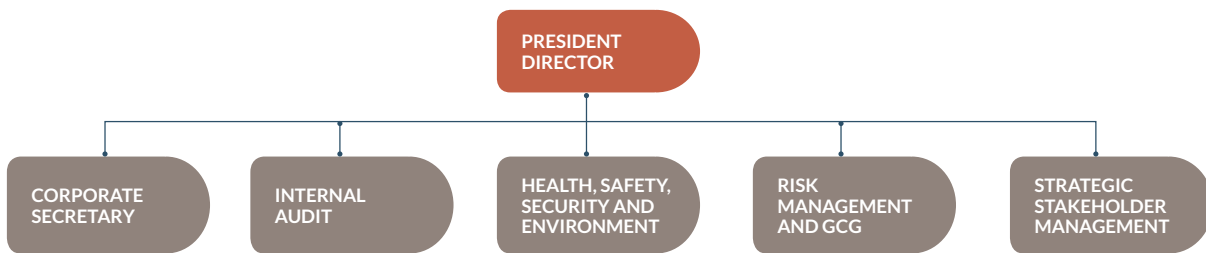
1. Directors, in making every decision/taking every action, must consider business risks.
2. Directors are required to prepare and execute corporate risk management programs in an integrated manner, of which is part of executing GCG programs.
3. Risk management programs may be executed in one of two ways:
 - a. Establishment of a dedicated work unit under the Directors;
 - b. Delegation to an existing and relevant work unit to assume risk management functions.
4. Directors are required to submit a report on risk management profile and its management along with the periodic company report.

RISK MANAGEMENT

We have the Risk Management & GCG Division dedicated to carry out risk management processes. In 2003, we have implemented a risk management system based on the Australia Standard (AS)/New Zealand Standard (NZS) 4360:1999. Risk is managed to ensure that we achieve our overall goals, therefore we adopted the Enterprise-wide Risk Management (ERM) framework in the PGN Risk Management Guideline as stated in the Decision of Directors No. 024000.K/SM.02/UT/2009. In 2018, we switched our risk management framework to ISO 31000:2018 to comply with the standards adopted by Pertamina, our parent entity, after the coming into effect of the Government Regulation Number 6 Year 2018 on the Increase in Capital Investment by the Republic of Indonesia in the Share Capital of Perusahaan Perseroan (Persero) PT Pertamina.

RISK MANAGEMENT GOVERNANCE

According to the Decision of Directors of PT Perusahaan Gas Negara Tbk. Number 030701.K/OT.00/PDO/2018 dated November 22, 2018 on Organization Structure of Primary Directorates, the structure of our risk management governance is as follows:



In 2018, we have identified the risks in every work unit, business unit, subsidiary, and affiliate; we found 3,579 risks, of which 1,594 are active risks. The findings were submitted to the management as a Report on Corporate Risk Profile to receive further action. The report is the basis for the management to take proactive measures to minimize risks and assists the management to prepare strategies and improve risk management in a sustainable manner.

PRECAUTIONARY APPROACHES AND PRINCIPLES [GRI 102-11]

The Rio Declaration in 1992 mentioned the precautionary approach to protect the environment. Guided by the principle, companies are expected to consider and prevent negative impacts to the environment in their operations. We always take the environment into account in our plans, projects, and operations. With full compliance to the law, we ensure that new projects commence only after the Environmental Impact Analysis has been carried out and permits from competent bodies are obtained.

CORRUPTION PREVENTION

Corruptions, briberies, grafts, and frauds negatively affect companies as they disrupt good business practices. We have prepared and issued internal policies and exercise strict oversight as a comprehensive measure to prevent corruption within the company. We issued the Policy on Conflicts of Interest and Control of Grafts pursuant to the Decision of Directors Number 018401.K/OT.03/UT/2014 dated October 1, 2014. As basis of graft control in the company, the policy promotes good business and work ethics, prevents

conflicts of interest, and prevents frauds. Control of grafts is under the purview of Graft Control Unit (Unit Pengendalian Gratifikasi, UPG) under the Internal Audit Division. According to its Letter of Assignment Number 0030000.ST/PW/IAU/2018 dated April 2, 2018, the UPG is tasked with duties as stated in the Policy on Conflicts of Interest and Control of Grafts prevailing in the Company. Our preventive measures against corruption, bribery, graft, and fraud are as follows:

Anti-Corruption Communications and Trainings [GRI 205-2]

We hold 4 types of education and trainings in anticorruption, as follows:

- Seminars and workshops for employees in the Internal Audit Division, procurement, and units susceptible to corruption, fraud, and bribery. Employees thus share the same outlook and desire to prevent corruption within PGN.
- Education and trainings in audit procedures and detection of irregularities such as fraud auditing, investigative auditing, and advanced internal auditing for employees engaged in oversight.
- Anticorruption communications were held for every PGN individual, from directors to employees, in our operating areas through the Business Ethics and Work Ethics outreach. The communication reached 1,295 participants.
- We introduced the implementation of Good Corporate Governance (GCG) as part of the anticorruption communication, which was attended by 1,295 participants from every level.
- We hold an online competence exam to measure our employees' understanding of anticorruption.



Anticorruption Communications to Business Partners [GRI 205-2]

We introduce anticorruption policies and procedures to every supplier and business partner. Every contract or work agreement contain an integrity pact that must be signed by the supplier and business partner.

Whistleblowing System

We have a whistleblowing system in place to uphold policies and improve monitoring quality. Our stakeholders can report corruption or actions that may indicate or lead to corruption. We guarantee to protect and withhold the identity of the whistleblower to ensure that the system is effective. The whistleblowing system is implemented based on the following regulations:

- Decree of the Minister Number KEP-117/M-MBU/2002 on the Implementation of GCG;
- Whistleblowing System Guidelines ratified by the President Director as stated in the Decision of the Directors Number 066303.K/PW.01/ UT/2013 dated December 24, 2013;
- Policy on Conflicts of Interest and Control of Gifts as stated in the Decision of Directors Number 0184001.K/OT/03/UT/2014 dated October 1, 2014.

The whistleblowing system can be triggered by email or by post, which is then handled professionally and proportionally. If the allegation of corruption is proven, the offender will be dealt with in accordance with prevailing legislation.

Evaluation of Corruption Risks

We have established the Internal Audit Division (IAD) to evaluate compliance and ensure that internal control systems are working efficiently and effectively. IAD personnel are competent in their fields and hold professional certifications in internal audit and risk management issued by both national and international bodies, as follows:

- Certified Internal Auditor (CIA) and Certification in Risk Management Assurance (CRMA) issued by the Institute of Internal Auditors
- Certified Fraud Examiner (CFE) issued by the Association of Certified Fraud Examiners

- Qualified Internal Auditor (QIA) issued by the Yayasan Pendidikan Internal Audit (Internal Audit Education Foundation)
- Certified Risk Management Professional (CRMP) issued by the Lembaga Sertifikasi Profesi Manajemen Risiko (Institute of Risk Management Professional Certification, LSPMR)

We have also issued the Internal Audit Charter and Internal Audit Operating Procedure, made with reference to the audit standards prepared by The Institute of Internal Auditors. The documents were issued to comply with the Regulation of the Financial Services Authority Number 56/POJK.04/2015 dated December 23, 2015.

Examinations during internal audits are carried out using the risk-based audit approach, i.e. prioritizing units and activities susceptible to irregularities and corruption. In addition, the Internal Audit Division active advises other work units upon request.

During the reporting year, there were zero complaints of corruption and no legal cases pertaining to corruption.

[GRI 205-3]

ETHICS AND INTEGRITY [GRI 102-16]

PGN individuals are expected to adopt the ethics and culture of integrity to create employees of good moral standing. They are also required to comply with prevailing laws and observe international business norms. The ethics and culture of integrity is important for the company's long-term growth, such that we have developed a five-point corporate value called ProCISE: Professionalism, Continuous Improvement, Integrity, Safety & Excellent Service. The values are communicated when Directors are engaged in face-to-face events with employees and during in-house trainings. Our code of ethics is also disseminated in pocket book format.

ProCISE is described further in the Business Ethics and Work Ethics Guideline, which also covers economic,

environmental, and social aspects. ProCISE is also described in the Code of Business Ethics and Code of Work Ethics that applies to every PGN Individual, from the Board of Commissioners, Directors, to employees. In general, the Code of Work Ethics governs the following:

- Behavior of PGN individuals in everyday work
- Procedures pertaining to stakeholder communications
- Practical guidance on conflicts of interest, corruption, bribery, and grafts.
- Information management

Both Code of Business Ethics and Code of Work Ethics have been published and must be observed by every PGN individual.

INTEGRITY PACT

We have prepared the Integrity Pact that must be signed by all parties involved in the procurement of goods and services with the aim of preventing fraud and irregularities during such procurement.

Our commitment to promote integrity is demonstrated in hearings at the House of Representatives of the Republic of Indonesia (Dewan Perwakilan Rakyat Republik Indonesia, DPR RI) and by drafting public policies on meeting national gas demands for domestic consumption.

Our policy on goods and services procurement is governed by the Guidelines on the Procurement of Goods/Services No. P-001/0.37 dated February 12, 2018, superseding the Decision of Directors No. 010300.K/LG.01/PDO/2016 dated August 1, 2016 on Guidelines on the Procurement of Goods/Services. The new guidelines incorporated regulatory amendments that called for a greater share of local content and enhanced cooperation among State-owned Enterprises so that procurement is carried out quicker, more efficiently, and more effectively.

As a form of our commitment to implement good corporate governance, we require all goods/services providers and units responsible for procurement to sign the Integrity Pact, binding their commitment to the following practices:

- Procure goods/services in good faith, in a prudent, independent, and free manner, without pressure or influence from other parties (independence);
- Take decisions prudently (duty of care and loyalty);
- Refrain from making decisions for personal gains or for affiliated parties' interest, that in so doing eliminates the possibility of a conflict of interest (conflict of interest rule);
- Carry out the procurement process with satisfactory understanding of regulations and other relevant normative obligations as well as satisfy every rule and regulation, including considering best practices deemed necessary, important, and critical to the procurement process (duty abiding the laws).

INTERNATIONAL INITIATIVES AND ASSOCIATION MEMBERSHIPS

[GRI 102-12, GRI 102-13]

Our concern for environmental issues and commitment to sustainable development is reflected by our participation in several international initiatives, such as:

- ISO 26000 on Guidance on Corporate Social Responsibility;
- OHSAS 18001:2007 on Health & Safety Management System;
- ISO 14001:2015 on Environmental Management Systems;
- ISO 9001:2015 on Quality Management Systems.

In addition, we are also members of various national and international organizations to enhance our insight, knowledge, and network. We are members of the following organizations, among others:

1. Forum Hukum Badan Usaha Milik Negara (Legal Forum of State-owned Enterprises)

Established on August 31, 2012, the Forum Hukum BUMN's goals are to enhance and strengthen State-owned Enterprises in legal matters. The Forum's membership is open to Heads of Legal of State-owned Enterprises in Indonesia. The Forum Hukum BUMN is expected to provide advice to improve the legal domain for State-owned Enterprises' businesses. It also holds trainings and seminars, in Indonesia and abroad, on State-owned Enterprises' activities, especially in legal affairs.

2. Indonesian Gas Association (IGA)

IGA was established in 1980 and became a member of the Indonesia Chamber of Commerce (Kamar Dagang Indonesia, KADIN) in 2006. Its mission is to promote the natural gas industry for an economic and prosperous growth. IGA has more than 46 companies as members.

3. Asia Pacific Natural Gas Vehicles Association (ANGVA)

The Asia Pacific Natural Gas Vehicles Association (ANGVA) was established in 2002 with the vision to lead and promote the use of natural gas as fuel for transport vehicles towards sustainable growth. ANGVA is dedicated to developing the natural gas industry with highest technical and safety standards and develop the market for gas companies in Asia Pacific.

4. Forum Human Capital Indonesia, FHCI (Indonesia Human Capital Forum)

The Forum Human Capital Indonesia (FHCI) is a communication forum of Human Resources Directors in State Own Enterprises (SOEs) and human resources observers. Together, they develop strategic thoughts and policies through advices, studies, suggestions, opinions, and recommendations on Human Capital development for the Ministry of State-owned Enterprises and each State-owned Enterprises.

5. The Institute of Internal Auditors Indonesia

Our Internal Audit personnel are members of the Institute of Internal Auditors Indonesia. Membership in the organization enables our internal auditors to learn the latest standards in auditing and give advice on auditing standards.

6. Forum Komunikasi Satuan Pengawasan Intern (Internal Auditor Communications Forum, FKSPI) both at the FKSPI Head Office and the FKSPI at the Ministry of Energy and Mineral Resources (FKSPI ESDM)

The Forum Komunikasi Satuan Pengawas Intern is a forum where organizations meet to learn the latest developments and exchange experience.

Members of the FKSPI Head Office are State-owned Enterprises in Indonesia while members of the FKSPI ESDM are limited only to State-owned Enterprises engaged in energy and mineral resources.

STAKEHOLDER INVOLVEMENT

Stakeholders receive significant attention as they affect and are affected by our operations. In strategic terms, stakeholders contribute to our growth and influence our performance. Given the dynamic, we are always looking to strengthen the harmonious relationship with our stakeholders. The following table describes stakeholder relationship and interactions.

Stakeholder Groups [GRI 102-40]	Basis of Selection [GRI 102-42]	Engagement Approach [GRI 102-43]	Meeting Frequency [GRI 102-43]	Topics Raised [GRI 102-44]
Investor and Capital Market Analyst	<ul style="list-style-type: none"> Representatives Influence 	<ul style="list-style-type: none"> 1 on 1 or group meeting, conference call Conference or non-deal roadshow Site visits General Meeting of Shareholders (RUPS) Public Expose 	<ul style="list-style-type: none"> At least 20 times per quarter At least 2 times per semester At least 2 times per semester At least once per year At least once per year 	<ul style="list-style-type: none"> Submission of the development in the corporate conditions including: financial performance and prospects; operational performance and prospects; external factors that affect the corporate business such as government regulation and policy; local, regional and global economic conditions, and other factors. Respect to shareholders' rights according to laws, regulations, and Articles of Association



Stakeholder Groups [GRI 102-40]	Basis of Selection [GRI 102-42]	Engagement Approach [GRI 102-43]	Meeting Frequency [GRI 102-43]	Topics Raised [GRI 102-44]
Employees	<ul style="list-style-type: none"> Dependence Influence 	<ul style="list-style-type: none"> Via PGN Employee Union (Serikat Pekerja PT Perusahaan Gas Negara Tbk) Management-employee communication forum 	Meetings convened as necessary	<ul style="list-style-type: none"> Equality Welfare Well-defined career path No discrimination Conducive and safe working environment
Government and Regulatory Bodies	<ul style="list-style-type: none"> Representatives Influence 	<ul style="list-style-type: none"> Bipartite meetings House of Representatives hearings 	As necessary, at least twice	<ul style="list-style-type: none"> Operations run smoothly Establishing harmonious and constructive relationship with regulatory bodies PGN and its employees comply and is subject to prevailing legislation
Partners (vendors, suppliers, agents, resellers, installers)	Dependence	<ul style="list-style-type: none"> Goods and services procurement contract Assessment of supplier and partners' performance 	As necessary, at least once per year	<ul style="list-style-type: none"> Fair and transparent procurement process Objective selection and evaluation of partners Mutually beneficial relationship

Sustainability at PGN

Message

About This Report

Opportunity to Develop Sustainability

Opportunity to Build the Business

Opportunity to Prosper the Nation

Opportunity in Conservation

Opportunity in Prioritizing Safety

Opportunity to Serve the Customer

Opportunity to Build PGN's

Opportunity to Bring Prosperity to the Nation



OPPORTUNITY TO PROSPER THE NATION

We cannot look after our own wellbeing unless we look after the wellbeing of others. PGN advances with the nation and people that we serve. Our primary commitment is the nation's wellbeing.



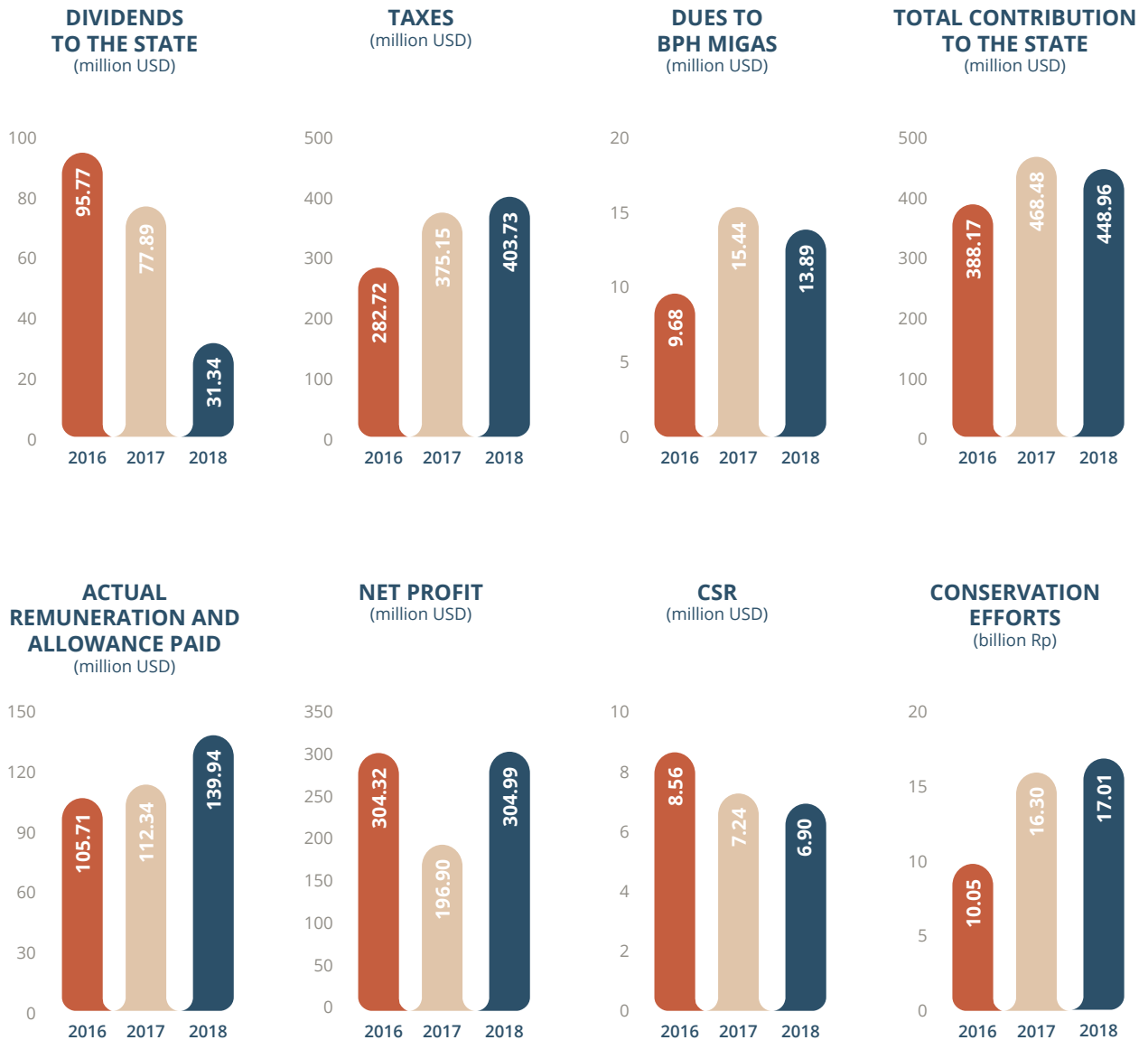
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OPPORTUNITY TO PROSPER THE NATION



As the national gas provider, PGN is a significant economic driver. PGN contribution is present in large scale national industries and small household industries. PGN is committed to build a prosperous nation and improve its stakeholders' profitability through performance excellence.

Natural gas is an important source of energy for Indonesia and the world. It plays a significant role in the Indonesian economy since it is used in sectors ranging from large-scale industries, power plants, and households. Unlike other energy sources, natural gas is among the cleanest. Indeed, natural gas will enjoy greater importance in time to come from an increased public awareness and the desire of many countries to reduce dependence on expensive and environmentally-adverse energy. The following chart shows PGN's contribution to the nation's economy and its stakeholders:



CONTRIBUTION TO STAKEHOLDERS' ECONOMY

PGN continuously strives to add value to its stakeholders: the state, investors, employees, consumers, suppliers, and communities. We apply efficiency in all company activities to increase profitability with an eye on conservation and maintaining our employees' well-being. The following table shows the economic values generated and distributed in 2018: **[GRI 201-1]**

Economic Value Generated (USD)	2018	2017	2016
Net Revenues	3,870,266,738	3,570,597,761	2,934,778,710
Interest Receipts	34,562,801	22,284,831	17,838,004
Revenue from foreign currency investments	(18,833,597)	(9,345,838)	(5,120,175)
Other revenues	124,194,731	90,081,570	113,869,338
Economic value generated	4,010,190,673	3,673,618,324	3,061,365,877
Economic Value Distributed (USD)			
Operating Costs	3,085,852,774	2,954,086,334	2,384,508,898
Salaries and Other Services:			
Operations Department	41,917,315	26,119,425	23,927,688
Administration Department	98,018,481	86,221,256	81,785,171
Total salaries and other services	139,935,795	112,340,681	105,712,859
Total operating costs, salaries and other services	3,255,788,569	3,066,427,015	2,490,221,757
Payment to funders			
Dividends	55,008,907	136,719,924	168,101,947
Interest payments	153,429,529	169,340,745	132,404,898
Total Payments to funders	208,438,436	306,060,669	300,506,845
Expenditure for the government	417,623,247*	390,593,933	282,721,387
Expenditure for the community	6,896,487	7,237,532	8,559,589
Economic values distributed	3,858,746,739	3,770,319,149	3,082,009,578
Economic value retained before dividends	206,452,841	40,019,099	147,458,246
Economic value retained after dividends	151,443,934	(96,700,825)	(20,643,701)

Year 2017 restated consolidation with Pertagas, year 2016 without Pertagas.

*Expenditure for the government here has not included dividend

CONTRIBUTION TO THE STATE

PGN has changed its share ownership from the government to Pertamina since 11 April 2018. Thus, majority shareholder of PGN is Pertamina with shares of 56.96%, and the remaining 43.04% is owned by the public. However, in 2018 PGN still provides dividends to the state from 2017 gas profits). PGN contributes to the state through dividend payments, taxes, and dues to the Oil and Gas Downstream Regulatory Agency (Badan Pengatur Hilir Minyak dan Gas, BPH Migas). In 2018, the total contribution to the state was US\$448,961,822, decrease 4.2% compared with US\$468,483,274 in the previous year.

The following table details PGN's contributions to the state:

Contribution to the state (in million USD)	2018	2017	2016
Dividends	31,34	77,89	95,77
Taxes	403,73	375,15	282,72
Dues to BPH Migas	13,89	15,44	9,68
Total contribution to the state	448,96	468,48	388,17

Year 2017 restated consolidation with Pertagas, year 2016 without Pertagas.

CONTRIBUTION TO REGIONS

Natural gas supply to a region encourages direct and indirect investments to the respective region. It follows that regional economies grow in areas where PGN is operates in, which includes our support offices and areas where transmission and/or distribution pipeline networks are installed. The positive impacts of PGN's presence in a region includes labor absorption, creation of jobs, and new economic activities for the surrounding communities. Furthermore, PGN's presence helps to increase Regional Income from levies, regional taxes, advertising taxes, billboards and other components.

BUSINESS LINES AND CUSTOMERS

Natural Gas Transmission

PGN cooperates with a number of natural gas producers to transmit natural gas using high-pressure pipeline network from their production sites to stations. As the transporter, PGN receives toll fee payments. PGN enters into Gas Transportation Agreements with natural gas owners for a period of 10 to 20 years.

Natural Gas Distribution

Distribution is the sale of the natural gas directly from PGN to consumers using distribution pipelines. PGN generates revenues from the sale of the gas. PGN's largest consumer base is the household sector.

COMPOSITION OF PGN CUSTOMERS

User/Consumer Groups	2018	2017	2016
Household	98.31%	97.97%	92.26%
Small-scale customers	0.66%	1.09%	1.47%
Commercial and industrial	1.03%	0.94%	1.26%

DEVELOPMENT STRATEGIES

Management Approaches

PGN has formulated priority business strategies which have been applied since 2015. The strategies are aimed to improve our performance and bring the greatest impact to every shareholder. In this case, PGN had assigned areas of focus to achieve such objectives. Our priority business strategies include:

- Focus and integrated
- Optimization
- Customer engagement
- Maximizing value creation

PGN controls about 78% of the distribution sector for Commercial Enterprises with Facilities (Badan Usaha Niaga Berfasilitas) in Indonesia.

Business Development Plans and Execution

PGN developed various business development programs to achieve our vision of "Becoming a World-Class Energy Company in Gas Field." Our focus goes to the core business to effectively and efficiently distribute natural gas to meet its continuously increasing demand through proper design and planning, in synergy with the National Energy Policy (Kebijakan Energi Nasional, KEN), General Plan of National Energy (Rencana Umum Energi Nasional, RUEN), and General Plan of Regional Energy (Rencana Umum Energi Daerah, RUED). In becoming

an internationally-standardized company, PGN focuses on developing physical infrastructures while structuring the organization to move towards excellence.

The following table describes our business development plans and its execution:

INFRASTRUCTURE DEVELOPMENT	
LNG Mini	PGN will construct and operate small-scale LNG terminals to meet gas demands in Eastern Indonesia and other areas not covered by the gas pipeline network
<i>Point-to-Point Compressed Natural Gas (CNG)</i>	CNG is aimed to fulfil the need of Fuel Gas (Bahan Bakar Gas, BBG) for industries and transportation in West Java, Central Java, East Java, and other areas not covered by the current natural gas pipeline network. PGN will keep enhancing the Point-to-Point CNG to respond to policies on fuel (Bahan Bakar Minyak, BBM) conversion to Fuel Gas (BBG) rolled out by the government.
Gas Distribution in Cities	PGN continues to expand the gas distribution in cities currently served by PGN's distribution network, i.e. Purwakarta-Subang and Bogor-Ciawi-Sukabumi, and expansion to new cities such as Dumai and Semarang. This expansion aims at fulfilling gas demand for power plants, small-scale industries, commercial industries, transportation, and households.
Power Plants	Gas Fuel is an alternative fuel that is gaining traction in country's electric power industry. The government has imposed Domestic Market Obligation (DMO) on several industries, including power plants to operate using natural gas. This encourages PGN to enter the electricity supply business as a strategy to add values in natural gas utilization. Development of the electric power industry is the responsibility of PGN's Subsidiaries in the downstream regions.
STRATEGIES AND INITIATIVES	
Regulation Management	This initiative aims to examine and respond to the impacts of gas regulations on PGN's growth in the future. PGN forms a dedicated team to manage issues related to laws, regulations, and legislations with clear organizational structure and business processes
Stakeholder Management	This initiative aims to create and foster harmonious relationships with stakeholders
Integrated Project Management	This initiative aims to develop strategies in business processes and organizational structure to implement an integrated, effective and efficient project management.
Supply Chain Management	This initiative aims to create a reliable supply chain to support PGN's business, consisting of procurement, asset management, inventory management, and asset transportation.
Implementation of Integrated Information Technology and Operations	This initiative is aimed to develop and implement an integrated system on information technology and operation technology (Supervisory Control and Data Acquisition/SCADA, Gas Management System/GMS etc.) to refine business process and achieve operational excellence.
Enterprise Risk Management	This initiative is aimed to encourage the implementation of risk management in PGN based on world-class best risk management practices.
Transformation and Business Restructuring of PGN	This initiative is aimed to strengthen PGN's corporate and organizational capacity, including preparation to restructure PGN as a holding company; strengthening synergy and improving relationship patterns between PGN and its Subsidiaries; and developing synergized, effective, and efficient business arrangements both across divisions and between PGN as the Parent Company, its subsidiaries, and its business units.
Integrated Human Resources Management	This initiative is aimed to develop HR management strategies in line with the organizational roadmap and to create human resources as PGN's competitive advantage
Cultures and Change Management	This initiative is aimed at creating competitive and conducive culture to ensure PGN's transformation.
<i>Corporate Branding and Reputation</i>	This initiative is aimed to improve PGN's brand image among stakeholders to increase PGN's values and strengthen customers and employee loyalty.
Security Excellence	This initiative is aimed to ensure the implementation of safety excellence throughout PGN's operating environment, its subsidiaries and business unit.

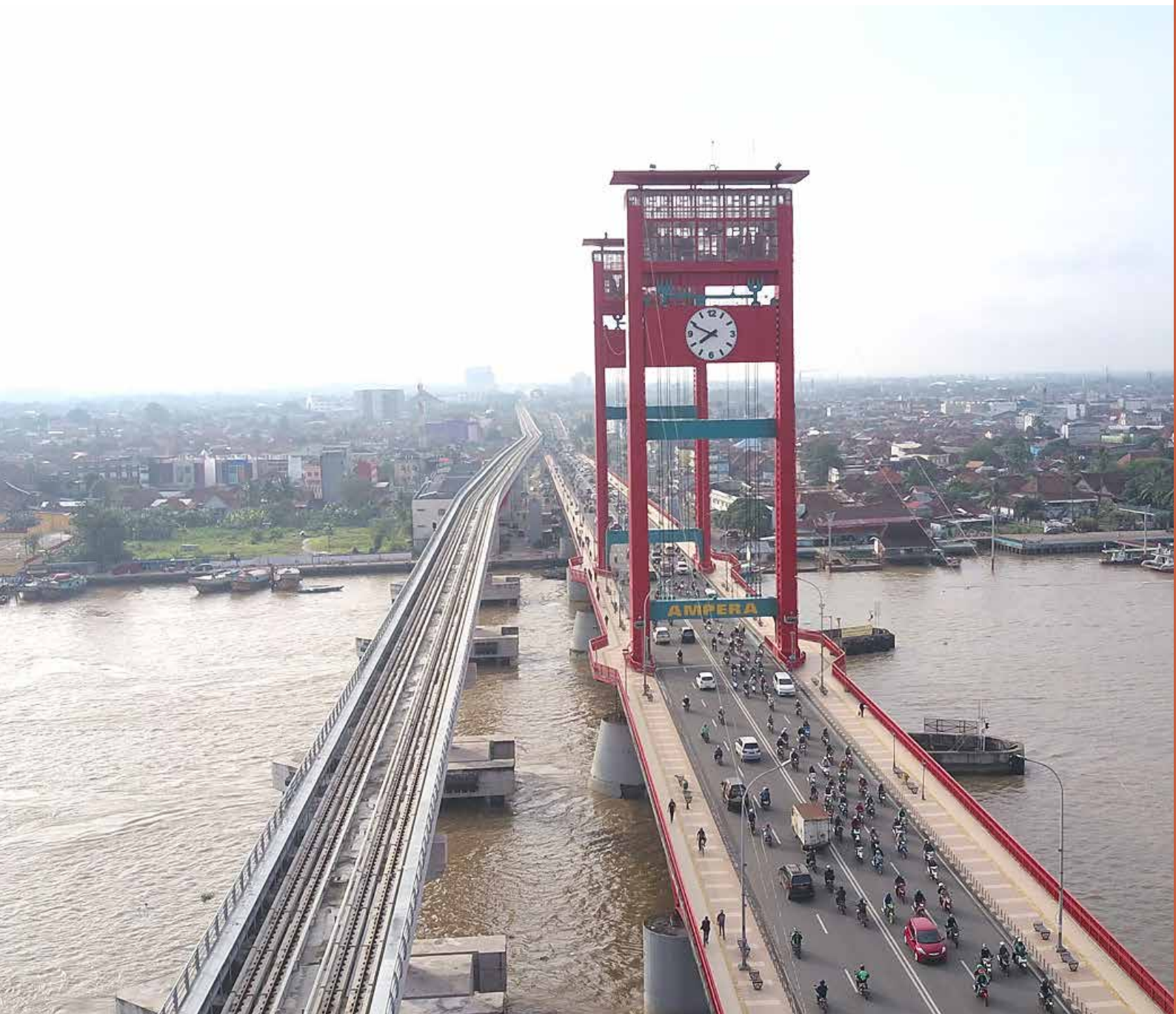
CLIMATE CHANGE CHALLENGES

The increase of Greenhouse Gases, primarily caused by carbon dioxide emissions, causes the earth temperature to increase. Not only does this increase affect the climate, but it also affects other aspects of nature, such as air quality, water, and soil. Indeed, climate change has a direct influence on the lives of wider community and industries.

Considering the Indonesia's vulnerability towards the effects of climate change, the government is actively mitigating global warming by making efforts to reduce

greenhouse gas emissions. Under the Nationally Determined Contribution (NDC) documents, Indonesia is committed to reduce emissions by 29% using its own resources and by 41% with international support by 2030.

However, climate change is inevitable. One of the impacts of climate change in Indonesia is the emergence of tropical cyclones causing intense rains – potentially disrupting PGN's operations. Gas pipeline construction, for instance, can be disrupted by uninterrupted rain, floods, and landslides.





OPPORTUNITY IN CONSERVATION

Economy and environment are two sides of the same coin. Our economy falls if we fail to look after our environment.



06

OPPORTUNITY IN CONSERVATION



PGN is committed to conservation and believes that the generation of the future deserves a green and sustainable world.



Improvements in standards of living and public needs for energy have raised demands for natural gas. The National Energy Board (Dewan Energi Nasional, DEN) estimates that energy demands in Indonesia will increase by two-fold in 2025. PGN has prepared for the increase by supplying natural gas, a relatively environmentally-friendly energy source compared with other fossil fuels, such as crude oil and coal. Carbon dioxide (CO₂) emissions from burning natural gas is less than from crude oil and coal. As such, we have contributed by reducing the volume of greenhouse gases (GHG), a factor that exacerbates global warming.

Public demands for natural gas is also on the rise, not only for the sake of cost-efficiency but also from a considerable increase in awareness to reduce CO₂ emissions. It follows that we have a larger opportunity to increase capacity and grow further.

Our business involves the transmission and distribution of natural gas from production wells to consumers – industrial, commercial, and residential. We are aware that our business, distribution of natural gas, affects the environment. Nonetheless, we give environmental conservation the fullest attention since it is part of our responsibility for future generations: to look after the Earth for our children. To that end, we pay close attention to environmental issues and actively participate to mitigate greenhouse gases by executing **the Environmental Transformation Roadmap** in our every operations.

ENVIRONMENTAL MANAGEMENT SYSTEMS

The PGN Environmental Transformation Roadmap is our reference to achieve our objectives and is part of our employees' culture. With guidance using the Roadmap, we have realized a number of targets pertaining to the environment, as follows:

Target	2018	2017	2016	2015	2014
PROPER Blue Standard	√	√	√	√	√
Development of carbon footprint calculation	√	√	√	√	√
Implementation of Environmental Impact Analysis (Analisis Mengenai Dampak Lingkungan, AMDAL), Environmental Management and Monitoring Plans (Upaya Pengelolaan Lingkungan Hidup, UKL & Upaya Pemantauan Lingkungan Hidup, UPL), and full set of environmental permits	√	√	√	√	√
100% compliance with environmental regulations	√	√	√	√	
Completion of baseline data in environmental management	√	√	√	√	
ISO 14001:2015 Certification	√	√	√		
Zero Pollution	√	√	√	√	√
Completion of ISO 14001:2015 Surveillance Audit	√	√			

ENVIRONMENTAL PROGRAM POLICIES

PGN is committed to implement policies on environmental conservation programs for the sake of future generations. Our environmental policies are part of the larger Policy on Occupational Health and Safety, Security, Environmental and Energy, a set of policies governing safety, health, security, and environment. Issued on October 15, 2018, the policy is an amendment of a similar policy and has been harmonized with our business development. Following the issuance of the policy, we have created programs such as:

- Preparation of Environmental Impact Analysis (Analisis Mengenai Dampak Lingkungan, AMDAL), Environmental Management Plans (Upaya Pengelolaan Lingkungan Hidup, UKL), Environmental Monitoring Plans (Upaya Pemantauan Lingkungan Hidup, UPL), and application of environmental permits for every new projects with involvement of independent external parties.
- Execution of the Environmental Management Plan (Rencana Pengelolaan Lingkungan, RKL), Environmental Monitoring Plan (Rencana Pemantauan Lingkungan, RPL), and UKL-UPL, as well as periodic reports every semester to the relevant institutions.

- Switching to newer, advanced, and more environmentally friendly equipment.
- Adopting sustainable practices, such as reducing paper, plastic waste, water usage, and holding composting programs.
- Raising awareness to conserve the environment in employees, such as by reducing energy and water consumption as well as reducing waste through environmental campaigns.
- Implementation of the Environmental Systems Management and ISO 14001:2015 certification.

The programs above are under the purview of the Health, Safety, Security, and Environment (HSSE) Division with reference to the ISO 14001:2015 Environmental Management Systems, effective since 2016. We continue to evaluate every environmental program, identify aspects and effects to the environment, and emphasize compliance to environmental management regulations pertaining to our business. We also conduct internal and external audits on the implementation of Environmental Management Systems.

Sustainability at PGN
 Message
 About This Report
 Opportunity to Develop Sustainability
 Opportunity to Build the Business
 Opportunity to Prosper the Nation
 Opportunity in Conservation
 Opportunity in Prioritizing Safety
 Opportunity to Serve the Customer
 Opportunity to Build PGN's
 Opportunity to Bring Prosperity to the Nation

ENVIRONMENT TRAINING

We understand that it is important for PGN employees to have the necessary competence pertaining to the environment, in particular those involved in environmental management at every level of the Company. To reach the necessary level of competence, we have held a number of trainings in 2018, such as:

- Environmental Management Systems Training
- Energy Management Systems Training
- Energy Conservation and Efficiency Training
- Energy Monitoring Systems Training
- Energy Manager Training
- Life Cycle Assessment Training

Led by experts in their fields, we see the trainings as valuable investments to improve compliance and create sustainable improvements in environmental conservation.

ENVIRONMENTAL MANAGEMENT AND MONITORING

Environmental management and monitoring is our commitment towards conservation. We carry out monitoring activities to measure the effectiveness of environmental conservation efforts to minimize the negative impacts and to maximize positive effects for the environment. We are dedicated to maintain quality environment in accordance with government standards. Every semester, we submit monitoring reports to the relevant institutions: the Ministry of Environment and Forestry (Kementerian Lingkungan Hidup dan Kehutanan, KLHK), Environment Offices of local governments, and Directorate General of Oil and Gas under the Ministry of Energy and Mineral Resources (Kementerian Energi dan Sumber Daya Mineral, KESDM).

PGN promotes the use of Environmental Impact Analysis (Analisis Mengenai Dampak Lingkungan, AMDAL) or Environmental Management dan Monitoring Plans (Upaya Pengelolaan dan Pemantauan Lingkungan Hidup, UKL-UPL) and other relevant legislations in environmental planning and management. Pursuant to the provisions above, PGN monitors:

- Water quality
- Air quality/emissions
- Noise levels

In 2018, there were zero violations against environmental legislations. The environmental standards at our operating areas meet and exceed the government's standards.

WATER [GRI 303-1]

At PGN's head and supporting offices, water is mainly used to support domestic activities. Water is mainly supplied by the Local Water Utility Companies (Perusahaan Daerah Air Minum, PDAM) and groundwater, utilized in accordance with prevailing utility limits. We measure water usage through direct reading of water flow rate using flow meters. In 2018, the total water usage at PGN's head office in Jakarta dropped by 0.8% to 111,844 m³ from 112,794 m³ in 2017. Water consumption supplied by PDAM jumped by 42.5% to 97,279 m³ from 68,285 m³ in the previous year. Groundwater usage dropped by 67.3% to 14,565 m³ in 2018 from 44,509 m³ in 2017. The reduction in usage was to protect groundwater and soil.

In addition to reducing groundwater usage, we also take active measures to protect groundwater by creating seeps in open areas around our head office. We made biopore infiltration holes to convey rainwater into the soil, thus maintaining groundwater reserves and the water table. Good reserves of groundwater and a healthy water table will have positive effects to the public's quality of life.

WATER CONSUMPTION IN KETAPANG, JAKARTA

Water Source	2018	2017	2016
PDAM	97,279 m ³ (+42,5%)	68,285 m ³ (+10,4%)	61,856 m ³
Groundwater	14,565 m ³ (-67,3%)	44,509 m ³ (-21,4%)	56,608 m ³
Total	111,844 m³	112,794 m³	118,464 m³

EMISSIONS

To mitigate global warming, PGN takes active measures to reduce greenhouse gas emissions that contributed to temperature rise. We are committed to improve our operating efficiency and reduce carbon emissions in our operations. From 2012, we have tracked our carbon footprint using a Carbon Calculator to measure:

- Emissions from electricity usage in buildings and stations
- Emissions from fuels for generators

- Emissions from fuels for motor vehicles
- Emissions from natural gas for chillers and compressor turbines
- Emissions from natural gas distribution
- Emissions from business flights

Based on these metrics, we found that carbon emissions from our operations in 2018 was down by 5% to 82,612.63 tons of CO₂e from 87,099.24 tons CO₂e in 2017.

DIRECT CARBON EMISSIONS (SCOPE 1) (GRI 305-1)

Activity	2018	2017	2016	Calculation Method
Venting	5,413.46	2,505.56	2,564.59	Cubic meter of gas multiplied by emissions factor under IPCC Guideline 2006
Instrumentation	3,459.32	3,204.98	2,777.95	Cubic meter of gas multiplied by emissions factor under IPCC Guideline 2006
Blowdown	823.85	631.03	506.47	Cubic meter of gas multiplied by emissions factor under IPCC Guideline 2006
Gas leakage	20,259.01	31,673.15	8.34	Cubic meter of gas multiplied by emissions factor under IPCC Guideline 2006
Fuel gas	34,623.80	36,208.25	37,039.48	Cubic meter of gas from instrument readings multiplied by emissions factor under IPCC Guideline 2006
Fuel for generator	318.04	95.24	973.25	Cubic meter of fuel from instrument readings multiplied by emissions factor under Pertamina 2006
Fuel for motor vehicles	1,469.67	1,949.09	1,762.40	Liters of fuel calculated from distance data multiplied by emissions factor under Pertamina 2006
Gas for motor vehicles	1,057.84	0,00	498.37	Cubic meter of gas fuel multiplied by emissions factor under IPCC Guideline 2006
Gas for chillers	1,168.07	1,247.50	314.84	Cubic meter of gas from PGN bills multiplied by emissions factor under IPCC Guideline 2006
Total	68,593.06	77,514.80	46,445.69	

Gases included in the calculation are CO₂ and CH₄. There were zero biogenic CO₂ emissions.

One of the ozone-depleting gases is chlorofluorocarbon (CFC), commonly known as Freon, used as refrigerant or heat exchange medium in cooling devices (AC, refrigerator, cooling tower, etc.). Since 2011, PGN have pioneered the use of natural gas from our internal installations as refrigerants in order to reduce the consumption of refrigerants based on greenhouse gases.

CARBON EMISSIONS (SCOPE 2) [GRI 305-2]

Activity	2018	2017	2016	Calculation Method
Electricity	13,319.93	9,072.98	15,837.03	kWh from PLN billing multiplied by emissions factor under data from the Directorate General of Electricity KESDM.
Flights	699.64	511.46	782.93	Business flights are recorded and multiplied by Total Passengers CO ₂ /journey based on data from the International Civil Aviation Organization (ICAO)
TOTAL	14,019.57	9,584.44	16,619.96	

GHG EMISSIONS INTENSITY [GRI 305-4]

	2018	2017	2016
Total Carbon Emissions (tons CO ₂ eq)	82,612.63	87,099.24	63,065.64
Production Volume (MMscfd)	1,445.89	1,265.06	1,373.44
GHG Emissions Intensity (tons CO ₂ eq/MMscfd)	57.14	68.85	45.92

GHG emissions included in the calculation are carbon emissions under scope 1 and scope 2.

We also monitor the air quality at stacks from combustion sources, i.e. gas turbines, gas engine generators, and diesel engine generators. The monitoring was conducted periodically in accordance with the Regulation of the Minister of Environment No. 13/2009 on Emissions Standards from Stationary Sources for Oil and Gas Business and/or Operations. Monitoring results in 2018 showed that emissions from stacks satisfied prevailing standards.

WASTE [GRI 306-2]

The main priority of our policy on waste is reduction at source, in turn minimizing the volume and impact caused by waste disposal. An example of waste reduction is the gradual phase-out of mercury-vapor lamps with light-emitting diode (LED) lamps, in turn

reducing the volume of hazardous waste (Bahan Berbahaya dan Beracun, B3).

In addition, other hazardous waste produced by PGN's operations are:

- Used lubricating oils
- Used filters
- Used batteries
- Packaging contaminated by hazardous materials
- Used rags

PGN does not have a unit to process or dispose hazardous waste. Consequently, we contracted a third-party licensed to manage hazardous waste. These waste products are placed in PGN's Temporary Storage (Tempat Penyimpanan Sementara, TPS) for a period

of time permitted by law before being transported outside of PGN's operating areas and treated by PT Prasadha Pamunah Limbah Industri.

HAZARDOUS WASTE PER WORK UNIT (TONS)

Work Units	2018	2017	2016
Gas Transmission Management (GTM)	7.385090	9.973305	12.219860
Gas Distribution Management Regional (GDMR) I	0.475670	0.953480	0.019900
Gas Distribution Management Regional (GDMR) II	0.431860	0.407915	0.330360
Gas Distribution Management Regional (GDMR) III	1.275440	0.346400	1.291300
Offices	0.324200	0.381850	2.705000
Total	9.892260	12.062950	16.566420

HAZARDOUS WASTE, BY DISPOSAL METHOD (TONS)

Disposal Method	2018	2017	2016
Recycled	4.416920	7.802468	6.935841
Landfill	5.179250	4.030088	9.109786
Others	0.296090	0.230394	0.520793
Total	9.892260	12.062950	16.566420

The processing/reclaiming/disposal is carried out in accordance with prevailing legislation by a licensed third-party.

EFFLUENT WASTE [GRI 306-1]

The GDMR I, II, and III do not produce effluent waste from their operations. Effluent waste is only produced by the Pagardewa Station under the GTM. The volume of effluent waste produced by the GTM was 0.0181 m³ of water that met and below the maximum standards set by prevailing legislation. PGN processes wastewater using API Separator units to separate oil and water. The processed water is then channeled to the Sungai Pematang Kemiri. Wastewater volume is measured using flow meters.

ENERGY

We use two types of energy in our operations. The first type is direct energy to generate electricity in our own power plant and gas turbine compressors to raise gas pressure for transmission from our installations to consumers. The second type is indirect energy, supplied by the Perusahaan Listrik Negara (PLN) to meet the energy needs at our head office, branch offices, and gas stations.

In order to improve our energy management, we conduct energy audits for the following objectives:

- Measure energy consumption levels
- Identify possible avenues to reduce energy usage
- Identify means to improve energy management to enable gradual switch to full use of green energy
- Identify means to raise awareness among employees to reduce energy consumption

Reduction of energy usage has direct positive impacts for the environment, in addition to lowering our expenses. In 2018, PGN, in cooperation with PT Energi Management Indonesia (Persero), conducted an energy audit at the Pagardewa Station, the findings

of which produced the Energy Consumption Index (Indeks Konsumsi Energi, IKE). We found that the IKE in the Regional Office was 8.18 kWh/m²/month; Control Building 7.47 kWh/m²/month; and Accommodation Building 6.25 kWh/m²/month. According to the Regulation of the Minister of Energy and Mineral Resources Number 13 Year 2012 on Electricity Efficiency, our IKE figures was Very Efficient.

We have taken measures to reduce energy usage, such as:

- Rewiring light switches according to needs and functions
- Switching to energy efficient and longer lasting LED lamps
- Use of solar panels for illumination outside of gas stations and repeater towers.
- Installation of window tints to reduce AC usage
- Implementing operational settings for AC and lamps
- Raising employee awareness in energy efficiency

Our energy consumption in 2018 was up by 1.12% to 693,943 GJ from 686,255 GJ in the previous year.

ENERGY INTENSITY [GRI 302-3]

Energy Intensity*	2018	2017	2016
Production (MMscfd)	1,445.89	1,265.06	1,373.44
Energy Consumption (Gigajoule)	693,943	686,255	662,996
Energy Intensity (GJ/MMscfd)	479.94	542.47	482.73

* Energy intensity takes into account electricity, fuel for electricity generation in our own power plant, and fuel for gas turbine compressors used at our head office, branch offices, and gas stations. The ratio does not include energy consumed outside of the organization.

MATERIAS [GRI 301-1]

We continue to add new pipelines to expand the existing network to convey gas to customers. Pipes are made of steel or polyethylene plastic (PE), both of which are non-renewable resources. Steel pipes are covered with coatings and other protective layers to prevent rust and extend longevity. This protection allows the pipes to be buried for extended time periods (up to 30 years). As at the end of 2018, the length of the transmission and distribution pipeline that we manage is 9,915,87 km, an increase of 33% from 7,453.19 km in the previous year.

To maintain the quality of gas, pipes are installed with filters to absorb impurities and contaminants, such as water vapor and dissolved matter. In addition to pipes, filters are one of the most used materials in our operations. Filters are changed at regular intervals. Used filters, treated as solid waste, are then processed in accordance with prevailing regulations to prevent pollution.

The main materials in our business process are pipes to convey gas, of which are measured by length, not mass or volume. The following table is a breakdown of our pipeline network.

LENGTH OF PIPELINE NETWORK (KM)

Distribution Pipeline	2018	2017	Increase/Decrease
Jakarta	750.07	744.12	5.95
Bogor	621.81	622.73	-0.92
Tangerang	463.98	444.26	19.72
Cilegon	116.44	102.63	13.81
Bekasi	443.34	414.44	28.90
Karawang	190.61	179.2	11.41
Cirebon	401.99	400.15	1.84
Palembang	183.73	178.19	5.54
Lampung	97.83	97.81	0.02
Sidoarjo	414.56	414.5	0.06
Pasuruan	204.77	202.87	1.90
Surabaya	584.08	574.34	9.74
Semarang	17.40	17.32	0.08
Medan	625.31	605.02	20.29
Pekanbaru	15.31	15.11	0.20
Batam	158.25	156.57	1.68
Dumai	45.76	0	45.76
Pertagas*	7.38	0	7.38
Total Distribution Pipeline	5,342.62	5,169.26	173.36
Transmission Pipeline			
Medan	36.90	36.90	0
Grissik-Duri*	536.36	536.36	0
Grissik-Batam-Singapore*	469.48	469.48	0
SSWJ	1,003.98	1,003.98	0
Dumai	66.54	0	66.54
Kepodang-Tambak Lorok*	200.77	200.77	0
LNG Lampung*	21.32	21.32	0
Pertagas*	2,222.78	0	2,222.78
Total Transmission Pipeline	4,573.25	2,283.93	2,289.32
TOTAL PIPELINE	9,915.87	7,453.19	2,462.68

Another avenue to reduce material usage is by reducing paper consumption. We implement paper reduction measures, as follows:

- Use of IT-based systems, such as: mailing systems (e-sms or electronic secretariat management system), payments system (POPAY - Paperless Online Payment System), Occupational Health and Safety, Security and Environmental system (HOLISTIC – HSSE Online System and Indicator Performance Center), and employee information systems.
- Centralized printing system
- Double-sided printing
- Paper recycling

We implement a policy to recycle materials that we no longer use but may be used by other parties. For this purpose, we contract a competent third-party. Other materials that have passed its useful life are sold, donated, or destroyed.

ENVIRONMENTAL PROGRAMS

As an entity committed to social responsibility, PGN is actively involved in conservation programs. These programs will be discussed in-depth in the Corporate Social Responsibility (CSR) section of this report. An example of such programs is afforestation to reduce greenhouse gases. In 2018, we have planted 30,000 trees, comprising of mangrove and local trees. These trees absorb CO₂ concentrations in the atmosphere and release O₂ gas that refreshes the air in the immediate area. In the last three years, we have planted:

- 2016 : 85,329 trees
- 2017: 96,314 trees
- 2018: 30,000 trees

We have spent Rp17,010,660,784 for conservation programs, as follows:

EXPENSES FOR ENVIRONMENTAL PROGRAMS (in rupiah)

Activity	2018	2017	2016
Preparation of AMDAL/UKL-UPL documents and environmental permit applications	1,475,209,411	1,357,150,089	1,694,192,887
Environmental monitoring	6,148,093,800	5,437,588,290	3,855,064,181
Environmental campaigns	15,000,000	39,906,400	54,500,000
Hazardous waste management	2,154,599,000	2,390,782,205	1,295,000,000
Environmental management under PROPER	1,329,900,000	1,595,442,248	600,000,000
Calibration of environmental measurement apparatuses	0	0	11,000,000
Trainings in environmental affairs	138,606,741	37,451,295	589,681,506
Energy monitoring systems and carbon calculator	1,572,451,067	1,353,279,840	820,017,000
Energy efficiency programs	552,000,000	1,318,962,500	600,000,000
Management of temporary storage for hazardous waste	450,000,000	626,561,805	62,000,000
Environmental reports	10,982,500	18,407,475	18,500,000
Environmental management systems	129,866,950	166,990,439	449,680,000
Construction of temporary storage for hazardous waste	420,596,000	1,959,836,208	0
Construction of secondary containment	214,946,306	0	0
Construction of Sewage Treatment Plant	2,398,409,000	0	0
TOTAL	17,010,660,784	16,302,358,794	10,049,635,574



OPPORTUNITY IN PRIORITIZING SAFETY

To work tomorrow is to work safely today. Occupational health and safety is our main priority.



07

OPPORTUNITY IN PRIORITIZING SAFETY



Work atmosphere that promotes health and safety would support employees' performance and increase the business achievements in a long term. PGN is committed to build a safe and healthy work place by effectively emphasizing on the occupational health and safety aspect implementation and the compliance with rules and regulations as well as standards on occupational health and safety, both at national and international levels.



OCCUPATIONAL HEALTH AND SAFETY ASPECT POLICY

Bearing in mind the high risks in natural gas management and distribution business, PGN is committed to the creation of policy and implementation of occupational health and safety management system at the highest standards. Such policy is applied on all PGN's work units in order to avoid or minimize the risks of work accident and illness due to work. If occupational health and safety are well maintained, the results would be as follows:

- Increased welfare of employees and their family
- Increased comfort and self confidence in professional activity
- Effectiveness and efficiency in operational cost
- Reduced compensation cost for accident and illness
- Reduced recovery cost
- PGN's good image is maintained

In relation to occupational health and safety, we adhere to the following applicable regulations:

- Law No. 1 of 1970 on Occupational Safety
- Law No. 13 of 2003 on Manpower;
- Law No. 3 of 1969 on Agreement of International Labor Organization Convention Number 120 on Hygiene in Commerce and Offices
- Law No. 22 of 2001 on Petroleum and Natural Gas
- Law No. 40 of 2004 on Social Security of Workers
- Law No. 36 of 2009 on Health
- Law No. 24 of 2011 on Social Security Provider Body
- Government Regulation No. 50 of 2012 on Implementation of Occupational Health and Safety Management System
- OHSAS 18001:2007, i.e. Occupational Health and Safety Assessment -- an international standard for occupational health and safety management system implementation
- and their derivatives

PGN puts emphasis on the OHS management implementation in its every work and operational activity, with the principals of 'Plan, Do, Check and Action'. We care about health and safety of all our workers, because only as long as they are healthy and safe would PGN achieve its sustainability objectives.

OHS in Collective Labor Agreement

Collective Labor Agreement (CLA) is an important agreement between PGN's management and employees, where the rights and obligation of the respective parties are explained. This is aimed at harmonious industrial relation in the Company. Therefore, for PGN, it is important to include OHS-related articles in the CLA. Rules regarding OHS are specifically described in the CLA, which is prepared collectively between workers' representatives in PGN's Labor Union (SP-PGN) and PGN's management representatives. About 80.4% of PGN's employee are represented by SP-PGN in the OHS Committee.

[GRI 403-1]

Of the 96 articles written in the CLA, there are 19 articles which cover the topic of occupational safety and health, or about 20%. These topics are as follows:

[GRI 403-4]

CHAPTER V. WORK TIME, HOLIDAY, AND OVERTIME WORK

Article 26 Regular Work Days and Time
Article 27 Shift Work Days and Time
Article 30 Overtime Work
Article 31 Overtime Work Facility

CHAPTER IX HEALTHCARE INSURANCE

Article 46 Out-patient and Medical Treatment
Article 47 In-patient
Article 50 Medical Rehabilitation
Article 51 Periodical Medical Check-up
Article 52 Special Medical Check-up
Article 53 Refusing Medical Check-up/Treatment

CHAPTER X OCCUPATIONAL HEALTH AND SAFETY

Article 58 General
Article 59 Occupational Safety
Article 60 Social Security Agency (BPJS) Manpower
Article 61 Work Accident
Article 62 Death Condolences Support

CHAPTER XI INSURANCE

Article 63 Work Accident Insurance

CHAPTER XIII DISCIPLINE AND SANCTION AGAINST DISCIPLINARY VIOLATION

Article 69 Types and Sanctions against Violation

CHAPTER XIV. TEMPORARY DUTY DISMISSAL

Article 70 General
Article 71 Implementation of Temporary Duty Dismissal

Besides being included in the CLA, the OHS aspects are also applied as part of the Key Performance Indicators (KPI) which are part of the performance evaluation of each employee. It is expected that through this evaluation, OHS practices can be entrenched in every worker.

OHS in PGN Management System

[GRI 403-1]

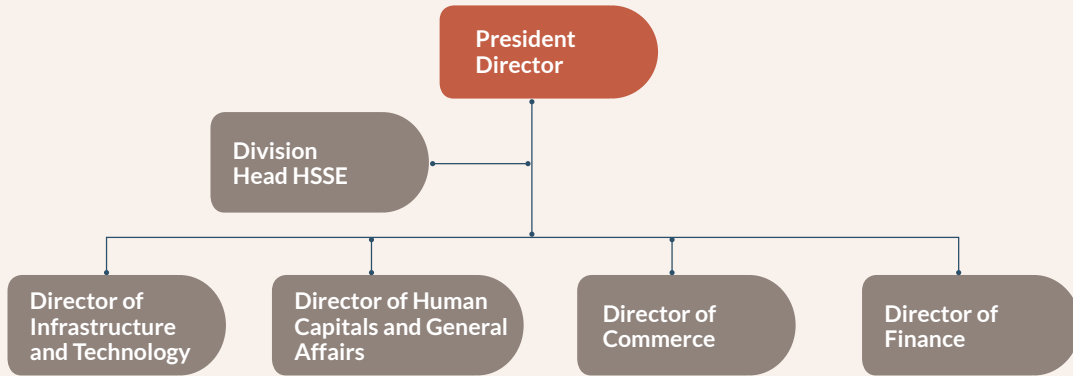
With reference to Law No. 1 of 1970 concerning Occupational Safety and Law No. 13 of 2003 concerning Manpower, Article 86 paragraph 2, which confirms the company's obligation to carry out work safety and health efforts for its workers, PGN builds an OHS management system structured from senior management to grassroots employees.

Management of the OHS program is under the supervision of Health, Safety, Security and Environment Division (HSSE Division), which structurally reports directly to the President Director. The HSSE Division comprises 14 people, or 1% of all PGN employees. In addition, PGN also has OHS management units at the operational level attached in the work units, and founded committees at the level of directors, directorates, business units, projects and subsidiaries such as:

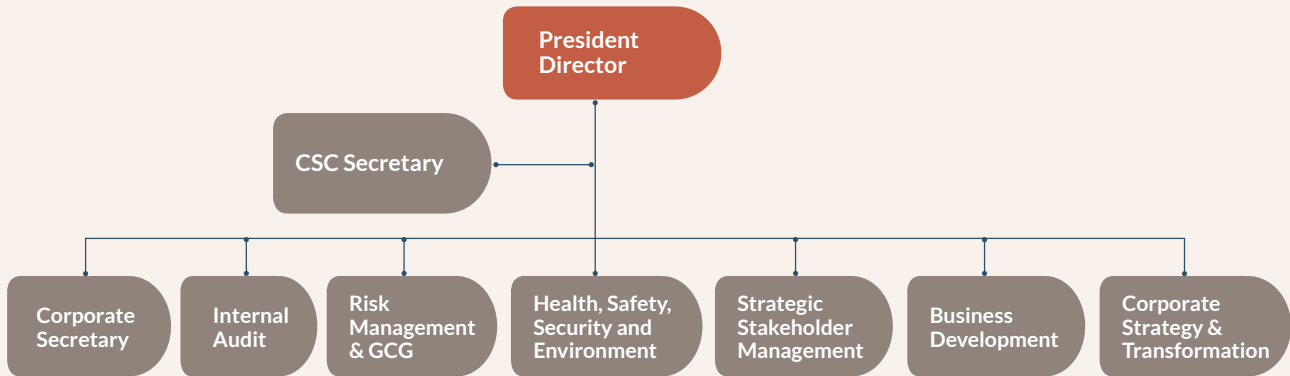
- Executive Central Safety Committee (ECSC) at the board of directors level
- Central Safety Committee (CSC) at the directorate, business unit, project and subsidiary levels.

Thus, it is expected that strategic policies, implementation and OHS activities can be carried out well and thoroughly, both for every employee and working partner of PGN. Below is the CSC organizational structure in each directorate and project:

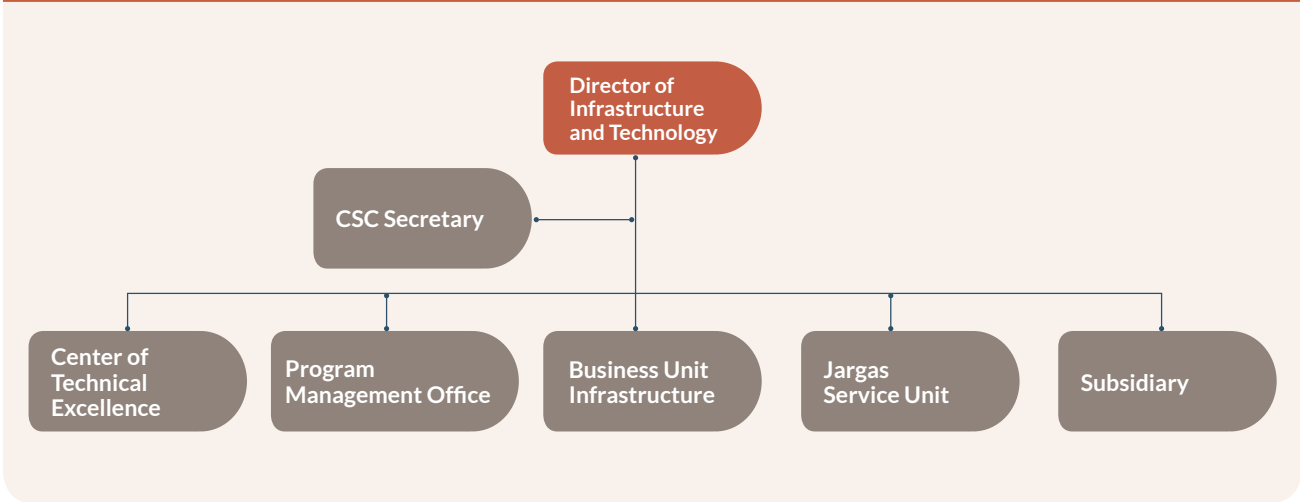
EXECUTIVE CENTRAL SAFETY COMMITTEE



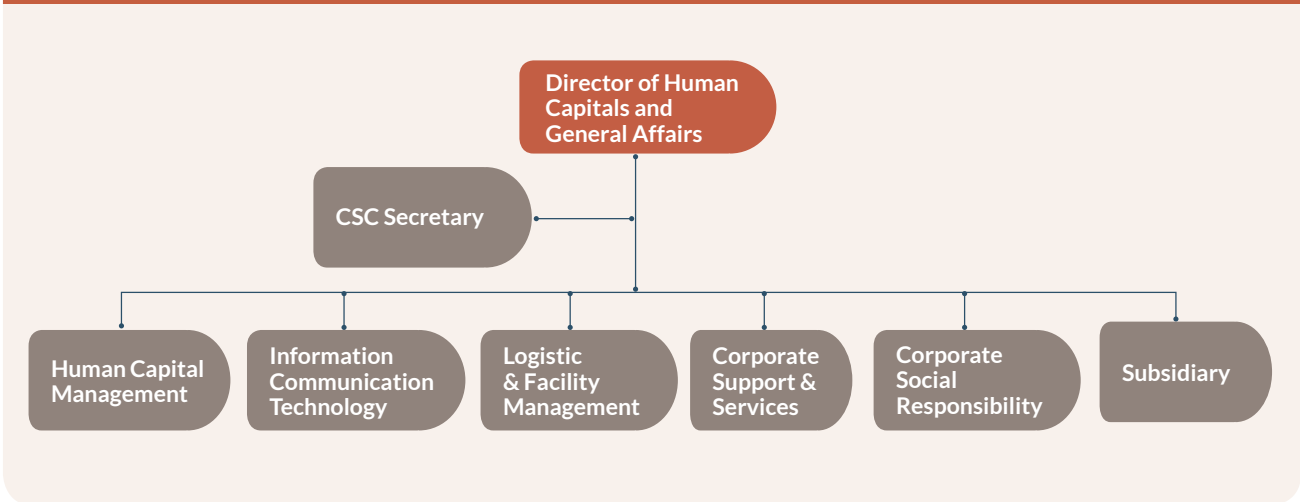
CSC OF HEAD DIRECTORATE



CSC DIRECTORATE OF INFRASTRUCTURE AND TECHNOLOGY

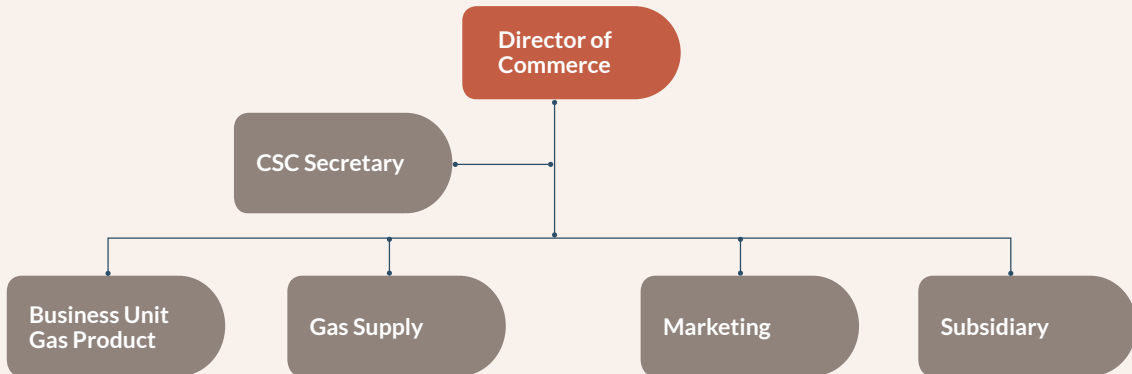


CSC DIRECTORATE OF HUMAN CAPITALS AND GENERAL AFFAIRS

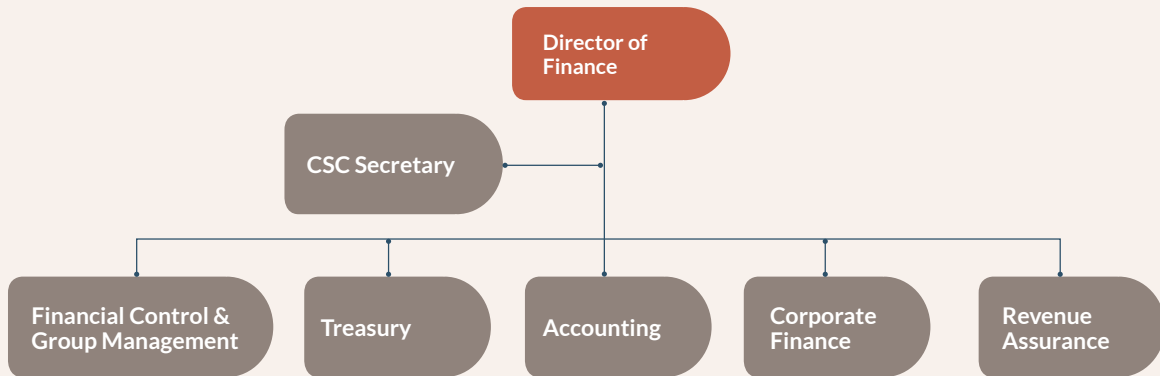


Sustainability at PGN
 Message
 About This Report
 Opportunity to Develop Sustainability
 Opportunity to Build the Business
 Opportunity to Prosper the Nation
 Opportunity in Conservation
 Opportunity in Prioritizing Safety
 Opportunity to Serve the Customer
 Opportunity to Build PGN's
 Opportunity to Bring Prosperity to the Nation

CSC OF COMMERCE DIRECTORATE

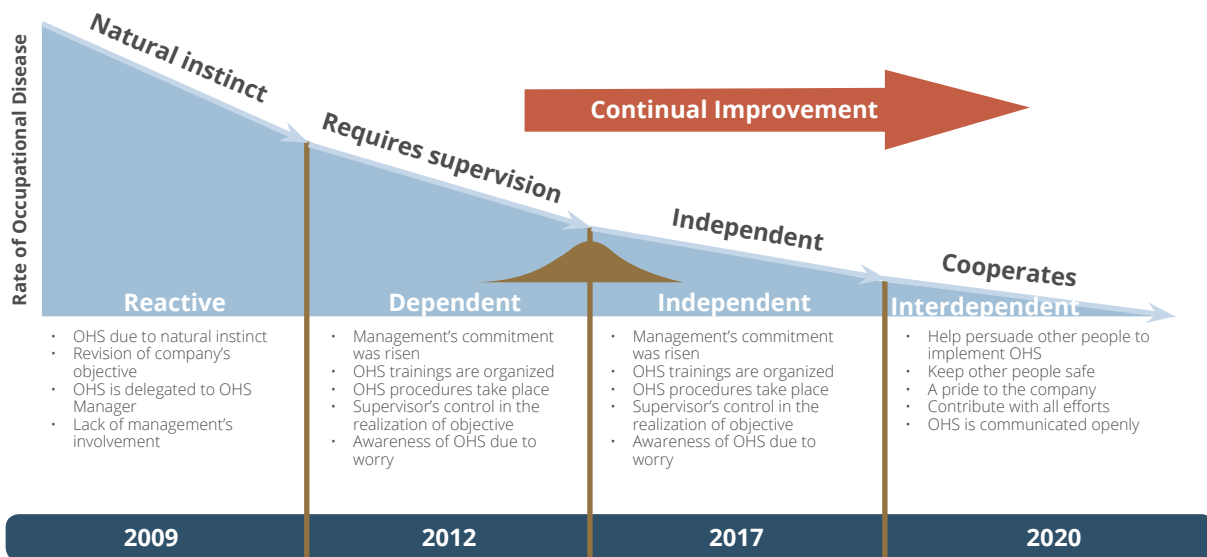


CSC OF FINANCE DIRECTORATE



OHS ROAD MAP IMPLEMENTATION

Strategically, PGN designed a “road map” or OHS road map as a guide to take PGN to achieve the OHS objectives. This “Safety Excellence Program” road map was designed in 2009 with the aim of bringing every PGN employee to understand the OHS aspects and realize the importance of risk mitigation. The audit results indicate that the Safety Excellence Program has brought very good results, namely the reduction of incidents and work accidents, and the establishment of an OHS awareness culture as reflected in the transformation of PGN employees state from “reactive” to “independent”, as illustrated in the chart below.



During 2018, we held OHS programs as follows:

1. MANAGEMENT VISIT

Regular visits from management will encourage and motivate employees in each work unit to implement the OHS program at their best. In these visits, the management also gives examples of best practices and interacts directly with the employees to obtain feedback on OHS implementation in the field. This feedback is very useful for the improvement of PGN's OHS implementation.

2. HSSE COMPETITION FOR EMPLOYEES AND PARTNERS 2018 AS HSSE IMPLEMENTATION EVALUATION BENCHMARK

The HSSE competition is an event full of fun yet pedagogic and able to encourage all PGN people to implement OHS in their respective work unit. The

competition is held annually; in 2018 it was held on the National Occupational Health and Safety Month and PGN's 53rd anniversary. Organized by the HSSE Division together with Working Unit and Subsidiaries, the competition is responded positively with great enthusiasm by PGN employees, including work partners of every unit. The event also serves as a benchmark of HSSE for all PGN employees and work partners, apart from a form of appreciation of their dedication in the implementation of HSSE in their respective work environment.

3. OHS CAMPAIGN

PGN believes that it is important to promote OHS culture and programs continuously in our efforts to increase OHS awareness among all employees. Certainly, employees would want to go home

in a safe and healthy condition everyday. Held occasionally, these campaigns take various formats and include posters, banners and education related to OHS.

4. OHSMS AND OHSAS 18001:2007 CERTIFICATION

To PGN, it is important to comply with rules and regulations concerning OHS to increase its credibility as well as to ensure safety and health of all PGN employees. Therefore, PGN conducts certification in the required fields, including the OHSAS 18001:2007 and OHSMS certifications, referring to the Government Regulation No. 50 of 2012, at the headquarter, all units and projects.

5. HSSE ONLINE SYSTEM AND INDICATOR PERFORMANCE CENTER

As the information technology advances, HSSE is also demanded to be able to show the right and accurate information quickly and accessibly for all stakeholders. To respond to this challenge, PGN made a web-based application named HSSE Online System and Indicator Performance Center (HOLISTIC). This application is at the disposition of PGN employees and PGN Group. The use of this application would increase work effectiveness in obtaining accurate data or information quickly, facilitate the management in preparing strategic and tactical measures to achieve operational excellence.

6. MANAGEMENT REVIEW MEETING (MRM)

The Management Review Meeting (MRM) is a meeting where PGN management receives the

reports of OHS implementation status. It is a summit that is held for continual improvement of OHS system. In 2018, the MRM discussed the issues as follows:

- Review of the RTM 2018 follow-ups
- Review of Health, Safety, Security, Environment and Energy Management System HSSE-MS
- Review of HSSE Targets
- Review of HSSE Performance
- Monitoring the status of incident investigation, improvement and prevention measures
- Presentation of Lessons Learned from Incident 2018
- Review of Communication, Participation and Consultation
- Review of resources
- Review of Management of Change
- Review of continual improvement recommendations

7. OHS TRAINING

Most of incidents of accident occur due to human factor. Therefore, PGN always increases the employees' competence, encourages them to take prevention and corrective actions. In addition to that, the trainings are held to improve the competence related to OHS risks and audit procedures. Apart from PGN employees, OHS basic training is also held for third-parties so that they could implement OHS at their best, in line with PGN's standards. During 2018, PGN organized the following OHS trainings:

OCCUPATIONAL HEALTH AND SAFETY TRAININGS IN 2018

No	Training Name	Period	Number of Participant	Number of Days	Mandays
1	Defensive Driving Training	20 January 2018	119	1	119
2	Integrated Management System Interpretation (ISO 9001, ISO 14001, OHSAS 18001) Batch 1	February 26 – 27, 2018	27	2	54
3	Integrated Management System Interpretation (ISO 9001, ISO 14001, OHSAS 18001) Batch 2	March 1 – 2, 2018	26	2	52

OCCUPATIONAL HEALTH AND SAFETY TRAININGS IN 2018

No	Training Name	Period	Number of Participant	Number of Days	Mandays
4	Refreshment Training Safety Behaviour and Management Program Management Office – Hazard Analysis	August 15 – 16 2018	18	2	36
5	Refreshment Training Safety Behaviour and Management - Behaviour Safety Batch 1 (Jakarta)	July 10 2018	7	1	7
6	Refreshment Training Safety Behaviour and Management - Behaviour Safety Batch 2 (Jakarta)	July 11 2018	9	1	9
7	Refreshment Training Safety Behaviour and Management - Safety Behaviour for First Line Management	July 12 – 13 2018	25	2	50
8	Refreshment Training Safety Behaviour and Management - Safety Management for First Line Management (Site Visit Tangerang)	July 16 2018	6	1	6
9	Refreshment Training Safety Behaviour & Safety Management, Safety Management for First Line Management (Site Visit Narogong)	July 17 2018	6	1	6
10	Refreshment Training Safety Behaviour and Management – Behaviour Safety Batch 3 (Surabaya)	July 23 2018	10	1	10
11	Refreshment Training Safety Behaviour & Safety Management, Safety Management for First Line Management (Site Visit Surabaya)	July 24 2018	4	1	4
12	Refreshment Training Safety Behaviour and Management – Behaviour Safety Batch 4 (Batam)	July 26 2018	5	1	5
13	Refreshment Training Safety Behaviour & Safety Management, Safety Management for First Line Management (Site Visit Batam)	July 27 2018	2	1	2
14	Refreshment Training Safety Behaviour and Management Program Management Office – Incident Investigation	August 20 – 21 2018	13	2	26
15	Refreshment Training Safety Behaviour and Management Program Management Office – Hazard Analysis (Batch 2)	August 27 – 28 2018	14	2	28
16	Refreshment Training Safety Behaviour and Management Program Management Office – Incident Invest (Batch 2)	August 29 – 30 2018	14	2	28
17	Certified General Occupational Health and Safety Expert (Ahli K3 Umum Kementerian Ketenagakerjaan)	March 5 – 20, 2018	2	12	24
18	Incident Investigation	April 10 – 11 2018	1	2	2
19	Certified Oil and Gas Occupational Health and Safety Expert Level Middle Supervisor (Ahli K3 Migas Level Pengawas Madya - Sertifikasi BNSP)	April, 23 – 26 2018	3	4	12

OCCUPATIONAL HEALTH AND SAFETY TRAININGS IN 2018

No	Training Name	Period	Number of Participant	Number of Days	Mandays
20	Plant Manager/Incident Commander - Initial Response Batch 1	July 4 – 6 2018	8	3	24
21	Plant Manager/Incident Commander - Initial Response Batch 2	August 1 – 3 2018	4	3	12
22	Plant Manager/Incident Commander - Initial Response Batch 3	August 29 – 31 2018	4	3	12
23	Energy Management System	March 15 – 16, 2018	25	2	50
24	Industrial Energy Manager	August 13 – 14, 2018	2	2	4
25	Certified Oil and Gas Occupational Health and Safety Expert Level Top Supervisor (Ahli K3 Migas Level Pengawas Utama - Sertifikasi BNSP)	September 24 – 27, 2018	2	4	8
26	Incident Investigation	November 21 – 23 2018	3	4	12

8. HEALTH AND SAFETY REPORTING

PGN submits routine Health and Safety Reports to the Ministry of Manpower every three months and to the Directorate General of Oil and Gas (Dirjen Migas) of the Ministry of Energy and Mineral Resources every month.

OHS PERFORMANCE 2018 [GRI 403-2]

The measurement of OHS performance is an important part of the Company's OHS management, as the parameters resulted would be useful in evaluating the efficiency and effectiveness of OHS implementation. The measurement would provide feedback of information on how the OHSMS has been implemented, the areas that require repair, and how to further motivate the employees in OHS implementation in the

field. It would also provide the basis for continuous improvement. PGN's OHS performance reporting is detailed as follows:

SAFETY METRIC

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

The reports on OHS incidents recorded in line with the applicable government regulations on OHS are as follows: [GRI 403-2]

TABLE OF PGN EMPLOYEE INCIDENT, GENDER-WISE

Gender	FAC	MTC	RWDC	LWDC	Fatality	Total
Male	13	0	0	0	0	13
Female	1	0	0	0	0	1
Total	14	0	0	0	0	14

TABLE OF EMPLOYEE INCIDENT

Region	Total Incident 2018						
	Nearmiss	FAC	MTC	RWC	LWDC	Fatality	Total
Head Office	14	3	0	0	0	0	16
GDM I	6	1	0	0	0	0	7
GDM II	5	3	0	0	0	0	8
GDM III	0	1	0	0	0	0	1
GTM	5	1	0	0	0	0	7
PMO	12	5	0	0	0	0	18
Total	42	14	0	0	0	0	57

TABLE OF CONTRACTOR WORKER INCIDENT

Region	Total Incident in Report Year						
	Nearmiss	FAC	MTC	RWC	LWDC	Fatality	Total
Head Office	0	0	0	0	0	0	0
GDM I	3	1	0	0	0	0	4
GDM II	5	5	0	0	0	0	10
GDM III	0	0	0	0	0	0	0
GTM	0	1	0	0	0	0	1
PMO	9	4	0	0	0	0	13
Total	17	11	0	0	0	0	28

Notes:

- First Aid Case (FAC) is injury that does not require further treatment (limited to first aid) and does not cause Lost Work Day or day with limited work ability.
- Medical Treatment Case (MTC) is injury that requires further treatment under monitoring of medical officer but does not cause Lost Work Day or day with limited work ability.
- Restricted Work Day Case (RWDC) is Work Accident that causes the concerned worker remain able to work in the days following the incident but can not effectively do all the work tasks or regular obligations.
- Lost Work Day Case (LWDC) is Work Accident that causes worker temporarily unable to work on the following day or shift of work.
- Near Missed is event that may cause, but has not yet caused, injury and/or loss of assets, environment or a Third Party;
- Fatality is Work Accident that causes death regardless the time difference between the accident and the death of the worker.

In 2018, there were no serious injuries, only near missed and first aid cases as many as 85 cases both at the head office and in all work units. This reflects the fact that PGN is highly committed to the inculcation of OHS and OHS implementation at the highest standards in the entire business that it manages. This achievement would not have been realized without the participation of all PGN employees and work partners.

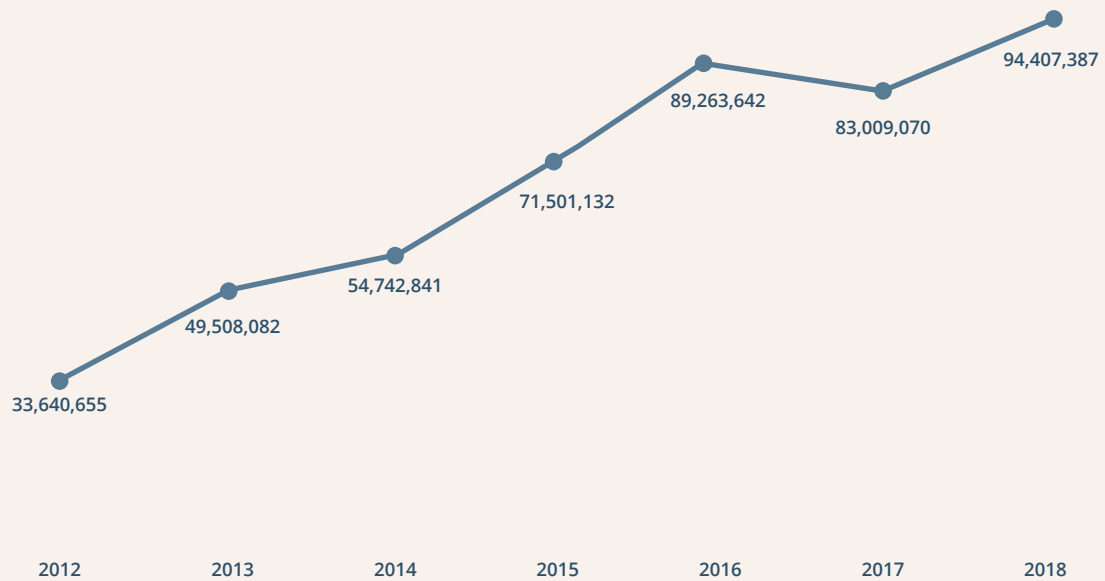
SAFE WORKING HOUR

Our commitment to Occupational Health and Safety (OHS) brought out 94,407,387 safe working hours, as detailed in the table below.

TABLE OF SAFE WORKING HOUR

Operational Region	2018	2017	2016	2015
Head Office	15,316,005	13,076,117	10,837,827	8,149,977
GDM I	29,470,038	26,560,841	23,607,803	20,724,213
GDM II	17,490,451	16,065,418	14,662,382	13,233,803
GDM III	12,902,335	12,054,557	11,130,453	10,374,418
GTM	13,845,648	12,695,879	11,467,788	10,006,139
PMO Infrastructure	5,382,910	2,556,872	17,557,389	8,838,258

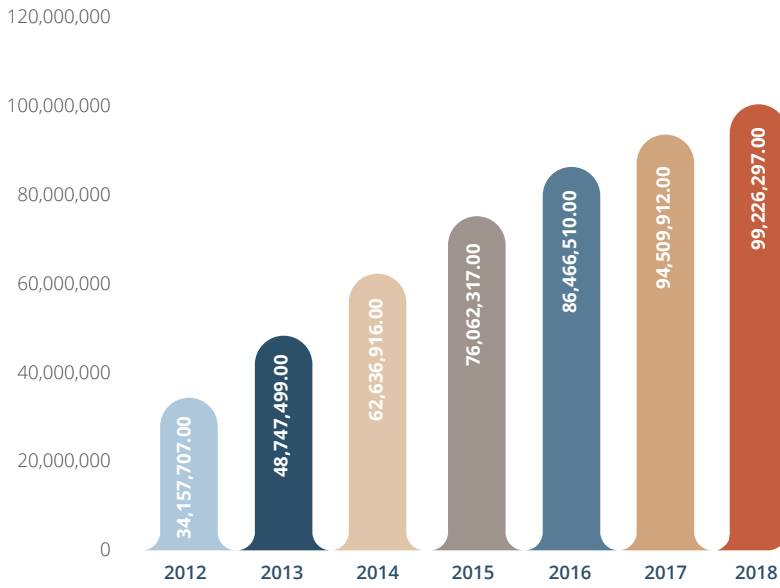
SAFE WORKING HOUR



SAFE DRIVING DISTANCE

PGN puts emphasis on driving safety and holds a training for PGN people involved in transportation activities and maintains the vehicles in good condition. In 2018, the total safe vehicle distance traveled reached 99,226,297 km.

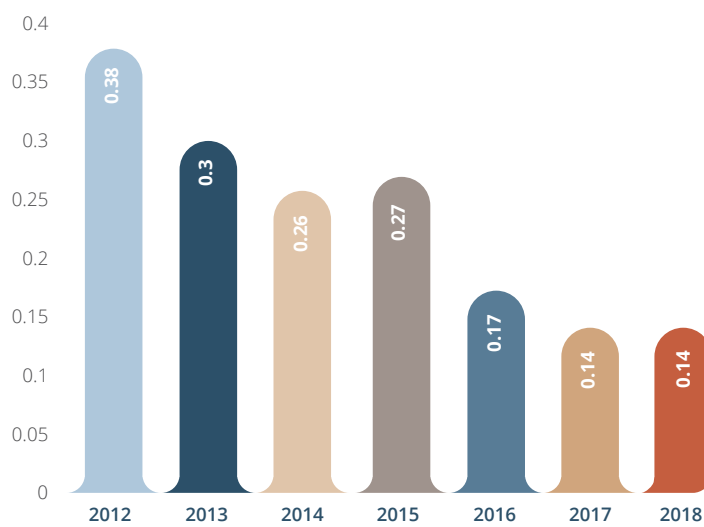
SAFE DRIVING DISTANCE (KM)



TOTAL SICKNESS ABSENCE FREQUENCY (TSAF)

This parameter measures level of occupational health, based on the amount of the number of employees who lost work time due to illness. In 2018, the productivity increased as the TSAF went down to 0.14.

TSAF



TOTAL SICKNESS ABSENCES FREQUENCY (TSAF)

No	Region	TSAF
1	Head Office	0.34%
2	GDM I	0.13%
3	GDM II	0.09%
4	GDM III	0.07%
5	GTM	0.11%
6	PMO	0.02%
TOTAL		0.14%

OCCUPATIONAL HEALTH ROAD MAP

PGN pays special attention to the workers' health, as only healthy workers would provide the Company's good performance. PGN holds a variety of programs to improve the employees' health. They are customized according to the workers' risk level and the respective work field. Health education comes in four forms:

- Seminar and road show
- Health data management through E-medical record application
- Industrial hygiene program i.e. work environment checking
- Annual health risk check

In addition, the Work Reference Document that PGN has compiled functions as the legal basis of rules in workers' health management. PGN's health road map is as follows:

PGN HEALTH ROAD MAP 2013 - 2020



OHS Awards

For our OHS performance in 2018, PGN received forms of appreciation and awards from independent parties. The awards in OHS are listed below.



The Ministry of Manpower awarded PGN for its achievements in Occupational Health and Safety (K3) for zero work accidents, as referred to in the Regulation of the Minister of Manpower and Transmigration Number PER-01/MEN/I/2017.



The Minister of Manpower of the Republic of Indonesia conferred the Platinum Award for HIV & AIDS Prevention and Management in the work place.



Award from the Ministry of Energy and Mineral Resources for reaching safe work hours without lost work day because of accident as referred to in the Regulation of the Minister of Mining and Energy No. 516.K/38/M. PE/1989.



Sustainability at PGN
 Message
 About This Report
 Opportunity to Develop Sustainability
 Opportunity to Build the Business
 Opportunity to Prosper the Nation
 Opportunity in Conservation
 Opportunity in Prioritizing Safety
 Opportunity to Serve the Customer
 Opportunity to Build PGN's
 Opportunity to Bring Prosperity to the Nation



OPPORTUNITY TO SERVE THE CUSTOMER

We provide customers with products of the best quality and maintain a harmonious, interactive, and positive relationship with them.



08

OPPORTUNITY TO SERVE THE CUSTOMER



Customers play an important role for PGN as they are the assessors of the Company and ensure our business continues. We are committed to provide the best service for our customers through our flagship products and customer satisfaction programs.

- Opportunity to Bring Prosperity to the Nation
- Opportunity to Build PGN's
- Opportunity to Serve the Customer
- Opportunity in Prioritizing Safety
- Opportunity in Conservation
- Opportunity to Prosper the Nation
- Opportunity to Build the Business
- Opportunity to Develop Sustainability
- About This Report
- Message
- Sustainability at PGN



Customers are one of PGN's strategic stakeholders since our business continuity is contingent on their purchase of our products and services. In a sense, our future growth is determined by our customers, for their satisfaction and response are the benchmark when planning the development of our products and services.

PGN does not merely focus on "customer service." We go one step further by developing "customer experience" – emphasizing on the overall customer experience and sentiment throughout their journey with PGN. We strive to ensure that each customer enjoys positive experiences with PGN from the start, in turn making them loyal customers of our brand. In addition, we also emphasize experiential marketing concepts that encourage customers to play an active role in their experience with PGN.

These services are our innovations to improve customer satisfaction and loyalty. Parallel to innovative services for customers, we also maintain the excellence of our products and services. Plus, our offerings are developed to meet our customers' demands and expectations.

GIVING PRIORITY TO CUSTOMERS' HEALTH AND SAFETY

PGN products undergo thorough inspections, including examinations of every aspect of the materials in our products. We are committed to comply with every safety regulation stated in the Material Safety Data Sheet (MSDS). We also provide both our existing and future customers with a copy of the MSDS sheet to help them understand the chemical make-up and safety precautions of our products.

QUALITY ASSURANCE

At every phase of the gas distribution, PGN collects samples at the production site, commingle pipes, and customer input points (for certain customers) to check the quality of the gas we supply. We check the quality of methane gas, the main component of our product, as well as ethane, propane, butane, and other gases. In addition, we also verify that gas conveyed from the production sites and gas at pre-entry into the transmission network does not exceed standard contaminant thresholds. These contaminants are, among others, carbon dioxide, nitrogen, mercury, and hydrogen sulfide. By ensuring that we meet these standards, we ensure that gas distribution is safe and customers' gas appliances are cared for. PGN also checks to ensure that the gas pressure is in accordance with agreements and safety standards. These inspections apply for all (100%) of PGN's products. Customers routinely receive pressure readings with their gas bills. We carry out these meticulous inspections to maintain product quality for our customers. The inspection results provide clear and accountable information for customers. **[GRI 416-1]**

For customers who buy gas products, we enclose an MSDS sheet containing the following information:

1. Product name, manufacturer, and manufacturer phone number.
2. General product information, including its composition.
3. Hazardous Components.
4. Reactivity.
5. Flammability.
6. Physical Properties.
7. Chemical Properties.
8. Health Effects.
9. First Aid.
10. Storage. **[GRI 417-1]**

PRIORITY FOR CUSTOMER SAFETY

PGN always ensures that its operations are carried out in accordance with prevailing Standard Operating Procedures (SOP). We are always improving our customer service by raising the competence of our human resources in customer service. PGN implements a policy on minimum service standards and applies service quality standards as part of their Key Performance Indicator/KPI. In the quest to perfect our workflow, we achieved the following in 2018:

- Zero violations against gas sales contracts.
- Zero breaches of customer privacy in accordance with our contracts.
- Zero losses of customer data as recorded in the PGN customer identification system.
- Zero misrepresentations in media advertisements, promotion programs, and sponsorships.

In 2018, there were no incident of non-compliance concerning information and labelling of our products and services. In addition, there were also no incident of non-compliance concerning marketing communications that resulted in legal claims or fines.

[GRI 417-2, GRI 417-3]

DELIVERING QUALITY CONSISTENT WITH REGULATIONS AND STANDARDS

To maintain quality and standards, PGN implemented a quality management standard that has received ISO 9001: 2015 certification. We have taken measures to maintain quality, particularly before entering into contracts with our suppliers. These measures include:

- Inspections of gas availability
- Verification of production equipment worthiness
- Verification of gas quality from suppliers
- Sampling of gas at entry to transmission pipeline
- Examination of samples by independent and competent institutions
- Verification of supplied gas volume

PGN also provides accurate and timely information to customers in the event of significant changes in the volume and quality of gas that we supply. We also inform customers in the event of a possible interruption of gas supply. By doing so, customers are notified to prepare other fuels for their everyday activities.

PGN installs filters and scrubbers at offtake stations and filters at the customers' metering and regulating station to maintain the quality and pressure of gas supplied by the transmission and/or distribution pipelines. These devices serve to minimize or remove dust, condensates, or other non-gas particles that could cause damage to our customers' gas appliances. As such, we have eliminated the possibility of complaints concerning gas quality and pressure from customers.

PROVIDING THE BEST SERVICE

For customers' comfort, we have set up the PGN Contact Center, an information and complaint center. Customers can reach the PGN Contact Center by dialing 1500645 or writing an email to contact.center@pgn.co.id. Both channels will respond promptly to every question and complaint concerning PGN products and services raised by customers and other stakeholders. The PGN Contact Center is available 24 hours a day, 7 days a week to assist customers. Question and complaints are responded no more than 24 hours after receipt by the Contact Center agent.

We centralized the Contact Center to our Head Office in 2015 to improve its service quality. We also deploy walk-in agents to respond to customers' complaints and questions in every Sales Area. The walk-in agents provide direct consulting service for current and potential customers as well as to other stakeholders. In addition, each walk-in agent is able to respond to a customer's complaint by coordinating with the relevant unit at the Sales Area.

CUSTOMER INTERACTION

Customer interaction enables PGN to receive input and listen directly from our customers. The interaction is beneficial in building a harmonious relationship and an open, two-way communication. For customers, customer interaction is a medium for them to voice their criticisms and offer suggestions. For PGN, it is a channel to educate the market, promote products and services, and bridge the PGN-customer relationship to narrow the gap between customer demands and PGN's capabilities. In 2018, PGN has organized a number of customer interaction events in various cities, ranging from residential, small businesses, to commercial-industrial customers.

PGN's Customer Management and Sales team has also organized visits to actively engage and build relationships with current and future customers. Sales, previously handled by an Account Executive, is now handled by both Customer Management and Sales. Customer Management is responsible for existing customers whereas Sales is focused on signing new customers. The breakthrough is proven to improve service quality and sales volume. Plus, it speeds up the sign-up process for new customers. In their visits, the Customer Management and Sales teams provided suggestions to both existing and future customers on ways to improve their efficiency in using natural gas. The visits also provided PGN with the opportunity to better learn the business situations of our customers. Based on these valuable input, we are able to prepare strategic policies to develop our products and services.

ENSURING CUSTOMER SATISFACTION

PGN is continuously improving its service quality; we routinely hold customer satisfaction surveys to gather input in improving service quality towards Service Excellence. In 2018, PGN has measured customer satisfaction in all Sales Areas, involving customers from the residential, small businesses, and industrial-commercial segments.

The findings were drawn into the following matrices: Customer Satisfaction Index (CSI), Customer Loyalty Index (CLI), Customer Referral Index (CRI), and Net Promoter Score (NPS). Based on the survey, we found that in 2018 the CSI score was 5.43 (based on a range of 1-6 using the Likert scale); CLI score was 5.63 (based on a range of 1-6 using the Likert scale); and NPS was 49.52%. Since the figures are in the top percentile of the scale, it is concluded that PGN customers are satisfied with the level of service provided.

To further maintain customer satisfaction, PGN strives to ensure that gas distribution is reliable and consistent by deploying a Floating Storage Regasification Unit (FSRU), an off-shore natural gas storage facility based in Lampung. The FSRU Lampung infrastructure also supports PGN's natural gas sales.

PGN has planned to construct storage facilities in the future in areas adjacent to our primary customers, located on industrial and commercial estates. If gas supply from suppliers were to drop, we are able to replenish the deficit from our own wells, other suppliers, the FSRU, Compressed Natural Gas (CNG) facilities, and LNG Receiving Terminal.

One of the most common complaints we received pertained to our pipeline network and customer pipeline installations. In response, we have mobilized our Subsidiary, PGASOL (PT PGAS Solution) to manage the operations and maintenance of PGN infrastructure network. PGASOL also assists customers to maintain their pipeline installations.

CUSTOMER CARD

A customer card is PGN's appreciation for residential customers. The customer card is renewed every two years and serves as the customer's identity card. Each card contains PGN's area code, customer identification number, PGN Contact Center number, and nearest PGN office. In 2018, we have renewed 26,122 customer cards. The card helps to facilitate a customer's interaction with PGN.

LATEST TECHNOLOGY

Leveraging the latest technology to enhance customer service, PGN has launched the PGN Mobile app. The app provides information related to PGN; its products and services; how to sign-up as a customer; benefits of using natural gas; and methods to detect and mitigate gas leaks. More importantly, the app also informs customers their gas bills. In addition, customers can check locations of Natural Gas Refueling Stations (Stasiun Pengisian Bahan Bakar Gas Bumi, SPBG). PGN Mobile can be downloaded from the Google Play Store for Android users and from the App Store for iOS users.

NETWORK EXPANSION

In 2018, we have launched 32 Gaslink Trucks managed by PT Gagah Energi Indonesia (GEI), a PGN subsidiary, to serve areas not covered by our pipeline network. The natural gas-powered Gaslink Trucks demonstrated our commitment to meet customer demands and improve customer satisfaction.



OPPORTUNITY TO BUILD PGN'S PEOPLE

The only way of building an excellent company
is by building excellent employees.



09

OPPORTUNITY TO BUILD PGN'S PEOPLE



Our individuals are one of the factors of corporate performance. Our vision of becoming a world-class energy company in the gas field. We are committed to grow each employee's potential and provide them with a conducive working environment. Only then we can grow and achieve our dreams.



STRATEGIES AND POLICIES TO DEVELOP PGN INDIVIDUALS

A company's growth and productivity is molded by its largest assets: people. People designs programs, operates systems, and initiates growth and change. To that end, PGN offers conducive employment opportunities to attract the best talents and encourage them to be part of the PGN 2020 vision: to be a world-class energy company in the gas field.

We strive to create a safe and comfortable work environment while challenging each individual to reach her utmost potential. The success of the conducive work environment is evidenced by low employee turnovers, high safe working hours, and employee quality improvements during performance assessments.

Employees have the opportunity to voice their opinions on work conditions in the employee engagement survey. Inputs from employees are then used to adjust and improve various strategic policies in human resources management. The survey is carried out periodically. In this year, our employees voiced three main aspirations: career development opportunities, fair remuneration, and welfare security.

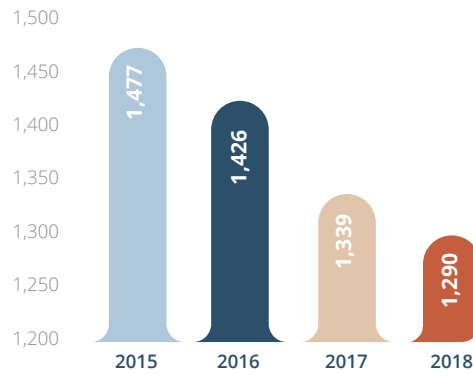
We recognize the importance of employee education and training for the company's growth. Accordingly, we routinely hold professional trainings, certifications, and motivation sessions. These training sessions are also expected to raise employee satisfaction and loyalty to the company. We also offer PGN individuals with the opportunity to further their education, to be promoted, to grow their career, and to exercise other rights as stated in the collective labor agreement, in accordance with prevailing legislation.

PGN EMPLOYEE PROFILE [GRI 102-8]

In 2018, PGN employed 1,290 people across Indonesia, less 3.7% compared with the previous year. The main reason for the decline is retirement. In general,

employee profile based on data compiled by the Human Resources Division is as follows:

NUMBER OF EMPLOYEE



DISTRIBUTION OF EMPLOYEES ACCORDING TO EMPLOYMENT CONTRACT, BY GENDER

	Permanent		Temporary		Total
	2017	2018	2017	2018	2018
Female	327	316	0	0	316
Male	1,012	974	0	0	974
TOTAL	1,339	1,290	0	0	1,290

All employees are currently registered and reported at the Head Office, Jakarta. This is conducted in line with the implementation of corporate transformation.

DISTRIBUTION OF EMPLOYEES ACCORDING TO TYPE OF EMPLOYMENT CONTRACT, BY GENDER

	Full Time		Part-time		Total
	2017	2018	2017	2018	2018
Female	327	316	0	0	316
Male	1,012	974	0	0	974
TOTAL	1,339	1,290	0	0	1,290

Sustainability at PGN
 Message
 About This Report
 Opportunity to Develop Sustainability
 Opportunity to Build the Business
 Opportunity to Prosper the Nation
 Opportunity in Conservation
 Opportunity in Prioritizing Safety
 Opportunity to Serve the Customer
 Opportunity to Build PGN's
 Opportunity to Bring Prosperity to the Nation



PGN EMPLOYEE TURNOVER

In 2018, we did not see significant employee turnover. The majority of employees resigned as they have reached the mandatory retirement age of 56 years. In 2018, we did not recruit new employees.

In order to attract the best talents, we announce recruitment programs in nationally circulated print media and our website. Additionally, competent independent parties has been involved to support such objectives. We also recruit employees in our operating areas to demonstrate our commitments in supporting the self-sufficiency, prosperity, and development of the local population.

EMPLOYEE RECRUITMENT DATA [GRI 401-1]

	2018		2017	
	Total	Percentage	Total	Percentage
GENDER				
Male	0	0%	8	80%
Female	0	0%	2	20%
	0	0%	10	100%
AGE				
Below 30 years old	0	0%	10	100%
30-50 years old	0	0%	0	0%
Above 50 years old	0	0%	0	0%
	0	0%	10	100%

EMPLOYEE RECRUITMENT DATA [GRI 401-1]

Employee Category	2018		2017	
	Total	Percentage	Total	Percentage
Senior	0	0%	0	0%
Middle	0	0%	0	0%
Junior	0	0%	0	0%
Staff	0	0%	10	100%
Operating Areas				
Head Office/Holding	0	0%	1	10%
Gas Product Business Unit	0	0%	4	40%
Infrastructure Operations Business Unit	0	0%	4	40%
Gas Network Unit	0	0%	0	0%
Program Management Office	0	0%	1	10%
Subsidiaries	0	0%	0	0%

We recognize that remuneration is one of the most important factors that determine the quality of life of our individuals. As such, we are committed to implement a competitive remuneration package for every position, including in entry level positions. The Minimum Regional Wage (Upah Minimum Regional, UMR) in PGN's operating areas range from Rp1,486,065 (in Central Java) to Rp3,648,035 (in DKI Jakarta). The

lowest wage for entry level PGN individuals is above the Indonesian UMR range. The table below shows the ratio of basic wage to the minimum wage in our operating areas. Since wages for male and female employees are not differentiated, the table represents both genders equally. Significant operating locations are provinces or regencies (kabupaten) which we operate in.

RATIO OF WAGE FOR ENTRY-LEVEL EMPLOYEE BY GENDER TO MINIMUM REGIONAL WAGES [GRI 202-1]

Operating Areas	Provincial/Regional Minimum Wage (Rp)	Basic Wage for Entry-level Employees (Rp)	Ratio of Regional Minimum Wage to Basic Wage
Jakarta (head office)	3,648,035	4,840,000	0.75
Surabaya and surrounding areas	1,508,894	4,840,000	0.31
Medan and surrounding areas	2,132,188	4,840,000	0.44

Employee turnover enables prospective, potential employees to join PGN. In 2018, the turnover rate was 0.38%. In other words, only 5 of 1,290 employees resigned, mainly due to relocation of their spouses. PGN maintains good working relationship, creates a healthy, safe and pleasant working atmosphere so that employee's turnover rate is very low. The following is a table of the employee's turnover.

EMPLOYEE TURNOVER [GRI 401-1]

	2018		2017	
	Total	Percentage	Total	Percentage
Gender				
Male	4	0.31%	4	0.30%
Female	3	0.23%	7	0.52%
Age				
Less than 30 years old	1	0.08%	4	0.30%
30-50 years old	6	0.47%	7	0.52%
Above 50 years old	0	0.00%	0	0.00%
Operating Areas				
Jakarta	7	0.54%	9	0.67%
Pekanbaru	0	0.00%	1	0.07%
Surabaya	0	0.00%	1	0.07%

EMPLOYEE TERMINATION [GRI 401-1]

	2018		2017	
	Male	Female	Male	Female
Resignation	2	3	4	7
Disciplinary action	2	0	0	0
Deceased	4	1	1	0
Retired	26	7	30	14
Early retirement	4	0	29	13
Others	0	0	0	0
Total	49		98	

WELFARE OF PGN INDIVIDUALS

In 2018, the total welfare fund was Rp 572.725.152.334. The sum was allocated for remuneration or wages, leave allowances, religious holiday allowance, medical care, overtime payments, old-age security, and pensions. Compared with the previous year, the sum rose by 8.4% from Rp 528.291.052.624,-. We want to ensure that employees are fairly rewarded for their dedication to the

company. Only then they are motivated to contribute and be committed to the company. In addition, the competitive welfare package ensures that we attract only the best talents. The allowance is provided to all of our employees. The table below shows the allowances for PGN employees:



ALLOWANCES FOR PERMANENT AND NON-PERMANENT/PART-TIME EMPLOYEES [GRI 401-2]

	Permanent Employees	Non-permanent Employees
Salary	✓	✓
Allowances	✓	✓
Disability & Occupational Accident Insurance	✓	✓
Life Insurance from Occupational Death	✓	✓
Disability & Non-occupational Accident Insurance	✓	✓
Life Insurance from non-Occupational Death	✓	✓
Health Insurance for Employees	✓	✓
Health Insurance for Employees' Spouses	✓	✓
Health Insurance for Employees' Children	✓	✓
Maternity leave	✓	✓
Menstrual leave	✓	✓
Hajj or pilgrimage leave	✓	✓
Religious Holiday Allowance	✓	✓
Retirement Fund	✓	✓
Severance Pay	✓	✓

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 Message
 About This Report
 Opportunity to Develop Sustainability
 Opportunity to Build the Business
 Opportunity to Prosper the Nation
 Opportunity in Conservation
 Opportunity in Prioritizing Safety
 Opportunity to Serve the Customer
 Opportunity to Build PGN's
 Opportunity to Bring Prosperity to the Nation

DEVELOPING DIVERSITY AND EQUALITY

We promote diversity, equality, and highly respect the principle of non-discrimination. We do not discriminate on the basis of gender, ethnicity, religion, race, and groups at every level, both for employees and the management. We do not discriminate in recruiting, in remunerating, and in promoting employees. However, given our geographical location and business characteristics, the majority of employees are male. By operating areas, there are more female employees

working at the head office, Gas Product Business Unit, and Program Management Office. In 2018, there were zero complaints of discrimination against PGN.

[GRI 406-1].

The majority of our employees, 931 or 72% of the total workforce, are in the productive age group (30-50 years old). Most of our employees, 747 or 57.91% of the total workforce, hold undergraduate and graduate degrees. The table below shows diversity in corporate governance and employee.

DIVERSITY IN CORPORATE GOVERNANCE AND EMPLOYEE [GRI 405-1]

Position	2018			2017		
	Male	Female	Total	Male	Female	Total
Senior Management	76 (82.61%)	16 (17.39%)	92 (7.13%)	72 (81.82%)	16 (18.18%)	88 (6.57%)
Middle Management	159 (77.18%)	47 (22.82%)	206 (15.97%)	128 (76.19%)	40 (23.81%)	168 (12.55%)
Junior Management	549 (74.90%)	184 (25.10%)	733 (56.82%)	531 (74.89%)	178 (25.11%)	709 (52.95%)
Staff	190 (73.36%)	69 (26.64%)	259 (20.08%)	281 (75.13%)	93 (24.87%)	374 (27.93%)
	974 (75.50%)	316 (24.50%)	1,290	1,012 (75.57%)	327 (24.42%)	1,339

Position	2018				2017			
	<30 years	30-50years	>50 years	Total	<30 years	30-50 years	>50 years	Total
Senior Management	0 (0%)	64 (4.96%)	28 (2.17%)	92	0 (0%)	56 (4.18%)	32 (2.39%)	88
Middle Management	0 (0%)	176 (13.64%)	30 (2.33%)	206	0 (0%)	136 (10.16%)	32 (2.39%)	168
Junior Management	84 (6.51%)	575 (44.57%)	74 (5.74%)	733	47 (3.51%)	592 (44.21%)	70 (5.23%)	709
Staff	70 (5.43%)	116 (8.99%)	73 (5.66%)	259	103 (7.69%)	196 (14.64%)	75 (5.60%)	374
	154 (11.94%)	931 (72.17%)	205 (15.89%)	1,290	150 (11.20%)	980 (73.19%)	209 (25.61%)	1,339

EMPLOYEE DATA BASED ON EDUCATIONAL LEVEL

Educational Level	2018	2017
Doctorate	1 (0.08%)	1 (0.09%)
Master's degree	169 (13.10%)	131 (12.60%)
Bachelor's degree	577 (30.89%)	621 (30.89%)
Diploma	368 (28.53%)	398 (38.30%)
High School/Equivalent	175 (13.59%)	188 (18.09%)
Total	1,290	1,339

RATIO OF BASIC WAGE AND REMUNERATION FOR FEMALE TO MALE EMPLOYEES [GRI 405-2]

Gender equality is implemented in the company by treating every PGN's employee equally without discrimination based on gender. The remuneration system in PGN is determined by position level, competency, and performance result, not gender. There is no difference in the remuneration of male and female employees for any position. In addition, health insurance is equally provided to every employee and the dependents of female employees are equally recognized as those of the male employees.

The table below shows the average remuneration ratio in PGN

Position	2018		2017	
	Male	Female	Male	Female
Senior Management	1.02	1.00	1.00	1.02
Middle Management	1.00	1.02	1.00	1.06
Junior Management	1.00	1.13	1.00	1.15
Staff	1.08	1.00	1.15	1.00

FULFILLING THE EMPLOYEES' HUMAN RIGHTS

As a global citizen, we are committed to ensure that the basic rights of our employees are looked after. Human rights are the basic rights and freedoms owned by every person in the world. These rights are based on the principles of equality, justice, and mutual respect. We uphold human rights in the following manner:

1. No Child and Forced Labor

We pay close attention to the minimum age of our employees to ensure that no children are employed in the company. Furthermore, the company has implemented a policy that forbids forced labor, i.e. all instances of work engaged or service rendered by an unwilling person with the threat of punishment against that person.

2. Human Rights Awareness for Employees and Security Officers

[GRI 410-1]

This is part of our commitment to ensure that every PGN individual respects the rights of her colleagues and gives everyone a fair and respectful treatment. For that purpose, we have trained both our security officers and employees, where the former are trained by the police. In 2018, all of our security officers (both directly employed by PGN and outsourced) have received human rights outreach and training.

3. Freedom of Association

In accordance with the Government's provisions as stated in Law Number 21 Year 2000 on Labor Union, we guarantee the rights of our employees to form and join labour union. The registered Labor Union in PGN is the Serikat Pekerja PT Perusahaan Gas Negara (Persero) Tbk (Labour Union of PT Perusahaan Gas Negara (Persero) Tbk.), or SP-PGN. The Union is officially registered at the Work Force Office of Jakarta Barat under Register Number: 387/II/P/IX/2009 on 19 September 2009. PGN Labour Union promotes 3 (three) partnership principles, namely: partner in profit, partner in responsibility, and partner in production.

4. Collective Labor Agreement (Perjanjian Kerja Bersama, CLA)

It is inevitable that issues may emerge from time to time between the company's employees and its management which need to be addressed. For that particular reason, the CLA was prepared to guide both parties in addressing issues or disputes at work. PGN has prepared the CLA, which has been approved and adopted by the company's employees and the management on December 31, 2017. The current CLA will remain in force until December 31, 2019. The agreement prescribed various balanced covenants and obligations, such as the assurance of the rights and obligations of PGN and its

employees; working requirements; company rules and regulations; cooperation between PGN and its employees; and fair dispute resolution by means of deliberative, consensus decision making process. The Collective Labor Agreement protects the rights of PGN's permanent employees. In addition, it also set out the notification and grace period in the event of significant and fundamental changes in the company's structure, e.g. acquisitions, mergers, or restructuring. The notice must be given 1 (one) month prior to the change. **[GRI 102-41, GRI 402-1]**

5. National Health Insurance (Badan Penyelenggara Jaminan Sosial, BPJS)

We enroll every employee in the Social Insurance Administrative Body for Health (BPJS Kesehatan), whose purpose is to provide social protection and welfare for the people. As a business entity, PGN has enrolled itself and its employees in the BPJS Kesehatan Program since December 2014.

DEVELOPMENT OF PGN INDIVIDUALS

A company's growth and productivity is molded by its people. We are committed to improve the quality of our human capital to enable them to give their best contribution and provide our people the opportunity to realize their highest potential.

1. Education and Training [GRI 404-1]

The competence improvement program is designed to strike a balance between employees and the company as well as to create satisfaction and challenges for employees. Education and training programs are key for the company to respond to challenges in the future. We see education and training as investments that are systematically designed and focused. We provide the following education and training programs:

- **Formal Education**
In 2018, PGN awarded scholarships to 3 (three) employees to pursue a master's degree and 3 (three) other employees to pursue bachelor's degree at national universities. The aforementioned scholarships are additional to the one given for the MBA program in the Institute of Management Development of Indonesia (IPMI) International Business School.
- **Trainings**
In 2018, there were 9,946 days trainings for PGN employees for a total cost of US\$ 2,132,593, comprising of 513 days for managerial training, 5,037 days for technical competence development, and 4,396 days for education.

Employee Category	Total Time (Hours)		Total Employee		Average (Hours)	
	Male	Female	Male	Female	Male	Female
Senior Management	1,832	360	48	13	38	28
Middle Management	3,632	1,936	114	36	32	54
Junior Management	19,648	7,272	423	138	46	53
Staff	7,008	2,712	155	48	45	57

2. Performance Review

In order to create an excellent performance culture, we conduct annual performance reviews for every employee at every level. This review has been and will be deployed in the strategic planning for our employees' career development, and to monitor and to control the company's performance. **[GRI 404-3]**

3. Succession and Promotion Planning

We provide prospective employees the opportunity to develop themselves and their careers in line with company's growth. To that end, we have designed promotion programs for qualified employees after conducting an objective assessment. The succession and promotion planning is adjusted with the company needs, competency review, and job experience. Based on their performance review in 2018, we promoted 1,290 employees. The table below shows the details on the promotion:

Employee Category	Male	Female	Total
Senior Management	76	16	92
Middle Management	159	47	206
Junior Management	549	184	733
Staff	190	69	259
Total	974	316	1.290

4. Training and Transfer Assistance Program

[GRI 404-2]

PGN offer various training programs to improve its employees' competence and skills. This is not only beneficial for our growth but also for employees in the transition to retirement or resignation from PGN. The programs are, among others:

a. Executive Development Program (EDP)

This program is aimed for the prospective employees designated for the strategic leading positions in PGN, especially those who are currently Assistant Vice Presidents (AVP) and Vice Presidents (VP). The program consists of 3 (three) sessions with 5 (five) groups of participants. In 2018, 21 employees took part in the program.

b. Management Development Program (MDP)

For supervisors and managers, PGN provides a program that is integrated with a Master's Degree in Management (MM). In cooperation with leading educational institutions, PGN has awarded a total of 82 employees, 38 of whom are in the STAR category, scholarships to continue their education at the Institute for Management Development of Indonesia (IPMI) International Business School.

c. Basic Leadership Development Program (BLDP)

Basic Leadership Development Program was developed in 2018 as a program designed to prepare employees of PGN Group to enter the PGN STAR Talent program. This program is divided into 2 (two) levels: Basic Leadership 1 (for staff and senior staff), joined by 116 participants; and, Basic Leadership 2 (for supervisors and managers), joined by 102 participants. Selected participants of the Basic Leadership 1 will be enrolled in the First Line Development Program (FLDP), and selected participants of the Basic Leadership 2 will be enrolled in the MDP.

d. Counseling And Seminars

Under the Employee Assistance Program (EAP), we provide assistance for employees in the form of counselling and short seminars with external counsellors. Since 2013, this program has helped employees to get motivated, receive support, and practical knowledge in their respective fields. A total of 181 participants took part in the counselling and seminars under the EAP.

RETIREMENT WELFARE PROGRAM

1. Retirement Planning Program [GRI 404-2]

We highly appreciate employees who have dedicated themselves for PGN. Accordingly, we hold trainings for those employees who will retire within three years. The retirement age in PGN is 56 years old. The program's purpose is to help retiring employees understand various matters that will help them after retirement, especially the following:

- Financial management after retirement
- Business opportunities after retirement
- Mental and behavioral preparations as well as mind set shift before retirement
- Motivation and encouragement

2. Retirement Fund and Insurance Programs [GRI 201-3]

In order to assure the welfare of retired employees, we have prepared a pension fund since 2009 by way of defined contribution plan. Under this plan, every employee is able to choose their desired retirement fund and investment portfolio. In addition, we also provide:

- Social Security Program by BPJS Ketenagakerjaan and BPJS Kesehatan
- In-patient and out-patient allowance for the employees and their dependents
- Personal accidents insurance
- Occupational accident protection
- Death benefit and funeral fund

3. Old Age Health Program (Program Kesehatan Hari Tua)

We look after our retired employees by helping them with their health care needs. The health insurance fund for this program is collected from contributions by the company and employees. In cooperation with the SP-PGN, PGN's management offers health insurance under the Old Age Health Program for the 1,458 retired employees and their spouses. Retirees can enjoy access to healthcare across Indonesia using the healthcare card issued by health insurance.



OPPORTUNITY TO BRING PROSPERITY TO THE NATION

We look to build a great working environment.
But more than that, we wish to work for
something greater: prosperity for the
motherland.



10

OPPORTUNITY TO BRING PROSPERITY TO THE NATION



PGN is committed to prospering the country in the field of providing environmentally friendly energy, improving the economy, and direct involvement of PGN in community welfare through CSR (Corporate Social Responsibility) programs and environmental preservation.



BACKGROUND

Despite facing challenges in business condition, PGN's Pcommitment to the implementation of social and environmental responsibility programs for the people of Indonesia covers developing competencies and building community welfare on an ongoing basis, as well as improving public health.

As a business entity that plays an active role in the success of Government programs, improve the welfare of the community, while preserving nature in accordance with Sustainable Development Goals (SDGs). Therefore, in 2018 PGN focused its fund spending to support the implementation of the Community Development program, especially health facilities, religious facilities, and education.

Constrained by its large population, Indonesia faces increasingly complex health problems. PGN also plays a major role as one of the catalysts for the Indonesian economy. For this reason, the health facility sector should be a top priority. So is the education sector. With better education for the underprivileged, they would have the opportunity to step out of the "vicious circle of poverty", and consequently would be empowered

to build their future. PGN also pays great attention to assistance for religious facilities. As a religious country, Indonesian society is closely related to the implementation of worship to carry out religious obligations, protected by the 1945 Constitution of the Republic of Indonesia.

At the global level, in an effort to achieve the SDGs, PGN remains fully committed to supporting the realization of various Partnership and Community Stewardship Program activities by providing adequate funds in accordance with applicable regulations. PGN also strives to improve the quality of management and distribution so that all activities carried out can run effectively and efficiently as well as providing optimal benefits for beneficiaries.

Nonetheless, PGN also seeks to involve various parties, namely the community, community leaders, local government elements, academics and non-governmental organizations in planning, implementing and evaluating various activities so that the program fits the needs of the beneficiaries. PGN will also continue to work to improve the management and distribution of PKBL program funds, so that more people would benefit

from this and that the development goals namely the improvement and equitable distribution of welfare development--can be realized in the near future.

PGN aspires of building villages around the operational areas that would grow into independent villages, and consequently be able to contribute to sustainable development in Indonesia. The implementation of the Foster Village Program is found at 5 offtake stations (PGN gas stations) which are national vital objects. These gas stations have a strategic role in maintaining the stability of energy supply in Indonesia. As a consequence, PGN must maintain harmony with the local communities. The active participation of PGN is aimed to realize the operational reliability of the Company as well as developing independent and competitive communities.

The Foster Village Program is carried out through several stages, namely: Social and Stakeholder Mapping, Survey to PGN Stakeholder around the site, Program Planning, Exit Strategy (program delivery to communities). All these stages involve the community and local government officials, so the programs produced are a transformation of a joint agreement between PGN and the community. In the context of village independence, every village is encouraged to establish community institution in the form of Village-Owned Enterprises or other institutions, with various business units under the aegis of the respective community.

PGN develops programs that benefit both the community and the Company. The PGN Foster Village Program results the following:

- a. increasing local people's independence and welfare;
- b. creating employment opportunities and reducing unemployment in the area;
- c. increasing awareness and quality of local community health;
- d. increasing Regional Originated Income;

- e. increasing the harmony of the relationship between PGN and the community and local government, as well as in the community internally;
- f. reducing operational disruption for companies caused by social aspects;
- g. reducing community dependence on assistance from companies, so that funds can be allocated to help communities in other places;
- h. serving as the medium for the involvement of PGN in corporate social activities; as well as
- i. becoming a medium for socializing the participation of SOEs and PGN in supporting the welfare of the community.

Making positive impacts on the communities around PGN's operational area is as important as providing economic benefits to our stakeholders. Therefore, PGN is committed to bringing a real positive impact to the community, and this goal is realized through integrated policies and programs, referring to ISO 26000 concerning Social Responsibility. Our CSR program consists of the Community Development Program and the Social and Environmental Responsibility Program, which are carried out through the following stages:

- 1. Planning, including the preparation of CSR Roadmap and Social and Stakeholder Mapping;
- 2. Implementation, including evaluation, surveys, and assistance;
- 3. Periodic reporting.

The seven pillars of PGN's CSR are:

- 1. Assistance to Natural Disaster Victims;
- 2. Education and/or Training Assistance;
- 3. Health Improvement Assistance;
- 4. Assistance for Infrastructure and Public Facility Development;
- 5. Assistance for Worship Facilities;
- 6. Nature Conservation Assistance;
- 7. Community Social Assistance.

The various programs carried out in the scope of the seven pillars of CSR are corporate "community investment" in commercial form, both in-kind and pro bono. **[GRI 203-1]**

Funds for the Community Development and TJSJ program originated from the company's budget with a total amount of assistance of Rp85,922,611,754, the details of which are as follows:

REALIZATION OF 2018 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY PROGRAM FUNDS (in rupiah)

Program	CSR	Community Development Program	Total
Assistance to Natural Disaster Victims	737,595,504	927,756,559	1,665,352,063
Education and/or Training Assistance	2,084,582,777	13,490,192,480	15,574,775,257
Health Improvement Assistance	21,626,008,720	7,717,317,320	29,343,326,040
Assistance for Infrastructure and/or Public Facility Development	3,276,496,275	6,913,192,383	10,189,688,658
Assistance for Worship Facilities	984,233,120	20,295,322,501	21,279,555,621
Nature Conservation Assistance	374,474,484	2,034,552,900	2,409,027,394
Poverty Alleviation Assistance	1,559,811,130	3,901,075,601	5,460,886,731
Assistance for Development Partners	0	0	0
Total of Fund Realization for Community Development Program	30,643,202,010	55,279,409,744	85,922,611,754

ASSISTANCE TO NATURAL DISASTER VICTIMS

A number of natural disasters hit Indonesia in 2018, causing many casualties and various difficulties for the people in the affected areas. Being concerned of this and moved by empathy, PGN provided assistance to victims, including:

- Natural disaster relief for eruption of Mount Sinabung, North Sumatera;
- Relief for flooding in Batu Serampok hamlet, Bandar Lampung;
- Relief of earthquake in Lombok, West Nusa Tenggara;
- Health service assistance to victims of the earthquake and liquefaction disasters and deploying volunteers to Palu, Central Sulawesi.

EDUCATION AND/OR TRAINING ASSISTANCE

PGN pays considerable attention in the field of education. The educational assistance delivered by PGN includes:

- Construction of "Taman Bacaan" (Reading Corner) in Foster Village Panaran, Batam, Riau Islands
PGN built a reading corner and reading house at Tembesi Tower Batam. It is expected that the reading corner and reading house in Tembesi Tower would be able to arouse people's reading

interest, especially for children. In addition, the existence of this reading corner can reduce the anxiety of parents whose children spend too much time browsing the internet and using devices while reading rarely. Facilitating the community to gain access to quality reading would reduce the addiction of the device and provide positive activities for children and adolescents in Tembesi Tower, Panaran, Batam.

- Distribution of 659 packages of comic book titled "Biografi Orang Sukses" in the area of business operations.
- Providing Educational Assistance for students of 15 state universities in Indonesia.
- The Karangrejo Magelang Village Economic Hall Promotion Program in collaboration with the National Film Production Corporation (PFN). This program is organized with the direction of the Ministry of SOE on the occasion to promote the Village Economic Center (Balkondes), to improve the Indonesian tourism sector, and to educate the public on the value of culture and local wisdom in Indonesia, through filmmaking. It is planned that the promotional film would be published in early 2019.
- The "Siswa Mengenal Nusantara" (SMN) Program, which is an exchange activity of high school students to learn about culture, economy and education in Ambon, Maluku and Riau.



Unknown, unloved, the saying goes. For this reason, PGN, together with PT. Jasa Raharja (Persero) invited SMN students to learn about and love Indonesia with its various cultures and abundant natural resources.

This event is an annual student exchange program between provinces in Indonesia. This exchange takes place from August 15, 2018 to August 24, 2018, where 46 students from Riau and Ambon participated. Students from Riau make a visit to Ambon, and vice versa.

PGN was a host in Riau for SMN participants from Maluku. The participants comprised 23 SMN students from Ambon, from 20 high schools/ vocational schools and 3 diffable students from the Extraordinary School, two accompanying teachers and one representative from the Maluku Provincial Education Office. One of the activities in this student exchange was the Entrepreneurship Insight, namely the introduction to the Indonesian archipelago through journalistic training held by Antara State News Agency. Other activities are visiting Sang Nila Utama Museum, Riau Weaving House, LANUD Roesmin Noerjadin, and Offtake Gas Station Perawang. Last but not least were the activities of learning about social culture through lessons on traditional Malay dance and music, and also visiting the Raja Siak Sri Indrapura Palace.

During the events, 23 participants from SMN Maluku were hosted by foster parents in 6 families in Pekanbaru. The participants wrote about their daily activities on the SMN Diary. Testimonials from SMN participants:

- f. BUMN Mengajar
 “BUMN Mengajar” is a program to commemorate National Education Day to provide inspiration and motivation for students to achieve their aspirations. Apart from this, it is also aimed to bridge the SOEs with schools that would later become professional resources.

In 2018, PGN as a whole participated in the BUMN Teaching program on May 2, 2018 in 9 schools:

- 35 Jakarta Vocational High Schools, organized by PGN
- SMAN 14 Semarang, Central Java by PT Kalimantan Jawa Gas
- SMAN 18 Batam, Riau Islands by PT Transportasi Gas Indonesia
- SMKN 1 Tanjung Jabung Barat, Jambi by PT Transportasi Gas Indonesia
- SMAN 4 Cilegon, Banten by PT PGN LNG Indonesian
- SMAN 1 Ciruas, Serang, Banten by PT Gagasan Energi Indonesia

- SMAN 15 Bekasi, West Java by PT PGN Mas
- SMAN 20 Jakarta by PT PGAS Telecommunication
- SMAN 13 Jakarta by PT PGAS Solution

This activity delivered dissemination materials of SOEs in Indonesia with speakers from selected PGN workers. Attended by a total of 1350 students from the schools above, this event provided new insights

for students. Their enthusiasm is apparent, as seen in the various questions raised during the event.

- g. Educational Assistance for PGN Retiree's Children
One of PGN's efforts to support the development of education while helping the children of PGN retired employees is to provide scholarships through the Education Assistance program. Aimed at reducing the cost of education of PGN employee's children, the assistance is provided to the children of retirees

Referring to the Minister of State-Owned Enterprises Regulation Number PER-09/MBU/07/2015 concerning the State-Owned Enterprise Partnership Program and Community Development Program as lastly amended through the State Minister for State-Owned Enterprises Number PER-02/MBU/7/2017 on July 5, 2017, specifically the Education Sector Community Development Program, PGN created an educational assistance program to increase the company's added value to PGN stakeholders through internal and external synergies. Internal synergy involves employees between PGN divisions and subsidiaries. External synergy involves collaboration with Karya Salemba Empat Foundation (KSE) and State Universities. The assistance program was originally only comprised **Assistance for Education Fee (Scholarships)**, then complemented with the development of the Program **PGN Innovation Camp**, **PGN Menyapa**, and **PGN Leadership Camp**.

Cooperation with KSE was initiated in 2014 in the form of **Assistance for Education Fee** Program (scholarships and living expenses), namely living expenses (including tuition fees) for 1 year for underprivileged and high achieving students. Scholarships and living expenses assistance can be extended if beneficiaries meet the requirements. The number of students receiving PGN-KSE Assistance for Education Fees in the period of 2014-2018 is 1,720--worth Rp11.86 billion (eleven point eight six billion Rupiah). The students come from 15 state universities (University of Indonesia, Bandung Institute of Technology, Sepuluh November Institute of Technology, Bogor Agricultural Institute, Diponegoro University, Gajah Mada University, University of North Sumatra, Sriwijaya University, University of Lampung, Padjajaran University, Airlangga University, Briwijaya University, Sriwijaya State Polytechnic, Lampung State Polytechnic, and Tirtayasa University). Benefits of this program:

1. For Students:
 - obtaining tuition assistance, so they can continue studying
 - being more focused on studying and making achievements
 - expanding social networking through the KSE Association and KSE Alumni
2. For PGN:
 - having a medium to disseminate PGN's positive image in the community, especially among the academic community
 - expanding PGN networks on campus, especially to students who would become leaders of the nation in the future
3. For the Community/Country:
 - receiving positive benefits from various social activities from PGN scholars
 - having improved quality of education through the improved quality of students

PGN Innovation Camp, this activity is a training in the form of competitions of 143 beneficiary students of PGN's education assistance who worked on effectiveness-oriented innovations and community-empowerment activities. In 2015, PGN developed the PGN Innovation Camp Program, namely innovation competition activity comprising leadership training, innovation and entrepreneurship, especially for PGN KSE beneficiary students. From 2015 to 2018, 410 students have participated, producing 98 innovation works. The training materials comprise:

- PGN Group Dissemination
- Innovative Leadership
- Idea communication strategy
- Persuasion technique to sell ideas
- Discipline
- Solidarity
- Innovators Mind Set

or posthumous of certain ranks, and of retired workers who have served the Company for at least 10 years. PGN funds a maximum of three children per family for posthumous families, and one child for retired families.

In the 2018/2019 educational year, PGN channeled funds to PGN's posthumous employees' children

and retired employees' children, from the level of kindergarten to Bachelor. The total amount of funds allocated for this Education Assistance is equal to Rp1,100,000,000. Education assistance includes annual registration fees and monthly tuition fees, ranging from Rp300,000 to Rp900,0000 per month, according to the education level.

- Innovation Presentation
- Visionary Leadership
- Basic Public Speaking

it is expected that those activities will create added value as follows:

1. For Students:
 - improving student knowledge and knowledge
 - as a means of applying applied science on campus
 - expanding networks with fellow students and other parties during the implementation of activities
2. For PGN:
 - Capturing ideas/innovations that can be applied on, or realized in collaboration with PGN
 - expanding PGN network with parties involved in activities (Local Government, Other Companies, Associations/Communities concerned)
3. For the Community/Country:
 - Creating ideas/innovations that can be applied in society.
 - Emergence of creative and innovative young people.

Furthermore, PGN also developed the **"PGN Menyapa"** program as the implementation of the innovations resulted from the PGN Innovation Camp, in the community. PGN Menyapa is a manifestation resulted from the innovations of the winners of the PGN Innovation Camp for the community. It was first held in 2017 in Bantul, Yogyakarta and held again in 2018 in Bojonegara, Serang and Labuhan Maringgai, East Lampung. Implementation of 4 innovations: SRIKANDI (*Hybrid Monitoring System* and Gurame Fish Pond Cleaner with pH Sensor; ELITRAP (*Electric Light Trap*, DC High Voltage Based Insect Repellent); SETJEP

(*Smart Android Jacket for Epilepsy Prevention*); TETRA (Visually-Impaired Person Mini Stick) Attended by 60 invited guests from district government representatives, principals, farmers, youth organizations; 100 participants of high school/ equivalent students.

Other benefits:

1. For Students:
 - Having experience amid the community
 - networking with the local community
2. For PGN:
 - PGN Group brand dissemination facility
 - Maintaining the image and network of the Company
3. For the Society/Country:
 - Benefiting from ideas/innovations that can be applied in society.
 - Emergence of creative and innovative young people.

In 2018, PGN also initiated the **PGN Leadership Camp Program**, which was a training activity for PGN's education assistance beneficiary students to become PGN Group Ambassadors. As many as 224 students participated in this activity, consisting of 64 PGN's education assistance beneficiaries who had participated in the PGN Innovation Camp, either as participants or trainees, and 160 beneficiaries of Non-PGN KSE Education assistance. Additional benefits of this program are:

- For students, increasing the knowledge and science, especially related to PGN, leadership and presentation skills
- For PGN, expanding PGN network with parties involved in activities, especially the Regional Government and state universities
- For the Society/Country, benefiting young generation that is strong and has a leadership sensitivity

HEALTH IMPROVEMENT ASSISTANCE

Healthy is a good condition in terms of physical, mental, and social, allowing the person to do his/her activities well, and more than that, to contribute to the community. Public health is the key to efforts to improve the quality of human resources and economic development. For this reason, PGN pays special attention to public health, through the following programs:

- a. Public Health Services through 10 PGN Healthy Cars consisting of facilities for prenatal care, providing supplements to pregnant women, contraceptive services, general health and basic dental services, examining toddler growth and providing supplementary food for children and toddlers in PGN's operational areas. This activity was carried



out in Medan, Batam, Palembang, Muara Enim, Lampung, Banten Province, Jakarta Province, West Java and East Java;

- b. Blood Donor of PGN Employee, where 244 people participated;
- c. Assistance of Ambulance Car for Surakarta Municipal Police on October 5, 2018 and for Kalimantan Kuningan District, West Java on November 27, 2018;
- d. The 'Ceria' Mass Circumcision Program in Bojonegara, Banten involving 76 children and Muara Bekasi, West Java, 122 children.

ASSISTANCE FOR INFRASTRUCTURE AND/OR PUBLIC FACILITY DEVELOPMENT

Public facilities and infrastructure are important elements for community activities. For this reason, PGN also participates in developing infrastructure and/or public facilities, such as:

- a. Building clean water facilities for 6 hamlets in Karang Gading Village Deli Serdang Regency, North Sumatera;
- b. Assistance and Management of Village Economy Association (Balkondes) and Homestay in Karangrejo village, Magelang, Central Java;
- c. Assistance of clean water and drinking water in the East Semarang area;
- d. Public bathing, washing and toilet facilities (MCK) Renovation Assistance in Krukut, West Jakarta.

ASSISTANCE FOR WORSHIP FACILITIES

The existence of adequate worship facilities and ongoing religious activities are important factors in improving the social, psychological and spiritual aspects of the community. For this reason, PGN prepares special funds for worship facilities in the amount of Rp20,295,322,501 in 2018. This assistance is channeled for:

- a. Assistance for the construction and renovation of religious facilities and religious-supporting facilities in several regions in Indonesia;
- b. Religious activities such as compensation for orphans, alms for the poor, and assistance for religious holiday activities;
- c. Assistance in the provision of sacrificial animals on the occasion of Eid al-Adha 1439 H. Assistance is handed to communities in the vicinity of PGN's operational areas;
- d. Assistance for seasonal homecoming activities. Homecoming is an anticipated annual activity ahead of Eid. Every year, PGN holds a communal homecoming program, and in 2018 this program



involved 2,953 people who traveled free of cost to their hometown using 64 buses dispatched from Kopassus Command Center and Ancol to various cities in West Java, Central Java and East Java. The participants consist of PGN people and families (office boys, cleaning service staff who work in the PGN environment), PGN customers and family, third party employees and family, and bajaj driver members of the Bajaj Gas Community (Kobagas) and family.

NATURE CONSERVATION ASSISTANCE

Nature conservation is of particular concern to PGN because we all live in dependence on nature, and we certainly want to pass on a green and sustainable world to the next generation. PGN is actively involved in efforts to preserve nature and the environment through:

- a. Arboretum Making Program at Pagar Dewa Station and Biodiversity Park in Bedegung Waterfall Tourism Area, Muara Enim, South Sumatera, in collaboration with PKSPL IPB;
This program starts in 2017 and is currently in the maintenance phase;
- b. Watershed Rehabilitation Program in Ogan Komering Ulu District, South Sumatera.
This program starts in 2016 and is currently in the maintenance phase;
- c. The amphitheater construction program at RPTRA Warakas, Tanjung Priok, North Jakarta.
This program began in 2016 and is currently in the licensing stage at the Jakarta provincial government;
- d. Assistance in Tuah Melayu Park and Batam City Mural Construction;
- e. Program of Organic Garden/ Nutrition Park Creation in Medan, North Sumatera and Sidoarjo, East Java;
- f. Mangrove Cultivation Workshop Program in Langsa City, Aceh.



COMMUNITY SOCIAL ASSISTANCE

Poverty alleviation is part of the Indonesian government’s agenda. During 2018, the activities carried out by PGN included: Provision of Affordable Food Packages in Banjarnegara, Cianjur and Siak Regencies, Riau

In addition, PGN also participates in poverty alleviation through assistance in the formation of foster villages

in the operational area of the company. The funds amounting to Rp1,500,000,000 were disbursed in the context of village development activities around the operational area. The villages that are fostered are:

1. Sriminosari Village, Lampung
2. Teluk Terate Village, Banten
3. Pagardewa Village, Muara Enim - South Sumatera
4. Tembesi Village, Panaran - Batam

Foster Village Program

Teluk Terate Village Bojonegara Banten

Teluk Terate Village - Bojonegara, Banten Province is a location of PGN gas station. From the results of interactions and mapping in 2016 in terms of social and economic aspects, it was found that the surrounding communities--mostly farmers--are having difficulty obtaining affordable onion seeds, dependent on mobile banks, and those who work as teachers have low income. There are also unemployed workers because of low education factor and less employment opportunities. In terms of health and the environment, there are still people who do not use the toilet, children and pregnant women with malnutrition, people having TB disease, as well as lack of clean water facilities and health workers. While in terms of infrastructure, there are still many uninhabitable homes, lack of village public street lighting, absence of infrastructure facilities or Child Friendly Open Public Spaces (RPTRA), garbage transportation, and inadequate early-age education center (PAUD) buildings.

The problems faced by the Teluk Terate village community in 2016 when social mapping was carried out, have begun to decrease, such as reduced dependence on mobile banks, Sharia-based micro finance institution (LKM) Village-owned enterprise Sabar Subur unit successfully built 16 Community Business Groups with 134 members. As many as 496 families reside in that area.

The condition of poverty and unemployment undergone by some Teluk Terate villagers--due to low education and employment factors--has begun to diminish; thanks to the Manpower Service unit of

Village-Owned Enterprise following security training and welding techniques. Of the 92 unemployed people, 15 have passed the training, and two have become staff member of village-owned enterprise (BUMDes).

In 2016, medical personnel were still few, pregnant women and children experienced poor nutrition, ambulance facilities and medical services, especially TB disease, were also lacking. Thanks to the construction of the Posyandu (health center) by PGN, health services increasingly became optimal, Village-Owned Enterprises also focused their activities to provide supplementary food for 28 mothers and 179 toddlers, assisted by 15 posyandu cadres.

In addition to the VOE Sabar Subur's program, PGN also revitalized Tasikardi Lake in Kramatwatu, Serang District - Banten. This activity involved the Government of Serang District and PGN Directors. These activities include: repair of jogging tracks, bicycle lanes and pedestrian, repair of shelters, construction of docks, procurement of trash cans, repair of gates, repairs to prayer rooms, repair of gazebo, children's playground (seesaw and swings) , improvement of the ceremonial field (including flagpoles), making tourist signboards, repair of toilets, clearing land, procuring fish seeds, and planting trees.

Ibu Hidro, a member of the Sumber Rejeki Group, Kampung Cilia, said that she was grateful for the financial assistance from the BUMDes and PT PGN. "I use this funding for my business: to buy fertilizers, seeds and other medicines. Hopefully my efforts

will be smooth, and the results also the harvest will be favorable. Hopefully PGN won't stop giving assistance to us, the Teluk Terate community. Wish for success to PT PGN and BUMDes," she said.

Sriminosari Village, Labuan Maringgai, Lampung

Sriminosari Village is one of the areas where a PGN gas stations are located. To that end, PGN seeks to make a positive contribution through foster village program. The initial conditions in 2016, based on the data from 219 family heads, the population was 682 people, of which 76 unemployed. Most of them were farmers of 78 hectares of rainfed terrain, located in Hamlet 1 and Hamlet 2; the income of hard labor is on average Rp1,000,000/month and of rainfed farmers Rp750,000/month. There are about 129 people identified as elderly people who are eligible for assistance. They are located in six hamlets from Hamlet 1 to Hamlet 6, with varying amounts for each hamlet.

Through the Foster Village program, the VOE Institution already has 3 business units, namely: Microfinance institutions (MFIs), BUMDes Mart, and Waste Bank Units. While the Morning Market and Mangrove Tourism Unit located in Hamlet 2 is still in process. The Sriminosari BUMDes LKM unit managed to develop 20 micro business groups with the number of community members involved of 110 people, which consisted of 91 women and 19 men. The financing value totalled Rp110 million. The MFI also serves 65 customers in the meantime (short-term business capital loans) with a financing totalling Rp243.5 million.

PGN's assistance is a hope for the solution to the core problem of Sriminosari Village, especially in the economic field. There are around 219 families, or 682 people classified as poor. BUMdes Mart initiated 'Warung Binaan'. In addition to providing daily needs for the community, BUMDes Mart also gradually builds six warungs in the village area. There are 22 types of household businesses (home industries) and 96 shop stalls and workshops in Sriminosari Village which are targeted to be fostered next by BUMDes Mart.

Recycling waste into ready-to-sell items is the history of the commencement of establishing BUMDes Waste Bank Unit. Every Friday, village clean-up activities are routinely carried out to manage waste.

To reduce problems in the social field, PGN provides compensation to the elderly. As a form of support for activities for unemployed youth, PGN provided balls and team shirts to two Hamlet 1 and Hamlet 6 soccer teams, training on packing bath soap, laundry soap and shampoo, as well as providing revolving capital, packaging and arranging permits.

Reni, one of the residents of Hamlet 5, Sriminosari Village, Labuhan Maringgai, East Lampung, said that the waste bank is very helpful in sorting out household waste. "In the past, garbage was only burned or thrown away, now it can have economic value. These rubbishes can be cashed or can be exchanged with vouchers that can be used to pay electricity or be saved. Thank you, Garbage Bank." she said.

ASSURANCE STATEMENT

ASSURANCE STATEMENT

Opportunity to Bring Prosperity to the Nation	Opportunity to Build PGN's	Opportunity to Serve the Customer	Opportunity in Prioritizing Safety	Opportunity in Conservation	Opportunity to Prosper the Nation	Opportunity to Build the Business	Opportunity to Develop Sustainability	About This Report	Message	Sustainability at PGN
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Statement GRI Standards in Accordance Check

The National Center for Sustainability Reporting (NCSR) has conducted a GRI Standards in Accordance Check on PT Perusahaan Gas Negara Tbk Sustainability Report 2018 ("Report"). The check communicates the extent to which the GRI Standards 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 been prepared in accordance with GRI Standards - Core option.

Jakarta, 22 March 2019

National Center for Sustainability Reporting



**Dewi Fitriasaki, Ph.D., CSRA, CMA
Director**

GRI STANDARDS INDEX - OPSI CORE

[GRI 102-55]

GRI Standard	Disclosure		Page
	No	Title	
GENERAL DISCLOSURE			
Organizational Profile			
GRI 102: General Disclosure 2016	102-1	Name of The Organization	41
	102-2	Activities, Brands, Products, and Services	41
	102-3	Location of Headquarters	41
	102-4	Location of Operations	42
	102-5	Ownership and Legal Form	41
	102-6	Markets Served	54
	102-7	Scale of The Organization	54
	102-8	Information on Employees and Other Workers	139
	102-9	Supply Chain	56
	102-10	Changes to The Organization and Its Supply Chain	58
	102-11	Precautionary Principle or Approach	72
	102-12	External Initiatives	75
	102-13	Membership of Associations	75
Strategy			
	102-14	Statement from Senior Decision-Maker	17, 21
Ethics and Integrity			
	102-16	Values, Principles, Standards, and Norms of Behavior	44
Governance			
	102-18	Governance Structure	69
Stakeholders Engagement			
	102-40	List of Stakeholder Groups	76
	102-41	Collective Bargaining Agreements	146
	102-42	Identifying and Selecting Stakeholders	76
	102-43	Approach to Stakeholder Engagement	76
	102-44	Key Topics and Concerns Raised	76
Reporting Practice			
	102-45	List of Subsidiaries	60
	102-46	Defining Report Content and Topic Boundaries	30
	102-47	List of Material Topics	32
	102-48	Restatements of Information	33
	102-49	Changes in Reporting	33
	102-50	Reporting Period	30
	102-51	Date of Most Recent Report	30
	102-52	Reporting Cycle	30
	102-53	Contact Point for Questions Regarding The Report	33
	102-54	Claims of Reporting In Accordance With The GRI Standards	30
	102-55	GRI Content Index	167
	102-56	External Assurance	33, 164

GRI Standard	Disclosure		Page
	No	Title	
SPECIFIC TOPIC DISCLOSURE			
ECONOMIC IMPACTS			
Economic Performance			
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	85, 148
	103-3	Evaluation of The Management Approach	85, 148
GRI 201: Economic Performance 2016	201-1	Direct Economic Value Generated and Distributed	85
	201-3	Defined Benefit Plan Obligations and Other Retirement Plans	148
Market Presence			
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	141
	103-3	Evaluation of The Management Approach	141
GRI 202: Market Presence 2016	202-1	Ratios of Standard Entry Level Wage by Gender Compared to Local Minimum Wage	141
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	155
	103-3	Evaluation of The Management Approach	155
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure Investments and Supported	155
Anti-Corruption			
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	72, 74
	103-3	Evaluation of The Management Approach	72, 74
GRI 205: Anti-Corruption 2016	205-2	Communication and Training About Anti-Corruption Policies and Procedures	72
	205-3	Confirmed Incidents of Corruption and Actions Taken	74
ENVIRONMENTAL IMPACTS			
Materials			
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	101
	103-3	Evaluation of The Management Approach	101
GRI 301: Materials 2016	301-1	Materials Used by Weight or Volume	101
Energy			
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	100
	103-3	Evaluation of The Management Approach	100
GRI 302: Energy 2016	302-3	Energy Intensity	100

GRI Standard	Disclosure		Page
	No	Title	
	Water		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	96
	103-3	Evaluation of The Management Approach	96
GRI 303: Water 2016	303-1	Water Withdrawal by Source	96
	Emissions		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	98, 99
	103-3	Evaluation of The Management Approach	98, 99
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG Emissions	99
	305-2	Energy Indirect (Scope 2) GHG Emissions	98
	305-4	Greenhouse Gas Emission Intensity	98
	Effluents and Waste		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	98, 99
	103-3	Evaluation of The Management Approach	98, 99
GRI 306: Effluents and Waste 2016	306-1	Water Discharge by Quality and Destination	99
	306-2	Waste by Type and Disposal Method	98
SOCIAL IMPACTS			
	Employment		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	140-143
	103-3	Evaluation of The Management Approach	140-143
GRI 401: Employment 2016	401-1	New Employee Hires and Employee Turnover	140-142
	401-2	Benefits Provided to Full-Time Employees That are Not Provided to Temporary or Part-Time Employees	143
	Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	109, 116
	103-3	Evaluation of The Management Approach	109, 116
GRI 403: Occupational Health and Safety 2016	403-1	Workers Representation in Formal Joint Management-Worker Health and Safety Committees	109
	403-2	Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Number of Work-Related Fatalities	116
	403-4	Health and Safety Topics Covered in Formal Agreements with Trade Unions	109

Sustainability at PGN

Message

About This Report

Opportunity to Develop Sustainability

Opportunity to Build the Business

Opportunity to Prosper the Nation

Opportunity in Conservation

Opportunity in Prioritizing Safety




Opportunity to Serve the Customer

Opportunity to Build PGN's


Opportunity to Bring Prosperity to the Nation

GRI Standard	Disclosure		Page
	No	Title	
	Training and Education		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	146-148
	103-3	Evaluation of The Management Approach	146-148
GRI 404: Training and Education 2016	404-1	Average Hours of Training Per Year Per Employee	146
	404-2	Programs for Upgrading Employee Skills and Transition Assistance Programs	147, 148
	404-3	Percentage of Employees Receiving Regular Performance and Career Development Reviews	146
	Diversity And Equal Opportunity		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	144, 145
	103-3	Evaluation of The Management Approach	144, 145
GRI 405: Diversity And Equal Opportunity 2016	405-1	Diversity of Governance Bodies and Employees	144
	405-2	Ratio of Basic Salary and Remuneration of Women to Men	145
	Non-Discrimination		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	144
	103-3	Evaluation of The Management Approach	144
GRI 406: Non- Discrimination 2016	406-1	Incidents of Discrimination and Corrective Actions Taken	144
	Security Practices		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	145
	103-3	Evaluation of The Management Approach	145
GRI 413: Security Practices 2016	410-1	Security Personnel Trained In Human Rights Policies or Procedures	145
	Customer Health and Safety		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	129
	103-3	Evaluation of The Management Approach	129
GRI 417: Customer Health and Safety 2016	416-1	Assessment of The Health and Safety Impacts of Product and Service Categories	129
	Marketing and Labeling		
GRI 103: Management Approach 2016	103-1	Explanation of The Material Topic and its Boundary	32
	103-2	The Management Approach and its Components	129
	103-3	Evaluation of The Management Approach	129
GRI 417: Marketing and Labeling 2016	417-1	Requirements for Product and Service Information and Labeling	129
	417-2	Incidents of Non-Compliance Concerning Product and Service Information and Labeling	129
	417-3	Incidents of Non-Compliance Concerning Marketing Communications	129

LINKING THE SDGS AND GRI STANDARDS

SDG's	Business Theme	Relevant GRI Standard	Disclosure	Title Indicator	Pages	
 <p>1 NO POVERTY</p>	Earnings, wages and benefits	GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage.	141	
	Economic development in areas of high poverty	GRI 203: Indirect Economic Impacts	203-1	Indirect Economic Impacts	155	
<p>End poverty in all its forms everywhere</p>	 <p>2 ZERO HUNGER</p>	Economic development in areas of high poverty	GRI 203: Indirect Economic Impacts	203-1	Indirect Economic Impacts	155
Economic Performance		GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	85	
<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	 <p>3 GOOD HEALTH AND WELL-BEING</p>	Air quality	GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	97
<p>Ensure healthy lives and promote wellbeing for all at all ages</p>				305-2	Energy indirect (Scope 2) GHG emissions	98
				305-4	GHG emissions intensity	98

Sustainability at PGN
 Message
 About This Report
 Opportunity to Develop Sustainability
 Opportunity to Build the Business
 Opportunity to Prosper the Nation
 Opportunity in Conservation
 Opportunity in Prioritizing Safety
 Opportunity to Serve the Customer
 Opportunity to Build PGN's
 Opportunity to Bring Prosperity to the Nation

SDG's	Business Theme	Relevant GRI Standard	Disclosure	Title Indicator	Pages
 <p>Ensure inclusive and quality education for all and promote lifelong learning</p>	Occupational Health and Safety	GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	109
			403-2	Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Number of Work-Related Fatalities	116
			403-4	Health and safety topics covered in formal agreements with trade unions	109
	Customer Safety	GRI 416 : Customer Health and Safety	416-1	Assessment of The Health and Safety Impacts of Product and Service Categories	129
			417-1	Requirements for Product and Service Information and Labeling	129
				417- 2	Incidents of Non-Compliance Concerning Product and Service Information and Labeling
	Waste	GRI 306: Effluents and Waste	417-3	Incidents of Non-Compliance Concerning Marketing Communications	129
			306-1	Water Discharge by Quality and Destination	99
			306-2	Waste by type and disposal method	98
	Training and Education	GRI 404: Training and Education	404-1	Average hours of training per year per employee	146
404-2			Programs for upgrading employee skills and transition assistance programs	147, 148	
			404-3	Percentage of Employees Receiving Regular Performance and Career Development Reviews	146

SDG's	Business Theme	Relevant GRI Standard	Disclosure	Title Indicator	Pages
 <p>Achieve gender equality and empower all women and girls</p>	Equality of Men and Women	GRI 405: Diversity and Equal Opportunity	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	141
		GRI 406: Non-Discrimination	405-1	Diversity of Governance Bodies and Employees	144
			405-2	Ratio of Basic Salary and Remuneration of Women to Men	145
 <p>Ensure access to water and sanitation sustainable for all</p>	Water	GRI 303:Water	303-1	Water withdrawal by source	96
	Waste	GRI 306: Effluents and Waste	306-1	Water Discharge by Quality and Destination	99
			306-2	Waste by type and disposal method	98
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	Energy Efficiency	GRI 302: Energy	302-3	Energy Intensity	100
 <p>Support sustainable economic development, productive employment and decent work for everyone</p>	Freedom of association	GRI 102: General Disclosure	102-41	Collective Bargaining Agreements	146

Sustainability at PGN

Message

About This Report

Opportunity to Develop Sustainability

Opportunity to Build the Business

Opportunity to Prosper the Nation

Opportunity in Conservation



Opportunity in Prioritizing Safety

Opportunity to Serve the Customer

Opportunity to Build PGN's

Opportunity to Bring Prosperity to the Nation

SDG's	Business Theme	Relevant GRI Standard	Disclosure	Title Indicator	Pages
	Earnings, wages and benefits	GRI 202: Market Presence	202-1	Ratios of Standard Entry Level Wage by Gender Compared to Local Minimum.	141
		GRI 201: Economic Performance	201-3	Defined Benefit Plan Obligations and Other Retirement Plans	148
		GRI 401: Employment	401-1	New Employee Hires and Employee Turnover	140-142
	401-2		Benefits Provided to Full-Time Employees That are Not Provided to Temporary or Part-Time Employees	143	
	Equality	GRI 405: Diversity and Equal Opportunity	405-2	Remuneration for men and women	145
		GRI 406: Non-Discrimination	406-1	Incidents of Discrimination and Corrective Actions Taken	144
	Employment	GRI 401: Employment	401-1	New Employee Hires and Employee Turnover	140-142
			401-2	Benefits Provided to Full-Time Employees That are Not Provided to Temporary or Part-Time Employees	143
	Occupational Health and Safety	GRI 403: Occupational Health and Safety	403-1	Workers Representation in Formal Joint Management-Worker Health and Safety Committees	109
			403-2	Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism, and Number of Work-Related Fatalities	116
			403-4	Health and Safety Topics Covered in Formal Agreements with Trade Unions	109

SDG's	Business Theme	Relevant GRI Standard	Disclosure	Title Indicator	Pages
	Training and Education	GRI 404: Training and Education	404-1	Average Hours of Training Per Year Per Employee	146
			404-2	Programs for Upgrading Employee Skills and Transition Assistance Programs	147, 148
			404-3	Percentage of Employees Receiving Regular Performance and Career Development Reviews	146
		GRI 410: Security Practices	410-1	Security Personnel Trained In Human Rights Policies or Procedures	145
		GRI 205: Anti Corruption	205-2	Communication and Training About Anti-Corruption Policies and Procedures	72
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>Build resilient infrastructure, promote sustainable industrialization and foster innovation</p>	Economic development in the highest poverty area	GRI 203: Indirect Economic Impacts	203-1	Indirect Economic Impacts	155
			203-1	Indirect Economic Impacts	155
 <p>10 REDUCED INEQUALITIES</p> <p>Reduce disparities in and between countries</p>	Economic development in poor areas	GRI 203: Indirect Economic Impacts	203-1	Indirect Economic Impacts	155

Sustainability at PGN

Message

About This Report

Opportunity to Develop Sustainability

Opportunity to Build the Business

Opportunity to Prosper the Nation

Opportunity in Conservation




Opportunity in Prioritizing Safety


Opportunity to Serve the Customer

Opportunity to Build PGN's

Opportunity to Bring Prosperity to the Nation

SDG's	Business Theme	Relevant GRI Standard	Disclosure	Title Indicator	Pages
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Make cities inclusive, safe, resilient and sustainable.</p>	Infrastructure investment	GRI 203: Indirect Economic Impacts	203-1	Indirect Economic Impacts	155
	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Ensure sustainable consumption and production patterns</p>	Air quality	GRI 305: Emissions	305-1	Direct (Scope 1) GHG Emissions
305-2				Energy Indirect (Scope 2) GHG Emissions	98
305-4				Greenhouse Gas Emission Intensity	98
Waste		GRI 306: Effluents and Waste	306-1	Water Discharge by Quality and Destination	99
			306-2	Waste by Type and Disposal Method	98
Materials		GRI 301: Materials	301-1	Materials Used by Weight or Volume	101
Information and labeling of products and services		GRI 417 : Marketing and Labeling	417-1	Requirements for Product and Service Information and Labeling	129
			417-2	Incidents of Non-Compliance Concerning Product and Service Information and Labeling	129
			417-3	Incidents of Non-Compliance Concerning Marketing Communications	129
 <p>13 CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts</p>	Air quality	GRI 305: Emissions	305-1	Direct (Scope 1) GHG Emissions	97
			305-2	Energy Indirect (Scope 2) GHG Emissions	98
			305-4	Greenhouse Gas Emission Intensity	98
	Energy Efficiency	GRI 302: Energy	302-3	Energy Intensity	100

SDG's	Business Theme	Relevant GRI Standard	Disclosure	Title Indicator	Pages
 <p>14 LIFE BELOW WATER</p>	Waste	GRI 306: Effluents and Waste	306-1	Water Discharge by Quality and Destination	99
	Water	GRI 303: Water	303-1	Water Withdrawal by Source	96
<p>Preserve and use the ocean, oceans and sea resources in a sustainable manner for sustainable development.</p>					
 <p>15 LIFE ON LAND</p>	Air quality	GRI 305: Emissions	305-1	Direct (Scope 1) GHG Emissions	97
			305-2	Energy Indirect (Scope 2) GHG Emissions	98
	Waste	GRI 306: Effluents and Waste	306-2	Waste by Type and Disposal Method	98
<p>Protect, restore, and increase the sustainability of the use of terrestrial ecosystems, manage forests sustainably, reduce badlands and land swap.</p>					
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Anti Corruption	GRI 205: Anti Corruption	205-2	Communication and Training About Anti-Corruption Policies and Procedures	72
			205-3	Confirmed Incidents of Corruption and Actions Taken	74
	Security Practices	GRI 410: Security Practices	410-1	Security Personnel Trained In Human Rights Policies or Procedures	145
	Ethical and Legal Behavior	GRI 102: General Disclosure	102-16	Values, Principles, Standards, and Norms of Behavior	44
<p>Promote peaceful and inclusive communities for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels.</p>					

SDG's	Business Theme	Relevant GRI Standard	Disclosure	Title Indicator	Pages
 <p>17 PARTNERSHIPS FOR THE GOALS</p> <p>Reinforce the means of implementation and revitalize global partnership for sustainable development</p>	Inclusive Decision Making	GRI 102: General Disclosure	102-18	Governance Structure	61
			102-40	List of Stakeholder Groups	68
			102-41	Collective Bargaining Agreements	132
			102-42	Identifying and Selecting Stakeholders	132
			102-43	Approach to Stakeholder Engagement	132
			102-44	Key Topics and Concerns Raised	132
			102-12	External Initiatives	67

FEEDBACK SHEET

We would like to thank you for taking your valuable time to read this Sustainability Report 2018. In an effort to improve the Sustainability Reporting the coming years, the PT Perusahaan Gas Negara Tbk would like to ask you to kindly fill out this feedback sheet and send it back to us.

1. This Sustainability Report has provided you with any information on activities that have been conducted by PT Perusahaan Gas Negara Tbk in its compliance with corporate social responsibility?
 Agree Don't Know Disagree
2. The material in this Sustainability Report includes data and information that is easily understood?
 Agree Don't Know Disagree
3. The material in this Sustainability Report includes data and information that is sufficiently complete.
 Agree Don't Know Disagree
4. The material in this Sustainability Report includes data and information that is accountable and can be validated.
 Agree Don't Know Disagree
5. The information in this Sustainability Report is well presented, well designed and laid out with suitable photographs.
 Good Don't Know Dissatisfactory
6. What information do you feel was useful in this Sustainability Report?

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

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

Your Information

Full Name :

Institution/Company :

Email :

Identification of stakeholder groups (select one):

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

.....

Please send back this form to:

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2018

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