

PT Perusahaan Gas Negara Tbk

Gas Utilities Indonesia JKT:PGAS

ESG Risk Rating

24.7

Last Full Update Oct 5, 2023

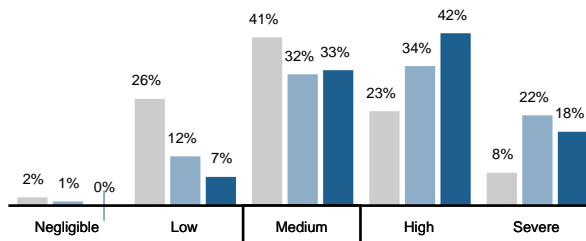
-3.4

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = Top Score)
Global Universe	7391/15652	48th
Utilities Industry	179/703	26th
Gas Utilities Subindustry	19/95	20th

Peers Table

Peers (Market cap \$1.9 - \$3.0bn)

Peers (Market cap \$1.9 - \$3.0bn)	Exposure	Management	ESG Risk Rating
1. PT Perusahaan Gas Negara Tbk	55.2 High	59.2 Strong	24.7 Medium
2. Spire Inc.	56.7 High	48.3 Average	30.9 High
3. Zhongyu Energy Holdings Ltd.	48.4 Medium	34.4 Average	32.7 High
4. Gujarat State Petronet Ltd.	48.4 Medium	30.9 Average	34.3 High
5. Shenzhen Gas Corp. Ltd.	51.0 Medium	22.1 Weak	40.4 Severe

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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

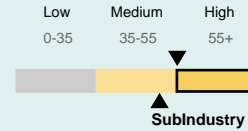
55.2

+0.6

High

Momentum

Beta = 1.08



Gas distribution and transmission operations require considerable infrastructure and maintenance work to assure service safety and reliability for customers. PT Perusahaan Gas Negara Tbk's (PGN) gas transmission and distribution network grew by 6.5% year on year in FY2022. Serious leaks in highly populated areas could result in explosions, operational disruptions and reputational damage. Furthermore, leakage of methane from the gas infrastructure network exposes PGN to financial and reputational risks related to its carbon footprint. Additionally, the company's employees (approximately 3,200 as of FY2022) and contractors are exposed to occupational health and safety risks related to explosions, excavation and general construction hazards, which in turn could lead to injuries or fatalities, and may prompt compensation costs and liability lawsuits.

The company's overall exposure is high and is moderately above subindustry average. Carbon - Own Operations, Occupational Health and Safety and Product Governance are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

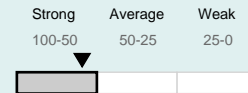
ESG Risk Management

59.2

+7.3

Strong

Momentum



PGN's overall ESG-related disclosure in its 2022 sustainability report is in accordance with GRI reporting standards, in line with best practice, though it has not received external verification. The company has set up a sustainability committee, headed by the president director, to oversee sustainability-related performance, but executive compensation does not seem to be linked to ESG performance targets. PGN has strong environmental, cybersecurity and health and safety management systems in place, certified to relevant ISO standards, with disclosures on key environmental and safety performance metrics, as well as management initiatives. Moreover, PGN has an adequate asset integrity management programme that is partially certified to ISO 55001. However, the company provides limited disclosure on both its GHG transition and physical climate risk management.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure Score Category	ESG Risk Management Score Category	ESG Risk Rating Score Category	Contribution to ESG Risk Rating
Corporate Governance	9.0 High	43.8 Average	5.1 Medium	20.5%
Occupational Health and Safety	6.6 Medium	48.2 Average	3.7 Low	15.1%
Carbon -Products and Services	4.2 Medium	21.0 Weak	3.5 Low	14.2%
Emissions, Effluents and Waste	5.8 Medium	60.8 Strong	2.6 Low	10.6%
Carbon -Own Operations	6.3 Medium	60.6 Strong	2.5 Low	10.1%
Product Governance	6.3 Medium	72.8 Strong	2.2 Low	8.8%
Business Ethics	5.3 Medium	65.0 Strong	2.0 Low	8.1%
Community Relations	5.5 Medium	74.8 Strong	1.8 Negligible	7.3%
Land Use and Biodiversity	3.2 Low	73.1 Strong	0.8 Negligible	3.4%
Human Capital	3.2 Low	89.4 Strong	0.5 Negligible	1.9%
Overall	55.2 High	59.2 Strong	24.7 Medium	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

 **Severe (0)**

 **High (0)**

 **Significant (0)**

 **Moderate (0)**

 **Low (0)**

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

⚠ None (19)

Access to Basic Services

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Carbon Impact of Products

Community Relations

Data Privacy and Security

Emissions, Effluents and Waste

Energy Use and GHG Emissions

Intellectual Property

Labour Relations

Land Use and Biodiversity

Lobbying and Public Policy

Marketing Practices

Occupational Health and Safety

Quality and Safety

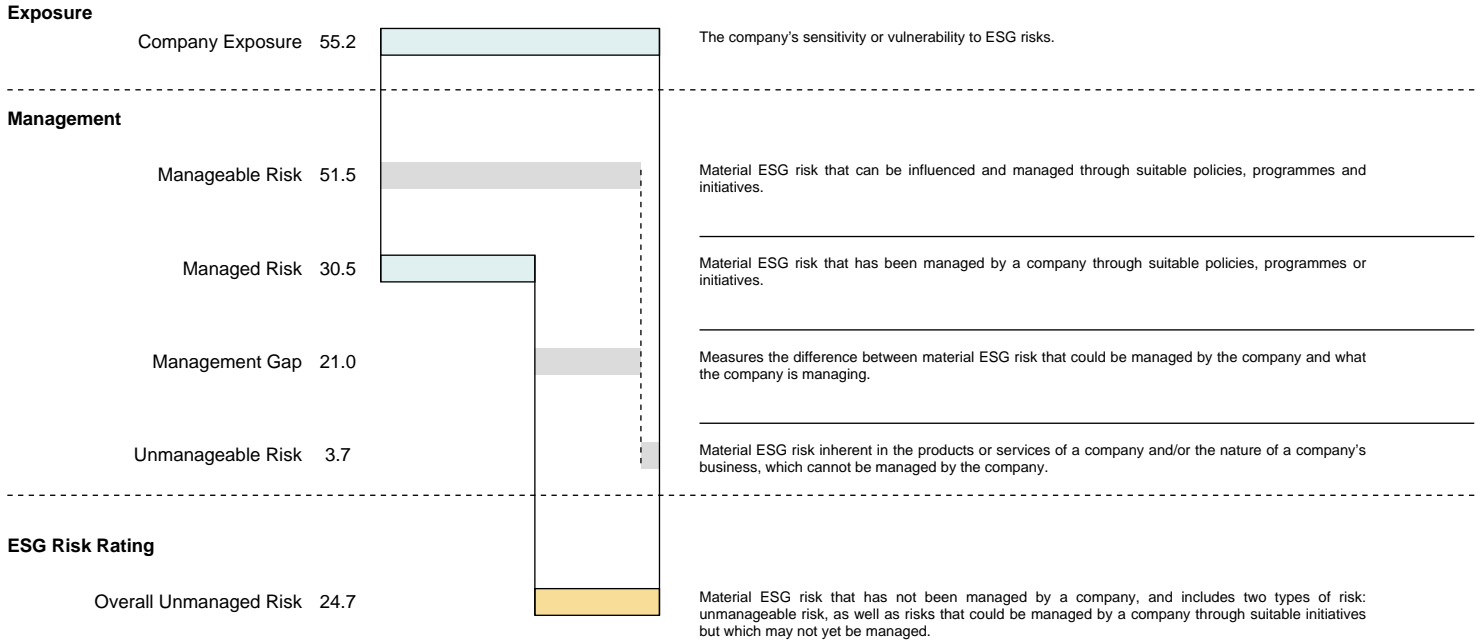
Sanctions

Society - Human Rights

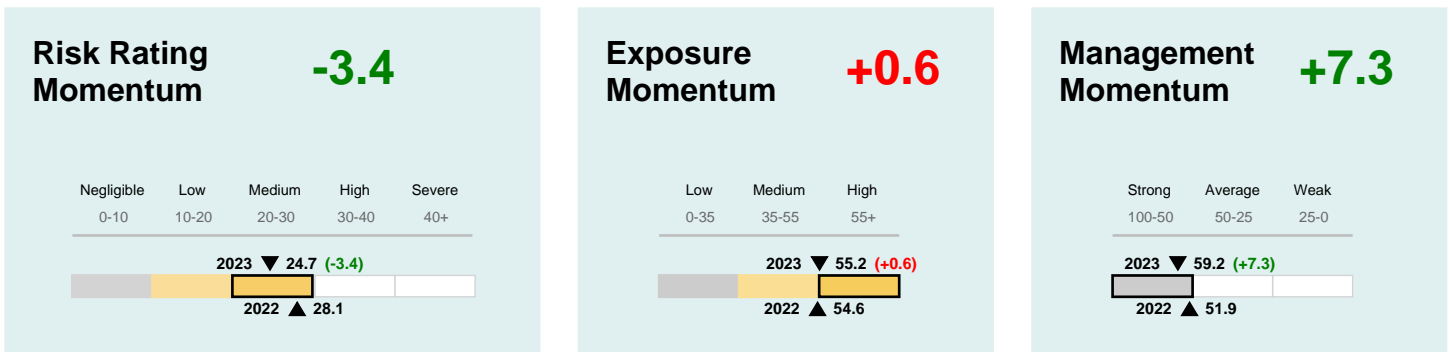
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Risk Decomposition



Momentum Details



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GLOSSARY OF TERMS

Beta (Beta, β)

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

- Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
- Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
- Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
- High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
- Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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