

PT Perusahaan Gas Negara Tbk

Gas Utilities Indonesia JKT:PGAS

ESG Risk Rating

20.2

Last Full Update Dec 13, 2024

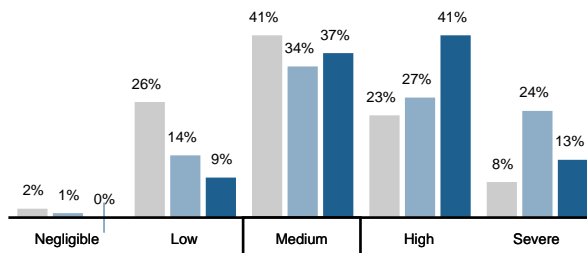
-4.5

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = Top Score)
Global Universe	4431/15104	30th
Utilities Industry	103/648	17th
Gas Utilities Subindustry	9/86	10th

Peers Table

Peers (Market cap \$2.1 - \$2.8bn)

Peers (Market cap \$2.1 - \$2.8bn)	Exposure	Management	ESG Risk Rating
1. PT Perusahaan Gas Negara Tbk	54.9 Medium	68.0 Strong	20.2 Medium
2. Korea Gas Corp.	64.5 High	57.1 Strong	29.9 Medium
3. Gujarat State Petronet Ltd.	45.8 Medium	36.2 Average	30.2 High
4. Chesapeake Utilities Corp.	57.8 High	38.7 Average	37.0 High
5. Foran Energy Group Co., Ltd.	51.5 Medium	27.2 Average	38.3 High

PT Perusahaan Gas Negara Tbk

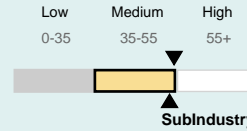
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ESG Risk Analysis

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

54.8 **-0.4**
Medium Momentum
 Beta = 1.02



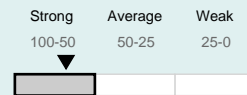
PT Perusahaan Gas Negara Tbk's (PGN) gas transmission and distribution network grew by 10% year on year in FY2023. Gas distribution and transmission operations require considerable infrastructure and maintenance work to ensure service safety and reliability for customers. Leaks in populated areas could result in explosions, operational disruptions and reputational damage. Gas network operations also expose PGN's employees and contractors to occupational health and safety risks, potentially leading to injuries or fatalities and may prompt compensation costs and liability lawsuits. In addition, leakage of methane from the gas network exposes PGN to financial and reputational risks related to its carbon footprint. The company's operations generally require close and frequent interactions with regulators and government officials, which presents business ethics risks for PGN.

The company's overall exposure is medium and is similar to subindustry average. Occupational Health and Safety, Business Ethics and Carbon -Own Operations 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

68.0 **+8.8**
Strong Momentum



PGN's overall ESG-related disclosure in its FY2023 sustainability report is in accordance with GRI reporting standards, in line with best practice, though only some part of the disclosure has received external verification with limited assurance. The company has set up a sustainability committee, led by its CEO, to oversee its sustainability-related performance. However, it does not appear to link its executive compensation to ESG performance targets. Meanwhile, PGN has strong environmental, health and safety and cybersecurity management systems in place, certified to relevant ISO standards, with its strong asset integrity management programmes partially certified to ISO 55001. However, the company provides only limited disclosure on both its GHG transition and physical climate risk management, lacking initiatives to properly manage and adapt to transition and physical climate risks.

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	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Carbon -Products and Services	3.8 Low	10.0 Weak	3.4 Low	17.1%
Corporate Governance	8.0 High	60.4 Strong	3.2 Low	15.7%
Occupational Health and Safety	6.0 Medium	61.0 Strong	2.7 Low	13.4%
Data Privacy and Cybersecurity	3.8 Low	55.0 Strong	2.1 Low	10.5%
Business Ethics	4.8 Medium	60.6 Strong	2.0 Low	10.0%
Carbon -Own Operations	6.3 Medium	70.5 Strong	1.9 Negligible	9.2%
Emissions, Effluents and Waste	4.8 Medium	80.6 Strong	1.3 Negligible	6.4%
Community Relations	5.0 Medium	82.3 Strong	1.3 Negligible	6.4%
Product Governance	4.8 Medium	83.8 Strong	1.2 Negligible	5.8%
Stakeholder Governance	2.0 Low	68.9 Strong	0.6 Negligible	3.1%
Human Capital	2.8 Low	89.4 Strong	0.4 Negligible	2.1%
Land Use and Biodiversity	2.8 Low	98.1 Strong	0.1 Negligible	0.3%
Overall	54.8 Medium	68.0 Strong	20.2 Medium	100.0%

Events Overview

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

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

2 Moderate (0)

1 Low (1)

Bribery and Corruption

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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

Business Ethics

Carbon Impact of Products

Community Relations

Corporate Governance

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

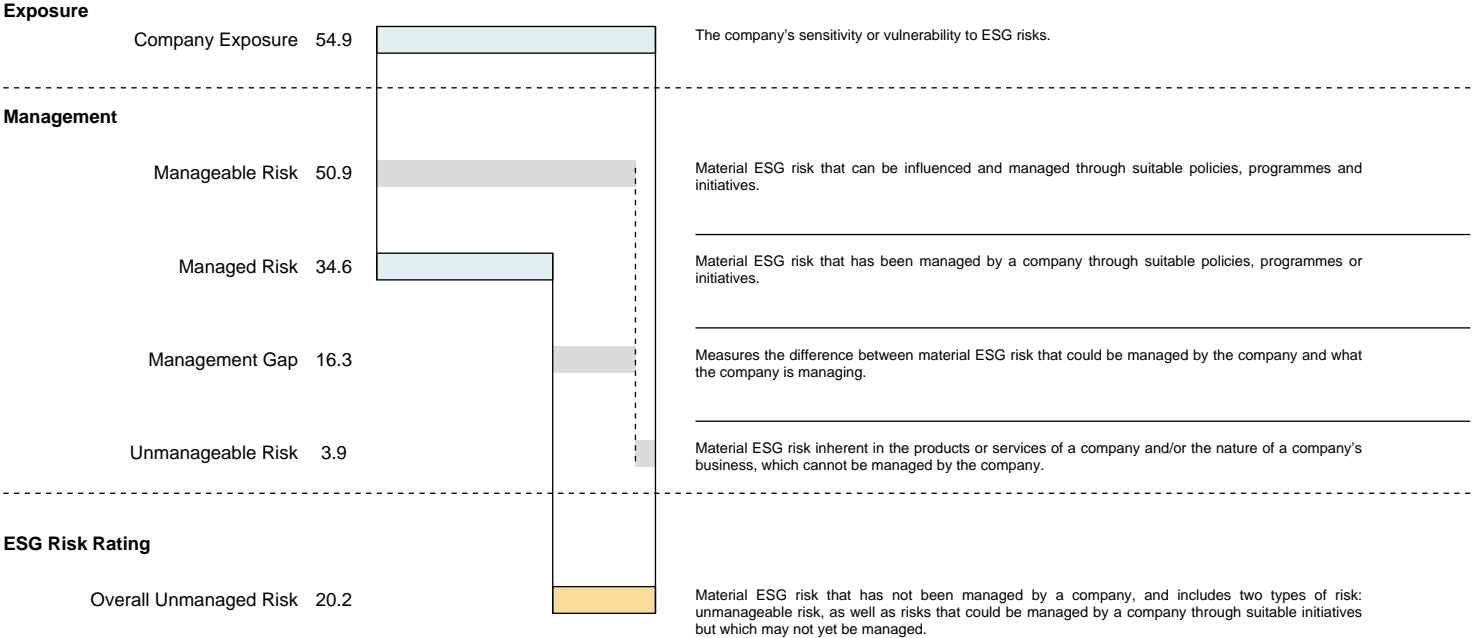
Sanctions

Society - Human Rights

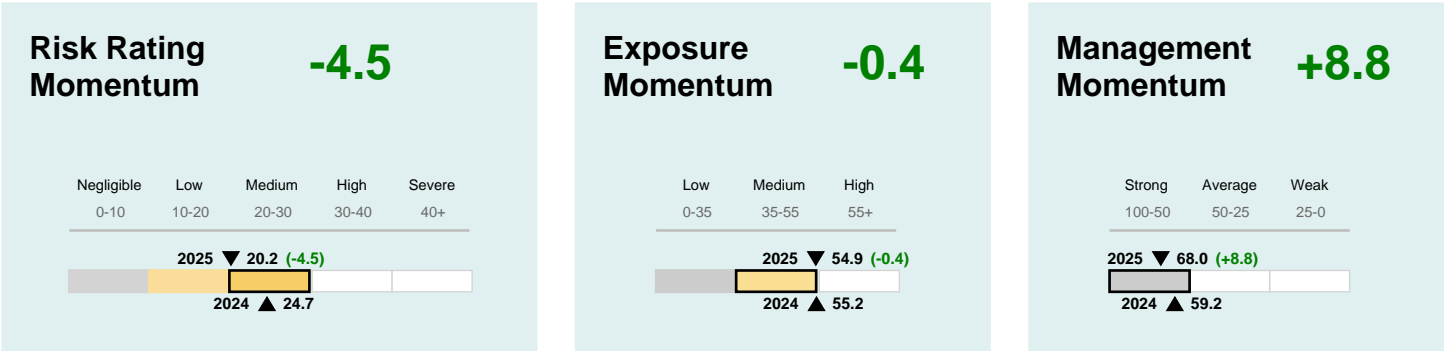
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Risk Decomposition



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.

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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