

**EMPOWERING.
BROADER.**





EMPOWERING. BROADER.



“For 60 years, Pertamina has developed into a power that is continuously providing a major contribution to the nation’s development, limited not only to its oil & gas products, but also through the initiatives in renewable energy sources, which are essential for the long-term sustainability of Indonesia.

Pertamina’s progress goes hand-in-hand with the ongoing development of society’s welfare and preservation of the environment focusing on balanced growth through the aspects of people, planet and profit is the beginning of our aspiration to become a World-Class Energy Company.”

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain certain plans, projections, strategies and objectives of the Company that are not statements of historical fact and should be treated as forward looking statements. Forward looking statements are subject to risks and uncertainties that may result in actual events, and the Company's future result, to be different than expected or indicated by these statements. No assurance can be given that the result anticipated by the Company, or indicated by these forward looking statements, will be achieved.

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ABOUT THE 2017 PERTAMINA SUSTAINABILITY REPORT

This Sustainability Report is intended to provide information to stakeholders in the areas of Governance, Social and Environmental performance. More specifically, the report presents efforts to support Indonesia's Energy Security, manage the Environment and Climate Change, and carry out Sustainable Social Development through investment and participation in programs for Social and Environmental Responsibility.

Pertamina publishes its Sustainability Report annually to complement its Annual Report. This report reflects the activities conducted within the period of 1st January until 31st December 2017.

REPORT PARAMETER

This Sustainability Report covers activities conducted by PT Pertamina (Persero) and its subsidiaries. A Public Accounting Firm has audited the financial data and information presented in this report, while the non-financial information presented in the report has passed the external assurance procedure conducted by an independent party.

SCOPES

Data and information in this Sustainability Report cover the sustainable performance of PT Pertamina (Perero) and its subsidiaries in upstream, gas and renewable energy fields in Indonesia. Details on the performance of other subsidiaries of Pertamina Group can be seen in the 2017 Annual Report of Pertamina.

REPORT REFERENCE

The 2017 Pertamina Sustainability Report has been developed 'in accordance' with the Global Reporting Initiative Standards Guideline and Oil and Gas Sector Disclosure - (OGSD) with 'core' option for material aspects. This report has also been prepared following the sustainability report guidelines from 'The Oil and Gas Industry Guidance on Voluntary Sustainability Reporting' 3rd edition, published by the International Petroleum Industry Environmental Conservation Association (IPIECA) together with the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (IOGP).

This report also provides references to POJK-51 of 2017 which regulates the Sustainable Implementation of Finance for Financial Institutions, Issuers, and Public Companies, although Pertamina is neither a public company nor an issuer. Conformity of the report to this regulation can be seen on pages 178-180.

EXTERNAL ASSURANCE

Pertamina conducts external assurance through an independent third party in regard to the information presented in this report. The results of external assurance can be seen on pages 169-172.



The new additions to the 2017 Sustainability Report are the conformity of this report with the requirements of SGX-ST Listing Rules, Practice Note 7.6 – Sustainability Reporting Guide, as a demonstration of Pertamina's compliance as a Global Bond Issuer on the Singapore Stock Exchange.

For ease of presentation, the terms of 'Pertamina', 'Company', or 'Us' are used to represent PT Pertamina (Persero). In certain parts, we have also used the abbreviations of the subsidiaries.

CONTACT CENTER RELATED TO SUSTAINABILITY REPORT

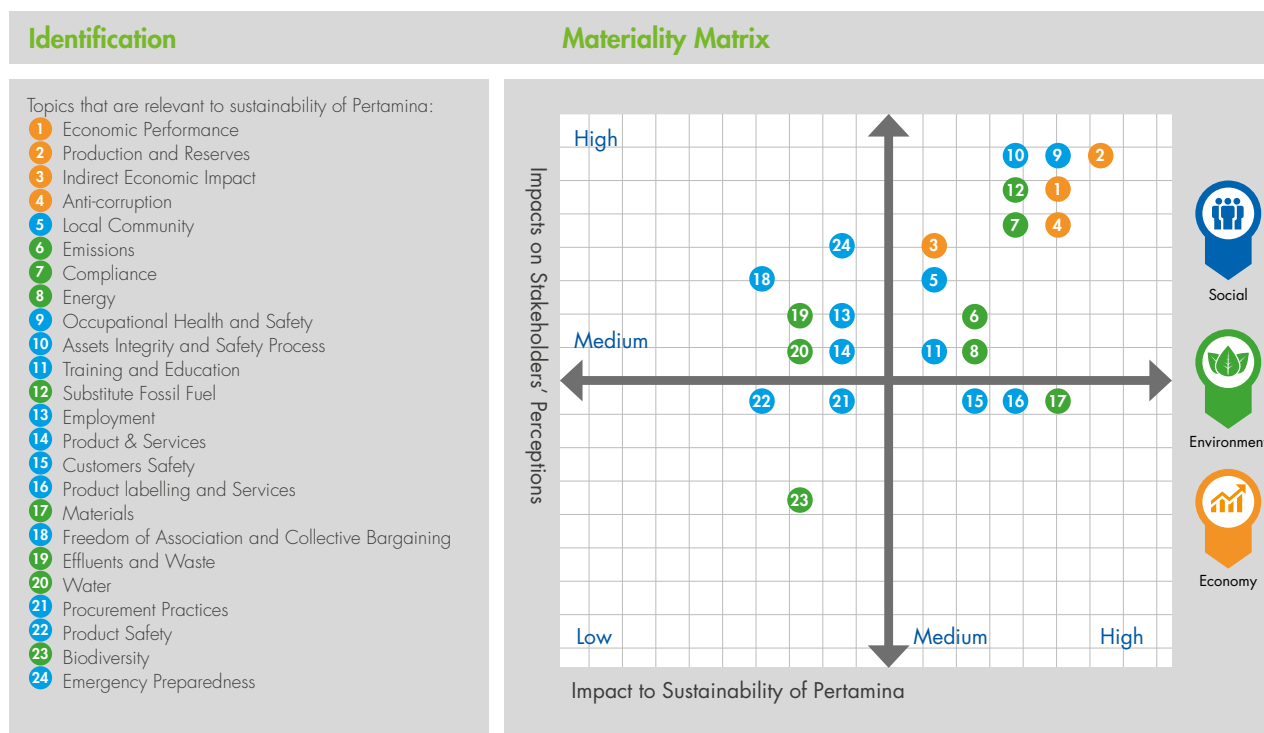
We highly appreciate suggestions, feedback, and questions from the readers of the data and information presented in this Report. To submit them to the Company, You can fill in the reader's suggestion form on page 183, or contact the Company directly at the address below:

Investor Relations

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TOPIC SELECTION FLOW

In this Report, Pertamina presents topics of discussion that are important for the sustainability of the Company and the Stakeholders. Topic selection is conducted by identifying all sustainability issues faced by the Company throughout 2017 that are relevant to be prioritized using the materiality test, which has been further reviewed internally.



Identification

Pertamina identifies topics relevant to the Economic, Social and Environmental impacts resulting from the Company's activities, products and services. For the initial review, the Company uses sustainability topics that have been reported in the Sustainability Report of the previous period, namely the results of Focus Group Discussion (FGD) on 6th-7th October 2015, which has been reviewed on 10th-11th October 2016.

Prioritizing

We prioritize the relevant topics in materiality matrix in order to select the material topic based on the criteria of:

1. Level of importance to the sustainability of Pertamina
2. The impact of certain topics toward stakeholders' perceptions

Each topic is prepared based on the levels of high, medium, and low through the FGD. Evaluation on the results of identification and re-priority was conducted on 19th-20th October 2017, which was attended by an internal team representing the governance, operations, finance, HSSE, human resources and general affairs functions.

Material topics are topics that are included in the category of 'Medium-High' in Materiality Matrix, which will be further reviewed by the Management.

Review

The material topics are further discussed at the level of Board of Directors and Board of Commissioners so as to obtain input, evaluation and approval. Based on the result of management's review, there are 12 topics included in this category and located in Quadrant H of the above Materiality Matrix.

Implementation of Reporting Principles

The following reporting principles, which are in line with the GRI Standards, are implemented during the planning, preparation and evaluation phases of Sustainability Report.

- The Principles of Stakeholders Inclusiveness and Sustainability Context are implemented in the identification process of sustainability topics that are relevant to Pertamina's business process and significant issues of interests to our stakeholders.
- The Materiality Principle is implemented in the Identification Process to determine the material topics
- The Completeness Principle is implemented in the preparation of data and information in this report so as to be consistent with the scope of this Sustainability Report.

REPORTING BOUNDARY

Topic	Description on Materiality	Impact Boundary						Outside of Company	Discussion in This Report
		Company			Subsidiaries				
		Refinery	Gas&EBT	Marketing	Upstream	Downstream	Others		
1. Economic Performance 2. Production and Reserves	<p>Pertamina is a State-Owned Enterprise tasked to provide energy with strong commercial principles to improve economic performance. Profit earned will contribute to the country in the form of dividend which is required in particular for future investments in line with the increasing national energy needs.</p> <p>Pertamina receives a mandate to maintain national energy security, including through the activities to increase energy reserves and production, considering the fact that national oil and gas production continues to decline. The Company continues to carry out exploration activities and strives to increase energy production in line with the community's needs for energy.</p>	√	√	√	√	√	√	√ Shareholder through the Ministry of SOE, Ministry of Finance, and Ministry of Energy and Mineral Resources √ Investors	Energy for the Nation
3. Indirect Economic Impact	<p>Energy provided through Pertamina's business activities creates an indirect economic impact that greatly affects other economic activities, especially in the provision of fuel, which is a basic need to conduct development.</p> <p>Limited energy infrastructure to all corners of the archipelago causes uneven energy distribution; hence, breakthroughs and investments are required to provide fuel especially in 3T area which is also part of Pertamina's assignment from the Government.</p> <p>Pertamina's business activities also contribute to improving and expanding the national energy infrastructure for energy distribution and other physical developments that can be utilized by the community.</p>	√	√	√	√			√ Customers and the Society	Energy for the Nation
4. Anti-Corruption	As the largest SOE with high complexity and extensive activities, corruption is one of the high risks that must be managed. The anti-corruption efforts undertaken as part of the implementation of good corporate governance is regarded as the mandate from stakeholders to create a Clean Pertamina.	√	√	√	√	√	√	√ Shareholder √ Regulators & Legislative Bodies √ Contractors √ Corruption Eradication Commission	Corporate Governance

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GRI Disclosure
Reporting Practices

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GRI Disclosure
Management Approach

Topic	Description on Materiality	Impact Boundary						Outside of Company	Discussion in This Report
		Company			Subsidiaries				
		Refinery	Gas&EBT	Marketing	Upstream	Downstream	Others		
5. Local Community	Pertamina's operations are heavily associated with the local community's economic and social activities, which can have both positive and negative impacts. In line with the laws and regulations, Pertamina is obliged to engage in social and environmental responsibilities to minimize negative impacts and increase the benefits of the Company's presence in the community.	√	√	√	√	√		√ Community, particularly the ones surrounding the operational area	Harmony with the Society
6. Emissions	The energy sector is the largest contributor of GHG emissions; hence, energy conservation efforts must be taken. In this regard, the Government has set a target of reducing GHG emissions at each sector. As an energy company, Pertamina is a leading sector in the efforts to reduce Greenhouse Gas (GHG) emissions with a target of reducing GHG emissions by 26% by 2020 (based on the 2010 baseline)	√	√	√	√	√		√ Government through the Ministry of Environment and Forestry √ Community in general	Cleaner Energy
7. Environmental Compliance	Pertamina's operations have intrinsic risks that cause significant environmental impacts, especially on operations in upstream sector, refining and distribution of energy. In the Company's management, risk of pollution must be controlled by, at the very least, adhering to the environmental laws and regulations as a form of compliance as well as conducting beyond-compliance efforts in carrying out the Corporate Performance Rating Program (PROPER) proclaimed by the Government.	√	√	√	√	√		√ Government through the Ministry of Environment and Forestry and local environmental regulators √ Community, particularly the ones surrounding the operational area	Cleaner Energy
8. Energy	In conducting its energy business, Pertamina also conducts energy conservation initiatives. Energy conservation should be carried out as part of the efforts to reduce GHG emissions and part of the implementation of the Corporate Performance Rating Program (PROPER) proclaimed by the Government as well as operational efficiency in upstream, refining and marketing activities.	√	√	√	√	√	√	√ Country through the Ministry of Energy and Mineral Resources	Cleaner Energy

Topic	Description on Materiality	Impact Boundary						Outside of Company	Discussion in This Report
		Company			Subsidiaries				
		Refinery	Gas&EBT	Marketing	Upstream	Downstream	Others		
9. Occupational Health and Safety 10. Assets Integrity and Safety Process	Occupational Health and Safety (HSSE) is an inherent risk within the high-risk and high-capital energy business. HSSE Incidents will result in significant business interruptions and affect company's reputation in the eyes of the stakeholders. Over the past few years, as Pertamina's activities have increased, the risks of HSSE have also increased. Several high profile incidents have also been of concern to the public, especially in the areas of refining and distribution of energy. To that end, Pertamina strives to make continuous efforts to prevent accidents to employees and contractors, as well as incidents on assets and processes.	√	√	√	√	√	√	√ Contractor √ Community, particularly the ones surrounding the operational area	HSSE Culture
11. Education and Training	The economic crisis that took place recently results in the low absorption of new workforce; thus, Pertamina may lose its human resource assets in significant amounts in the medium term naturally. Attempts to conduct recruitment process have been intensified but it still needs to accelerate competency improvement and strong leadership through education and training programs in line with the Company's business aspirations.	√	√	√	√	√	-		Reliable Talents
12. Substitute of Fossil Fuel	In addition the Government wishes to create long-term energy mix by 2030 and 2050 in which the portion of new and renewable energy is increased. Non-fossil energy utilization efforts are carried out by Pertamina through the provision of renewable energy from geothermal sources and other sources. Pertamina shall also implement the Government's program to provide Biofuels to reduce consumption of fuel which are still partly imported.			√				√ Government through the Ministry of Energy and Mineral Resources	Cleaner Energy

CHANGES TO REPORTING BOUNDARY

In the 2017 Sustainability Report, there has been no change made to the impact boundary. The 2017 Sustainability Report of Pertamina focuses on 12 material topics in comparison to the 20 material topics presented in the Company's 2016 Sustainability Report. Topics that are considered no longer material are raw materials, water, effluents and waste, emergency response, manpower, freedom of discussion, marketing and labeling, as well as safety of products and services. There are no data and information re-presented from the sustainability reports of the previous periods.

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GRI Disclosure
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GRI Disclosure
Management Approach

BRIEF HISTORY OF THE COMPANY



Pertamina is always working hard to build the nation by strengthening its commitment in the field of New and Renewable Energy as well as business diversification.



In the 1950s, the Government of the Republic of Indonesia appointed the Army, which later established PT Eksploitasi Tambang Minyak Sumatera Utara to manage oil fields in the Sumatra region.

PT Pertamina (Persero) has now journeyed with over six decades of experience in the energy industry. Pertamina continues to work hard in building the nation through strengthening its commitment in the fields of New and Renewable Energy and Business Diversification. This commitment is demonstrated through the provision of more quality products to meet the demands of consumers for superior products. It is now time for Pertamina to strengthen its steps, in order to face a variety of challenges with optimism so as to create sustainable business growth for the Company through investment and business optimization in order to continue growth in line with the expectations of all stakeholders.

On June 18th 2003, the State Oil and Natural Gas Mining Company changed its name to PT Pertamina (Persero), conducting oil and gas business activities from the Upstream Sector to the Downstream Sector.

The Milestones of Pertamina has started in the 1950s, the Government of the Republic of Indonesia appointed the Army, which later established PT Eksploitasi Tambang Minyak Sumatera Utara to manage oil fields in the Sumatra region. On 10th December 1957, the Company then changed its name to PT Perusahaan Minyak Nasional, abbreviated to PERMINA. This date is celebrated as the birth of Pertamina to this day. In 1960, PT Permina changed its status to a State Enterprise (PN) Permina. Later, PN Permina joined PN Pertamina to become PN State Oil and Natural Gas Mining Company on 20th August 1968.

Afterward, the government regulated the role of Pertamina so as to produce and process oil and gas from oil fields as well to provide for the fuel and gas demands in Indonesia through Law No.8 of 1971. Furthermore, through Law No.22 of 2001, the government changed the position of Pertamina, allowing the implementation of Public Service Obligation (PSO) to be conducted through the business activities.

Based on Government Regulation No.31 of 2003 dated 18th June 2003, the State Oil and Natural Gas Mining Company changed its name to PT Pertamina (Persero) which engaged in oil and gas business activities from the Upstream Sector to the Downstream Sector. PT Pertamina (Persero) was established on 17th September 2003 based on Notarial Deed No.20 of 2003. On 10th December 2005, Pertamina transformed the seahorse logo into arrows with green, blue, and red base colors that reflect the dynamic elements and environmental awareness.



Through a subsidiary, PT Pertamina International EP, Pertamina became the majority shareholder of Maurel et Prom (M&P) with 72.65% of shares.

PT Pertamina (Persero) transformed the Company's business and fundamentals on 20th July 2006. PT Pertamina (Persero) changed the Company's vision to "Becoming a World-Class National Oil Company" on 10th December 2007. In 2011, Pertamina improved its vision, to "Becoming a World-Class National Energy Company". Through the EGM dated 19th July 2012, Pertamina increased its issued/paid-up capital as well as expanded its business activities.

On 14th December 2015, the Minister of SOE at the General Meeting of Shareholders approved the amendment to the Articles of Association of Pertamina in optimizing the utilization of resources, increasing on the issued and subscribed capital by the state as well as the Board of Directors' actions that require written approval from the Board of Commissioners. This amendment has been stated in Deed No.10 dated 11th January 2016, Notary Lenny Janis Ishak, SH.

In 2017, one of the real steps to realize the vision of becoming a world-class national energy company was to successfully complete the acquisition of French oil and gas company Maurel et Prom (M&P). Effective from 1st February 2017 through a subsidiary, PT Pertamina International EP, Pertamina became the majority shareholder of M&P with 72.65% of shares. Through its majority shareholding in M&P, Pertamina has access to operations in 12 countries spread over 4 continents. In the future, Pertamina aims to produce 650 thousand BOEPD (Barrels of Oil Equivalents Per Day) by 2025 from its international operations, as part of Pertamina's production target of 1.9 million BOEPD by 2025, in a determined effort towards establishing Indonesia's energy resiliency and self-sufficiency.

CORPORATE IDENTITY



Name of Company	PT Pertamina (Persero)
Company's Name Changes	PT Permina (1957) then became PN Permina (1961), and was later incorporated as PT Pertamina (Persero) (2003)
Date of Establishment and Effective Date of Change of Company Name	<ul style="list-style-type: none"> • 10th December 1957, named PT Permina • 1st July 1961, PT Permina became PN Permina • 20th August 1968, PN Permina and PN Pertamina incorporated into PN Pertamina • 15th December 1971, PN Pertamina became a State Owned Oil and Natural Gas Mining Company • 17th September 2003, the State Owned Oil and Natural Gas Mining Company became PT Pertamina (Persero)
Legal Basis of Establishment	Government Regulation No.31 of 2003 regarding the Change of Status of the State-owned Oil and Natural Gas Mining Company (Pertamina) into a Limited Liability Company (Persero)
Notarial Deed of Establishment	<ul style="list-style-type: none"> • Notarial Deed No.22 dated 10th December 1957, Meester Raden Pranowo Soewandy, Substitute Notary Raden Meester Soewandy • Government Regulation No.198 of 1961 regarding the Establishment of the State-owned National Oil Mining Company (PN Pertamina) • Government Regulation No.27 of 1968 regarding the Establishment of the State-owned Oil and Natural Gas Mining Company • Law No.8 of 1971 regarding the State-owned Oil and Natural Gas Mining Company • Government Regulation No.19 of 2003 regarding the Change of Status of the State-owned Oil and Natural Gas Mining Company to a Limited Liability Company (Persero) • Law No. 19 of 2003 regarding State Owned Enterprises • Notarial Deed No.20, dated 17th September 2003, Notary Lenny Janis Ishak, SH • State Gazette of the Republic of Indonesia dated 21st November 2003 No. 93 Supplement No. 11620
Recent Changes of Notarial Deed	Deed of the Minister for State Owned Enterprises As a General Meeting of Shareholders No. 10 dated 11 th January 2016, Notary Lenny Janis Ishak, SH. Based on the Decree of the Minister of SOEs regarding the amendments of PT Pertamina (Persero) dated 24 th November 2016
Company Type	Limited Liability Company, State Owned Enterprise
Shareholder	100% by the Government of the Republic of Indonesia The Company's shares are not to be traded



100%

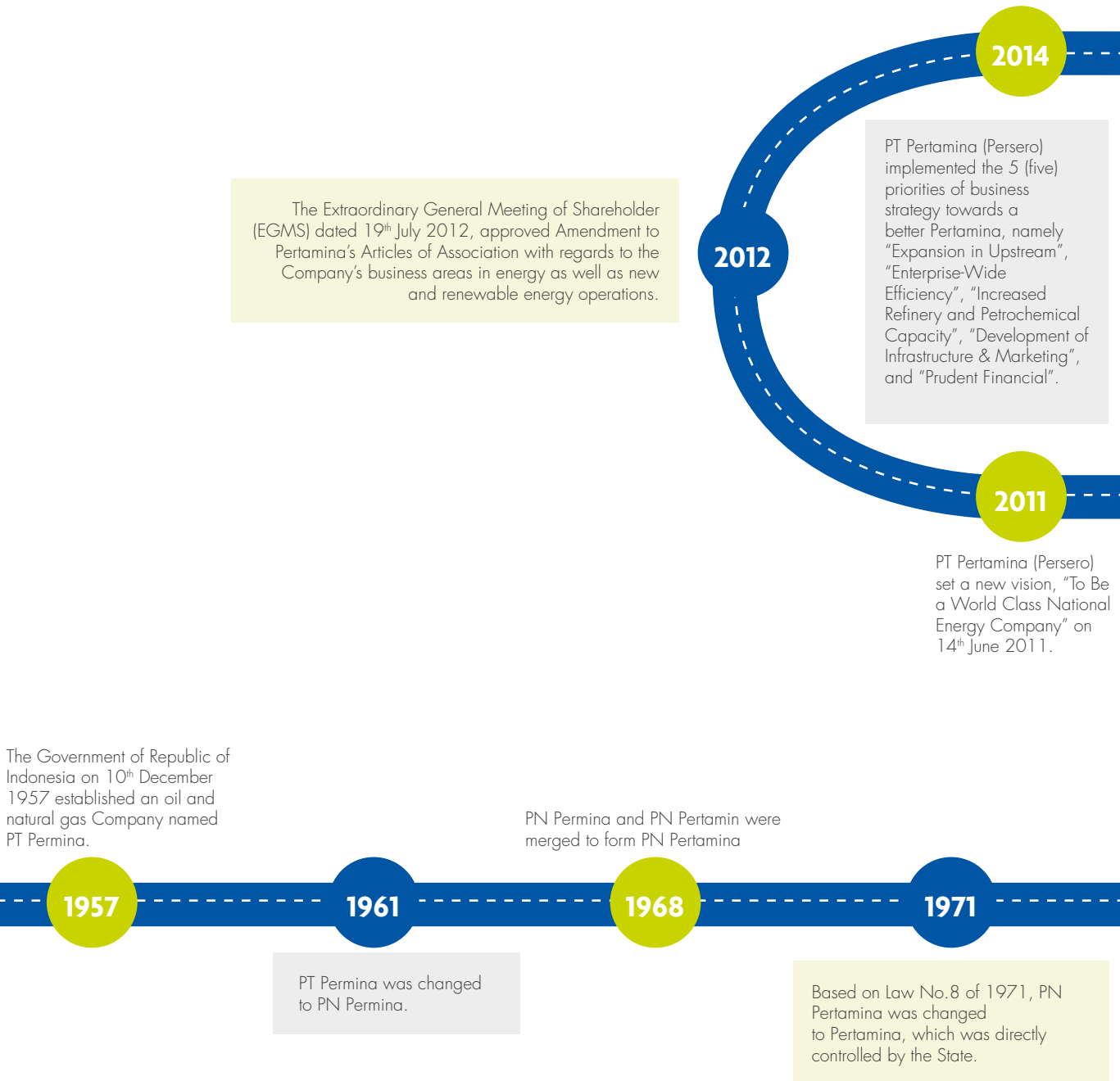


State Capital Investment	Government of the Republic of Indonesia
Line of Business	Energy



Working Units of Pertamina as at 2017	<ul style="list-style-type: none"> • 6 Refinery Units • 8 Marketing Operation Region • ±500 Bulk LPG Filling Stations • ±60 Aviation Fuel Depots • ±20 LPG Terminals • >1 Lube Oil Blending Plant (LOBP) • >100 Fuel Terminals • Operating a tanker fleet >60 Owned and >100 Chartered Fleet of tankers • >5,000 Public Fuel Filling Stations (SPBU) • >30 Fuel Gas Filling Stations (SPBG) • >100 Special Terminals and TUKS • >100 Harbours • >10 SPM (Single Point Mooring) • ±10 STS (Ship to Ship) locations • ±10 CBM (Conventional Buoy Mooring) • >100 KKR • ±2 Bitumen Plants • ±2 Chemical Storage Plants • 57 Fuel Gas Filling Stations (SPBG) • 24 Subsidiaries • 6 Associate Companies • 6 Joint Ventures
Products and Services	<ul style="list-style-type: none"> • Fuel Product (PSO Fuel, NPSO Fuel, Assignment Fuel (Non Jamali)) • Non-Fuel products (LPG PSO, LPG NPSO, Gas Products, Bitumen, Aromatic Olefin, Special Chemical) • Aviation Fuel Products (Avtur, Avgas, Methanol Mixture) • Marine Transport Services including Internal Customer Crude, Intermedia, Fuel and Non-fuel product. • External Customer Marine Transport Services (charter out) • Floating Storage & Offloading Services • Vetting services • Marine Services: Underwater Technique, Docking, Agency, and Mooring Master • Offshore Support Vessel service, port and dock facilities
Main Brands	Pertalite, Mitanku, Diesel, BioDiesel, Dexlite, Peralite, Pertamina, Pertamina Plus, Pertamina Turbo, Pertamina Racing, Pertamina Dex, Diesel V10, MFO 380, LPG, Bright Gas, Bright Gas Can 220Gr, MUSCool, VI-GAS, EnvoGas
Total Assets	USD51,214 million
Authorized Capital	Rp200,000,000,000,000,- (two hundred trillion Rupiah), consisting of 200,000,000 (two hundred million) shares with a nominal value of Rp1,000,000,- (one million Rupiah) per share
Issued and Fully Paid Capital as of 31st December 2016	Rp83,090,697,000,000 (eighty three trillion ninety billion six hundred ninety seven million Rupiah), consisting of 83,090,697 (eighty three million ninety thousand six hundred ninety seven) shares with a nominal value of Rp1,000,000,- (one million Rupiah) per share
Address	Head Office PT Pertamina (Persero) Jl. Medan Merdeka Timur 1A Jakarta 10110 Indonesia Phone : (62-21) 381 5111, 381 6111 Fax : (62-21) 363 3686, 384 3882 E-mail : pcc@pertamina.com Website : www.pertamina.com
Contact Center	Contact Pertamina Phone : 1 500 000 (PSTN and Cellular Phone) SMS : (62) 815 950 0000 Email : pcc@pertamina.com Facebook : @pertamina

PERTAMINA GLIMPSE IN TIME



In August 2016, for the 1st time Pertamina has successfully completed the acquisition process for 24.53% of shares in Establishment Maurel & Prom SA (M&P), a French-based multinational oil and gas company listed on the Paris Stock Exchange (Euronext Paris). M&P has exploration and production assets in Africa, Europe and America.

The acquisition of M&P's shares has added to Pertamina's investment portfolio of overseas assets, enlarging reserves for national energy security, and drives Pertamina's upstream business development in the global arena.

2015

On 14th December 2015, Minister of SOE as GMS approved the Amendment of the Pertamina's Articles of Association included:

- 1) Addition to the paid up capital from the capitalization of retained earning of amounting to Rp50 trillion;
- 2) Addition to new business activities related to the industry area, asset optimization and new activities for the Company as detailed in Article 3 of Articles Association;
- 3) Organization approval authority which requires Board of Commissioners' approval, initially was 2 (two) levels below Board of Directors become 1 (one) level below Board of Directors;
- 4) Loan to Subsidiaries, which initially must obtain Board of Commissioners' approval become only to be reported to Board of Commissioners.

2016

2017

1. In February 2017, Pertamina through its subsidiary, PT Pertamina International Exploration and Production (PIEP), completed the acquisition of Maurel et Prom (M&P), a French oil and gas company with share ownership of 72.65%.
2. The subsidiary of PT Pertamina (Persero), PT Pertamina Hulu Indonesia (PHI) officially replaced Total E&P Indonesia (TEPI) as the manager of the Mahakam Block after the TEPI contract expired on 31st December 2017.

2007

PT Pertamina (Persero) changed its vision to, "To Be a World Class National Oil Company" on 10th December 2007.

2005

On 10th December 2005, PT Pertamina (Persero) changed its logo as part of an effort to prepare for a more competitive business era with a more dynamic, reliable and environmental friendly spirit.

2001

The enforcement of the Oil and Gas Law No.22 of 2001 changed the governance of the oil and gas industry in Indonesia so that Pertamina was no longer a regulator.

2003

Pertamina was officially became PT Pertamina (Persero) based on PP No.31 Year 2003 dated 18th June 2003 regarding Alienation of the State-owned Oil and Natural Gas Mining Company (Pertamina) to the Limited Liability Company (Persero).

8 WORLD-CLASS PERTAMINA PRIORITIES

2017 has been a year of cultural change and performance acceleration for Pertamina. Pertamina has mapped out all operations and subsidiaries in order to determine the corporate agenda priorities in order to achieve the 2025 aspiration and the realization of the vision and mission of Pertamina to become a world-class national energy company.

Pertamina has set out the "8 World-Class Pertamina Priorities" agenda, which was compiled based on the SMART (Specific, Measurable, Achievable, Realistic and Timebound) principles and developed with perspective on the current market conditions. This priority serves as the foundation for all operations and subsidiaries in determining the strategic initiatives so as to ensure the achievement of the Company's Long Term Plan (RJPP) and Corporate Work Plan and Budget (RKAP).

The items in the 8 priorities agenda have become Pertamina's top priority in moving towards the goal of becoming a world-class national energy company. All Pertamina personnel shall imbue a sense of responsibility towards cost savings, contributing and synergizing in the implementation of the 8 priorities, both in for internal and corporate operation.

08 COMPANY GROWTH

Increased reserves and production of oil and gas, both organic and inorganic; including the development of business, capability, and risk sharing through the expansion of partnerships with world-class companies.

Main Indicators:

- Cost Efficiency (cost/bbl)
- Production Growth (%)
- RRR (%)

03

UPSTREAM GROWTH

01

HSSE & SUSTAINABILITY

02

HUMAN CAPITAL DEVELOPMENT

Vision: Becoming a World-Class National Energy Company

Sustainable Corporate Growth; through investment and business portfolio optimization, enabling the Company to continue to grow, subsequently meeting the stakeholders' expectations.

Main Indicators: EBITDA Growth (%), ROIC (%), Capex to Revenue Ratio (%), OTOBOSOR

Aggressive and business-oriented development of the downstream gas business portfolio; selectively and efficiently through the expansion of domestic and global supply sources.

Main Indicators:

- Gas sales volume
- Gas market share

Increase in downstream margins; through improved operational efficiency (refinery turn-around, upgrading & RDMP) and high-value products.

Main Indicators:

- Nett Cash Margin (USD/bbl)
- Yield Valuable Product (%)
- Energy Intensity Index

Utilization of New and Renewable Energy selectively and efficiently; in order to support the resilience of national energy, including Geothermal and developing partnerships and ownership of investments in potential EBT companies.

Main Indicators:

- Power capacity (MW)

Increase in profitability and market share; through the efforts of market penetration, market expansion, strategic infrastructure development, and meeting the MM & products requirements with a competitive and integrated supply chain.

Main Indicators:

- Market share (%)
- Operating profit margin (%)
- Customer satisfaction Index
- Cost efficiency (USD/KL)

04

GAS GROWTH

05

STRENGTHENING REFINING & PETROCHEMICAL BUSINESS

06

NEW AND RENEWABLE ENERGY DEVELOPMENT

07

INFRASTRUCTURE & MARKETING DEVELOPMENT

Implementation of the principles of HSSE Excellence in every Company activity, as well as the 3P (People, Planet, Profit) aspect in the Company's business activities.

Main Indicators: level 8 ISRS, FAR (Fatal Accident Rate), Proper rating, GRI, NOA

Strengthening and accelerating HR development; with competent leadership and technical competence, as well as a high-performance culture with the 6C values and JTA (Honesty-Sincerity-Trustworthy) behaviour.

Main Indicators: Leadership Competency Index, Learning & Dev Hours/FTE

VISION, MISSION AND COMPANY'S GOALS

VISION

TO BE WORLD CLASS NATIONAL ENERGY COMPANY

MISSION

TO CARRY OUT INTEGRATED CORE BUSINESS IN OIL, GAS, NEW AND RENEWABLE ENERGY BASED ON STRONG COMMERCIAL PRINCIPLES

Pertamina has vision and mission which has been discussed and approved by Board of Commissioners, Board of Directors, and Shareholders on 14th June 2011 in Extraordinary General Meeting of Shareholders (RUPSLB) to stipulate Company's Long-Term Plan (RJPP) in 2011-2015. The latest Corporate's Goals was legalized simultaneously with legalization of the RJPP 2015-2019 on 23rd December 2015.

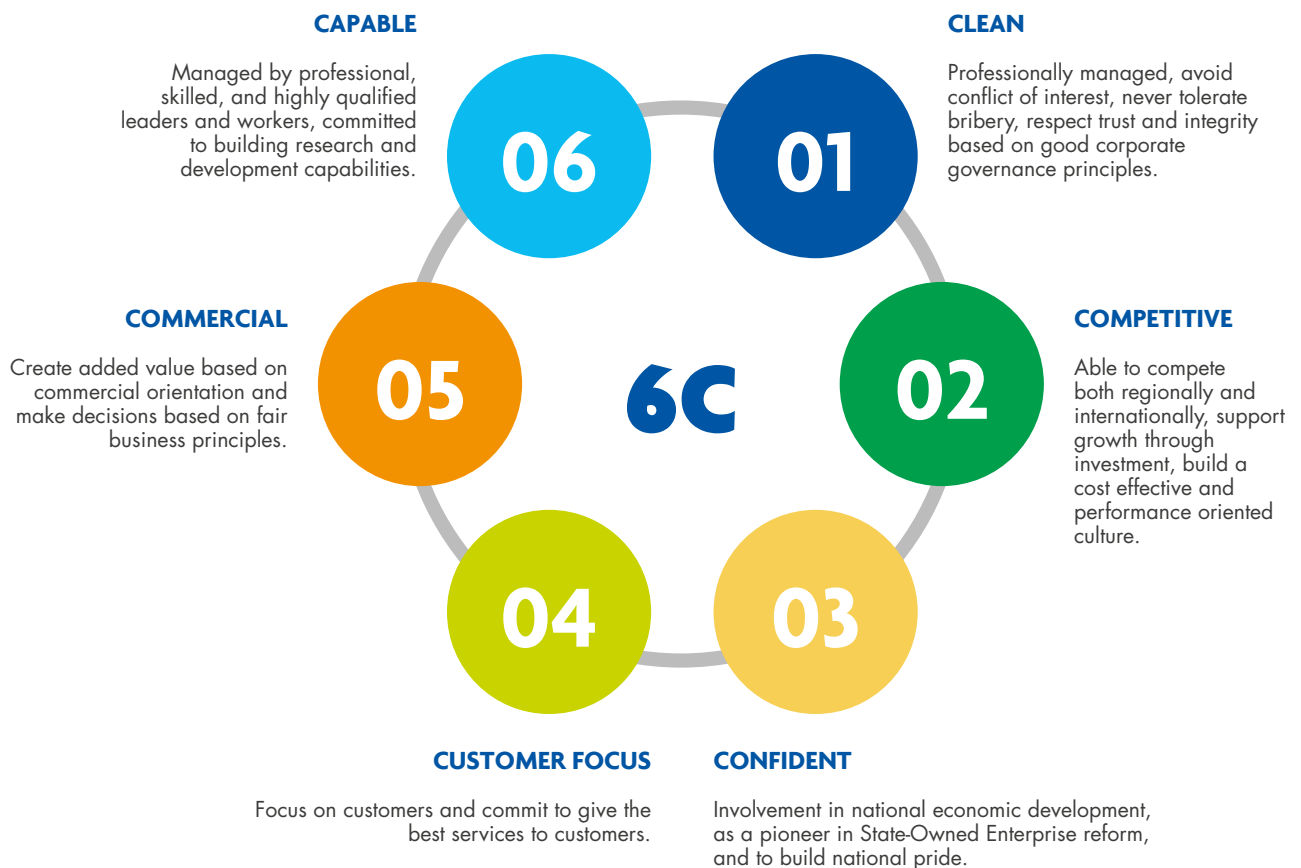
COMPANY'S GOALS

- Implementing and supporting Government's policies and programs in Economic and National Development in general particularly in the Organization of Oil and Gas Business both domestic and overseas as well as other activities which are related to or support business activities in the oil and gas sectors, and;
- Development on the resource optimization owned by the Company to produce high-quality goods and/or services and strong competitive as well as to pursue profit in order to improve Company's value by applying the Limited Liability Company principles.

PERTAMINA CULTURE

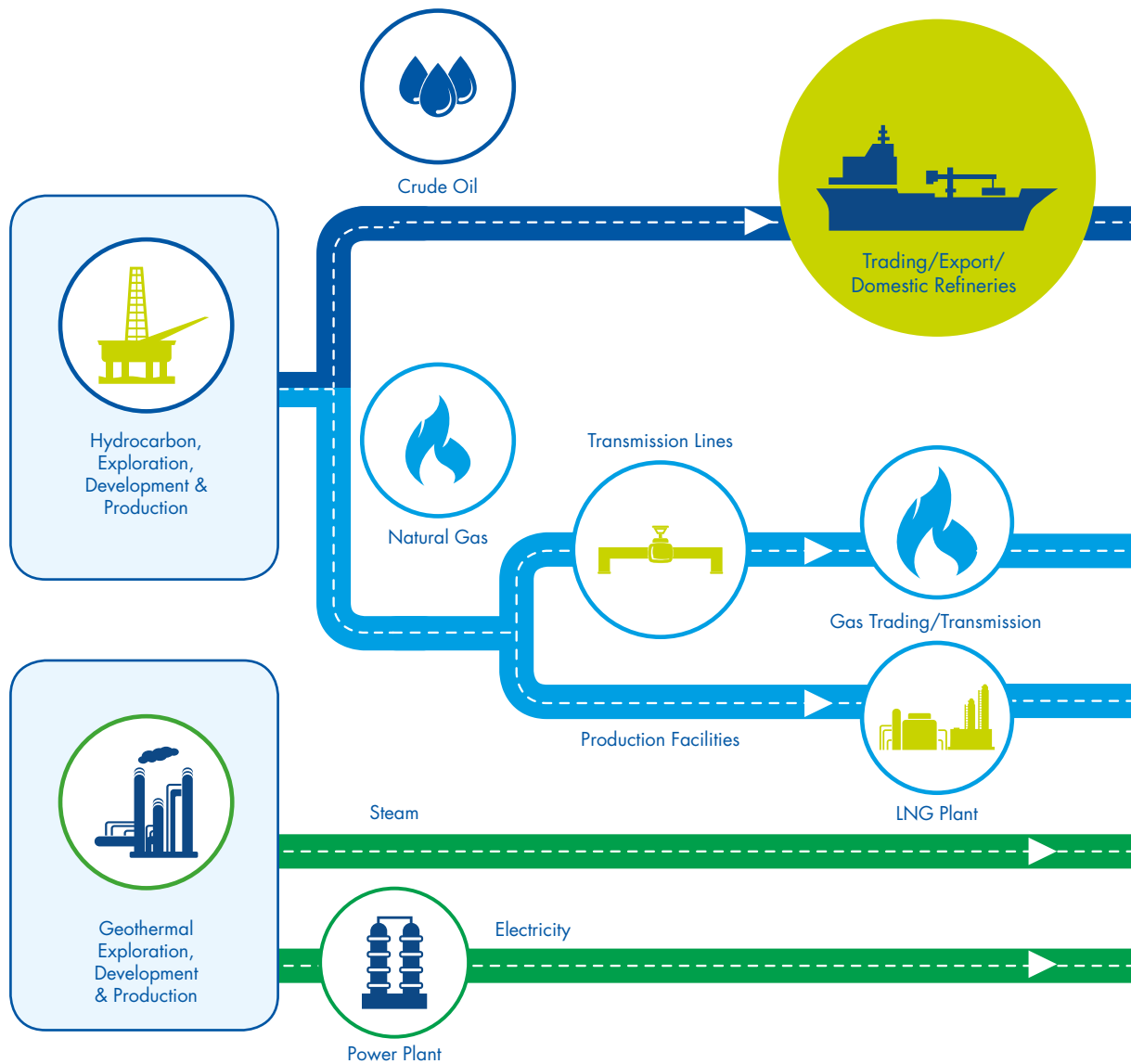
Pertamina holds certain values as a foundation to guide the Company towards realizing the vision and mission based on global standards and the implementation of Good Corporate Governance. The values are represented by the 6C's, consisting of Clean, Competitive, Confident, Customer-focused, Commercial and Capable, which must be acknowledged and perceived as behavioural guidelines for all employees in their daily activities.

The understanding and implementation of the 6C Values will shape the behaviors, which then develop as a culture, creating a distinctive feature of Pertamina from among other companies. Each individual worker in Pertamina must ensure that he or she behaves in accordance with the 6C Values.



PERTAMINA INTEGRATED BUSINESS ACTIVITIES

UPSTREAM



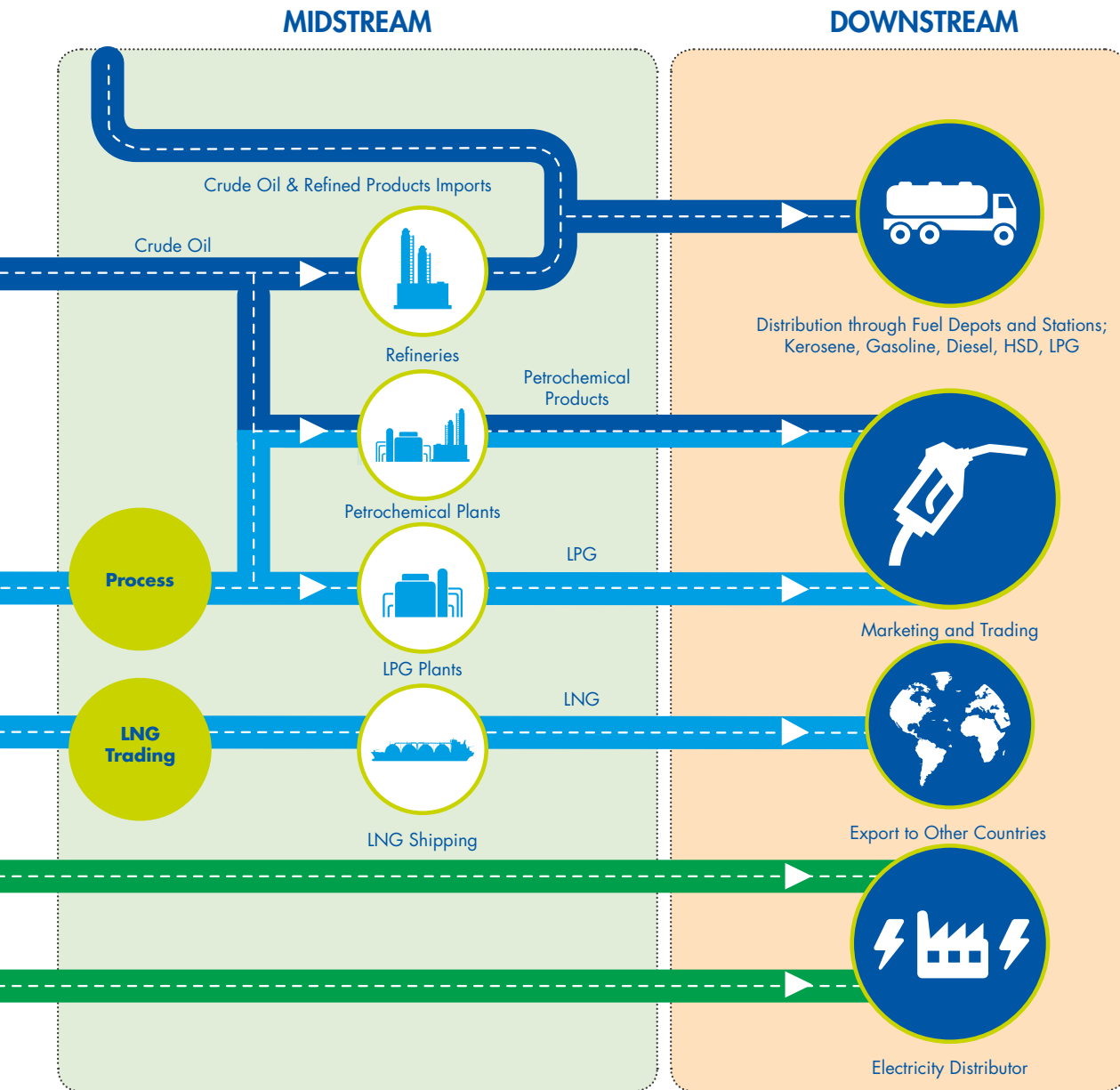
Key Operating Companies*

Upstream

- PT Pertamina EP
- PT Pertamina EP Cepu
- PT Pertamina Drilling Services Indonesia
- PT Pertamina EP Cepu ADK
- PT Pertamina Hulu Energi
- PT Pertamina Geothermal Energy
- PT Pertamina International Exploration & Production
- PT Pertamina Hulu Indonesia
- PT Elnusa Tbk

* Subsidiaries Active

** Affiliated companies whose Financial Statements are consolidated at PT Pertamina (Persero)



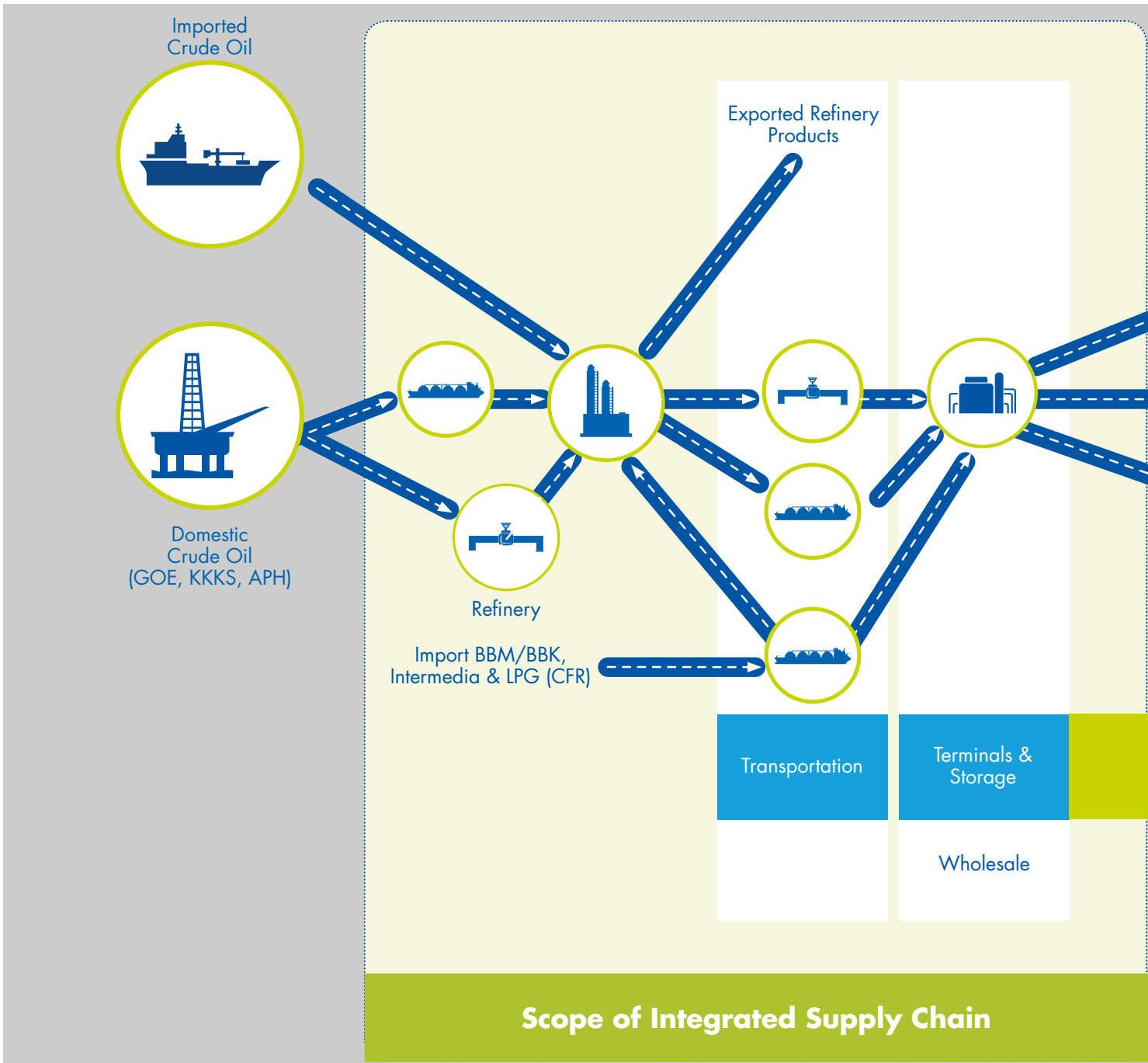
Gas & EBT

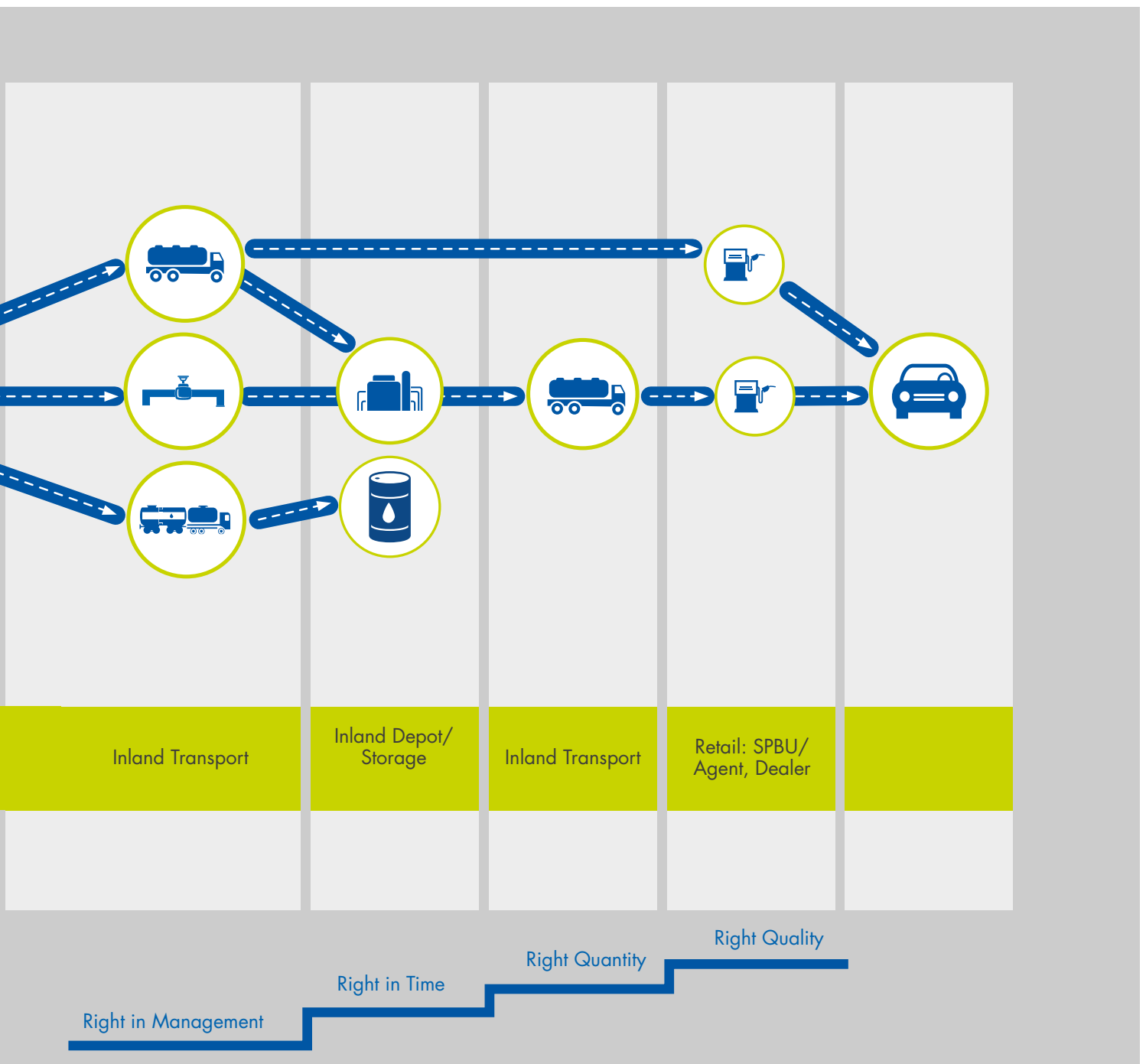
- PT Pertamina Gas
- PT Pertamina Power Indonesia
- PT Nusantara Regas

Downstream

- PT Pertamina Patra Niaga
- PT Pertamina Trans Kontinental
- PT Pertamina Retail
- PT Pertamina Lubricants
- PT Pertamina International Shipping
- Pertamina International Timor S.A**
- PT Kilang Pertamina Internasional

INTEGRATED SUPPLY CHAIN ACTIVITIES





BUSINESS ACTIVITY

In accordance with Decree of Minister of SOE as GMS dated 24th November 2016 on Changes to the Articles of Association of PT Pertamina (Persero) as stated in Notary Deed No. 27 dated 19th December 2016, the Company's business activities are business activities in the field of energy operation organization, such as oil and gas, new and renewable energy, as well as other activities relevant to or supports business activities in energy sector, such as oil and gas, new and renewable energy optimization on the resources owned by the Company.

Based on the Articles of Association, the Company may carry out main business, among others to carry out:

- 1) Oil and gas exploration;
- 2) Oil and gas exploitation;
- 3) Activities in electric energy sector including but not limited to exploration and exploitation of geothermal, geothermal power plant, gas fired power plant and electric energy generated by Company;
- 4) Processing activities which generates Fuel, Special Fuel, Non Fuel, Petrochemical, Gas Fuel, LNG, GTL and other result/production both final products or semi-finished products;
- 5) Biofuel material supply, processing, transportation, storage and commercial activities;
- 6) Transportation activities of oil, fuel, gas fuel and/or results/ other products through ground, water and/or air including gas transportation through pipelines;
- 7) Storage activities (receiving, collecting and dispensing) of oil, fuel, gas fuel and/or other results/products to locations above and/or below ground surface and/or water surface;
- 8) Commercial activities (purchasing, selling, exporting, importing) of oil, fuel, gas fuel and/or other results/products, including electrical energy commercial;
- 9) Development, exploration, production and commercial activities on new and renewable energy.

In addition to the main business activities as mentioned here in above, Company can carry out business activities for optimization of the resource utilization owned for:

- 1) Trading house, real estate, warehousing, tourism, sport and recreation, rest area, hospital, education, research, telecommunication infrastructure, rental service and operation of facilities and infrastructures owned by company, toll road and mall;
- 2) Management on special economic area;
- 3) Industrial area management;
- 4) Business activities in order to carry out other business activities which support and related to the main business activities.

1. Upstream Sector

Pertamina's upstream sectors activities include exploration, development and production of oil and natural gas. Other business activities in this sector are upstream technology services, drilling services, well maintenance services, development of geothermal energy and Coal Bed Methane (CBM) and shale gas.

2. Refinery Sector

In this sector, Pertamina carries out business activities in the country which include refinery and petrochemical refinery management.

3. Gas and New Renewable Energy Sector

In Gas and New Renewable Energy Sector (GEBT), Pertamina has conducted a variety of research and approaches related to the renewable energy development for power generation and unconventional bio-fuels, including to conduct feasibility studies for biogas power plants and solar power plants, and the development of bio-fuels in the form of green diesel and bio LNG. The sector is also in charge of gas infrastructure projects such as construction of LNG regasification facilities, gas pipelines, and gas refueling stations.

4. Marketing Sector

In marketing sector, Pertamina carries out marketing, trading and distribution of a number of products such as fuel, lubricants, LPG, petrochemical products and other non-fuel products to domestic and overseas markets.

5. Refinery and Petrochemical Mega Project Sector

The refinery and petrochemical mega project sector provides support to the refinery business sector through the increase in refinery capabilities and competitiveness.

PRODUCTS AND SERVICES

PRODUCTS

01 Subsidized/Assignment Fuel Products

- | | |
|--|----------------|
| a. Solar/Biosolar | c. Kerosene |
| b. Assignment Premium (Non Java, Madura, and Bali) | d. Elpiji 3 Kg |

02 Non-Subsidized Fuel Products

- | | |
|---|--------------------------------|
| a. Premium (Java, Madura, and Bali) | i. Industrial Diesel Oil (IDO) |
| b. Biosolar (Non-Subsidized and For Industry) | j. Industrial Fuel Oil (IFO) |
| c. Peralite | k. Marine Fuel Oil 380 |
| d. Pertamina | l. Marine Gas Oil |
| e. Pertamina Turbo | m. Avtur |
| f. Pertamina Racing | n. Avgas |
| g. Dexlite | o. Methanol Mixture |
| h. Pertamina Dex | |

03 Non Fuel Products

- | | | |
|--------------------------|---------------|--------------------------|
| a. Elpiji 12 Kg | h. Bitumen | o. Rubber Processing Oil |
| b. Bright Gas 5,5 Kg | i. Paraxylene | p. Solvent |
| c. Bright Gas 12 Kg | j. Benzene | q. Condensate |
| d. Bright Gas Can 220 gr | k. Propylene | r. Tenac Sticker |
| e. Vi-Gas | l. Polytam | s. TB 192 |
| f. HAP | m. Sulfur | t. Slack Wax |
| g. Musicool | n. Green Coke | u. Wax |

04 Gas Product

Envogas

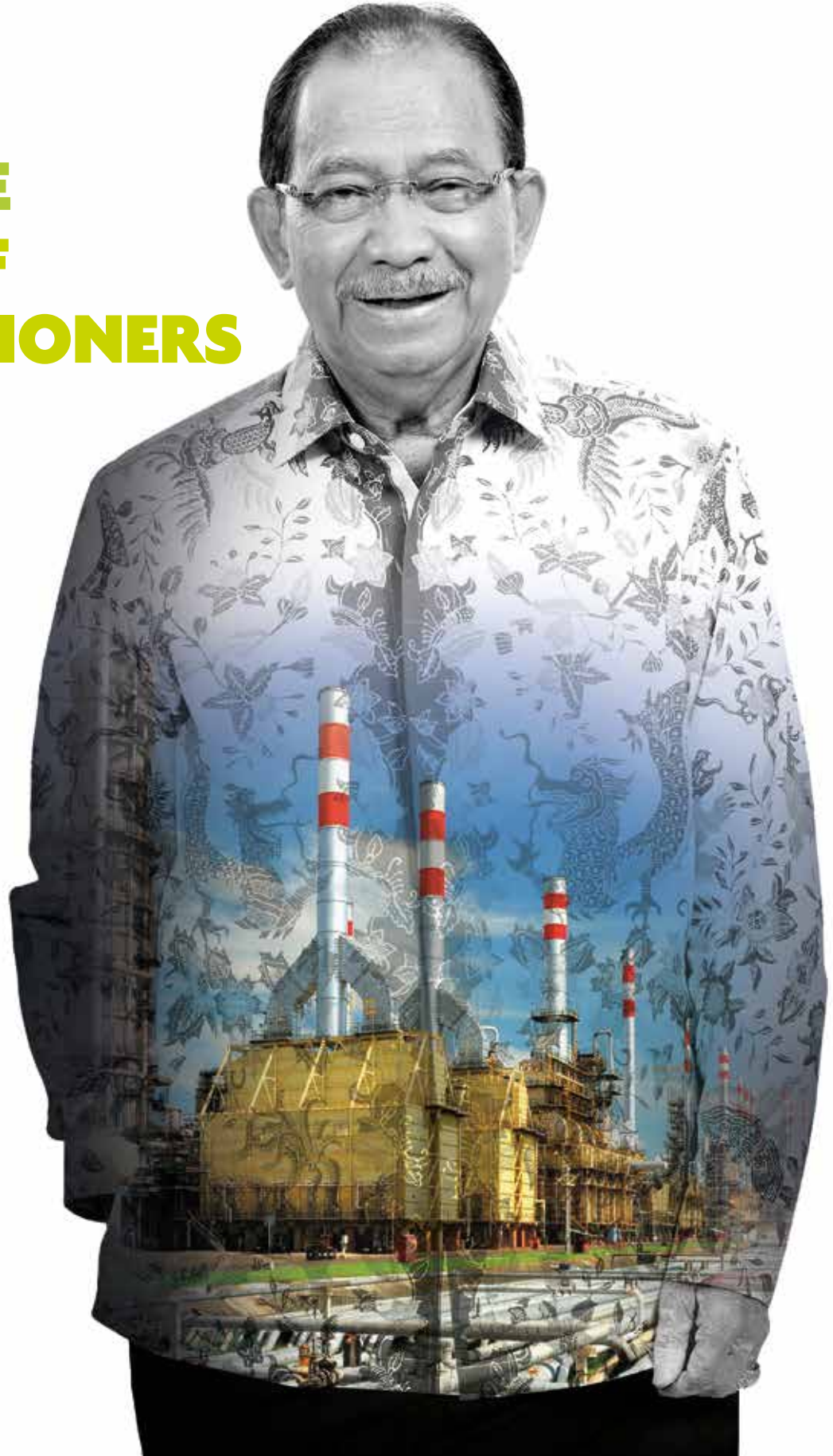
SERVICES

1. Internal Customer Crude, Intermedia, Fuel & Non Fuel Product Sea Transportation Service
2. External Customer Sea Transportation Service (Charter Out)
3. Floating Storage & Offloading Service
4. Vetting Service
5. Marine Services: Underwater Engineering, Docking, Agency and Mooring Master.
6. Offshore Support Vessel, Port and Jetty Services

REPORT FROM THE BOARD OF COMMISSIONERS

Tanri Abeng

President Commissioner/
Independent Commissioner



“

The ability of a company to maintain sustainability is characterized by its capacity to generate profit as a sustainable company's growth is determined through its ability to create positive returns from each investment made and also to set aside profit for internal funding.

”

Valued Stakeholders

GCG Implementation GCG

Commitment to governance has been demonstrated through the Company's ongoing efforts to improve GCG implementation throughout the years.

Praise be to Allah SWT, God Almighty, in 2017 Pertamina, was able to manage to continue to deliver our best performance. Our positive performance is also accompanied by the success of Pertamina in carrying out its Social and Environmental Responsibilities and maintaining the sustainability of its business for the future.

Successful companies are characterized by their ability to maintain the three bottom lines of the Company's performance, which are the ability to maintain sustainably Profit, Planet and People. This Sustainability Report demonstrates Pertamina's ongoing commitment to sustaining its business over years to come.

The Company's capacity to generate profits in 2017 amid rising oil prices and government policies focused on maintaining PSO fuel prices shows its ability to maintain its profit performance. The Company's ability to deal with difficult situations also shows that we are able to maintain economic sustainability into the future through efficiency across all lines of our operations and through the appropriate investments carried out in order to improve our future production capacity.

Maintaining Company Sustainability and National Energy Resilience

The ability of a company to maintain sustainability is characterized by its capacity to generate profit as a sustainable company's growth is determined through its ability to create positive returns from each investment made and also to set aside profit for internal funding. Pertamina has succeeded in creating profit throughout every year of its operational performance ever since its establishment as a company, albeit with fluctuating growth rates attributable to various external factors, particularly oil prices.

As a State-Owned Enterprise (SOE), Pertamina is in charge of maintaining energy availability throughout the archipelago with a pricing policy that has been determined by the Government. Since the end of 2016, the Government has set out a policy of one fuel price across all regions of the country, which means as a consequence Pertamina would decrease the profit margin from this fuel distribution policy. However, the task is inherent with the role of Pertamina as an SOE that not only pursues profit but also assists the country in distributing fuel and gas to all corners of the country so that all people can have fuel and gas at the same and single price.

To support this, Pertamina is required to continue to improve the reliability of fuel distribution through its distribution and transportation infrastructure. The ability of Pertamina's refineries to efficiently carry out production also contributes substantially to the provision of fuel other than through imports. Pertamina's commitment to building and rejuvenating old refineries is forms a part of its effort to maintain the Company's sustainability while at the same time also strengthening National Energy Security.

Domestic oil and gas production requires the constant supply of raw materials of crude oil and gas from Pertamina's production fields, both in Indonesia and abroad. Efforts to locate new oil and gas reserves in the country are a mainstay in increasing oil and gas production in addition to the efforts to buy oil and gas fields abroad. The improvement and mastery of production and exploration technologies is also a key factor in the discovery of new reserves and increased production.

Furthermore, Pertamina is tasked by the Government to develop and manage Geothermal resources so as to be utilized into electrical energy. Geothermal development is often constrained by its expensive costs, making it less economical to market; however, Pertamina remains committed to developing this energy source taking into consideration that Geothermal power is an energy source that cannot be stored. Hence, the more quickly it is produced the greater benefits it is able to provide.

The success of the Company in its performance cannot be separated from its ability to cooperate with key business partners. Providing excellent service to every customer and enhancing the competitive advantage of our products remains as the key to success in maintaining a good customer relationship. In addition, the selection of reliable suppliers who meet Pertamina's standards plays a very important role in maintaining the security of the Company's supply chain. Therefore, Pertamina always strives to sustain the commitment to giving the rights of its partners properly following the completion of all obligations that have been agreed upon.

Assessment on Environmental and Human Resources Management

The Board of Commissioners is of the opinion that the Company is highly committed to the effective management of the environment surrounding its operational areas. The Company's success in Environmental Management is evidenced by the increasing achievements of gold, green and blue PROPER certifications over the years. We always prioritize efforts in maintaining the preservation of the Planet and the Environment around operational area in running every business activity. The slogan of Reuse and Recycle as well as the utilization of flaring gas in operations show our relentless commitment to saving energy.

In early 2017, the Company reaffirmed its commitment to making Health Safety Security Environment (HSSE) a top priority in running its business. The HSSE aspect became a slogan for the Company and the primary KPI for its personnel and organizational units. Although this year the Company did not achieve its target of zero fatalities, we have managed to reduce the number of fatalities as compared to the previous year. The Company has also adopted the international standard of Occupational Health, Safety and Environmental Protection (K3LL), which is based on the International Safety Rating System with a rating that is continuing to improve.

Pertamina is fully aware of the importance of Human Resources in the Company's management as well. Therefore, Pertamina has developed a competitive remuneration package, provides a comfortable workspace and facilities for our employees and also creates extensive career opportunities so that it develops into one of the preferred workplaces by the best talents in Indonesia. Human Resource Development efforts are conducted through internal education process conducted by the Pertamina Corporate University where employees' capabilities are improved and spurred in order to accelerate the growth of the Company.

The Company always strives to contribute optimally to Human Resource Development as it realizes that the definition of the people aspect is not limited to Pertamina's Human Resources but encompasses the whole of society. We remain consistent and committed to our Pertamina Sobat Bumi Program (Pertamina Friend of the Earth Program), which is translated into 4 pillars (Bright, Healthy, Green and Eco-preneurs) in improving the welfare of the Indonesian people.

Assessment Regarding Corporate Governance

Positive performances will come as a result from companies that have implemented sturdy and sound Governance. Our commitment to Governance Management has been demonstrated through our efforts to elevate the implementation of GCG from year to year. Thus, we conduct an annual GCG assessment in order to understand the aspects that are required to be improved in terms of the GCG implementation in the Company.

The Company's commitment to GCG is also reflected in its ongoing commitment to the principles of Ethics and Integrity. Pertamina vigorously internalizes the 6C Excellent Values (Clean, Competitive, Confident, Customer Focused, Commercial, Capable) to all personnel of Pertamina so that they truly internalize the Company's culture and values to be upheld across all operations. Efforts to uplift our image as a Clean Company is performed through the Gratification Rejection/Reporting Program, Wealth Reporting Program for State apparatus and Statement of Prevention of Conflict of Interest from all personnel in Pertamina.

Appreciation

The Board of Commissioners would like to express our sincerest gratitude to all stakeholders who have provided their ongoing support to the Company. We would also like to thank all of our customers, business partners and suppliers who have continued to support our business activities; thank you for the mutually beneficial cooperation, which we hope will continue to improve into the future. Furthermore, we appreciate the Government that has provided convenience and support to Pertamina in carrying out the duties to maintain the availability of fuel and National Energy Security. We also thank the Ministry of SOE as the shareholder that has provided continuous support so that Pertamina can deliver another satisfactory performance.

Last but not least, we extend our appreciation to all of the personnel of Pertamina: the employees as well as the Board of Directors, who have provided their best contribution to the Company. Nevertheless, challenges and tough tasks will continue to arise into the future and the spirit of hard work, high morale, professionalism, integrity and high dedication are highly required of each member of the personnel in Pertamina. The country is looking forward to seeing the achievements of our personnel and our capabilities of continuously delivering a positive performance in order to become the Pride of Indonesia.



Tanri Abeng

President Commissioner/Independent Commissioner

REPORT FROM THE BOARD OF DIRECTORS

Elia Massa Manik
President Director



“

Pertamina turned 60 in 2017, and over the course of those years, it has supported national development by supplying energy for the nation through continuous innovations. Since 2005, Pertamina has transformed into a strongly funded energy company that is capable of conducting competitive business with the new aspiration of “Becoming a World-Class Energy Company”.

”

54 GAS STATION

Gas stations for One Fuel Price program in 3T areas in 2017

Distinguished Stakeholders

For a country that is actively developing, energy is one of the basic needs for its entire population. With a population that is scattered across hundreds of islands and united with seas, Indonesia faces these challenges with a sustainable optimism in order to turn it into an opportunity to provide affordable energy equally to all people from various levels throughout the archipelago.

Pertamina turned 60 in 2017, and over the course of those years, it has supported national development by supplying energy for the nation through continuous innovations. Since 2005, Pertamina has transformed into a strongly funded energy company capable of conducting competitive business with the new aspiration of “Becoming a World-Class Energy Company”.

For more than 10 years, various Breakthrough Project (BTP) initiatives have successfully increased the value of Pertamina. Our production continues to increase, from 48.4 MMBO for petroleum and 394 BSCF for natural gas recorded in 2004, to 124.72 MMBO and 742.91 BSCF respectively in 2017. All of these have been achieved in the midst of a downward trend in national oil and gas production. In addition, we have managed 253.41 million barrels of fuel production and 21.08 non-fuel production in 2017 from the existing refineries.

Pertamina has also increased the added value to shareholders by recording a financial performance that is continuously increasing. From 2013 to 2016, Pertamina has been listed as one of the companies in the Fortune 500, and in 2017, it achieved a profit of USD2.54 billion. All of these satisfying achievements have been accomplished in conjunction with the efforts to increase energy security and independence.

Fair Energy

The availability and affordability of energy have become a development agenda being continuously supported by Pertamina. Through the One Fuel Price (BBM *Satu Harga*) program, we have built 54 Fuel Stations for Public and Fishermen, including in the Urban, Regional and Underdeveloped (*Terdepan, Terluar dan Tertinggal* - 3T) areas. Therefore, the people in those regions have access to fuel at the same price as that of all other regions. With the presence of Pertamina gas stations, it is expected that the rate of economic growth in the 3T regions can be developed and accelerated.

The One Fuel Price Program is a Government assignment that has been mandated to Pertamina in addition to the Public Service Obligation conducted by the Company in order to provide energy in the form of subsidized fuel for areas outside of Java, Madura and Bali, and to provide 3-kilogram LPG for the public.

Social and Environmental Sustainability

Pertamina is fully aware that the oil and gas resources with which it has been engaged is in limited supply. Hence, an effort to develop a solution in the form of new energy reserves is certainly required. These reserves shall be oriented to a sustainable energy concept so as to be able to meet the needs for energy at both the present and into the future.

Since the incident of Macondo in the Gulf of Mexico in 2010, the prudence of oil and gas companies in managing environmental safety and protection has come to the world's attention, and Pertamina is no exception. In 2017, the Company's HSSE proclaimed a 'Zero Fatality: WeCan!' safety campaign as part of our effort in preventing accidents from occurring at work. We fully understand that the safety aspect is crucial for high-risk and capital-intensive energy businesses, and thus, all personnel of Pertamina are obliged to constantly strengthen the safety culture so as to be better in years to come.

Regarding Environmental Management, Pertamina maintains a golden tradition of participating in the Corporate Performance Rating Program (PROPER) organized by the Ministry of Environment and Forestry. In 2017, as many as 11 units of operations and subsidiaries obtained the Gold Rating while 71 units obtained the Green Rating in the PROPER 2016-2017.

Pertamina has also set a policy of 26% GHG reduction by 2020 from the base year of 2010 as one of the performance indicators, in line with the environmental protection efforts. This has been carried out consistently through energy savings as well as process and technology approaches so that, until 2017, the total GHG emissions that can be reduced has achieved 27.03%, which exceeds the target set at 26%.

27.03 %

Pertamina has exceeded its GHG emission reduction target by 27.03%

Encouraging New and Renewable Energy

Energy exploration, supply and management must begin to orient towards the concept of sustainable energy in which the provision of both conventional and new and renewable energy resources are managed in a more efficient, clean and effective manner in order to be able to meet the current and future energy needs.

New and Renewable Energy (EBT) is one of the most important portfolios for an energy company. Pertamina has been working on EBT for electricity from geothermal since 1983 with the operation of PLTP Kamojang (Kamojang Geothermal Power Plant). Now, the Geothermal business is managed by PT Pertamina Geothermal (PGE), which is a subsidiary of the Company, through Geothermal Power Plants that are operated by ourselves or through Joint Operating Contracts. In 2017, PGE managed Geothermal Power Plants with total installed capacity of 617 MW across Indonesia, which grew by more than 15% from the previous year and became the largest operation in Indonesia.

Utilization of EBT from geothermal, bioenergy, and solar powers, which has reached various stages of development, is a demonstration of our support to increase the EBT portion in the energy mix concept stipulated in the General Plan of National Energy of 2025-2050 and, at the same time, a part of the efforts to reduce Greenhouse Gas (GHG) emission from energy sector. In regard to this, Pertamina is endeavoring to open up opportunities for sustainable and renewable energy development by studying, cooperating and sharing insights through partnerships, and by investing in companies that have owned or developed new and renewable energy technologies.

Human Resources

The personnel of Pertamina are an asset as well as the driving force for the achievement of Pertamina's aspiration. To that end, the main focus of the Board of Directors in 2017 was to strengthen Pertamina's Human Resources (HR) by fostering and strengthening a positive corporate culture through Honesty, Sincerity and Righteousness behaviors. This focus was certainly required as in the near future, the Company will undertake large-scale, important projects where trust is the key to their implementation.

We were also observing regeneration and leadership within the Pertamina environment that has begun running in accordance with the HR road map. As of today, 51% of Pertamina workers are under 36 years old, which serves as another challenge for the Company to fill important positions in the short and medium term. In 2017, we also started the Talent Development Acceleration to rapidly push forward the capacity building process of workers.

This program is facilitated by Pertamina Corporate University where senior experts become mentors for future young leaders.

Sustainability Strategy for the Future

We saw that the energy supply has entered a new episode, both nationally and globally. The challenge faced by the people of Indonesia in our current times is the availability of sufficient energy to meet national needs. Pertamina strives to supply and distribute energy throughout the country by leveraging the infrastructure and distribution, improving existing refineries, as well as developing new refineries.

The Government's international commitment and programs implemented to reduce GHG encourage the transition from fossil energy to the increasing utilization of cleaner new and renewable energy. More countries are committed to using electric vehicles to replace combustion engines, and new and renewable energy technologies have become increasingly affordable and mainstream. Within these conditions, our Upstream Directorate continues to

increase geothermal utilization for electricity up to 2.3 GW by 2025 while the Gas & New and Renewable Energy Directorate has compiled Pertamina's EBT road map and initiated solar and wind power-based projects.

To sharpen strategies in addressing energy challenges, in September 2017, Pertamina inaugurated the "8 Priorities of a World Class Pertamina" as the development of the Company's previous strategy, which contains the priority agenda of each function and subsidiary. It is conducted so as to ensure the achievement of the Long-Term Plan as well as Work and Budget Plan of the Company.

The "8 Priorities of a World Class Pertamina" contain two essential priorities, which are Human Capital Development and HSSE & Sustainability, which have become the foundation for the pillars of growth, namely Upstream Growth, Gas Growth, Strengthening Refining & Petrochemical Business, New and Renewable Energy Development, and Infrastructure & Marketing Development, which, overall, will support the priority of the Company's Growth at the top of the strategy.

To continuously maintain the achievements that have been accumulated and realized throughout the 60-year of establishment, we require synergy from all personnel of Pertamina, our partners and regulators, as well as participation of the public. With the support and involvement of all stakeholders, Pertamina will be able to grow to create self-reliance and continue to provide energy for the country.



Elia Massa Manik
President Director & CEO

BOARD OF DIRECTORS' STATEMENTS

We, the members of the Board of Directors of PT Pertamina (Persero) hereby state that all of the information in Pertamina's 2017 Sustainability Report is correct, can be accounted for and balanced

Board of Directors of PT Pertamina (Persero)



Elia Massa Manik
President Director



Syamsu Alam
Upstream Director



Toharso
Refinery Director



Muchamad Iskandar
Corporate Marketing Director and
Acting Retail Marketing Director

Ardhy N. Mokobombang
Mega Project Refinery & Petrochemical Director

Arief Budiman
Finance Director

Gigih Prakoso
Planning, Investment
and Risk Management Director

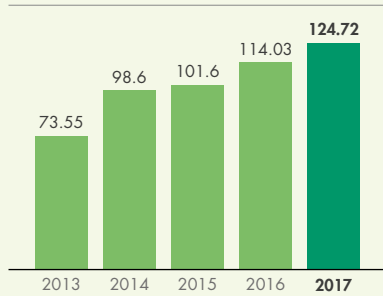
Nicke Widyawati
HR Director and
Acting Logistic, Supply Chain, Infrastructure Director

Dwi Wahyu Daryoto
Assets Management Director

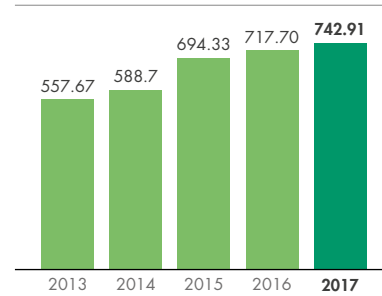
Yenni Andayani
Former Gas Director
20 October 2016 - 9 February 2018

OPERATIONAL PERFORMANCE HIGHLIGHTS

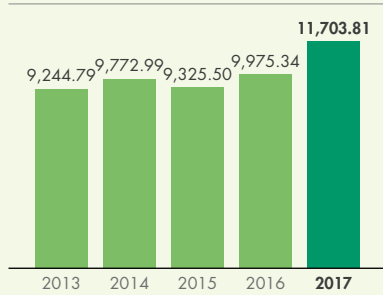
Crude Oil Production
(MMBO)



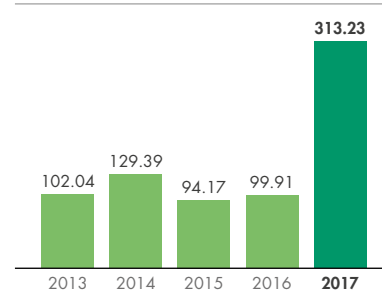
Natural Gas Production
(BSCF)



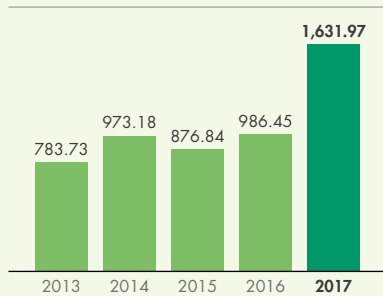
Total Steam Production Equivalent to Electricity (GWh)



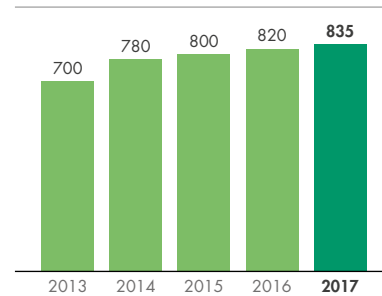
Discoveries of Oil Resources (2C)
(MMBO)



Discoveries of Natural Gas Reserves
(BSCFG)

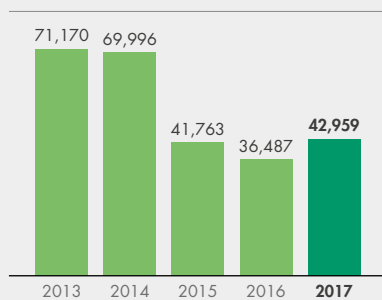


Proven Geothermal Reserves
(MW)



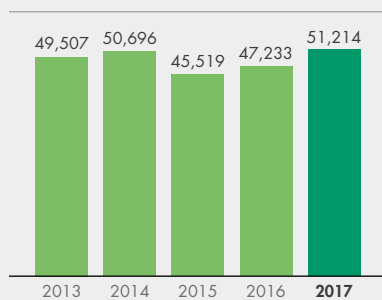
Sales and Other Operating Revenues

(USD Million)



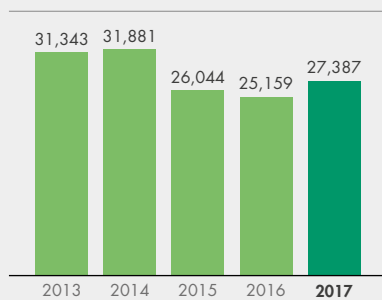
Asset

(USD Million)



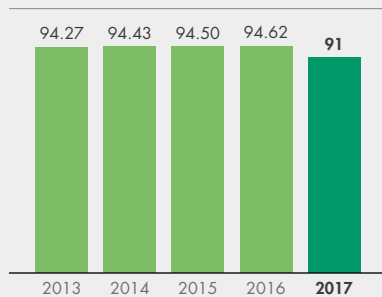
Liabilities

(USD Million)



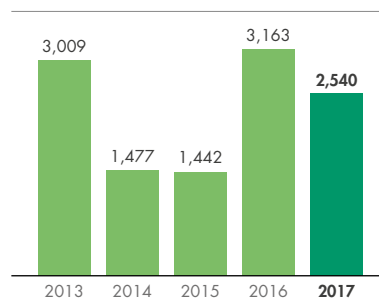
GCG Score

(%)



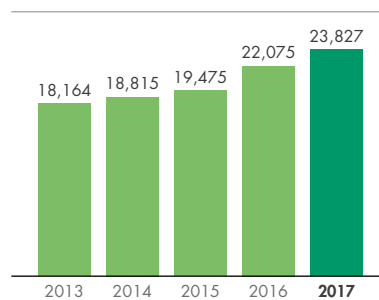
Net Income

(USD Million)



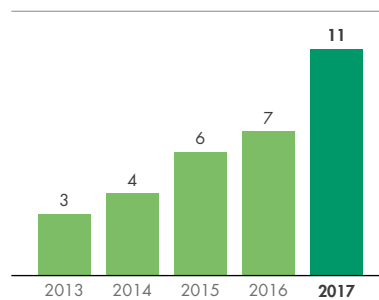
Equity

(USD Million)

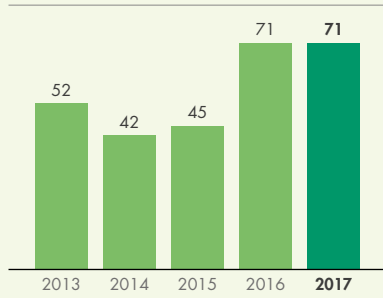


Number of MoEF PROPER - Gold

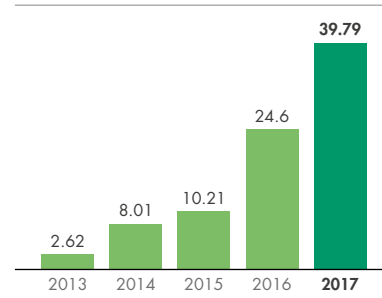
(Unit)



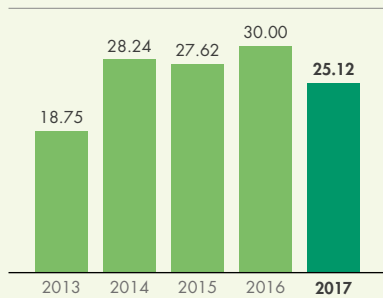
Number of MoEF PROPER - Green
(Unit)



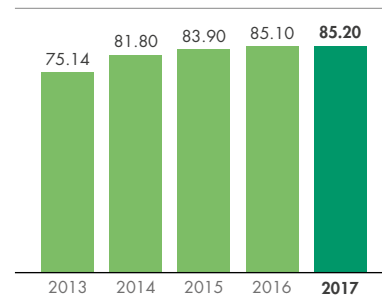
Value Creation - Continuous Improvement Program
(In Rp Trillion)



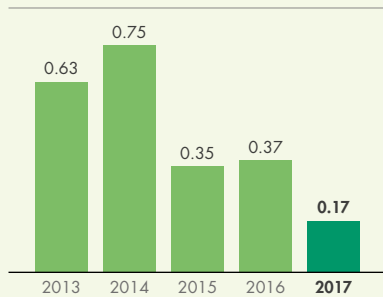
Employee Involvement - Continuous Improvement Program
(%)



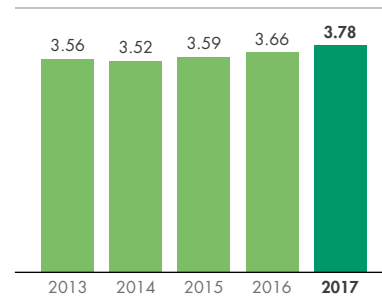
Employee Engagement
(%)

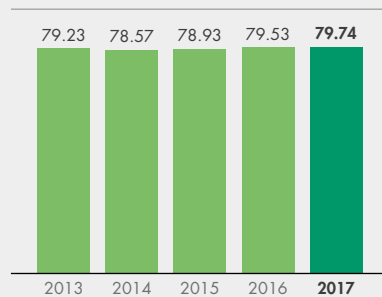
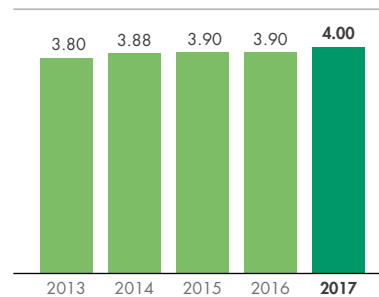
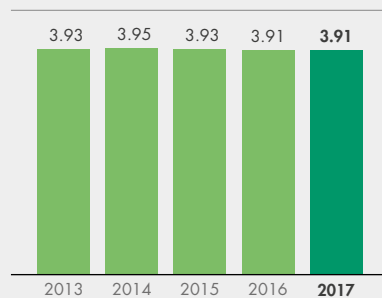
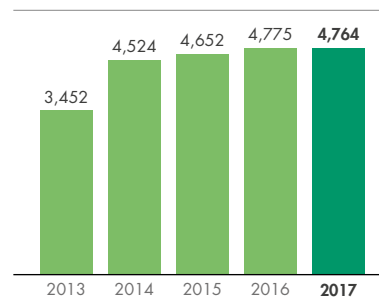
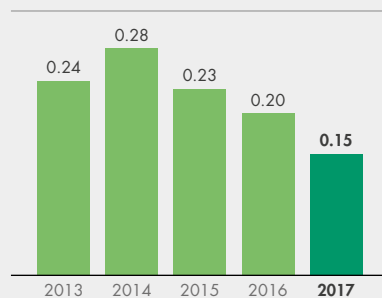
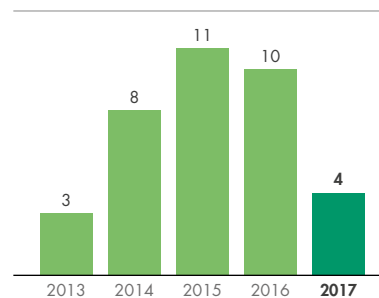


Employee Turnover
(%)



Employee Satisfaction
(Index Number)



SMEPP Fund Collectability (cumulative)
(%)**Customer Satisfaction Index for Pertamina Products - B2B** (Index Number)**Customer Satisfaction Index for Pertamina Products - B2C** (Index Number)**Number of Pasti Pas Gas Station** (Unit)**TRIR****NOA**



ENERGY FOR THE NATION

The availability of access to affordable energy sources is a mandate carried out by Pertamina to create fairness and equality in development, while simultaneously innovating to enhance added values for shareholders. Realizing harmony in the duty of implementation and maintaining sound business growth is the challenge to provide sustainable energy for the people.

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 - 46 Providing Energy for the Nation
-



ENERGY AND THE DEVELOPMENT OF INDONESIA

“

Energy is a requirement in order for a country to build; hence, the availability of sustainable energy means ensuring the implementation of sustainable development. Indonesia's energy demand continues to increase in line with the rising population and economic growth. Most of the demands for primary energy continue to be fulfilled by fossil energy sources; however, in the future, the portion of renewable energy needs to be leveraged in order to meet energy demands while providing cleaner sources of energy for the country.

”

Economic growth and a rising population have driven energy demand where Indonesia's energy consumption in 2016 rose by 5.9% with economic growth of 5.02%. This growth is the highest in the last 20 years, which was mainly attributable to increased consumption of coal as primary energy with 36% share for power generation purposes.

Energy consumption at the time was 41% of petroleum and 19% of natural gas while the remaining was divided for New and Renewable Energy (EBT). In the future, to support economic growth of around 5% every year, the nation needs an increase in energy supply with an estimated increase of less than 5%. (BP Statistical Review 2017)

In the future, the National Energy Board estimates Indonesia's energy demand to reach 238.8 million Tons of Oil Equivalent (TOE) by

2025 and 682.3 million TOE by 2050 under the Business As Usual scenario.

The contribution of petroleum is estimated to reach 20% while natural gas to reach 25%. Basically, oil and gas energy sources are still needed in the long run to support Indonesia's development, even though the portion will continue to shrink.

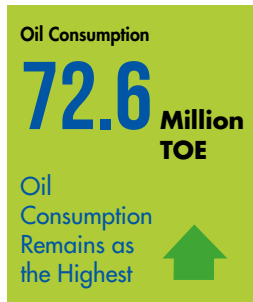
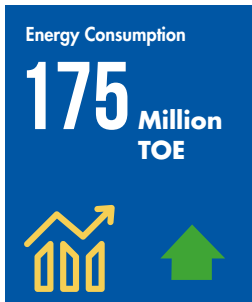
In this regard, Pertamina plays a central role in ensuring the availability of energy for development, particularly oil and gas, with activities to increase reserves as well as production. Simultaneously, Pertamina is going to develop energy from renewable sources to maintain national energy security.



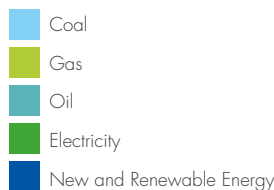
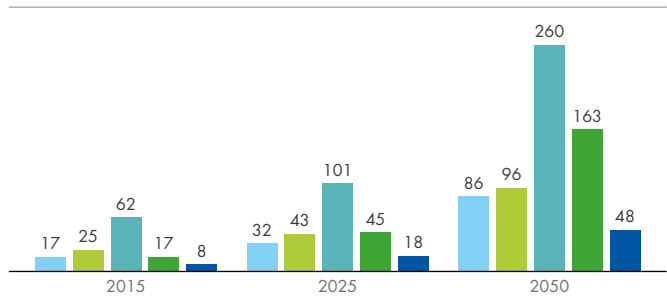
Indonesia Energy Mix (TOE)



● Oil	72.59
● New and Renewable	2.56
● Hydro Power	3.27
● Natural Gas	33.93
● Coal	62.70



Projection of Indonesia Energy Needs in 2015-2050
 (million TOE)



ENERGY CHALLENGES FOR INDONESIA

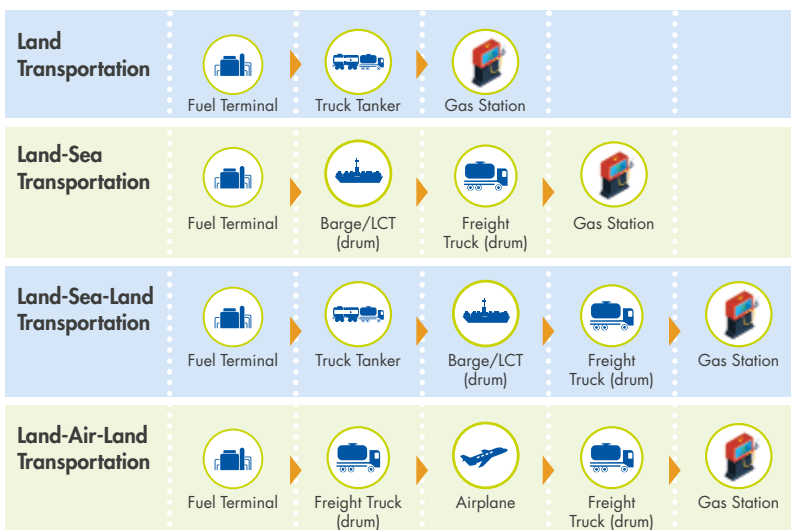
Main Challenges: Security, Access and Climate Change

High reliance on fossil energy causes a susceptibility in national energy security as oil, gas and coal energy production tends to decline along with the depletion of domestic reserves. Currently, Indonesia is only able to meet half of its petroleum needs and its shortcomings are fulfilled through imports. Hence, the challenge to be addressed ahead is to ensure that energy supply is adequate in order to meet national needs.

To strengthen energy security, Pertamina continues to increase its oil and gas reserves and production through an Aggressive Upstream strategy. This aims to maintain the supply of refinery needs and energy for the community.

In addition, the Government is currently working to improve access and affordability of Fuel (BBM) to all areas in the archipelago. The lack of infrastructure is one of the factors causing a disparity in fuel prices due to transportation costs. Through the One Fuel Price (BBM Satu Harga) program, Pertamina and the Government have made an effort in improving access to and providing affordable fuel in creating fairness in terms of energy provision for everyone. Moreover, Pertamina continues to improve energy infrastructure including through the construction of docks as well as fuel and LPG depots in several regions in the country to increase supply, access and affordable energy throughout the nation.

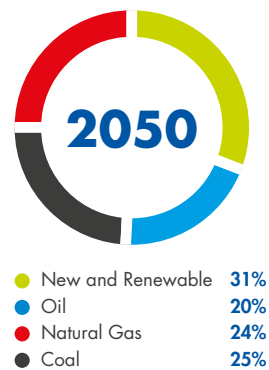
Fuel Transportation Modes, from the Simplest One up to the Most Complex One



At both the global and national levels, energy management is closely related to climate change. The use of fossil energy leads to an increase in Greenhouse Gas (GHG) emissions. In COP-21 in Paris, Indonesia indicated its determination to reduce GHG emissions by 29%, which, in the energy sector, is equivalent to 314 - 398 million tons of CO₂ by 2030. Within this framework, the use of EBT and clean technology is expected to provide a significant contribution.

To meet energy challenges, the Government has set out a policy so as to create an energy mix in which the portion of fossil energy is minimized and replaced by New and Renewable Energy. By 2050, the EBT portion is estimated to achieve 31% or equivalent to 1,030 TOE while oil and gas will only achieve 44% of the current, which reaches 60%. Through its subsidiaries, Pertamina supports the realization of this commitment by providing electricity from geothermal sources. In 2017, the Company had an installed power of 617 MW, which will continue to be increased over the years to come.

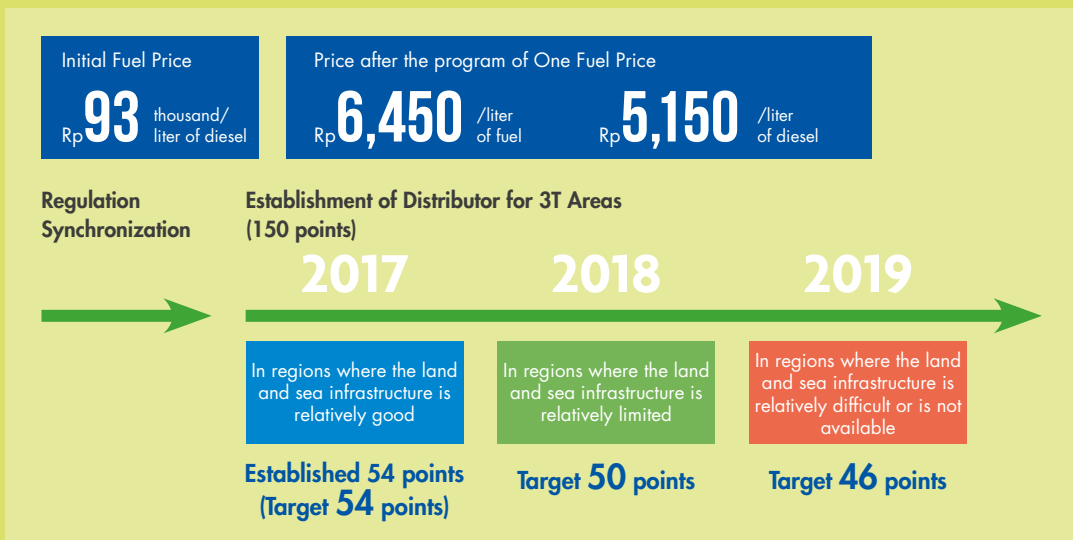
Indonesia Energy Mix



One Fuel Price

Since 2016, the Government has launched the One Fuel Price (BBM Satu Harga) program aiming at equalizing fuel prices throughout Indonesia until 2019. Pertamina is tasked to build 150 public fuel stations, especially in 3T (terluar-terdepan-terbelakang/Urban-Regional-

Underdeveloped) areas. As of December 2017, Pertamina has completed 54 points for Gas Stations (SPBU) and Fisherman's Gas Stations in Papua, West Papua, Maluku, North Maluku, Sulawesi, Kalimantan, Sumatra, Bali, and Nusa Tenggara.



With the One Fuel Price Program, the people of Indonesia can enjoy affordable fuel prices for transportation, as well as lowering transportation costs and encouraging local economic activities. In addition, with the availability of affordable fuel in the 3T areas, social justice for the community will also be realized.



PROVIDING ENERGY FOR THE NATION

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Throughout its 60 years of operation, Pertamina has been continuing to make efforts in Upstream, Downstream, and Distribution businesses to maintain energy security and constantly seek New and Renewable Energy sources to achieve energy independence. ”

PERTAMINA SUSTAINABILITY STRATEGY

Entering its 60th year, Pertamina, as a State-Owned Enterprise (SOE), seeks to fulfill the ever-increasing energy demands. The Company's long-term strategy is 'Aggressive Upstream, Profitable Downstream' and is conducted by developing Upstream businesses while at the same time driving the Downstream business in order to be efficient and profitable.

In 2017, Pertamina has established the 8 Priorities of a World Class Pertamina in an effort to sharpen the existing strategy in order to accelerate the achievement of 2025 Vision to become a World-Class National Energy Company.



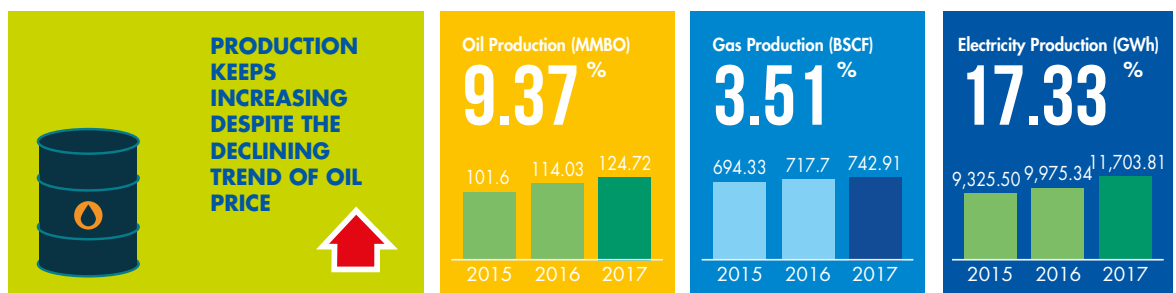


Oil and Gas Upstream

Pertamina places priority on the activities that may lead to an increase in oil and gas reserves and production. Total oil and gas production this year increased by 6.6%, up from 650,000 barrels of oil equivalent per day (MBOEPD) to 693,000 MBOEPD, with both petroleum and gas experiencing an increase.

Although the climate in the oil and gas business was not highly conducive in 2017, Pertamina continued to perform exploration and managed to obtain significant reserves of 313.23 MMBO and 1,631.97 BSCFG in the form of natural gas.

Aside from oil and gas, Pertamina also carried out energy business through the provision of electricity, especially from Geothermal power plants. The performance of the Geothermal units grew significantly by 28%, from 9,325.50 GWh. Geothermal Power Plants of Pertamina with an installed capacity of 617 MW as of today, is the largest Geothermal power plant in Indonesia.



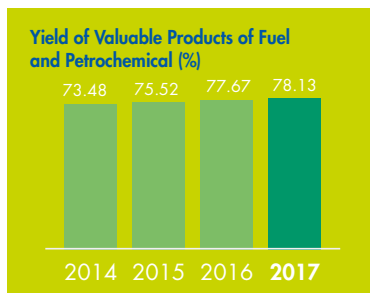
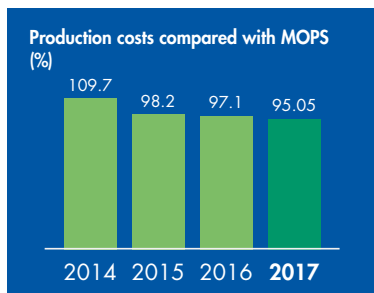
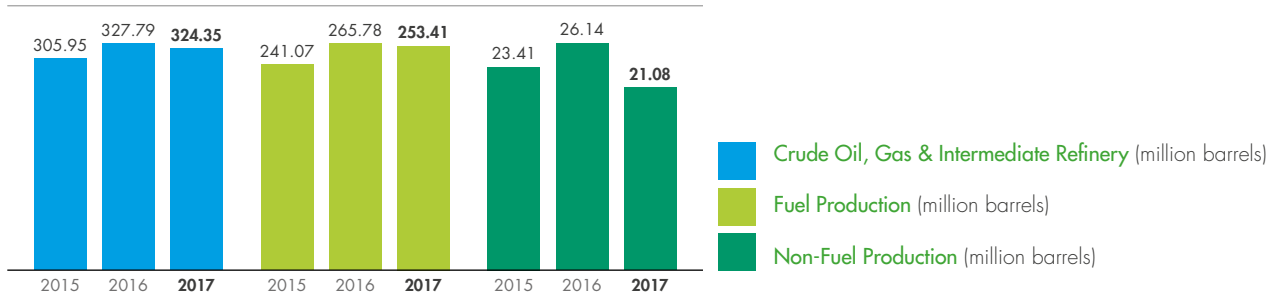
Refinery

The amount of oil processed in refineries was 320.51 million barrels and its total output achieved 307.14 million barrels in 2017. Meanwhile, the volume of products that can be sold (value added product) achieved 78.13%. This year, Pertamina produced a low-sulfur fuel in line with the Government's policy to implement low-sulfur fuel starting from 2018. With the ability to increase the yields of valuable Petroleum and Petrochemical products as well as lower the cost of production, Pertamina's refineries continue to become more efficient.

In order to address future challenges, Pertamina has prepared several major Downstream business projects, which includes the Submarine Pipeline Project and Single Point Mooring at Balongan Refinery aimed at meeting the challenges of the flexibility of refineries and the reliability of crude oil supply, as well as the Cilacap Blue Sky Project aimed at fulfilling the demands of oil with a high octane level.

The long-term refinery development program has been set in the Refinery Development Master Plan Program (RDMP) in Balongan, Balikpapan, Cilacap & Dumai, and Grass Root Refinery (GRR) in Bontang and Tuban, which aims at strengthening the refinery and petrochemical business as well as targeting fuel production with EURO-V specification. Through the RDMP and GRR, Pertamina is preparing to enter and take a leading role in the national and regional petrochemical business.

Refinery Intake and Output

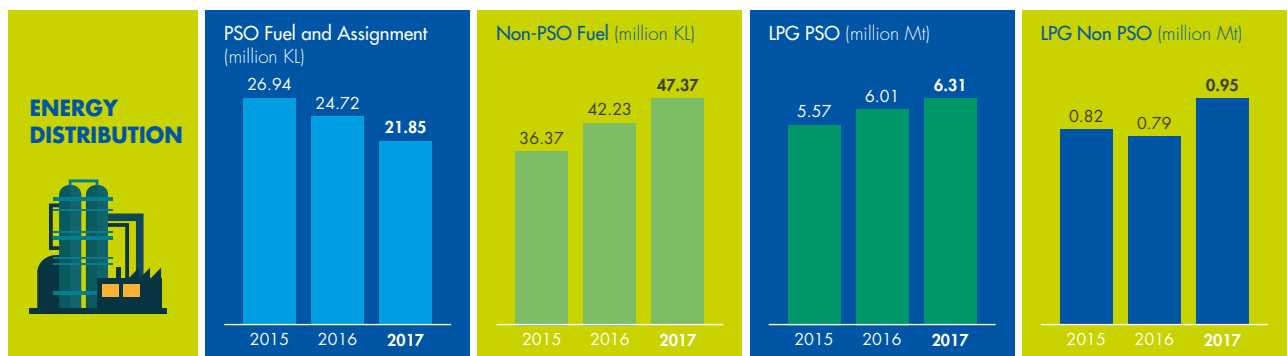


Marketing and Distribution

Pertamina supplies energy including fuel for its Public Service Obligation (PSO) in the form of fuel and LPG throughout Indonesia. There are only three types of PSO fuel being distributed, i.e. kerosene, diesel, and LPG PSO, which is 3 kg in size. In addition, Pertamina provides non-PSO energy to all areas across Indonesia.

To provide improved energy access and affordability for the public, Pertamina is continuing to upgrade its energy storage and transportation capabilities. This effort is a long-term initiative that includes marine infrastructure and transportation development.

In addition to the energy infrastructure built as part of a commercial investment to support national economic activity, Pertamina builds, or revitalizes, a variety of public infrastructures such as schools, roads and other public buildings in accordance with the needs of the communities living in the vicinity of its operations as part of the CSR and SMEPP Programs. Infrastructure investment through the CSR and SMEPP Programs is a donation with funding from the operational cost components as well as the allocation of Company's profits. Further descriptions related to this issue can be read in the section of Harmony with the Society in this Report.



103-2

GRI Disclosure
Management Approach

203-1

GRI Disclosure
Infrastructure Investment and Services Provided

New and Renewable Energy

Pertamina is playing an important role in achieving the Government's target of increasing the New and Renewable Energy (EBT) mix by 23% as stipulated in the General Plan of National Energy. With regards to EBT, the Company has developed several New and Renewable Energy initiatives for two benefits, which are fuel and electricity supply.

One of the efforts in accelerating technological development for EBT availability has been realized through the cooperation of Pertamina with Marubeni Corporation and Sojitz Corporation where they have entered into and signed an electricity purchase agreement with PLN for PLTGU Java 1 and will supply approximately 8,409 GWh of energy each year over the next 25 years.

In addition, Pertamina has developed a Solar Power Plant project in Pertamina's work areas, with established subsidiaries in the energy sector, including PT Pertamina Power Indonesia, and B-to-B cooperation for New and Renewable Energy with a capacity up to 80 MW.

FINANCIAL CONTRIBUTION

Providing More Added Value for the Nation

The Global economic situation in 2017 contributed to rising commodity prices, including crude oil prices, in international markets. Based on the data from SKK Migas, the average of Indonesian Crude Price (ICP) in 2016 amounted to USD39.175 while in 2017; there was an increase by 30.7%, up to USD51.17 per barrel.

Due to this condition, Pertamina was able to increase revenues to USD42.86 billion, up by 17% as compared to the previous year, which was generated from an increase in oil and natural gas production by 693 thousand BOEPD, as well as the growth of electricity sales from geothermal which achieved 3,900.23 GWh.

In line with the implementation of the One Fuel Price program, Pertamina must narrow the difference in the assignment fuel-selling price against the rising global oil price. However, the selling price set by the Government has not been raised since 2016; thus, affecting operational costs. Despite these circumstances, the Company still posted a profit of USD2.4 billion through an improved operating performance and higher procurement efficiency in the Upstream and Downstream sectors without reducing either the operational or product quality. The Company's efficiency program and further creation of added value in 2017 achieved USD360 million.

The Company's efficiency program and further creation of added value was completed through the Breakthrough Project. In 2017, 11 BTP programs generated an overall value creation of USD703.4 million, an efficiency of USD584.9 million, and top up revenues of USD318.8 million; showing a total of USD1,607.1 million.

With the ability of maintaining its performance, Pertamina is still able to contribute financially to the Nation through its tax and dividend payments. The Company is also contributing to the national economy through its labor absorption, purchase of goods and services, as well as social investment through its CSR and SMEPP activities.

With the availability of energy, the public is then empowered so as to carry out economic and social activities in order to improve their living standards. In addition, investments in the Upstream oil and gas sector shall have multiple effects on the economy. Based on the SKK Migas' review, for each investment worth USD1 million, Pertamina will be able to create a 1.6-fold in added value and employment opportunities for around 100 people. In 2017, Pertamina conducted Capital Investment amounting to USD3.6 billion.

Evaluation on Performance Achievement

Pertamina has determined several targets relevant to its business sustainability that are translated into the Key Performance Indicators of each directorate. The achievement of such targets is reviewed quarterly. The following table describes KPI achievement relevant to the discussion in this section.

No	KPI Perspective	Units	Target 2017 (Revision)	Achievement 2017	% Performance
Effectiveness of Products and Processes					
1	Upstream Performance				
	1.1 Additional Oil and Gas Reserves P1	MMBOE	190.06	313.70	165.06
	1.2 Oil and Gas Production				
	1.2.1 Oil Production	MBOPD	333.83	341.7	102.35
	1.2.2 Gas Production	MMSCFD	2,080.17	2,035.4	97.85
2	Refinery Performance				
	2.1 Yield Valuable Product on Total Intake	%	77.25	78.1	101.10
	2.2 Plant Availability Factor	%	99.01	98.1	99.08
3	Marketing Performance				
	Volume Penjualan BBM Non PSO	Million KL	45.79	47.37	103.45
4	Gas Performance				
	Gas Sales	Thousand BBTU	1,179.33	1,364.92	115.74

In the energy infrastructure development, Pertamina has achieved the KPI target of providing One Fuel Price in 54 points according to the Government's wish, meanwhile the energy infrastructure development through Grass Root Refinery initiative and Refinery Development Master Plan Program has reached 101.27% and 61.29% respectively.

2017 BUSINESS PERFORMANCE



EBITDA

USD
6,323 million

Revenues

USD
43,172 million

Efficiency from Breakthrough Project

USD
584.9 million

Comprehensive Profit Decrease

19.3 %

(USD, billion)



Pertamina Performance

Description	Unit	2017	2016	2015
Reserves				
• Recoverable Reserves	MMBOE	314	227	79
• Reserve in Place	MMBOE	988	305	102
Oil and Gas				
• Crude Oil	MBOPD	342.00	312	278
• Natural Gas	BSCFD	2.04	1.96	1.90
Geothermal				
• Steam Production Equivalent to Electricity	GWH	11,703.81	9,975.34	9,325.50
Refining				
• Crude Oil, Gas and Intermediate Refining	MILLION BARRELS	324.35	244.91	305.95
• Fuel Production Volume	MILLION BARRELS	253.41	199.27	241.07
• Non-Fuel Production Volume	MILLION BARRELS	21.08	19.25	23.41
Sales				
• PSO Fuel and Assignment	MILLION KL	21.9	24.72	26.94
• Non-PSO and Special Fuel	MILLION KL	47.4	42.2	36.4
• Distribution of LPG PSO	MT	6.31	6.01	5.57
• Distribution of LPG Non-PSO	MT	0.95	0.79	0.82

Distribution of Economic Benefits

Description	Unit	2017	2016	2015
i. Direct Economic Value Generated				
• Revenues	USD MILLION	43,172	36,804	41,896
• Reimbursement of Subsidy Costs from the Government	USD MILLION	3,572	2,569	3,187
ii. Economic Value Distributed				
• Operating Expenses	USD MILLION	33,835	26,199	34,692
• Employee Liabilities	USD MILLION	2,036	1,761	1,472
• Payment to Investors	USD MILLION	561	531	489
• Payment to the Government (Taxes, Dividends, etc.)	USD MILLION	4,729	4,815	4,280
• Social Investment (CSR+SMEPP)	USD MILLION	32	35	23
iii. Economic Value Retained				
	USD MILLION	5,551	3,462	908

201-1

GRI Disclosure
Economic PerformanceOG1, OG3,
OG14GRI Disclosure
Production and Reserves

201-4

GRI Disclosure
Subsidy from the Government



PERTAMINA AND GLOBAL GOALS

As a national energy company, Pertamina makes a contribution to the Global Development Agenda through its operational activities and the implementation of Social and Environmental Responsibility. In September 2015, world leaders formulated 17 Sustainable Development or Global Goals (SDGs) as Agenda 2030.

The Government of Indonesia has adapted the 17 Global Goals in its development planning that encompasses three dimensions of Sustainable Development, which include the Environment, Social, and Economy.

Pertamina's contribution to the achievement of the Global Goals is provided both directly and indirectly, in the form of support to the development programs that have been established by the Government. The Company's support for the Global Goals has been stated explicitly in Pertamina's CSR objective, which is in supporting the Government of Indonesia to improve the Human Development Index, through the implementation of programs supporting the achievement of the Global Goals.

Global Goals	Description	Topic in this Report	Page
1 NO POVERTY	No Poverty	Pertamina Ecopreneurs	86
		SMEPP Program	80
2 ZERO HUNGER	Zero Hunger	Pertamina Sehati	87
		CSR Programs	84
3 GOOD HEALTH AND WELL-BEING	Good Health and Well-Being	Pertamina Sehati	87
4 QUALITY EDUCATION	Quality Education	Pertamina Cerdas	85
5 GENDER EQUALITY	Gender Equality	Pertamina Sehati	148
6 CLEAN WATER AND SANITATION	Clean Water and Sanitation	Pertamina Sehati	87
7 AFFORDABLE AND CLEAN ENERGY	Affordable and Clean Energy	Pertamina's Sustainability Strategy	46
8 DECENT WORK AND ECONOMIC GROWTH	Decent Work and Economic Growth	Financial Contribution	50
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, Innovation and Infrastructure	Pertamina's Sustainability Strategy	46
10 REDUCED INEQUALITIES	Reduced Inequalities	Partnership Program	80
11 SUSTAINABLE CITIES AND COMMUNITIES	Sustainable Cities and Communities	Pertamina Cerdas	85
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Responsible Consumption and Production	Management of Environment	106
13 CLIMATE ACTION	Climate Action	Climate Challenge	95
14 LIFE BELOW WATER	Life Below Water	Pertamina Hijau	89
15 LIFE ON LAND	Life on Land	Pertamina Hijau	89
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Peace and Justice Strong Institutions	Management of Stakeholders	72
17 PARTNERSHIPS FOR THE GOALS	Partnerships to achieve the Goals	Management of Stakeholders	72



CORPORATE GOVERNANCE

2008-2017
GCG Score

91 %

Pertamina needs to conduct its business activities with due observance of the principles of GCG, so as to be in line with the purposes and objectives of the Company. In 2008-2015, the implementation of corporate governance has been transformed so that Pertamina is able to improve its governance performance in a sustainable manner. Today, governance is not only a deemed as a corporate fundamental but is also applied as part of the culture throughout Pertamina.

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OUR APPROACH

“

Pertamina's achievements are inseparable from its commitment to the implementation of Good Corporate Governance, as sustainable growth can only be realized on the basis of continuous ever-strengthened governance.

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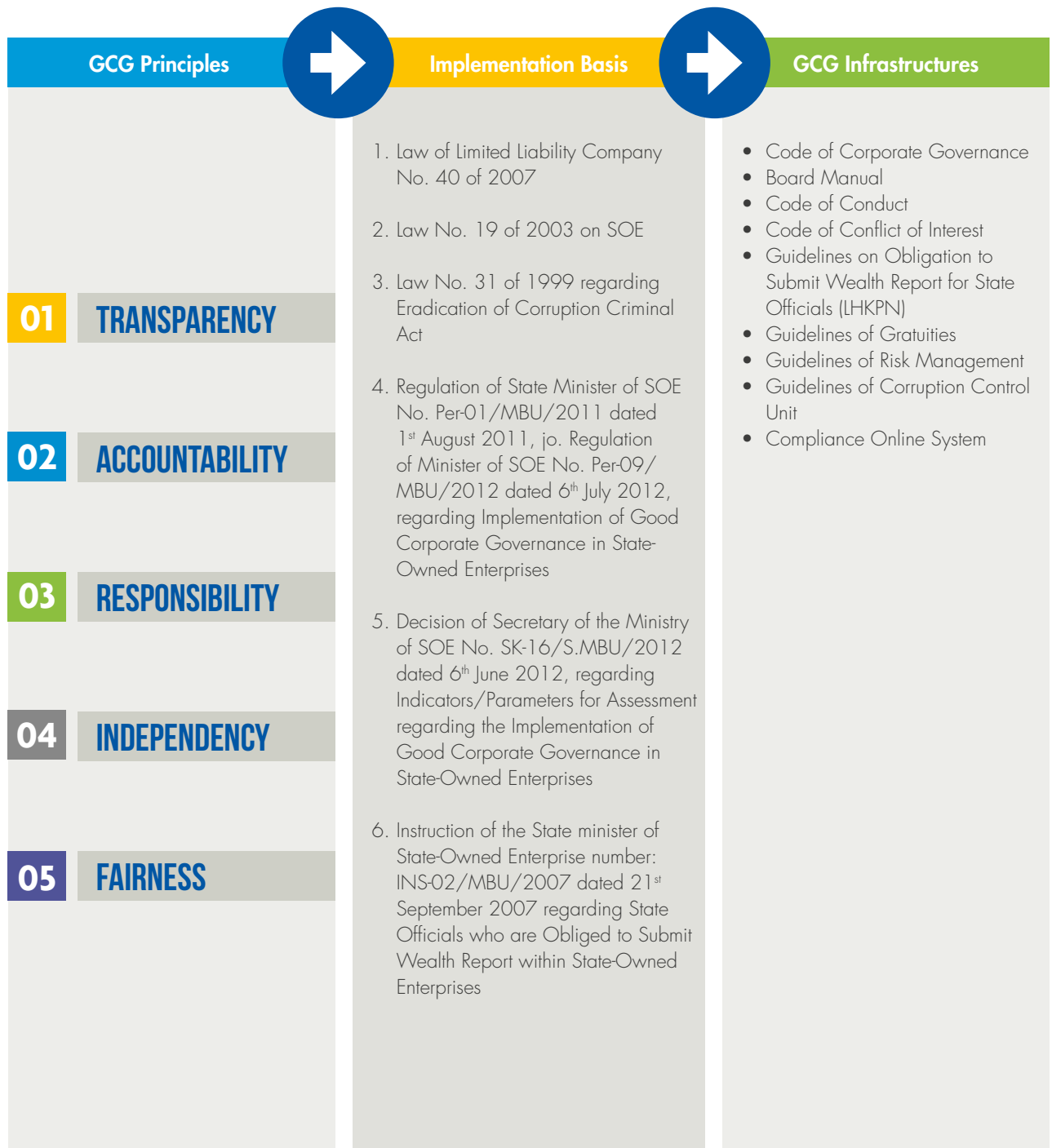
Pertamina must conduct its business activities with due observance of the principles of Good Corporate Governance (GCG), so as to be in line with the purposes and objectives of the Company, which are to conduct business in the field of energy, both inside and outside the country, and other related activities or supporting business activities in the field of energy, as well as to develop and optimize the resources of the Company in order to generate high quality goods and services with a strong competitiveness and to pursue profit in order to increase the Company's value through the implementation of principles of a Limited Liability Company.

To achieve these objectives, the Company implements GCG across each of its internal functions of the organization. Specifically, the Compliance Function, which includes the consultation and review of internal procedures and engagement in the review of investment activities, is responsible for conducting the ongoing implementation of several GCG strengthening programs.

The objectives of Pertamina's GCG implementation are:

1. To maximize the value of the Company.
2. To ensure that the Company's management is implemented in a professional and independent manner.
3. To create a decision-making process for all organs of the Company, based on high moral values and compliance with the applicable laws and regulations.
4. To ensure the implementation of Corporate Social Responsibility (CSR) activities with the stakeholders, and to improve the conducive national investment climate, particularly in the fields of energy and petrochemical.

BASIS OF POLICY



PERTAMINA CORPORATE GOVERNANCE

“

As a national energy company, Pertamina plays a crucial role in maintaining national energy security. Integrated and complex business processes require Pertamina to implement the principles of Good Corporate Governance in a sustainable manner. ”

As a national energy company, Pertamina plays a crucial role in maintaining national energy security. Integrated and complex business processes require the implementation of better corporate governance that is embodied with the development and strengthening of Pertamina's governance in 2008-2015 which continues to be developed up to present.

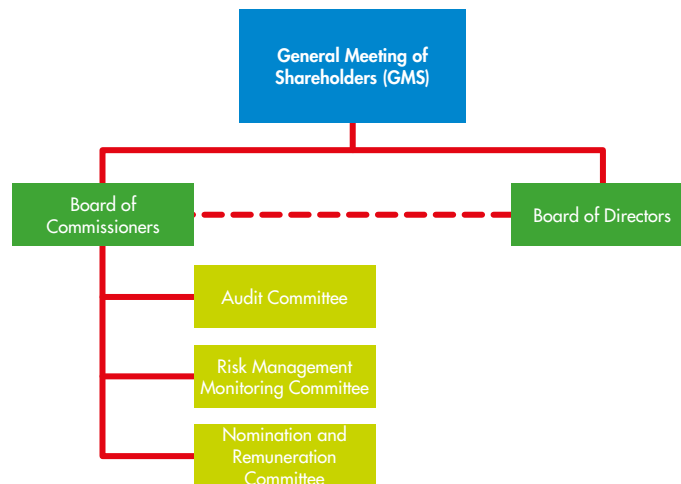
The Company implements the principles of Transparency, Accountability, Independency, Responsibility, and Fairness (TARIF), which are applicable for all personnel of Pertamina, as a basic commitment to the implementation of GCG. This aims to build a sound business environment with all stakeholders.

On a strategic level, Pertamina implements GCG as a synergy among its internal functions and is gradually developed based on the GCG Road Map of Pertamina consisting of Compliance, Conformance, Performance and Sustainability phases. At present, Pertamina's GCG implementation is in the Sustainability phase.

In this phase, Pertamina is launching a Due Diligence Compliance program so as to ensure that the Company's work partners have a full understanding of the Code of Conduct (CoC) of Pertamina, and have implemented the program in line with CoC of Pertamina, and ensured that there will be no conflicts of interest with any employees of Pertamina.

Pertamina uses GCG as Boundary KPI so as to affirm the commitment of all organizational lines. The GCG Boundary KPI does not have the value, but if the targets set at the beginning of the year are not achieved, then it will affect the value of the performance of employees throughout the year. The achievement of the GCG Boundary for KPI in 2017 for all businesses of Pertamina was 89.72% with the target set at the beginning of the year at 87%.

GOVERNANCE STRUCTURE



Corporate Governance organs of Pertamina consist of General Meeting of Shareholders (GMS), Board of Commissioners and Board of Directors, as well as the Committees which function to support the duties Board of Commissioners and Board of Directors.

The GMS of Pertamina is under the Minister of State-Owned Enterprises of the Republic of Indonesia as a representative of the Government of the Republic of Indonesia who holds 100% shares of the Company. The GMS has the authority that is not granted to the Board of Directors or Board of Commissioners, including the authority to appoint and dismiss members of Board of Directors and Board of Commissioners.

The Board of Commissioners is appointed by the GMS, and collectively has a duty to carry out the supervisory function regarding the management of the Company, which is performed by the Board of Directors. The Board of Commissioners may establish several committees in order to assist their duties. At present, the Committees under Company's Board of Commissioners are the Audit Committee, Nomination and Remuneration Committee, and Risk Management Monitoring Committee.

The GMS also appoints the Board of Directors, with the total members being adjusted to the demands of the Company. The duties and authority of the Board of Directors are set forth in the Articles of Association, among others, conducting all actions related to the

management of the Company and in accordance with the purposes and objectives of the Company.

The Company's Board of Commissioners and Board of Directors come from a diverse range of backgrounds encompassing education and various experiences related to Pertamina's major industrial activities, as well as in the fields of finance, economy and corporate governance. In terms of expertise, the Board of Directors and Board of Commissioners also have a diverse range of educational backgrounds including engineering, management, finance and business.

In 2017, there were changes to the compositions of the Board of Commissioners and Board of Directors, in response to the challenges faced by Pertamina in the Economic, Social and Environmental sectors. With this compositional change, it is expected that the Company will experience sound growth in order to actualize the stakeholders' aspirations.

Detailed information regarding the duties and responsibilities of Corporate Governance of the Company can be seen in the 2017 Annual Report of Pertamina under the chapter of Corporate Governance.

Members of Board of Commissioners, Board of Directors and Committees of the Company as of 31st December 2017

	Name	Position	Age	Gender
1.	Tanri Abeng	President Commissioner/Independent Commissioner	75	Male
		Chairman and concurrently a Member of Audit Committee		
		Vice Chairman and concurrently a Member of Nomination and Remuneration Committee		
2.	Arcandra Tahar	Vice President Commissioner	47	Male
		Chairman of Risk Management Monitoring Committee		
3.	Sahala Lumban Gaol	Commissioner	65	Male
		Member of Audit Committee		
		Vice Chairman of Nomination and Remuneration Committee		
4.	Suahasil Nazara	Commissioner	47	Male
		Chairman and concurrently a Member of Nomination and Remuneration Committee		
5.	Edwin Hidayat Abdullah	Commissioner	46	Male
		Member of Audit Committee		
		Vice Chairman and concurrently a Member of Nomination and Remuneration Committee		
6.	Alexander Lay	Commissioner	44	Male
		Vice Chairman and concurrently a Member of Risk Management Monitoring Committee		
7.	Elia Massa Manik	President Director & CEO	52	Male
8.	Syamsu Alam	Upstream Director	53	Male
9.	Yenni Andayani	Gas Director	51	Female
10.	Toharso	Refinery Director	54	Male
11.	Muchamad Iskandar	Marketing Director	54	Male
12.	Gigih Prakoso	Planning, Investment and Risk Management Director	53	Male
13.	Ardhy N. Mokobombang	Mega Project Refinery & Petrochemical Director	54	Male
14.	Arief Budiman	Finance Director	42	Male
15.	Nicke Widyawati	HR Director	50	Female
16.	Dwi Wahyu Daryoto	Asset Management Director	53	Male
17.	Dwi Martani	Member of Audit Committee	47	Female
18.	Agus Yulianto	Member of Audit Committee	56	Male
19.	Bonar Lumban Tobing	Member of Audit Committee	58	Male
20.	Aribowo Prijosaksono	Member of Nomination and Remuneration Committee	54	Male
21.	Apep Fajar Kurniawan	Member of Nomination and Remuneration Committee	34	Male
22.	Agus Mulyono	Member of Risk Management Monitoring Committee	64	Male
23.	Poerwo Tjahjono	Member of Risk Management Monitoring Committee	61	Male
24.	Priyo Utomo	Member of Risk Management Monitoring Committee	63	Male

Board of Commissioners / Board of Directors

Audit Committee

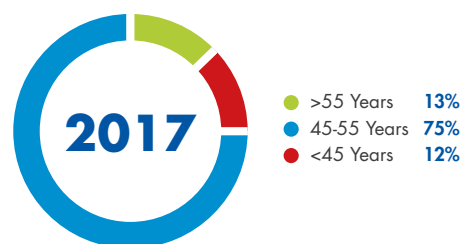
Risk Management Monitoring Committee

Nomination and Remuneration Committee

Composition of Board of Directors and Board of Commissioners by Gender



by Age



102-22

GRI Disclosure
Composition of Governance
Structure405-1,
SE15GRI Disclosure
Diversity and Equal Opportunity

TWO NEW DIRECTORATES AT PERTAMINA

In August 2017, Pertamina added two new directorates within the Board of Directors of the Company, which are the Directorate of Asset Management and Directorate of Investment, Planning and Risk Management. The Asset Management Directorate is assigned to manage Pertamina's non-core assets with an estimated value of Rp137 trillion, in order to provide added value, including Pertamina's future Capital Development.

Meanwhile, the Investment, Planning and Risk Management Directorate is responsible for managing investments so as to improve planning and focus, Applying the principles of adequate Risk Management at all times. This change is intended to support Pertamina's aspirations and to further anticipate future business challenges in order to realize the Company's vision of becoming a World-Class Energy Company.

Gigih Prakoso - Director of Planning, Investment and Risk Management



In April 2017, Pertamina adjusted the structure of its Board of Directors; one of which was the establishment of the position of Investment, Planning and Risk Management Director, as a significant step to oversee the implementation of Pertamina's investment in the future. The following is the excerpt of interview conducted with Mr. Prakoso.

Strategic Roles of Investment, Planning and Risk Management Directorate

We know that investment in the energy industry contains high-risk, is capital intensive, and has the characteristics of high technological exposure. In order to address this, Pertamina needs to have a function that can comprehensively monitor, evaluate, and manage these risks. To that end, this Directorate was created to also perform the planning function, which is

crucial to meet the long-term targets in order to achieve Pertamina's aspirations.

We expect strategic investments that have been established can be safely implemented, and supported with the appropriate governance so as to achieve the desired outcomes and with long-term investments that require sustainable monitoring.

ESG Factor in Investment

In the context of Sustainability, Pertamina ensures that the Company's investments always take into account the factors of Environmental, Social, and Governance (ESG). ESG assessment is carried out from the beginning on any potential investment, as it is very important since society is more critical of the Social and Environmental aspects including investment activities conducted by Pertamina.

In addition, regarding major projects, Pertamina prefers to perform a partnership with external institutions as part of the risk sharing. The selection of domestic and international partners is based on the principles of competence, capability, reliability, and prudence that have been set out within the policy corridor.

Future Strategies

In the future we are sure to continue facing uncertainty, including demands to operate more environmentally friendly. In order to overcome this situation, Pertamina has adapted and revised its strategy into the 8 Priorities of a World Class Company to be achieved by 2025.

This new strategy not only addresses the challenges of national oil and gas energy security but also covers our aspiration in providing improved and cleaner energy. In this regard, we encourage the Research and Technology Center to continue to address all future sustainable energy challenges.

MONITORING MECHANISM

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Risk Management helps Pertamina to minimize potential losses, optimize opportunities, maintain a conducive work environment, build the trust of investors, increase shareholder value, promote sound Corporate Governance, anticipate any rapid environmental changes and integrate the Company's strategy.

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RISK MANAGEMENT

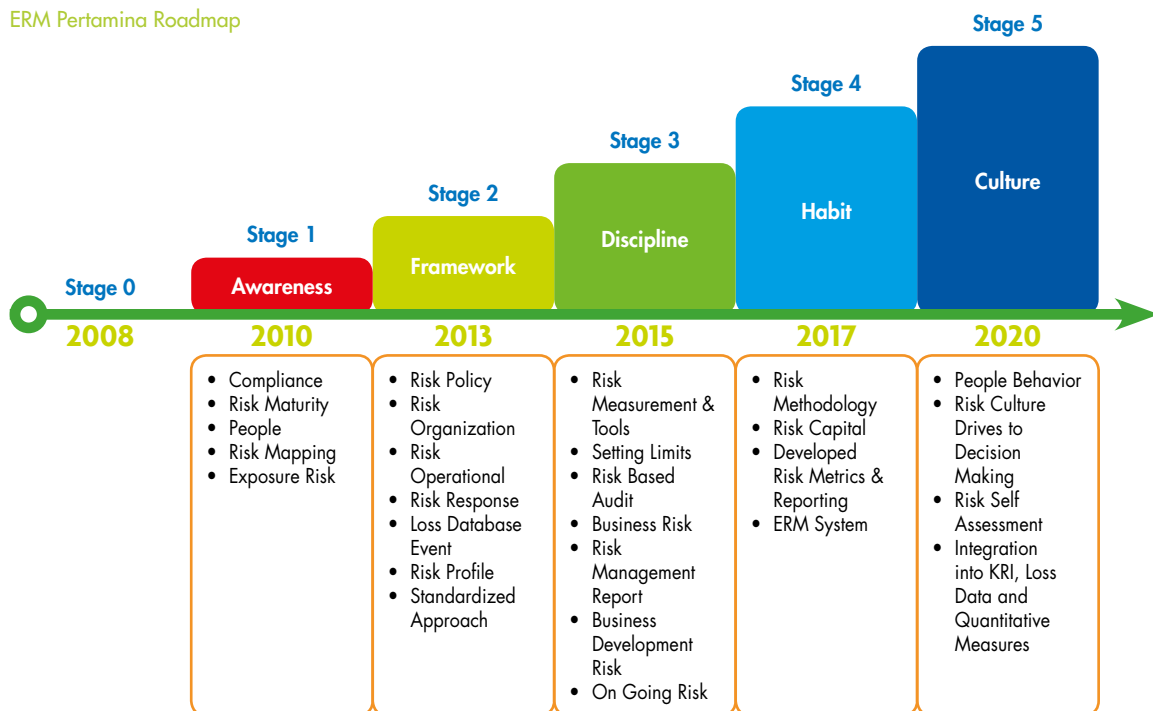
The Company's Risk Management is carried out by the Risk Management Committee, which consists of the Board of Directors being supported by the Risk Management Function at the Corporate as well as the Directorate levels. Pertamina's approach is contemplated in the Enterprise Risk Management (ERM) and through the adoption of ISO 31000:2009 International Standard.

ERM development is a long-term program of the Company for 2008-2020. In 2017, Pertamina implemented the ERM program, which covered Risk Maturity, Risk-Based Audit, and Risk Management Reporting, as well as the process of building an integrated system.





ERM Pertamina Roadmap



The Risk Management System is focused on risk awareness, frameworks, discipline, habit & culture, and is summarized in the Pertamina ERM Roadmap as a reference for the implementation as well as evaluating Risk Management.

Audit

Pertamina has an Internal Audit Function as part of Internal Control for the implementation of the three lines of control defense concept. The Chief Audit Executive who is responsible to the President Director leads the Internal Audit function. The Chief Audit Executive functions to conduct an evaluation regarding the effectiveness of the implementation of Internal Control, Risk Management and the Corporate Governance processes, in accordance with the prevailing laws and regulations as well as policies of the Company, as well as examinations and assessments of efficiency and effectiveness in the fields of Finance, Operations, Human Resources, Information Technology and so on.

In addition to the internal audit, the Company is also subject to external audits for the annual financial statements. The external auditors are appointed by the GMS from the list of prospective external auditors, which are submitted by the Board of Commissioners. In addition, as an SOE, the Audit Board of the Republic of Indonesia (BPK) also audits Pertamina.

The purpose of the audit activity by BPK is to ensure that Pertamina's operational activities are carried out in accordance with the applicable laws and regulations as well as Internal Control systems, and to ensure that Pertamina's business activities are conducted in an economical and reasonable manner.

As an improvement in audit practices, the Control Group Functions under the Controller Functions of the Finance Directorate's implementing Internal Control over Financial Reporting (ICoFR), which serves as a complement to the implementation of financial reporting standards, based on the International Financial Reporting Standards (IFRS) that have been applied previously by Pertamina. The implementation of ICoFR and IFRS is part of Pertamina's aspiration to become a World-Class Energy Company.

PERTAMINA CLEAN

Pertamina Clean is a fundamental theme that is part of Pertamina's transformation to become a World-Class Energy Company with integrity. Pertamina Clean program covers all activities in order to build Good Corporate Governance throughout our business activities and behavioral aspects of Pertamina's personnel. These include the Board Manual of Pertamina's Board of Commissioners and Board of Directors, Guidelines of Code of Conduct (CoC), Guidelines of Receiving and Refusing Gratuities, Guidelines of Corruption Control Unit, guidelines of conflict of interest, guidelines of obligation to submit wealth report for state officials (LHKPN), guidelines of the Whistleblowing System (WBS), as well as the Guidelines of the


Corruption Control Unit and Compliance Online System.

Within this framework, the Compliance Function implements business processes related to the Pertamina Clean programs. The main objective of the Pertamina Clean program is to prevent corruption from occurring within the Company.

Culture of Pertamina Clean

The high performing culture of Pertamina is based on an effective corporate behavior founded upon the 6C values. To develop a comprehensive governance practice, Pertamina initiates the development of Professionals with Integrity (Professional Berintegritas - PROFIT) culture by cooperating with the Corruption Eradication Commission (KPK), which has been incorporated to all employees starting in 2016, and continues with the Culture Change Agent (CCA) program in both the head office as well as the business units and subsidiaries, which was initiated beginning in 2012.

The strengthening of 6C values is also conducted through the Compliance Function with the implementation of Compliance Due Diligence (CDD) to Pertamina's partners. CDD is undertaken to ensure our partners' understanding of the Company's policies related to CoC and conflicts of interest.



Culture Change Agent

804

CCA Activities

National :
Budaya Serentak Program, which is

- Impact Plan Discussion,
- Five Minutes Morning Talk,
- Visual Monitoring Board, Values Day and
- Thank you note

Campaign Unit Activities:
Unique cultural programs in accordance with the needs, such as

- Employee Of The Month,
- Ethics 24/7,
- Culture Pause,
- Supporting Programs for 8 Unit Priorities,
- Class Monas and so on

SOE with the Best Gratification Control System



At the end of 2017, Pertamina achieved one achievement as a State-Owned Enterprise with the Best Gratification Control System in the 12th World Anti-Corruption Day event organized by the Corruption Eradication Commission (Komisi Pemberantasan Korupsi / KPK). The award was given directly by the Vice Chairman of KPK Basaria Panjaitan and received by the President Director of PT Pertamina (Persero) Massa Manik also witnessed by Vice President Jusuf Kalla, KPK Chairman Agus Rahardjo, and CEOs of BUMN and Private.

Pertamina's current system includes LHKPN reporting system, Gratification Control Unit, Compliance Online System (COS) and a complete implementation support system to control gratification within the company.

In general, the dissemination of the Clean Culture is carried out thoroughly, from head office to each of the operating units in an independent manner, facilitated by the GCG champion at every function or department using the dissemination module of the Compliance Function. The dissemination success is a benchmark for the Company's performance in the form of the Boundary KPI, which had a target of 89.72% in 2017.

Prevention of Gratification

The Gratification Control Unit manages the Gratification Control Program, which is conducted within the Company's working environment. All employees can obtain information regarding the program through the Guidelines of Gratification.

The Gratification Control Unit of Pertamina manages, analyzes, and clarifies the Gratification report to the Gratification receiver. The unit, then, submits a periodical report and coordinates with the KPK regarding the Gratification report, which is included within the jurisdiction of the KPK.

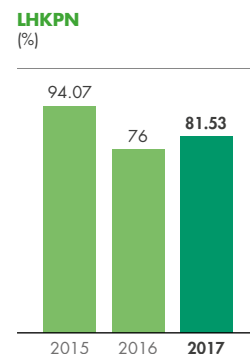
Prevention of Conflict of Interest

To prevent the occurrence of any conflict of interest, the Company has published the Guidelines of Conflict of Interest, which serves as a reference for all personnel of the Company.

The guidelines stipulate matters that must be conducted should the employees be faced with a situation that has any potential conflicts of interest.

Wealth Report for State Officials (LHKPN)

At Pertamina, the Wealth Report for State Officials (LHKPN) is applied to all members of the Board of Directors and the Board of Commissioners, as well as Pertamina's employees, starting from the Senior Vice President level through to the Manager level for both Pertamina and each of its subsidiaries.



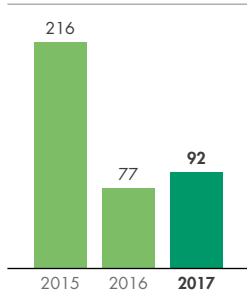
Compliance Online System

The Compliance Online System (COS) is a reporting platform for the GCG programs, which cover Statements of Conflict of Interest and any potential Conflicts of Interest, Statements of Compliance with the Code of Conduct, Statements or LHKPN Reporting, and Gratification Reports.

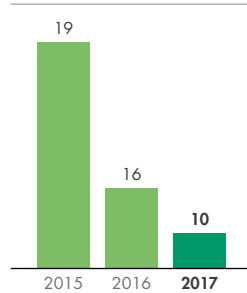
COS also covers media of the GCG understanding module internalization, which must be attended by all employees once every year at the very least, either through the face-to-face method or through e-learning.

Gratification Report

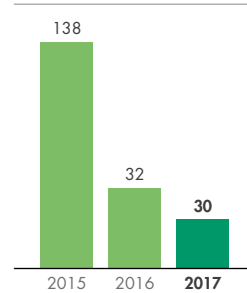
Reports Received



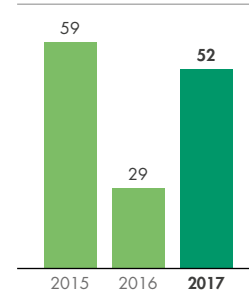
Under Clarification



Internal Follow-Up



External Follow-Up



Whistle Blowing System

The Whistle-Blowing System (WBS) of Pertamina is built on the founding principles of confidentiality, anonymity and independent. An independent external consultant receives each complaint; the consultant will then analyze the report and request further information from the rapporteur in order to be submitted to Pertamina.



Sanction of Whistleblowing System

	2017	2016	2015
Demotions	3	16	42
Termination of Employment	5	9	22
Warning Letter	15	18	30
Reprimand	9	22	16

205-2

GRI Disclosure
Anti corruption

102-17

GRI Disclosure
Whistle Blowing

205-3

GRI Disclosure
Anti corruption

103-2

GRI Disclosure
Management Approach

EVALUATION OF PERTAMINA CORPORATE GOVERNANCE

Pertamina believes that through proper governance the Company's value will increase; therefore, the ongoing improvement in governance management consistently shows the seriousness and commitment of Pertamina to experience sustainable growth. This reputation is the key to the Company's success to seize the attention of the global market, so as to invest in Pertamina's Global Bonds in 2011-2014.

To evaluate the implementation of Corporate Governance, every year, Pertamina conducts assessments based on the criteria stipulated in the Regulation of the Minister of SOE No. PER-01/MBU/2011 regarding the Implementation of Good Corporate Governance in SOEs.

With the target having been set at 87%, the achievement of Boundary KPI for 2017 managed to achieve 89.72%, while the KPI of Company Health Index for the criteria of GCG Implementation Level was 95% and the Company managed to score 88.00% or 97.77% of the target.

Furthermore, as a company, Pertamina is also assessed based on the Criteria of the Excellent Performance Assessment (KPKU), this is the SOE's excellence assessment, which has been applied since 2012. In the assessment of KPKU 2017, Pertamina achieved a score of 739.5 with the achievement level recognition as that of 'Industry Leader'.

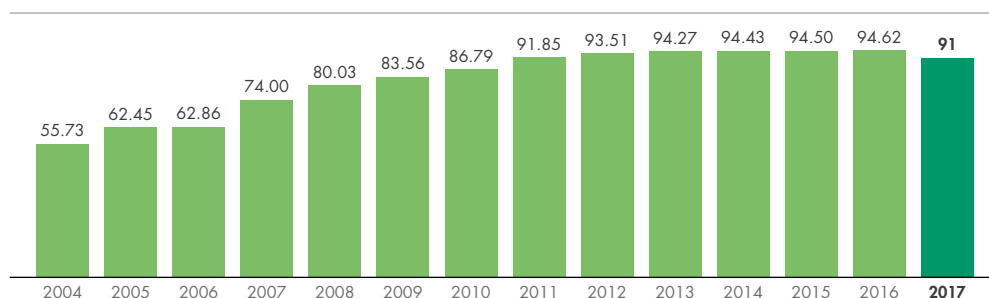
For these achievements, Pertamina gratefully received an award in the 2017 SOE Performance Excellence Award (BPEA) organized by BUMN Excellence Forum (FEB). Pertamina achieved the highest score along with three other SOEs, which were PT Wijaya Karya (Persero) Tbk, PT Jasa Marga (Persero) Tbk, and PT Telekomunikasi Indonesia (Persero) Tbk.

An appreciation from the stakeholders was also presented to Pertamina in 2017 where Pertamina received an award as a company with the 'Best GCG' from the Ministry of SOE.

GCG Assessment

A GCG Assessment has been conducted every year since 2008 by referring to the Decision Letter of Secretary of SOE Minister No. SK-16/S.MBU/2012 regarding indicators/parameters of Assessment concerning the Implementation of Good Corporate Governance in SOEs.

Results of GCG Assessment 2004-2017 (%)



Beginning in 2017, Pertamina conducted GCG assessments using the Financial and Development Supervisory Board (BPKP) as an external assessor, unlike the assessors used in previous external assessments. In the 2017 GCG assessment, Pertamina achieved a 91% achievement, which is rated in the 'Excellent' category with the details of achievements per category as shown in the table below. Pertamina is committed to following up on the improvement recommendations that the assessors provided for the improvement of the GCG performance on an ongoing basis.

Results of GCG Assessment by BPKP

No.	Examination Aspect	Value	Achievements (%)	Achievement Category
I	Commitment to the Sustainable Achievement of Good Corporate Governance	7.00	94	Excellent
II	Shareholders and GMS	9.00	89	Excellent
III	Board of Commissioners	35.00	91	Excellent
IV	Board of Directors	35.00	90	Excellent
V	Disclosure of Information and Transparency	9.00	88	Excellent
	Sub Total	95.00		
VI	Other Aspects	5.00	100	Excellent
	Total	100.00	91	Excellent

SUPPLIERS MANAGEMENT

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Supply management is a key business process conducted by Pertamina that is closely related to national energy security. Therefore, the purchasing process must be conducted in line with the commercial aspect, and take into account GCG principles.

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Pertamina is committed to carrying out the procurement of goods and services by fulfilling the principles of procurement. Given the large value of procurement and the parties involved, we are aware of the constant risk of fraud that must be prevented and well managed, so that the procurement process can be carried out quickly, flexibly, efficiently and effectively in order to avoid losing any business momentum, which can result in losses.

There are two categories of procurement process at Pertamina, namely for hydrocarbons and non-hydrocarbons. There are no significant changes to the Company's supply chain in 2017 as compared with the previous year.

Hydrocarbon Purchase

The procurement of crude oil and refinery products is managed by Integrated Supply Chain (ISC) which has three main roles, which are integrated planners & optimization, business & commerce and supply and export operations to ensure the security of supply and stock of crude oil, fuel and LPG nationally by always putting forward the economic value.

ISC's business partners are selected and evaluated based on legal, financial and business & operational aspects, in order to be registered on the List of Selected Business Partners (DMUT). Partners' performance and compliance are evaluated by DMUT - Pertamina Team every two years.

ISC Transformation

Improving the efficiency and transparency of crude oil procurement.

ISC 1.0
(quick wins)

Procurement of competitive crude oil and refined products.

ISC 2.0
(world class ISC)

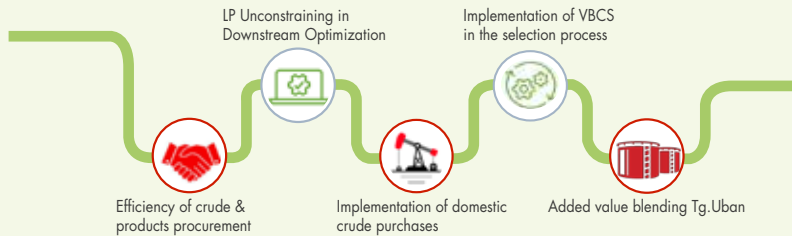
Integration and optimization of downstream business activities to create greater margin.

ISC 3.0
(talent engine)

Preparing the infrastructure and human resources in the face of the business complexity along with increasing refinery capacity.



ISC Breakthrough



Composition of Crude Oil Purchase

Procurement by ISC in 2017

Partners in DMUT

134

Achievement of Efficiency and Value Creation of ISC

USD Million
600.42



● Domestic 58%
● Import 42%

Procurement of Non-Hydrocarbon Goods and Services

In addition to hydrocarbon, Pertamina is in need of goods and services supplied by the contractor, including contractors of upstream oil and gas business, contractors of supporting activities such as construction and maintenance in refinery and contractor in energy marketing and distribution.

Procurement of goods and services has been regulated separately in the Decision Letter of the Board of Directors No. 51 of 2013 regarding Second Revision concerning Goods and Services Management. The regulation stipulates 10 Basic Principles of Procurement that must be adhered to. The same approach is also implemented by each of the subsidiaries.



Procurement of Non-Hydrocarbons is conducted through the Procurement Excellence Group (PEG) for corporations, except procurement conducted at the Marketing Directorate, Processing Directorate, and all subsidiaries or affiliates.

Significant procurement value contributes to the local economy, one of which is through the procurement of vessels. Since 2000, Pertamina have purchased 41 new vessels and 22 of which were purchased from the national shipyard worth USD386.93 million. On the other hand, purchases with foreign currency are maintained to avoid a greater impact on the stability of the exchange rate through a purchase and hedging transaction strategy.

Procurement of Non-Hydrocarbons in 2017

Number of Transactions

648

Procurement Value of Non-Hydrocarbon

USD Million
326

MANAGING STAKEHOLDERS




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Pertamina's commitment to the stakeholders is disclosed thoroughly in the Code of Conduct of Pertamina which serves as a reference for all personnel regarding the engagement with stakeholders, in accordance with the objectives and capacities in order to achieve balance and harmony.







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In managing stakeholders, the Stakeholder Relation and Corporate Secretary as well as their staff in the Operations/Area/Subsidiaries Unit serve as the Company's liaison with relevant stakeholders. The company does not use certain methods to select stakeholders for engagement; interaction with stakeholders is a process that takes place at any time as part of good corporate governance practices.

Stakeholder Engagement

Stakeholder Groups	Main Topic and Concern	Company Responses	Form of Interaction
 <p>Shareholders</p>	<ul style="list-style-type: none"> Economic Performance Implementation of Governance including anti-Corruption Company Sustainability 	<p>Pertamina is committed to improving shareholder value pursuant to the laws and regulations, elevating business and implementing Good Corporate Governance</p>	<ul style="list-style-type: none"> General Meeting of Shareholders (GMS) convened 1-3 times a year Extraordinary GMS if required
 <p>Customers</p>	<ul style="list-style-type: none"> Information on Products and Services Quality of Products and Services Customer Service 	<p>Customers are strategic partners; therefore, we provide products and services with standardized quality, display honesty and ethics while conducting business, and take into account complaints or inputs from customers.</p>	<ul style="list-style-type: none"> Customer Survey 1-2 times a year 24/7 Customer Service through Contact Pertamina Interaction with customers during certain events
 <p>Employees</p>	<ul style="list-style-type: none"> Occupational Health and Safety Education and Training Industrial Relations Comfortable Workspace Welfare 	<p>The personnel of Pertamina are a key asset; therefore, our commitment is to providing a conducive work environment and equal opportunities, promoting diversity for all personnel and adhering to labor standards.</p> <p>Pertamina is committed to conducting business in a way that respects the environment and seeks to ensure the safety and health of all personnel of Pertamina, contractors and the community in the operation site</p>	<ul style="list-style-type: none"> Employee Survey 1-2 times a year Monthly Broadcast publication Continuous Employee OHS Program Town Hall Meeting 1-3 times a year Pertamina's Social Activities through certain events

Stakeholder Engagement

Stakeholder Groups	Main Topic and Concern	Company Responses	Form of Interaction
Contractors 	<ul style="list-style-type: none"> • Continuous cooperation • Ethics and Governance including Anti-Corruption • Occupational Health and Safety 	<p>Conducting the procurement of goods and services in a transparent manner and in accordance with the prevailing regulations, as well as maintaining good communication with suppliers.</p> <p>We choose to work with suppliers with a good performance and reputation, and avoid any conflicts of interest.</p>	<ul style="list-style-type: none"> • Meeting and cooperation programs based on activity schedules 1-2 times a year • Continuous contractor OHS program
Investors 	<ul style="list-style-type: none"> • Economic Performance • Implementation of Governance including anti-Corruption • Company Sustainability 	<p>Pertamina always strives for investment security to provide optimal investment returns.</p>	<ul style="list-style-type: none"> • Road show 1-2 times a year • Annual public expose and at certain period, 1-4 times a year
Surrounding communities and Social Responsibilities 	<ul style="list-style-type: none"> • Compliance in managing impact on the surrounding environment • Benefits for the public • Implementation of social and environmental responsibility programs 	<p>Pertamina wishes that its existence might provide the greatest benefit to the community around the operational area by supporting the involvement of the personnel of Pertamina in community development and nature conservation.</p>	<ul style="list-style-type: none"> • Public Consultation at the beginning of any significant activity • Discussion on Development Plan every year • Socialization and Cooperation on Disaster Management every year • Continuous implementation of CSR and SMEPP programs
Regulatory and Legislative Bodies 	<ul style="list-style-type: none"> • Compliance • Report of implementation 	<p>Pertamina complies with and supports the laws and regulations related to its operations, including financial contributions, employment and environmental protection.</p> <p>The Company provides relevant information in accordance with the prevailing provisions, and observes and responds to legislative input that brings the interests of the wider community according to the Company's interests and abilities.</p>	<ul style="list-style-type: none"> • Meeting programs 1-2 times a year • Report to the related institutions per semester • Become keynote speakers in Seminars/other Events • Consultation, work visit and Opinion Hearing 1-4 times a year • Cooperation Program based on activity plans
Research Institutes and Higher Education Institutions 	<ul style="list-style-type: none"> • Research and development activities with higher education institutions 	<p>Pertamina makes clear, mutually beneficial and transparent engagements only with its official partners with solid reputations and collaborates to conduct research as well as to accommodate the demands of research and educational progress.</p>	<ul style="list-style-type: none"> • Cooperation for Research and Development based on activity plans
Mass Media 	<ul style="list-style-type: none"> • Quick, accurate and proper information disclosure 	<p>The mass media are partners in developing the Company's reputation; therefore, we maintain good relations with the mass media by providing accurate and accountable information.</p>	<ul style="list-style-type: none"> • Press Release at any time necessary • 24/7 Customer Service through Contact Pertamina • Public Relation Division in each Region

102-40, 102-43, 102-44

GRI Disclosure
Stakeholder Engagement

EXTERNAL PARTICIPATION



Participation in the Extractive Industries Transparency Initiative (EITI) is a global standard for encouraging transparency of state revenues or income from extractive industry sectors (petroleum, natural gas, minerals and coal).

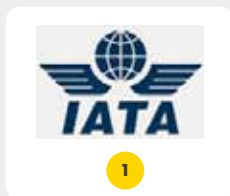
EITI in Indonesia is implemented pursuant to the Presidential Regulation No. 26 of 2010 regarding the Transparency of State Revenues and Regional Income Earned from Extractive Industries. This

Presidential Regulation stipulates that EITI Indonesia is implemented by a Transparency Team consisting of a Steering Team and an Implementing Team.

In the implementation of EITI, Pertamina is a member of the EITI Implementation Team which consistently performs its obligations in EITI reporting and activities.

Other External Membership

Strategic Partners



No	Organization Name	Membership Type
1.	International Air Transport Association (IATA)	Strategic Partner
2.	Aspelindo	Member
3.	Green Building Council Indonesia (GBCI)	Member
4.	Indonesia Business Council for Sustainable Development (IBCSD)	Member
5.	International Energy Agency (IEA)	Member
6.	International Gas Union (IEU)	Member
7.	ARTDO International	Member
8.	World LPG Association (WLPGA)	Member
9.	Joint Inspection Group (JIG)	Member
10.	Asia Pacific Natural Gas Vehicle Association (ANGVA)	Member
11.	Society of Tribologists and Lubrication Engineers (STLE)	Member

Members

Data of Governance Performance of Pertamina

Indicators	Units	2017	2016	2015
Governance Organ Composition				
By Gender				
Male	%	87	93	93
Female	%	13	7	7
By Age Group				
<45 years	%	12	64	0
45-55 years	%	75	25	13
>55 years	%	13	11	87
GCG Assessment of Pertamina (SOE Minister Regulation No. 01 of 2011)				
GCG Score	%	91	94.62	94.50
Category	-	Excellent	Excellent	Excellent
Excellent Performance Assessment (KPKU)				
KPKU Score	-	739.5	773	Not Assessed
Category	-	Industry Leader	Industry Leader	Not Assessed
Anti-Corruption Communication and Training				
Members of Board of Directors and Board of Commissioners Participating in Anti-Corruption Campaign	%	100	100	100
Employees Participating in Anti-Corruption Campaign	%	100	100	100
Employees Participating in Anti-Corruption Training	%	84.52	88	80.47
Champion of GCG ToT Participants	People	160	72	72
Participants of Compliance Engagement Program	People	156	110	87
Culture of Clean Pertamina				
Number of Change Culture Agents	People	804	875	-
Gratification Report through Compliance Online System				
In Clarification Process	Cases	10	16	19
Follow-Up by Internal Parties	Cases	30	32	138
Follow-Up by External Parties	Cases	52	29	59
Total	Cases	92	77	216
State Official's Wealth Report (LHKPN)				
% of LHKPN Coverage	%	81.53	76	94.07
Whistleblowing Report				
In Examination Process	Cases		28	15
Follow-Up Activity has been Completed	Cases	27	17	23
To be Followed-up in the subsequent year	Cases		24	28
Number of Reports Received	Cases	75	69	66
Procurement				
Procurement of Non-Hydrocarbons				
Procurement Value	USD Million	326	154.18	-
Total Transactions	Units	648	564	-
Procurement of Hydrocarbons				
ISC Business Partners	Partners	134	168	-

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GRI Disclosure
Management Approach

205-2

GRI Disclosure
Training and Socialization on Anti
Corruption

102-9

GRI Disclosure
Supply Chain



HARMONY WITH THE SOCIETY

Number of Schools
Benefitted from CSR
Pertamina

463



Business is also expected to contribute to Poverty Alleviation, Education and Health Development as well as the prevention of Climate Change. Through community engagement and social responsibility initiatives, Pertamina addresses these challenges through long-term programs designed to be in line with the Objectives of Sustainable Development.

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OUR APPROACH

“

Pertamina has conducted Social and Environmental (S&E) responsibilities even before these activities were required to be implemented by companies. S&E responsibilities are regarded as an integrated effort to provide benefits for the society living in the surrounding areas of the operations in a sustainable and synergized manner for wider development. ”

TJSL Pertamina is a form of corporate responsibility for the impacts caused by policies and activities to the community and the environment through transparent and ethical behavior.

We have implemented Policy regarding S&E Responsibility in accordance with the Corporate Social Responsibility principle contained in ISO 26000. The main objective of S&E Responsibility of Pertamina is to conduct activities that are related to community development and environmental preservation consistent with sustainable development, so as to improve the public welfare and be integrated with Company's business activities.

Pertamina undertakes two S&E Responsibility approaches through Small and Medium Enterprise Development activities and Corporate Social Responsibility activities managed by the Small and Medium Enterprise Partnership Program and Corporate Social Responsibility Functions (SMEPP & CSR Functions). S&E Responsibility is implemented by each of Pertamina's operating units throughout Indonesia as part of the Community Relations and Development activities.

The principles of S&E Responsibility of Pertamina refer to ISO 26000, which are;

- Consistent with sustainable development and community welfare
- Considerate of the expectations of all stakeholders
- Compliant with the laws and international norms
- Integrated into business activities

COMMUNITY MANAGEMENT AROUND OPERATIONAL AREA

The first crucial activity carried out by Pertamina in each of its operation unit is ensuring the fulfillment of Environmental Permit requirements, including conducting Environmental Impact Analysis (AMDAL) as well as Environmental Management Efforts and Environmental Monitoring Efforts (UKL-UPL) in accordance with the scope of activities based on the prevailing regulations.

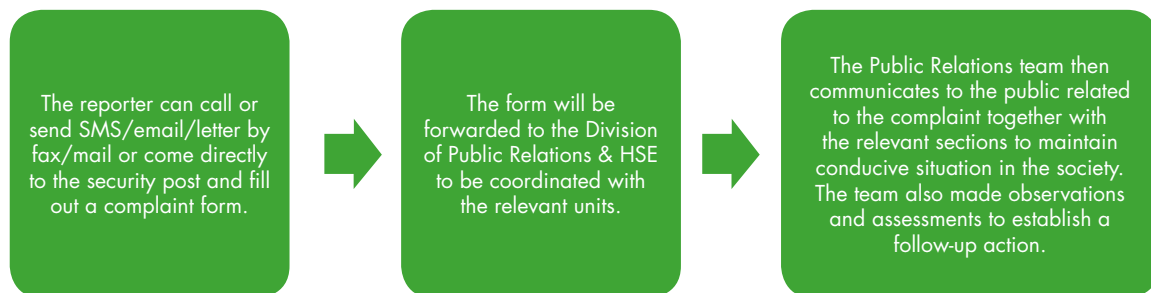
Included in the implementation of AMDAL and UKL-UPL is to perform social and environmental studies prior to conducting activities and planning of environmental and social management and monitoring in the intended activity. In performing AMDAL and UKL-UPL it is regarded as the application of prudent principles in managing the environmental and social impacts that arise or have the potential to arise from an activity.

AMDAL and UKL-UPL have been implemented in all activities in the operational area (100%) spread across Indonesia, according to the laws and regulations. The results of the assessment then become the forerunner of the development program for the community that is potentially affected by the Company's operational activities.

MANAGING PUBLIC COMPLAINTS

To anticipate complaints from the public, Pertamina has established procedures to receive and respond to public complaints due to the social and environmental impacts resulting from operations in the form of Organizational Structure of the Public Complaint Procedure (internal and external).

The Division of CSR and Public Relation – General Affairs of Pertamina will process the incoming complaints and settle the reports from the public within a period of less than 7 days.



Mechanisms for reporting and settlement of public complaints

During 2017, there has been no significant conflict between Pertamina with the local and cultural communities that escalated to court level.



PARTNERSHIP PROGRAM

“

The Partnership Program aims to leverage the economic activities of small enterprises and the social empowerment of communities so as to become resilient and self-reliant. In its implementation, Pertamina also cooperates with other SOEs as well as relevant institutions.

”

Implementation of the Partnership Program is a manifestation of Pertamina's commitment as an SOE that is stipulated in the Ministerial Regulation No. Permen-05/MBU/2007 regarding Partnership Program of State-Owned Enterprises with Small Enterprises and Community Development Programs.

while for Community Development at a maximum of 2%.

The Partnership Program aims to leverage the economic activities of small enterprises and the social empowerment of communities so as to become resilient and self-reliant. In its implementation, Pertamina also cooperates with other SOEs as well as relevant institutions.

In this regard, Pertamina provides revolving partnership loans to individual Developed Partners, either with a cluster system or group form for capitalization of Micro, Small and Medium Enterprises. The coaching of the Developed Partners is also provided through national and international exhibitions, training, import-export workshops and other activities.



Funds for the implementation of the Partnership Program is stipulated to originate from the allowance for net profit after tax as determined by the GMS/Minister concerning the validation of the Annual Report of BUMN Pembina intended for the SMEPP program, which, at maximum achieved 4% of the net profit of the previous fiscal year

Distribution of Funds for Partnership Program By Sector

Funded Sectors	2017	Unit	Proportion
Trading	18.363	Rp Billion	13.96%
Industry	7.218	Rp Billion	5.49%
Services	4.876	Rp Billion	3.71%
Fisheries	5.935	Rp Billion	4.51%
Agriculture	32.824	Rp Billion	24.96%
Plantation	55.35	Rp Billion	42.08%
Animal Husbandry	6.95	Rp Billion	5.28%
Others	0.01	Rp Billion	0.01%
TOTAL	131.526	Rp Billion	100.00%

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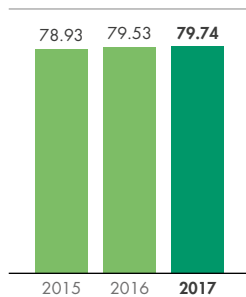
GRI Disclosure
Management Approach



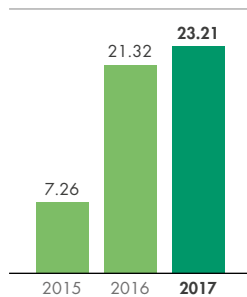
Evaluation on Performance Achievement

Pertamina has determined several targets relevant to its business sustainability that are translated into the Key Performance Indicators of each directorate. The achievement of such targets is reviewed quarterly. The following table describes KPI achievement relevant to the discussion in this section.

Collectability of SMEPP Funds (cumulative) (%)



Effectiveness of Partnership Program Fund Distribution (%)



KPI Perspective	Units	Target 2017 (Revisi)	Achievement 2017	% Performance
Sustainability				
1 Effectiveness of fund channelling in Partnership Program	%	80.00	23.21	21.51
2 Collectability of fund channelling in Partnership Program	%	80.00	79.42	99.28

Partnership with Institution

In addition to distributing revolving funds for individual SMEs, the Partnership Program is also distributed through cooperation with business institutions. This is conducted so that business development programs can be more targeted and managed with a high level of accountability, and is able to provide optimal results.

The significant distribution of partnership funds is done through cooperation with SOEs and agribusiness cooperatives that have a large number of members or plasma farmers. SOE or cooperatives serve to distribute and build the members, as well as purchasing the harvest. With this approach, small farmers can avoid moneylenders and improve their welfare.

Potato Cultivation

Pertamina is partnering with Lembaga Masyarakat Desa Hutan (LMDH) "Mustika Hutan". This cooperative was originally composed of the forest encroachers, however, after obtaining guidance, it then evolved and currently comprises some farmers of mountain plants in Garut. One of the activities of Mustika Hutan members is farming potatoes.



In May 2017, Pertamina disbursed Rp7.5 billion worth of capital aid through the Harvest Payment (Yarnen) method for 6 months which rolled over a 3 year period. The cooperative is in charge of overseeing the distribution of funds, assisting farmers, as well as collecting the harvested potatoes.

By the end of 2017, as many as 128 farmers in Kampung Panyingkiran, Sukawargi Village, Cisarupan Subdistrict, Garut Regency, which have been developing the 76-ha of land, have obtained their first harvest with an estimated total harvest of 1,000 tons.

Sugar Cane and Coffee Farmers

Through PT Perkebunan Nusantara XI (PTPN XI), Pertamina disbursed a Partnership Program fund of Rp110 billion to 3,400 developed partners of sugar cane farmers for the 2017/2018 planting season. In addition to fostering and distributing farmers' needs, PTPN XI also manages collecting refunds from farmers from the harvest.

Furthermore, in Banyuwangi and Bondowoso, East Java, Pertamina supported 297 developed coffee farmers of PT Perkebunan Nusantara XII (PTPN XII) with total funds amounting to Rp14 billion. The popular coffee product from PTPN XII in this region is arabica Ijen coffee that coffee lovers have enjoyed throughout the world.

Data of CSR Performance of Pertamina

Indicators	Units	2017	2016	2015
SMEPP Funds Allocation ¹				
Partnership Program	Rp Billion	893.2	187.7	NR
Community Development	Rp Billion	350	215.8	NR
TOTAL	Rp Billion	1,243.2	403.5	NR
Fund Distribution	Units	2017	2016	2015
Partnership Program				
Funded Sectors				
Trading	Rp Billion	18.36	15	NR
Industry	Rp Billion	7.22	8.9	NR
Services	Rp Billion	4.88	3.5	NR
Fisheries	Rp Billion	5.94	2.1	NR
Agriculture	Rp Billion	32.82	28.3	NR
Plantation	Rp Billion	55.35	125.4	NR
Animal Husbandry	Rp Billion	6.95	3.4	NR
Others	Rp Billion	0.01	0.9	NR
TOTAL	Rp Billion	131.53	22.07	NR
Number of Developed Partners	Partners	2,923.00		
Rate of Collectability of Loan Payments	%	79.74	79.53	78.93
Effectiveness of Partnership Program Fund Distribution	%	23.21	21.32	7.26
SMEPP Sector				
Donation for Victims of Natural Disaster	Rp Billion	2.4	1.8	NR
Donation for Environmental Preservation	Rp Billion	3.834	4.1	NR
Donation for Health Improvement	Rp Billion	25.678	12.7	NR
Donation for Social Community to Alleviate Poverty	Rp Billion	43.468	22.7	NR
Donation for Worship Facilities	Rp Billion	52.086	27.4	NR
Donation for Development of Public Facilities and/or Infrastructure	Rp Billion	106.654	56.5	NR
Donation for Training and/or Education Activities	Rp Billion	93.776	81.7	NR
Donation for Development Grants	Rp Billion	14.619	56.5	NR
TOTAL	Rp Billion	342.535	563.4	NR
Funds for Community Engagement and Development				
Education	Rp Billion	20.4	8.12	38.17
Health	Rp Billion	9.1	4.13	5.79
Environment	Rp Billion	16.5	10.36	10.06
Community Empowerment	Rp Billion	44.8	-	31.76
Special Assistance	Rp Billion	82.2	-	-
Public Complaints				
Material Complaints at the Court		0	0	0

¹ Funds are based on Permen-05/MBU/2007 on Partnership Program of State-Owned Enterprises with Small Enterprises and Community Development Program
NR: Not Reported

CSR PROGRAMS

“

The Corporate Social Responsibility (CSR) Programs of Pertamina, which are entitled Sobat Bumi provide a community engagement and development program initiated on 1st December 2011. Pertamina Sobat Bumi focuses on four pillars of strategic initiatives which are aimed at supporting the sustainability of future generations. ”

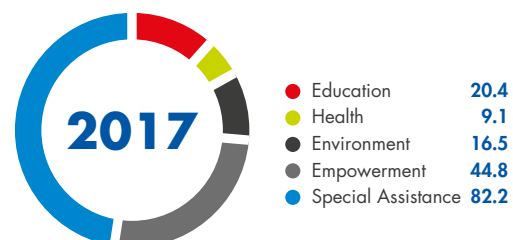
The Four pillars of the Pertamina Sobat Bumi program consist of Pertamina Cerdas (Bright with Pertamina), Pertamina SEHATI (Pertamina Health), Pertamina Hijau (Pertamina Green) and Pertamina Berdikari (Pertamina Ecopreneur).

The Four pillars of Sobat Bumi are a combination of philanthropic and an empowerment approached in order to accommodate the community in need of support in the form of infrastructure as well as development and empowerment.

The SMEPP & CSR Function under the Corporate Secretary conducts implementation of the Sobat Bumi program, which is responsible for implementing the CSR program.

Funds for Pertamina's CSR activities come from the Company's fund allocation of operating expenses (OPEX) in the current year with a maximum allocation of 1% calculated from the previous year's net income. CSR funds are derived from the RKAP CSR Program approved by RUP, which is managed by the CSR Function. The funding proposal has been stipulated in the Proposed CSR Work Program and Budget.

Realization of Funds for CSR Community Development (Rp billion)



Sekolah Tapal Batas

For most of the children on Sebatik Island, experiencing education may only be wishful thinking. Most of them live in other countries, following their parents who work as migrant workers in neighboring countries with an uncertain income as well as lack of proper educational facilities and infrastructure.

This condition touched the heart of a midwife, Hj. Suraidah S.SKM to gather the children of the island and start teaching on the Indonesian side. Gradually, the initiative of Suraidah gained the support of the Head of Sebatik Tengah Sub-district and the volunteers, as well as

Yayasan Ar-Rasyid, where, in 2014, they managed to establish Sekolah Tapal Batas in Sungai Limau Village. The people also know this school as 'sekolah kolong', because this school is under the house.

To support educational activities and bolster the spirit of learning, Pertamina EP provides educational facilities to 123 students and the enrichment of school activities, and facilitates birth certificates for 34 children. In addition to supporting education, this support is an effort to restore the nationalism of the nation's children to the forefront.

PERTAMINA CERDAS



The CSR program of Pertamina Cerdas is held in the form of the Scholarship Program of Sobat Bumi in collaboration with the Pertamina Foundation. The objective of this program is to produce individuals who are able to implement, support, and create an environmentally friendly culture and life.

The selection of Pertamina's Sobat Bumi Scholarship Program is strictly done in several stages. Recipients of the scholarship must not only have a good academic score but also be active and have environmental insight and culture. Therefore, in addition to the general requirement, which includes academic scores and the need to undergo a series of selections and obtain recommendations from universities where they study, the candidates for the recipients of the

scholarship must be able to demonstrate the ability to become leaders, entrepreneurs, academicians, and environmental activists. This is what characterizes the Sobat Bumi Scholarship of Pertamina.

The scholarship recipients are equipped with knowledge regarding the concept of green lifestyle comprehensively so that they can become an agent of change in the field of the environment, which will provide a positive contribution in improving the quality of life of the Indonesian people. Up to present, the number of recipients of the Sobat Bumi Scholarship of Pertamina in 2017 achieved 1,387 students spread over 56 universities throughout Indonesia.

Donations for School Renovation Near Mount Sinabung

As a form of awareness in the field of education, Pertamina, through Marketing Operation Region (MOR) I of Northern Sumatera, provides support for early childhood education programs for people in the Mount Sinabung area.

Support for the Educational program is provided in the form of Basic Level Teacher training and education, and building renovation for six PAUD GBKP, with total value of Rp146 million. As many as 182 teachers from the Regency/Municipality located in the area of Mount Sinabung, covering Simalungun, Dairi, Medan, Deli Serdang, Langkat, and Karo, became participants of

Basic PAUD Teacher Training and Education which was held over 2 Batches. Batch I was on 7th-9th September 2017, and Batch II was from 21st-23rd September 2017.

The donation was symbolically handed over by Pertamina to PAUD teachers through Yayasan Pendidikan Kristen (YPK) Gereja Batak Kristen Protestan (GBPP) represented by the Head of the Kindergarten Unit, Lolise Sebayang, on Thursday, 7th September 2017, in GBKP Kabanjahe. The Head of Education Office of Tanah Karo Regency, Eddi S. Surbakti, also attended the event.

PERTAMINA BERDIKARI



Pertamina Berdikari is a local resource-based economic empowerment program aiming to overcome local social and environmental problems in order to create public economy independency based on environmental management.

In this program, Pertamina acts as a catalyst for the community through the development and capacity improvement in the form of MSME development and entrepreneurship training. Pertamina Berdikari is manifested in the form of an Integrated Developed Village (Desa Binaan Terintegrasi) whose programs integrate several aspects of life, which are education, health, environment, economic empowerment, and infrastructure development.

The Developed Village involves operating units and subsidiaries independently or in partnership with universities, including Semarang State University, Bogor Agricultural University, and Gadjah Mada University, and several other universities adjacent to Pertamina's programs and operations.

The Integrated Developed Village of Pertamina is spread across various areas in the archipelago, and some targeting the 3T areas (underdeveloped, Urban, and Regional). This program is in line with the No. 3 program of the Government's Nawacita, i.e. to build Indonesia from the remote areas by strengthening the regions and villages within the framework of the unitary state.

Balkondes Wringin Putih

Pertamina has continuously strengthened its commitment to participating directly in the cultural preservation efforts. One of which is implemented by participating in the Balai Ekonomi Desa (Balkondes) program initiated by the Ministry of SOE as the center of economic drive and the gallery of village potentials. Balkondes is prepared by several SOEs to develop the potential of the community, especially around the area of Borobudur Temple in Magelang, Central Java.

In regard to this initiative, Pertamina has helped develop Balkondes Wringin Putih which has local wisdom advantage with social interaction in order to strengthen the brotherhood, and develop mutual cooperation between villagers (guyub) is well maintained. In line with this, economic enhancement that is developed by the Company is called Omah Guyub Wringin Putih as a place to stay and as a restaurant and local cultural center.

Balkondes Omah Guyub Wringin Putih has facilities ranging from a 20-bedroom accommodation with stylish architectural and courtyard design of Omah Guyub that is dominated by wood and bamboo, creating an illusion as if the visitors seem to blend with nature. In addition, there are local cultural arts activities that have become an attraction, including batik, jemparingan, dancing exercises, development of local handicrafts, and so forth.

On 18th September 2018, President Joko Widodo (Jokowi) had the opportunity to review Balkondes Wringin Putih and watch the art of jemparingan or archery and batik craft. The visit of President Jokowi was part of a series of activities of President's visit to several Balkondes locations under the BUMN program of "BUMN Hadir Untuk Negeri" as part of the Corporate Social Responsibility, in promoting the local community by raising its potential.

PERTAMINA SEHATI



Pertamina for the Health of Beloved Children and Mother (Pertamina Sehati) is a program to support the Sustainable Development Goals (SDGs) with the aim of reducing infant mortality and improving the health of pregnant women. Pertamina Sehati is an iconic program of the Company in an effort to improve public health, especially the mother and child's health.

Pertamina Sehati includes activities to improve the nutrition of children under five years old and the health of pregnant women, babies and toddlers, as well as children entering the age of elementary school, and the empowerment of women and promoting gender equality. In this regard, women have access to a qualified health facility and can determine their own proper contraceptives.

Over time, Pertamina Sehati is no longer merely targeting the health of mothers and children, but also family health. The program manifests, among others, the provision of good sanitation and clean water for residential areas that do not have a proper sanitation system and water source.

Clean Water and Floating Clinic for Suku Anak Dalam

To reach Dusun 7 of Muara Medak Village, Bayung Lencir, Musi Banyuasin, South Sumatra, is not an easy feat. Located about 49 km from the city of Jambi, the location must be reached through a bumpy road that penetrates palm oil plantations, before continuing by boat along the Pejudian River. It took about 3 hours before we got to the village where the Suku Anak Dalam lived by taking advantage of the river water.

The availability of clean water has become one of the major challenges for the Dusun 7 villagers, as the surrounding land is peatland sediment from oil palm plantations around the area. The water in this environment is a dark reddish color, making anyone who sees it reluctant to use it.

Understanding this condition, the Joint Operating Body of Pertamina-Talisman Jambi Merang (JOB PTJM) built a

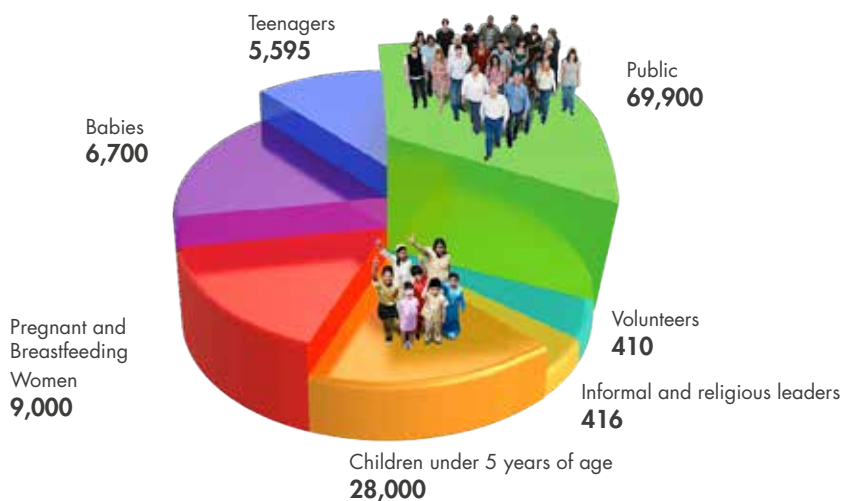
simple filtration system to filter the river water so that it can be used for the daily needs of the community.

"Now our rice is not red and we do not have to worry about the availability of clean water. We can drink the water as usual, it is not sticky and does not leave bitter taste in the throat," said Mak Tua, a familiar greeting for one of the residents there.

JOB PTJM also provided a floating clinic facility in collaboration with the local Health Office. This program is aimed to get the Suku Anak Dalam to get the same health facilities as people who live in the city.

The floating clinic program is implemented biweekly where people can get the proper treatment. With the floating clinic, no more sick people are left lying helpless because of the distance and difficult access.

Outreach of Pertamina Sehati Program



Pertamina Sehati



Activities Pertamina Sehati

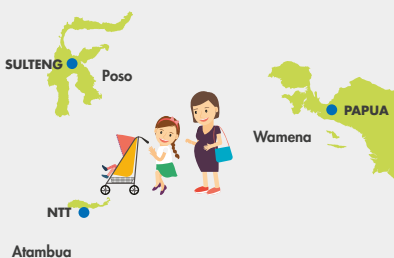
- Healthy Lifestyle Education.
- Improved quality of health centres, midwives and Posyandu.
- Local Community Empowerment.
- Increased access to public health.

Outreach of Sehati



SEHATI IN 3T AREAS

ISOLATED, FARTHEST, DISADVANTAGED



- 119 Posyandu**
Including 24 Posyandu at the most isolated, farthest and disadvantaged areas
- More than 150,000**
Beneficiaries

PERTAMINA HIJAU



Indonesia is the world's second-largest owner of biodiversity after Brazil, with biodiversity reaching more than 5 million species or 15.3% of the world's biodiversity.

Pertamina has initiated the preservation of local crops, through biodiversity conservation in mangrove forests, and rehabilitation of national park areas. Preservation of fauna, among others, is carried

out through the captivity of rare butterflies, Java hawk-eagle, and saw-jawed turtle.

In this field, Pertamina works with conservation agencies to carry out biodiversity preservation in each of the endemic areas of flora and fauna in Indonesia. Preservation activities are also coupled with biodiversity education to school students.

Pertamina's commitment to reducing the impact of climate change is also realized through a number of renewable energy development programs for communities around the operation area, one of them is in Merbau Village of Ogan Komering Ulu Selatan, South Sumatera.

Mangrove Educational Park: A New Hope for the People of Labuhan Village

Located close to the operational area of Pertamina Hulu Energi West Madura Offshore, Labuhan Village in Sepulu Sub-district, Bangkalan District, has a large mangrove forest potential that has yet to be well optimized. Over the years, the area has been degraded so much so that it now has the highest damage and criticality of the mangroves as compared to the other 8 coastal villages in the vicinity, despite the fact that the role of the mangrove for Labuhan village, which is located in coastal area, is very important.

Rehabilitation of the mangrove forest in Labuhan Village has been undertaken beginning in 2014 with assistance from PT Pertamina Hulu Energi West Madura Offshore (PHE WMO). The synergy between PHE WMO and all stakeholders has succeeded in establishing and strengthening the Mangrove Farmers Group Cemara Sejahtera Desa Labuhan as a social and economic

institution that can encourage the development of an environmentally sound village.

Currently, the mangrove area in Labuhan Village has become an area allocated as a Mangrove Education Park. This location is home to 15 species of mangroves and habitats for 25 protected bird species, including migratory birds from the northern to southern hemisphere, such as Whimbrels (*Numenius phaeopus*).

From the economic aspect, Labuhan villagers have developed the silvopasturi activity, i.e. an integration of mangrove with soka crab cultivation, calina papaya cultivation, and etawa goat (Jamnapari goat) breeding. With this approach, mangrove conservation and education areas that are integrated between the concept of community empowerment and environmental conservation can be realized.

Since 2014

Average Visits

150+ people per day
Domestically and International

Home for

15 species of
mangrove

15 species of
protected birds

Several Initiatives of Biodiversity Conservation

Rantau
Saiwa Tuntong Laut
Pangkalan Susu
Mangrove
Lirik
Sumatran Tiger Habitat
Jambi
Mangrove

Sanga-sanga
Bekantan (Proboscis Monkey)
Mangrove

Donggala
Maleo bird Conservation
Bitung
Black-Crested Macaque Conservation

Subang
Javan Gibbon
Tambun
Kehati Garden
Cepu
Javan Rusa or Timor Deer

Teluk Kabung
Coral Reef Restoration

KSO Meruap
Kehati Garden
KSO Tanjung Lontar
Mangrove

Papua
Orchids and New Guinea Kauri (Agathis labillardieri) Conservation

Ramba
Bentayan Wildlife Reserve
Prabumulih
Kawasan Kehati
Pendopo
Abab River Rehabilitation
Adera
Milky Stork (Mycteria cinerea) and Asian Golden Cat (Catopuma temminckii)

Map locations: Rantau, Pangkalan Susu, Teluk Kabung, Lirik, Meruap, Jambi, Ramba, Prabumulih, Pendopo, Adera, Tanjung Lontar, Lampung, Kepulauan Seribu, Tambun, Subang, Cepu, Kamojang, Sanga-sanga, Donggala, Bitung, Papua.

Sustainable Electricity for Saruan Village

The provision of electricity originating from renewable energy is one of the methods chosen by Pertamina RU III Plaju in order to improve the public welfare. This initiative has been implemented in Dusun Saruan of Merbau Village, in collaboration with Muhammadiyah University of Palembang (UMP). Initially, Dusun Saruan has a 5-KW micro power plant to supply electricity to 21 houses; however, the other 12 houses in the village have not been able to enjoy electricity at all.

Together with the community, Pertamina is facilitating the construction of a larger Micro-Hydro Power Plant (PLTMH) by building water reservoirs, turbine houses, pipelines for water supplies, power grids to residents' houses, and 3-km road casting to the turbine site. The new PLTMH has a capacity of 10 KW and can supply electricity to all 33 houses in Merbau Village.

With the availability of electricity, the community can perform other social and economic activities including lighting for the village hall of Pertamina aid, which is also used as a Community Learning and Activity Center (PKBM). PKBM is also the center of the activities of women of the village for the processing of sugar. The children are also getting more active in reading books available in the library of PKBM.

The ability of the community is also increasing. Now, they are more harmonious and solid through the implementation of a voluntary picket and routine dues system for turbine maintenance. They are trained to install, operate and maintain their own power grid. They also independently take turns in taking care of and maintaining PLTMH so that the benefits can be enjoyed on an ongoing basis.

A Hunter who Becomes a Protector

Years ago, Abubakar made a living by selling the eggs of tuntong (a species of turtle). Almost every night, Abubakar hunted tuntong eggs on the beaches of Aceh Tamiang and managed to gather around 100 eggs for sale at Rp500 per egg. Tuntong eggs are a special ingredient and usually sold to make temuling, a local dish of Aceh Tamiang. Tuntong (*Batagur borneoensis*) is a species of turtle that is almost extinct and has not been found again for the last 10 years in the areas of North Sumatra, Riau and Jambi. This animal is still found in small quantities in only some areas, one of them is in the waters of Aceh Tamiang mangrove forest.

Since 2013, Pertamina EP Asset 1 Rantau Field has made a conservation effort for this critically endangered species within the IUCN Redlist. The conservation effort of Tuntong laut by Yayasan Satu Cita Lestari Indonesia is supported by local BKSDA and involves the local people, including Abubakar and 7 of his friends. Through an approach of conservation and education, now AbuBakar and his friends have changed their profession into a tuntong protector, they patrol the beach to save tuntong eggs from wild animal attack, including

wild boars, or from hunting activity by other people. They also record and return the females of tuntong to the waters after laying on the coast.

To date, as many as 73 adult female Tuntong turtles have been returned to their habitat and 1,204 tuntong are released after hatching. Conservation activities have also been developed including an enlargement and release of hatchlings, wildlife conservation socialization, population monitoring and genetic research. The funds raised by Pertamina EP achieved Rp150 million – Rp200 million on average per year for this activity. Pertamina's involvement is not only through financial support; Pertamina also sends its own workers to regularly participate in the conservation activities during the tuntong-spawning season.

Pertamina has also developed a Tuntong Information House in order to be able to closely introduce tuntong turtles to the community and the younger generation comprehensively. In the future, Pertamina EP and the stakeholders plan to develop mangrove ecotourism as a means of environmental education and biodiversity.



CLEANER ENERGY

Reducing of GHG Emission
2011-2017 from Baseline
2010

27.03 %

Contribution of Renewable
Energy from Geothermal

11,703.81 GWh

Gold PROPER
Achievement

11 Units



Indonesia's Energy Security cannot be separated from the access and affordability of energy, as well as climate challenge. Pertamina needs to continuously innovate in order to ensure the availability of cleaner energy throughout the archipelago, along with Greenhouse Gas mitigation efforts so that Sustainable Development Goals can be achieved.

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OUR APPROACH

“

The challenge of Indonesia's energy security is the fair provision of cleaner energy and mitigation of greenhouse gas from the energy business. Pertamina continues to make a sustainable effort to achieve both of them by providing cleaner energy products and applying sustainable production and consumption.

”

Pertamina is committed to encouraging sustainable transformation and development processes in order to achieve international standards so as to create better operation implementation and environmental governance, as well as improving performance as a common goal.

This commitment is being consistently implemented to realize a cleaner energy provision for the community and a more environmentally friendly business operation as well as the 3P (People, Planet, Profit) aspect in the Company's business activities.

Three management approaches of the Company include a Pre-emptive approach, which means the Company is actively working to manage the impact before it arises; Proactive, which means the environmental management initiatives are driven by our values and commitments; and Preventive approach, which is made to prevent environmental problems.

Legal Basis

- 01 Law No. 30 of 2007 regarding Energy
- 02 Law No. 32 of 2009 regarding Environmental Protection and Management
- 03 Government Regulation No. 79 of 2014 regarding National Energy Policy
- 04 Government Regulation No. 70 of 2009 regarding Energy Conservation
- 05 Decision of Minister of ESDM No. 2 of 2004 regarding Green Energy
- 06 Decision of Minister of ESDM No. 4 of 2012 regarding Energy Management

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CLIMATE CHALLENGE

“

Indonesia's Greenhouse Gas Emissions (GHG) is projected to double by 2025 as compared to the 2013 baseline (ESDM, 2015). Over the next nine years, every citizen of Indonesia will contribute to the GHG emissions of 3.2 tons of CO₂e every year. This condition that triggers climate change needs to be addressed both through mitigation and adaptation approaches.

”

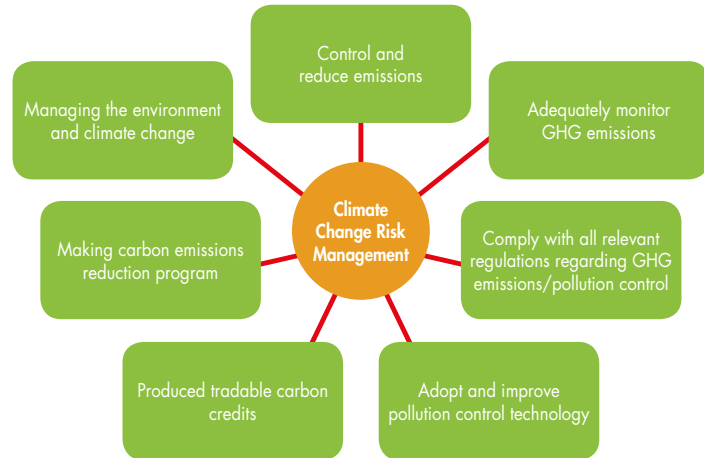
Pertamina understands the actual and potential impacts of climate change due to increased GHG emissions. Increased average temperature of the earth and changes in weather patterns in general, for example, can negatively affect the availability of clean water and food as well as the quality of human health. Climate change also affects the quality of global ecosystem, including the flora and fauna in it.

In COP 21 in France, countries that join the conference approved the Paris Agreement to take real action in combating climate change. Indonesia, which also took part in it, has committed to reducing GHG emissions by 29% by 2030 (or 41% with external support). Pertamina as a leading sector of GHG emission reduction, fully supports the national efforts by mitigating and adapting to climate change.

Furthermore, Pertamina's strategy to tackle climate change is carried out through various initiatives of emission reduction and renewable energy utilization through its subsidiary, PT Pertamina Geothermal Energy (PGE), which is actively involved as one of the major players in the development of geothermal power generation industry. As a renewable energy source, geothermal energy is expected to become the main source of energy in the future.

In addition to developing geothermal energy, to support the Government program to reduce GHG emissions the Company carries out the Clean Development Mechanism (CDM), develops bio-based fuels that have lower GHG emissions, and implements sustainable production and consumption that is carried out by upstream business units, processing, marketing, and all of the Company's offices.

At a strategic level, Pertamina faces climate challenge by setting targets and plans towards low emissions GHG emissions. In addition, Pertamina incorporates climate change as one of the crucial risks that must be managed carefully. This risk has been incorporated into the Risk Intelligence Map (RIM). On the other hand, in the business context of energy industry, Pertamina has the opportunity to develop geothermal energy and various other forms of renewable energy.



REDUCING GHG EMISSIONS

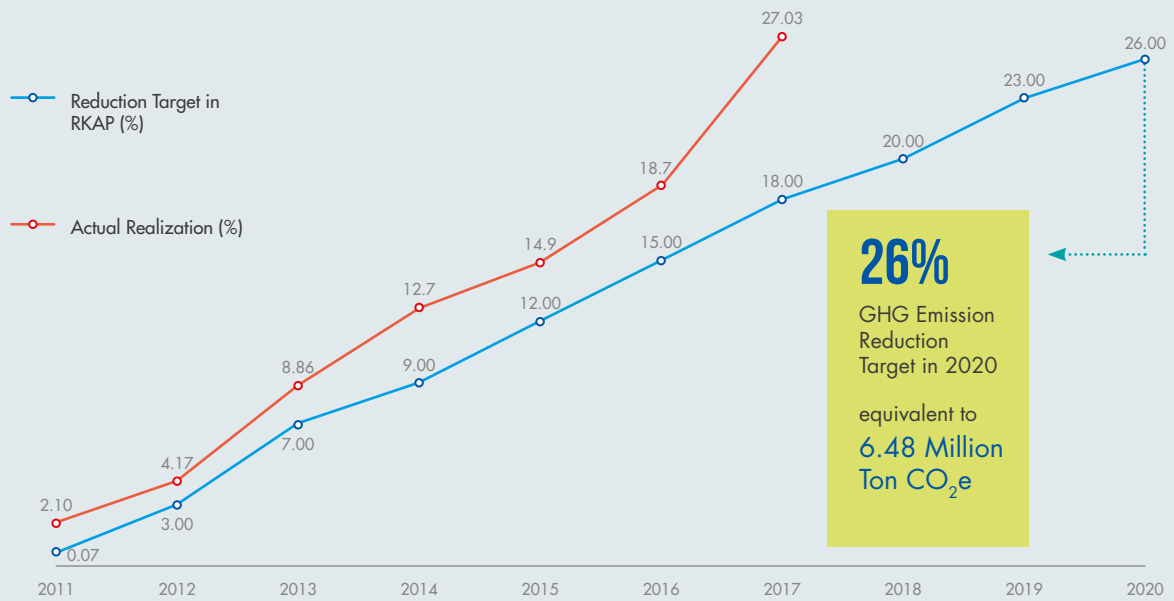


In mitigating climate change efforts, Pertamina has established a Roadmap for Greenhouse Gas Reduction by 2020 in response to Indonesia’s commitment to reducing GHG by 26%. The GHG emission reduction target of the Company’s activities amounts to 6.48 million tons of CO₂e from the baseline of 2010.

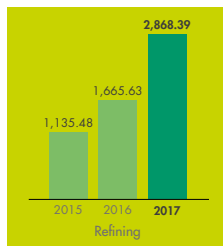
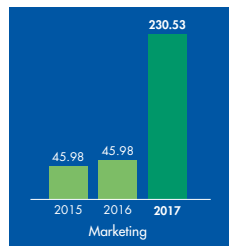
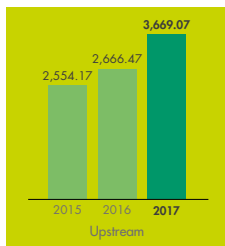
Pertamina conducts GHG emission control initiatives starting from inventorying the source of emissions from the base year of 2010, as well as making calculations and reporting of the greenhouse gas emission load on a regular basis.

Furthermore, each business line of the Company makes efforts in reducing greenhouse gas emissions. These efforts are realized through, among others, energy efficiency, use of flared gas, fuel conversion, use of energy-efficient and low-emission equipment as well as equipment optimization and modification. In the last 6 years, the total amount of emission reductions achieved was 6.7 Million Tons of CO₂e, higher than the target set for 2020 at 6.48 Million Tons of CO₂e.

Greenhouse Gas Emission Reduction Road Map 2010 - 2020



Reduction of GHG Emission * (thousand tons CO₂e)



Reduction of GHG Emission in 2011-2017 from Baseline 2010

6.7 Million Tons CO₂e

* Calculation and factor of emissions is based on the Regulation of Minister of Environment No. 13/2009 and TKO No. A001-100200/2010-SO on Guidelines to Calculate Emissions in Pertamina

Clean Development Mechanism

The Clean Development Mechanism (CDM) is applied to the geothermal power plant units of Pertamina Geothermal (PGE). Until 2017, 7 Geothermal Power Plants of PGE had received the Certified Emission Reduction (CER) equivalent to the emission reduction of 2.583.641 tons CO₂e/year. Measurement, monitoring and reporting of GHG emissions are currently being carried out using the UNFCCC method, namely the ACM0002: Grid-connected electricity generation from renewable sources, which is an international standard. The measurement includes Scope-1 and 2, but has not included Scope-3 yet.

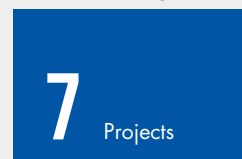
From 7 CDM projects, 5 units have achieved the Gold Standard (GS) based on benchmark from Gold Carbon Standards. GS is a carbon credit standard recognized by more than 80 NGOs worldwide. The carbon credits that have been upgraded to GS have the potential to have a premium selling value. These projects are the initiatives of the first CDM Gold Standard in Indonesia with total potential of GHG emission reduction from the five GS projects reaching 2,058,690 million tons of CO₂e per year.

The CDM initiative carried out by Pertamina is not without risk, especially after the end of the Kyoto Protocol. The biggest challenge of the CDM project is the difficulty of CDM project registration process. The CDM preparation itself has been running since 2009 in cooperation with CDM consultant and PT Perusahaan Listrik Negara (PLN). CDM Consultants also serve as buyers on a contractual basis of 3 times seven years of ERPA (Emission Reduction Purchase Agreement) contract.

Economically, only one CDM project is in cooperation with PLN that generates revenues of EUR237,713 from emissions trading of 90.837 tons CO₂e for the period of 16th December 2010 until 28th February 2011. However, Pertamina continues to maintain the CDM project as its commitment to sustainable development, especially in addressing the challenges of climate change, in line with the vision of becoming a World-Class Energy Company.

Clean Development Mechanism in 2017

Total CDM Projects



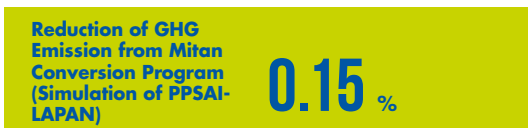
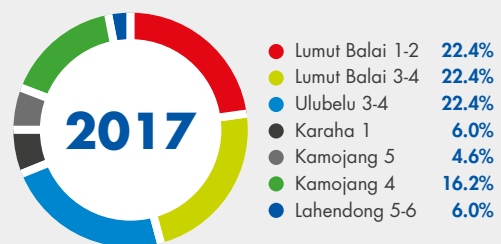
Total GHG Emission Reductions through CDM



Certified with SDM Gold Standard



Reduction of Emission (%)





2.58 million
ton of CO₂e
per annum

Potential reduction of
GHG emission recognized
by Certified Emission
Reduction (CER)

No.	Project Name CDM	Potency CER (Ton CO ₂ e)	Project Registration Number	
			UNFCCC	Gold Standard
1.	CDM Ulubelu Unit III & IV	581,784	5773	GS2297
2	CDM Lumut Balai Unit I and II	581,784	5785	GS2298
3	CDM Lumut Balai Unit III and IV	581,784	7315	GS2299
4	CDM Karaha Unit I	156,669	7431	GS2419
5	CDM Lahendong Unit V and VI	122,171	in progress	-
6	CDM Kamojang Unit V	156,669	7430	GS2418
7	CDM Kamojang Unit IV	420,780	3028	-

BBM Conversions

The use of fuel by the community is one of the contributors of GHG emission. According to the Ministry of Energy and Mineral Resources, BBM continued to dominate Indonesia's final energy consumption in 2013 by 35% (46% without biomass). The largest users of fuel are industry (37%), transportation (28%) and household sectors (29%).

In total, Indonesia's GHG emissions in 2013 were largely contributed to by the sectors of industry (34%), power (30%), transportation (29%) and household (4%). Pertamina's intervention in reducing GHG emissions is to encourage the utilization of gas as a substitute for fuel.

Gas, as it is known, emits less GHG than fuel. Pertamina provides LPG products and increases its city gas network coverage so that more people can utilize natural gas to replace kerosene. In the transportation sector, we provide Envogas and Vigas products as substitutes for more affordable fuel for the people.

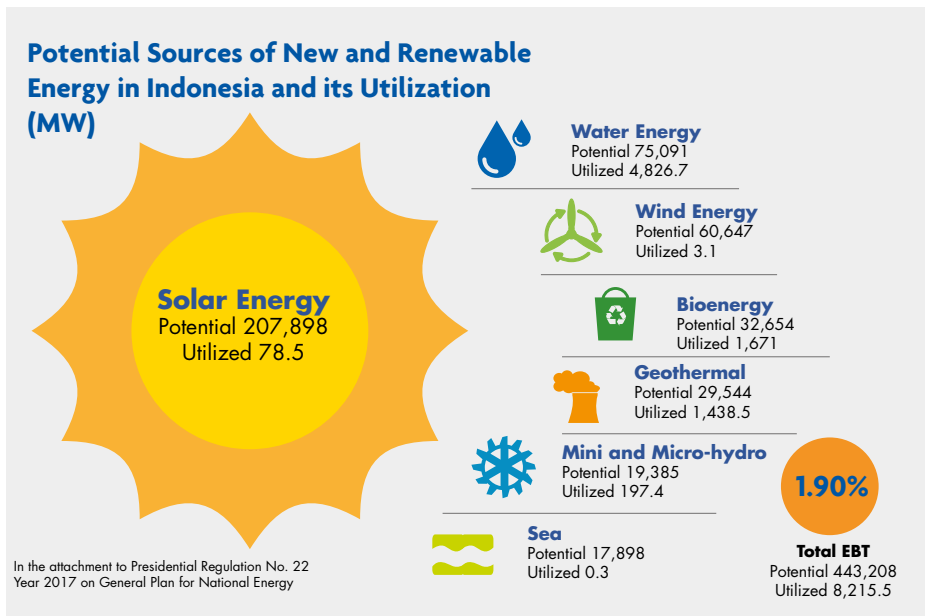
Further information on gas supply for households and transportation can be read in the Better Products section of this report.

NEW AND RENEWABLE ENERGY

Indonesia has significant New and Renewable Energy (EBT) potential which encourages the Government to push EBT higher in future energy mix, particularly to meet the demands for electricity.

One of the main features of EBT is its low carbon utilization, which has better climate benefits than fuel, gas and coal-based power plants. In addition, with the utilization of EBT, Indonesia can increase the electrification ratio.

Pertamina supports the achievement of the primary energy mix targets other than hydrocarbons through the active role of the Upstream Directorate and Gas Directorate. In the upstream business, EBT is carried out by Pertamina Geothermal Energy, a subsidiary of the Company, which produces electricity from geothermal. Meanwhile, the Gas Directorate seeks the development of solar, biomass, biofuel and other EBT.



Geothermal

Indonesia' geothermal energy potential achieved 40% of the global geothermal potential; however, its utilization has only been around 4.7%. Geothermal has developed into one of the national priorities in the energy sector given the magnitude of Indonesia's geothermal potential, which is 11 GW of resources and 17.5 GW of reserves. Currently, the installed capacity of approximately 1,643.5 MW is the third largest geothermal power generator in the world, after the United States and the Philippines.

In line with the Government Regulation No. 79 of 2014 regarding National Energy Policy, the use of new and renewable energy is targeted to reach 23% by 2025 with an installed capacity of 46,287 MW. Specifically for geothermal energy, the installed capacity target is 7,239 MW to be achieved by 2025.

Pertamina, through its subsidiary Pertamina Geothermal (PGE), manages 14 Geothermal Working Areas (WKP) where 5 of them are already in production. By 2017, PGE had completed 1 project, which is the Ulubelu Unit 4 with an installed capacity of 55 MW, and Karaha with an installed capacity of 30 MW.

Domestically, PGE is the second largest producer with a market share of 32% and an installed capacity of 617 MW of its own production (the first position is held by Star Energy with 45% market share and a capacity of 648 MW of its own production). Currently PGE is continuously conducting geothermal exploration and development activities in all managed areas, namely Seulawah, Sungai Penuh, Hululais, Lumut Balai, Karaha, and Gunung Lawu.



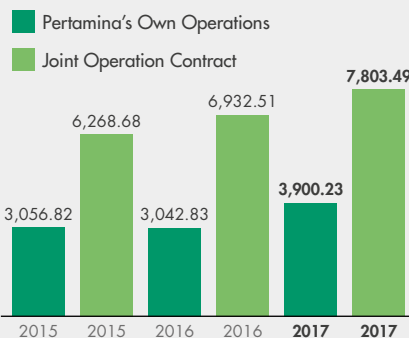
WKP Pertamina and Capacity (MW)



● Sibayak	12
● Ulubelu	220
● Karaha	30
● Kamojang	235
● Lahendong	120



Total Steam Production Equivalent to Electric Power (GWH)



7 Projects

are on-going simultaneously in 4 areas, which are:

- Sungai Penuh (upstream project 1x55 MW)
- Hululais (upstream project 2x55 MW)
- Lumut Balai Unit 1 dan 2 (total project 2x55 MW)
- Lumut Balai Unit 3 dan 4 (total project 2x55 MW).

Pertamina understands that the development of geothermal energy is essential for the future despite the huge investment risk of a Geothermal Power Plant (PLTP). The location of Geothermal resources is mostly in forest areas that are quite distant from industrial regions; thus, requiring regulatory supports from the Government as well as infrastructure development. PLTP preparation time also takes a long period, i.e. around six years since the exploration, to be fully operational. In terms of cost, the capital expenditure of PLTP requires around USD5 million per MW.

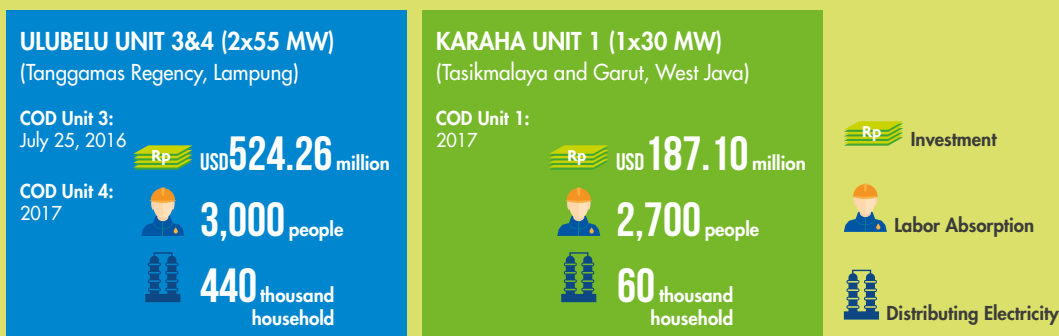
Taking into account these risks, Pertamina remains optimistic of the opportunities in the utilization of geothermal energy, not only from the economic front, but also from social and environmental aspects. One of which is the use of hot steam from PLTP that can be utilized by the community. In several areas of PGE's PLTP, hot steam is used by the local community to dry palm sugar, mushrooms, or coffee.

PGE's PLTP is a significant contributor to Pertamina's GHG emission reduction. In 2017, three PLTPs, namely Kamojang, Lahendong and Ulu Belu, managed to achieve emission reduction of 1,511,257.30 tons of CO₂e. The amount increased from 1,092,118.94 tons of CO₂e in 2016 and 604,548.78 tons of CO₂e in 2015.

Increasing the Supply of Renewable Energy

To improve the New and Renewable Energy mix and the 35,000 MW electricity project, Pertamina continues to increase the supply of electricity from Geothermal Power Plant (PLTP) in owned geothermal working areas. An additional supply of electrical energy from geothermal was obtained from Ulubelu Unit 4 with an installed capacity of 55 MW and Karaha with an installed capacity of 30 MW, both of which commenced operations in 2017.

With the additional supply, Pertamina's total installed geothermal capacity has achieved 587 MW or 36% of the total geothermal working area already producing in Indonesia, which is 1,712 MW. In 2017, Pertamina's own geothermal power production achieved 3,900.23 GWh, up 28.2% as compared to the 2016 production of 3,042.83 GWh. The increase of production was generated from the operation of the PLTP Ulubelu Unit 4 and PLTP Karaha Unit 1 as well as PLTP Lahendong Unit 6, which have been fully operational since 2017.

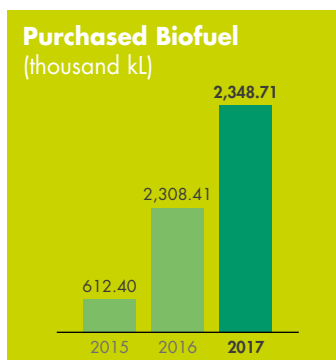
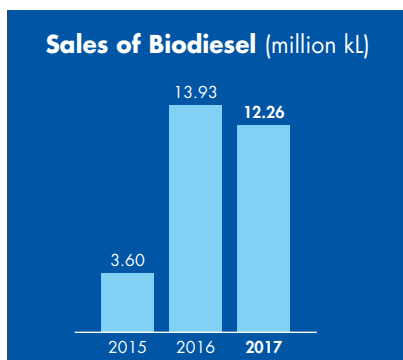


Biofuels

Pertamina provides Biofuels in the form of Biodiesel in accordance with the program set by the Government. Starting in 2016 Pertamina has increased the mandatory level of biodiesel to 20% (B20).

Along with the increased volume of biodiesel distributed, which is estimated to achieve 12.26 million KL, there will be savings of foreign exchange of approximately USD2.71 billion or equivalent to Rp36.65 trillion and is one of the National Action Plans for Greenhouse Gas Reduction.

In the provision of Biofuels, Pertamina refers to the Government's policy of providing Biosolar B20 products in accordance with the stipulated quota. Throughout 2017, Pertamina was able to distribute Biosolar in accordance with the established plan.



Other New and Renewable Energy

Most of Pertamina's other business activities in New and Renewable Energy are at the research and planning stage. The development of EBT business in general is divided into two main focuses, which are EBT for power generation and EBT as non-conventional biofuels.

In the development of EBT for power generation, Pertamina has conducted various implementations, which have resulted in several achievements, including those of PT Pertamina Power Indonesia, the Company's subsidiary, which are as follows:

- Being appointed by PTPN III as a partner of Bangun Guna Serah Biogas Power Plant (PLTBg) Sei Mangkei with the capacity of 1.6 MW in the Special Economic Zone ("KEK") Sei Mangkei, North Sumatera
- Being elected in the PLN pre-qualification for the Sumatera Solar Power Plant (PLTS) tender with a potential of total capacity of 87 MW.
- The cooperation agreement on the development of PLTS in PT Badak NGL (3 MW) and PT Pertamina EP (1.87 MW)
- Agreement concerning land and asset utilization for EBT research and development throughout the working area.



Solar Power Plants (PLTS) that began to operate in 2017, among others, were:

- Housing Complex of RU IV Cilacap with capacity of 1MWp
- Head Office of Pertamina with capacity of 0.2 MWp

Research and Development of EBT at Pertamina is carried out through cooperation with several partners to conduct a study on EBT technology implementation including:

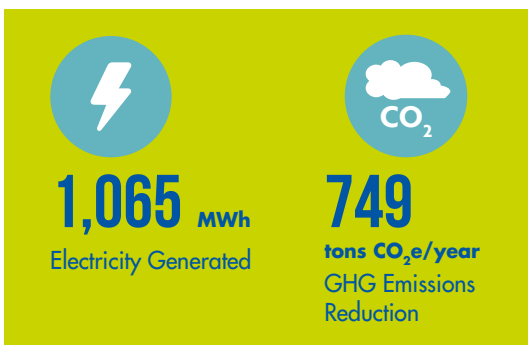
- Development of Biofuels with PT Rajawali Nusantara Indonesia (Persero) and Toyota Motor Corporation with activities in 2017 covered the implementation of Demo trial Plantation of Rumput Gajah in an area of 7 Ha as well as a review on project feasibility.
- The development of Bioavtur and Greendiesel of which a feasibility study has been conducted in 2014. Currently, it is in coordination with the stakeholders regarding the support needed for further project development by taking into account the current condition of crude oil prices and the economic value of the project so that the mandate of mixing biofuels can be met.
- The study regarding energy storage development potential in cooperation with various parties, including research institutions and private companies.

Solar Power Plants that has begun to operate in 2017 are:

- Housing Refinery Unit IV Cilacap with a capacity of 1 MWp
- Pertamina Head Office with capacity of 0.2 MWp
- Electricity generated: 1,065 MWh (until December 31st, 2017)
- GHG emission reduction of 749 tons CO₂e/year (as of December 31st, 2017)

Electricity Generated

441
GWh



Data of Environmental Performance

Indicators	Units	2017	2016	2015
Greenhouse Gas Emission				
Reduction of GHG Emission				
Upstream	thousand tons CO ₂ eq.	3,669.07	2,666.47	2,554.17
Refining	thousand tons CO ₂ eq.	2,868.39	1,665.63	1,135.48
Marketing	thousand tons CO ₂ eq.	230.53	45.98	45.98
Total	thousand tons CO₂ eq.	6,767.99	4,378.08	3,753.63
Clean Development Mechanism				
Number of CDM Projects	project	7	7	7
Reduction of Emission from CER	million tons CO ₂ e/year	2.58	2.58	2.58
Certified of Gold Standard	project	5	5	5
New and Renewable Energy				
Number of Geothermal Working Areas		14	14	14
Installed Capacity				
Owned	MW	617	532	437
Joint Operation Contract	MW	1,095	875	875
Total	MW	1,712	1,407	1,312
Geothermal Production				
Owned	GWh	3,900.23	3,042.83	3,056.82
Joint Operation Contract	GWh	7,803.49	6,932.51	6,268.68
Total	GWh	11,703.81	9,975.34	9,325.34
Biofuels				
Sales of Biodiesel	Million KL	12.26	13.93	3.60
Purchase of FAME	Million KL	2.35	2.31	0.61
Total	Million KL	14.61	16.24	4.21
Company Performance Rating Program (PROPER)				
Gold	Unit/Subsidiaries	11	7	6
Green	Unit/Subsidiaries	71	71	45
Blue	Unit/Subsidiaries	81	88	108
Red	Unit/Subsidiaries	0	0	0
Black	Unit/Subsidiaries	0	0	0
Total	Unit/Subsidiaries	163	166	159

ENVIRONMENTAL MANAGEMENT

“

In 2017, Pertamina managed to record another satisfying achievement based on the Company Performance Rating Program (PROPER) from the Ministry of Environment and Forestry. A total of 11 out of 19 PROPER Gold awards are received by Pertamina operating units, or about 58% of national Gold PROPER recipients.

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Pertamina is committed to supporting the Government in providing cleaner energy for the community and striving to realize a more environmentally-friendly operation. Cleaner energy is the value Pertamina embraces as a form of its commitment and responsibility to the environment and humanity.

ENVIRONMENTAL COMPLIANCE

Pertamina's policy in environmental management is to ensure compliance with the laws and regulations. If specific regulations are not available, then Pertamina applies prudent principles to minimize adverse impacts on the environment and the community. The prudent principle is applied in coordination with relevant parties on cases not covered by environmental regulations in Indonesia.

Environmental management begins before a project is undertaken by conducting an environmental impact assessment according to the scale and nature of the impact of the activities to be performed. Environmental management and monitoring planning is structured on the basis of potential impacts to prevent pollution and optimize benefits for the society.

Environmental planning documents agreed with the stakeholders and approved by the Government shall be the fundamental for the implementation of environmental management and relationships with communities in the vicinity of the operational area. Each unit and Subsidiary shall perform management and monitoring activities in accordance with the plan and shall report the results to the related institutions each semester.

Compliance level of Operation Unit and Subsidiaries can be seen from the achievement of PROPER ratings evaluated by the Ministry of Environment and Forestry (KLHK). In the evaluation in the last 3 years, there are no Operating Units or Subsidiaries that obtained either Red or Black ratings. All activities that participate in PROPER receive Blue, Green or Gold Rating which indicates compliance with environmental regulations.

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COMPANY PERFORMANCE RATING PROGRAM (PROPER)



For Pertamina, compliance is a minimum requirement for environmental management. The Company strives to improve its environmental performance by participating in the Company Performance Rating Program (PROPER) in Managing the Environment by KLHK for more than a decade and has made PROPER as the company's Key Performance Indicator (KPI) since 2010. Aside from becoming an evaluation for the performance of environmental compliance, PROPER also measures beyond-compliance efforts in the fields of clean production and social and environmental responsibility.

In 2017 Pertamina targets 60 locations to achieve Green-Gold rating pursuant to the management contract of Pertamina's Board of Directors with the Minister of State-Owned Enterprise, which in 2017, managed to reach 82 Units and continue to become the company with the most rated location by the Ministry of Environment and Forestry (KLHK) or 8.9% of all participants of PROPER 2017 which amounted to 1,819 participants.

PROPER in Pertamina



The number of operating units receiving Gold PROPER in Pertamina achieved 11 units, an increase as compared to the 7 units recorded in the previous year. In addition, Pertamina managed to obtain 71 Green PROPER and 81 Blue PROPER awards. The number of PROPER awards received in 2017 was 163; a slight decrease as compared to the previous year in which the Company obtained 166 PROPER awards, due to one location, which stopped operating and two other locations, which had completed the cooperation contract.

11 Gold PROPER in 2017 were achieved by:

1. PT Pertamina Hulu Energi Offshore North West Java (first time)

2. PT Pertamina EP Asset 5 Field Tarakan (first time)
3. MOR III TBBM Bandung Group (first time)
4. PT Pertamina Hulu Energi West Madura Offshore (Gold PROPER for 2 times consecutively)
5. PT Pertamina EP Asset 1 Field Rantau (Gold PROPER for 3 times consecutively)
6. JOB Pertamina Talisman Jambi Merang (Gold PROPER for 2 times consecutively)
7. Refinery Unit VI Balongan (Gold PROPER for 3 times consecutively)
8. PT Badak NGL (Gold PROPER for 7 times consecutively)
9. MOR IV TBBM Rewulu (Gold PROPER for 5 times consecutively)
10. PT Pertamina Geothermal Energy Area Geothermal Kamojang (Gold PROPER for 7 times consecutively)
11. MOR V DPPU Ngurah Rai (received Gold PROPER in 2014)

With the increasing number of operating units obtaining the Green-Gold rating, the predicate of a green company can also be obtained and provide further benefits for the development of the business in the future (license to operate) as well as increasing the trust of stakeholders. Meanwhile, in terms of finance, Pertamina will also obtain significant benefits from various innovation efforts of natural resource management efficiency and waste cost reduction.

The PROPER Program of the Ministry of Environment and Forestry guides Pertamina in realizing its operating activities in harmony with environmental and social safeguards. To that end, Pertamina continuously improves the performance of its operating units and subsidiaries in environmental and social management while supporting the realization of the Sustainable Development Goals.

The following descriptions are highlights of the initiatives implemented by each of the operating units and subsidiaries in the implementation of the PROPER program that will provide environmental and social benefits.

ENERGY EFFICIENCY

Energy efficiency efforts provide multiple benefits (multiplier effects), which are cost savings and a reduction of the carbon footprint directly or indirectly, while supporting Indonesia’s commitment to reducing 29% of emissions by 2030, or about 600 million tons of CO₂ to be reduced annually.

As part of the energy conservation program, Pertamina continues to decrease energy consumption in its operational and supporting activities by applying technology and equipment with lower energy consumption, and making improvements so that energy consumption can be as efficient and as optimal as possible.

The energy-saving culture must become an inherent culture for all workers. Energy audits are conducted periodically to identify potential energy wastage and seek for opportunities to use energy more efficiently.

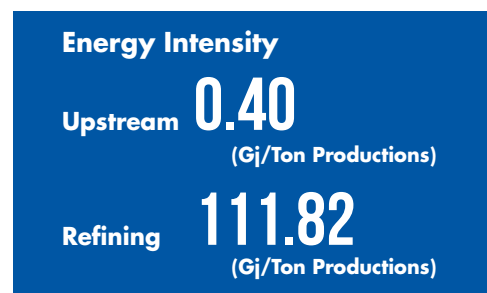
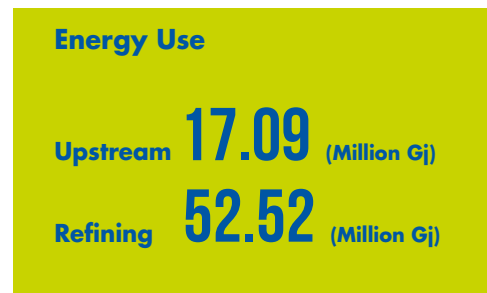
Pertamina has made several innovations related to the energy efficiency that have been integrated with the operations and have had a positive impact on the environment. More than 1,000 innovation programs related to energy efficiency have been made especially by Green PROPER-rated operating units.

By 2017, several of the energy efficiency programs that have been implemented in the operating units are:

- a. The Big Mouth Compressor program, a new multiple suction technology for compressors, at Rantau Field.
- b. Utilization of water resulting from steam processing of TGRS (TEG Regeneration system) at PHE WMO that has obtained patent rights.
- c. Use of New and Renewable Energy through the tanker wheels at TBBM Surabaya Group.
- d. The method of splitting the deposit in the orifice chamber of the RCC unit with ceramic balls firing at RU VI Balongan, this technology is in the process of registration of the Patent.

In order to develop EBT for power plant (EBT Power), within the period of 2016-2017 Pertamina has built a Solar Power Plant (PLTS) in the Housing Complex of Refinery Unit-IV Cilacap with a capacity of 1 MWp and a PLTS in Pertamina Head Office with a capacity of 0.2 MWp.

Electrical energy per year generated reaches 1,752 MWh and reduction of CO₂ emissions reaches 1,226 tons. Furthermore, in 2017 Pertamina began the construction of PLTS in PT Badak NGL with a capacity of 1 MW which is expected to start operating in the first quarter of 2018.





EFFICIENCY OF RAW MATERIALS

Pertamina promotes efficiency and optimization in all operations as one of the keys to maintaining sustainability, particularly the efficiency and optimization in the refining process. The yields of refinery become the key performance which is targeted to reach 77.25%, and on 2017, it managed to reach 78.1%.

Improving the efficiency of old refineries is performed through upgrading, modernization and expansion through the Refinery Development Master Plan Program so as to be able to boost refinery capacity, efficiency and flexibility. The goal is to improve refineries so as to be able to produce high value products by having a better Nelson Complexity Index (NCI).

In conducting office activities, Pertamina encourages an efficient use of natural resources with Corporate Shared Services (CSS) that enable the utilization of information systems in virtually all business processes. CSS allows communication through paper, face-to-face meetings, and official travel to be reduced.

WATER RESOURCES MANAGEMENT

To maintain the quality of water resources in the environment surrounding the Company's operations, we evaluate the impact of operations on the quality of the water in the surrounding areas. All resulting wastewater must meet the established quality standards and groundwater utilization is continuously suppressed in order to maintain the water cycle balance.

We continue to work on a variety of approaches to reduce the utilization of clean water through reuse of wastewater and rainwater according to the demands and available technology. Going forward, Pertamina is continuously striving to reduce the amount of waste disposed into the environment by conducting various studies so as to realize the target of Zero Discharge.

Efforts made by Pertamina are to implement water conservation programs that are integrated with operations. In 2017, several water conservation programs implemented in the operating units are:

- a. Restructuring of the water-cooling system in several RU III and RU VI locations so that evaporation loss can be reduced and make-up water requirement is lowered.
- b. Utilization of condensed water from TGRS vapor (glycol purification system) for use in daily needs for on offshore activities at PHE WMO. This technology has obtained Patent Right.

EMISSION MANAGEMENT

In its effort to prevent air pollution, Pertamina continues to reduce emissions from operational activities and other supporting activities that can decrease air and environmental quality.

Each project to be built will be assessed to ensure that the resulting air emissions meet the established quality standards. Air quality will continue to be maintained through regular measurement and monitoring of emissions and ambience.

The operating units have undertaken several Greenhouse Gas emission reduction programs that are integrated with production operations. In 2017, several emission reduction programs performed in the operating units are:

- a. Zero Flaring Program, in almost all upstream fields of oil and gas production.
- b. Eco Driving Android Application Development, which was initiated by TBBM Rewulu, which has earned the Patent Right.
- c. Installation of internal floating roof at TBBM Lomanis.

WASTE MANAGEMENT

As for the efforts to maintain environmental sustainability against the impacts from waste resulting from operations, Pertamina always strives to reduce the B3 (Hazardous and Toxic) waste and non-B3 waste generated from its activities.

This effort is conducted by reducing waste from the source and then recycling or reusing it, if possible. In an effort to reduce the impact on the environment. Any waste to be disposed will be managed and treated in accordance with the existing environmental regulations.

- **3R for B3 Waste**

The management of Hazardous and Toxic Wastes (B3) produced attributable to the operational activities is prioritized by applying the 3R (Reuse, Reduce, Recycle) principle, which is aimed at reducing the amount of B3 waste that must be destroyed. Ultimately, this effort will reduce the cost of processing B3 waste and will certainly create an improved situation for the environment. In 2017, several 3R programs conducted in the operating units were:

- a. Cell Tube Separator technology in Sulfur Analyzer; with this innovation a used cell tube can be reused up to 4 times in RU III Plaju. This technology has obtained the Patent Right.
- b. Injection of Used Lubricant in High Vacuum Unit (HVU) at RU III Plaju
- c. Optimization of used Black Chart through re-coating at PGE Kamojang.

- **3R for Non-B3 Waste**

Efforts made by Pertamina to reduce the intensity of non-B3 solid waste generated by oil and gas production operations. Over the last 5 years there have been more than 13 3R programs designed to reduce waste generation.

In 2017, one of the new programs implemented to reduce the intensity of non-B3 solid waste generation conducted by Rantau Field was the Plastic Road program. This program utilized LDPE type plastic to improve the quality of the asphalt characteristic, especially its stability in road construction.

BIODIVERSITY PROTECTION

Biodiversity protection and conservation activities have been carried out by Pertamina through the Wildlife Conservation Program, which are mainly holding CN (critically endangered) status and endemic plants that are endangered/rare.

Over the last 5 years, the Company's biodiversity protection and conservation activities have been conducted in the operational unit, including the conservation program \pm 30 species of endemic animals, which are mostly included in CN list and conservation \pm 24 species of endemic plants that are mostly endangered or rare.

Details concerning the biodiversity protection and conservation activities by Pertamina can be read further in the CSR Program section of this report.

DEVELOPMENT OF SOCIETY

Pertamina's effort in supporting the Government's program to eradicate poverty is realized through the CSR Empowerment program intended for the economically independent community. The empowerment programs carried out by the operating units and Subsidiaries within the framework of PROPER implementation are manifested through Desa Binaan in various Operational Units, Sentra Pemberdayaan Tani (SPT) and Community Economic Zone (KEM).

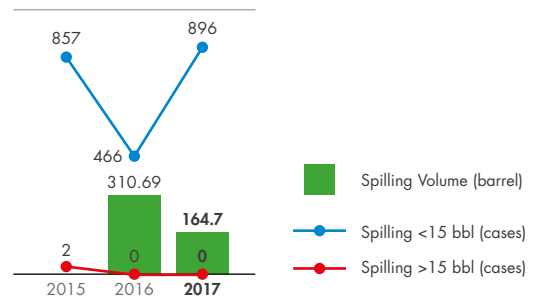
Details concerning the implementation of Society Development programs by Pertamina can be read more in the CSR Program and Partnership Program sections of this report.

PREVENTION OF SPILLING

Any facilities that have the potential to incur spilling into the sea and coastal area are required to comply with ISPS Code, IMO and the prevailing standards. Application of pollution prevention attributable to spilling in the sea is performed by developing an emergency response system that has been tested and certified by the Government, providing oil spill response facilities, and organizing training and formation of oil spill response teams, as well as community-based emergency response training.

In addition, the Company coordinates and cooperates with relevant stakeholders in the region to improve supervision and anticipation in the event of oil spill. Included here are the security forces, the Directorate General of Sea Communications, and Pertamina's partners.

Cases of Spilling



With a thorough management approach and implementation of prudent principles in managing the environmental aspect, there was no case that resulted in fine, administrative sanction, court lawsuit or investigation in 2017 that was related to violation against the prevailing environmental regulations.



HSSE CULTURE

HSSE is the top priority that must be carried out by Pertamina to realize the vision of becoming a World-Class Energy Company. Pertamina applies the HSSE Golden Rules of Compliance, Intervention, and Caring, to all workers and partners without exception, as part of the Company's commitment to submitting and adhering to the management of HSSE factors in every operation activity conducted.

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OUR APPROACH

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In the safety culture ladder, once the technology & management systems have been implemented, culture becomes the next model in reducing incidents. Culture emphasizes more towards a bottom-up approach as compared to top-down, as the culture that needs to be built is regarded as the habit of every individual (either worker/partner) to conduct every activity safely. At a further extent (world class), the individuals may expand HSSE's efforts, to communities outside the Company as well as outside working hours.

”

Pertamina faces an inherent risk in the business, which is Occupational Health and Safety (K3) or Health, Safety, Security, Environment (HSSE), as understood in Pertamina, to workers, partners and communities. This condition also increases along with the intensity of physical work related to the number of physical projects. Therefore, HSSE management should not only protect Pertamina workers but also our partner employees.

Pertamina is committed to implementing the HSSE Excellence Commitment which is part of the 8 Priorities of a World Class Pertamina aiming to achieve the 5 strategic goals of HSSE i.e. without major accident, without interruption of operation due to incidents, without violating laws and regulations, as well as reputation and good image in front of stakeholders.

At the corporate level, HSSE is managed by an official at the level of Senior Vice President who is directly responsible to the President Director, while HSSE management in each directorate is administered by an official at the level of Vice President. This position is higher than the previous management structure and has been effective since Q4/2016.

To ensure all workers make a positive contribution in reducing the number of occupational accidents, the HSSE aspect has developed into one of the Key Performance Indicators that will affect the employees' incentives at the end of the year. For each major incident case, there will be a 1% reduction in KPI achievement for all Pertamina workers.

A strong commitment to implementing HSSE Excellence is implemented through a top-down concept, with HSSE policy and security starting from the President Director. This policy should be implemented through all lines of management, workers and business partners.

PT PERTAMINA (PERSERO)**KEBIJAKAN KESELAMATAN
KESEHATAN KERJA DAN
LINDUNGAN LINGKUNGAN
SERTA PENGAMANAN PERUSAHAAN**

PT Pertamina (Persero) beserta Anak Perusahaannya selalu melaksanakan kegiatan operasi secara aman, nyaman dan berwawasan lingkungan dengan menerapkan standar tinggi terhadap aspek Keselamatan, Kesehatan Kerja dan Lindungan Lingkungan (K3LL) serta Pengamanan Perusahaan untuk meminimalkan risiko dengan cara mencegah terjadinya kecelakaan, kebakaran, penyakit akibat kerja, pencemaran lingkungan, dan gangguan keamanan serta dampak lain akibat kegagalan operasi terhadap lingkungan di sekitar kegiatan Pertamina.

Untuk memenuhi hal tersebut, Dewan Direksi dan seluruh insan Pertamina, berkomitmen :

1. Mengutamakan aspek K3LL serta Pengamanan Perusahaan.
2. Mematuhi peraturan perundangan K3LL dan Pengamanan serta menggunakan teknologi tepat guna sesuai standar nasional dan internasional.
3. Mengurangi risiko serendah mungkin untuk mencegah terjadinya insiden pada personil, aset, informasi dan lingkungan dengan cara melakukan identifikasi, evaluasi, pengendalian dan pemantauan terhadap potensi bahaya dan ancaman.
4. Menjadikan kinerja K3LL serta Pengamanan personil, aset, data dan informasi Perusahaan dalam penilaian dan penghargaan terhadap seluruh pekerja.
5. Memastikan kondisi kesehatan pekerja dan mitra kerja yang sesuai dengan pekerjaannya (*fit to work*).
6. Meningkatkan kesadaran dan kompetensi pekerja serta mitra kerja agar dapat melaksanakan pekerjaan secara benar, aman dan berwawasan lingkungan.

Direktur Utama PT Pertamina (Persero) bertanggung jawab menjamin implementasi Kebijakan ini dan melakukan upaya perbaikan secara berkelanjutan.

Setiap pekerja dan mitra kerja yang berada di bawah pengendalian PT Pertamina (Persero) bertanggung jawab melaksanakan dan menaati Kebijakan ini.

Jakarta, 5 April 2017

Direktur Utama

Elia Massa Manik



IMPLEMENTATION OF HSSE PROGRAMS

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The commitment of Zero Fatality is continuously campaigned to all personnel of Pertamina at business units, subsidiaries and functions so as to become role model to improve the awareness of work safety. ”

In 2017, Pertamina renewed its commitment to HSSE in order to achieve its ultimate goal of 'From Zero Fatality to Zero Loss Time Incident'. The theme of HSSE campaign in 2017 was 'Zero Fatality, We Can!'. The affirmation of this commitment was signed by each of the Company's Directors, and Directors of Subsidiaries and their staff on 2nd March 2017.

The focus of HSSE implementation in Pertamina is to encourage the HSSE culture, particularly in Pertamina projects, and encouraging a top-down approach involving all Pertamina workers and partners. The HSSE management system is also developed through the implementation of ISRS, Security Management System, Work Permit System, Major Hazard Control, Compliance Assurance and Emergency Preparedness.



EMPLOYEE HSSE MANAGEMENT

HSSE in Collective Labor Agreement

Occupational Health and Safety is a part of the Collective Labor Agreement (PKB) between management and employees, set out specifically in Chapter IV Section 7 - Occupational Health and Safety. All of them cover 100% of the topics set out in the HSSE Aspect in the GRI Standard.

The topics covered in the PKB include the Occupational Safety Law which allows workers to refuse to work due to any unsafe conditions, unavailability of personal protective equipment, participation in incident and pollution reporting, incident and inspection inquiry, training and education and grievance mechanisms that are inadequate.

Occupational Safety

To increase the level of concern and awareness of each individual, Pertamina has campaigned the HSSE Golden Rules to all workers and contractors. The HSSE Golden Rules must be understood and complied with by anyone entering the workplace of Pertamina. The HSSE Golden Rules are also reinforced with Corporate Life Saving Rules.

The HSSE Golden Rules are a fundamental rule that must be obeyed by all individuals working within the operational scope of Pertamina. The HSSE Golden Rules include 3 fundamental obligations, which are compliance with regulations, intervention when there are unsafe

conditions or behavior and awareness of the environment. The Company has also developed a system for the implementation of the HSSE Golden Rules, which is through the Observation of Safety (PEKA), which is the result of observation of conditions or unsafe behaviors around the work environment. PEKA can be reported both offline or online.

Understanding and awareness is also enhanced with the Safety Stand Down initiatives being implemented to all employees so that they pay attention to specific incidents in order to be able to take the necessary precautions in their respective workplaces.

An incident is an unexpected work accident condition. Immediately after the incident, an investigation will be conducted by the team investigator, appointed by the highest leadership according to the incident level hierarchy. Initial investigation results will be compiled into safety alert materials to be distributed to all operating units and field units as a material for Safety Stand Down (SSD). SSD is intended to encourage the operating unit or field unit to mitigate similar risks so that the same accident does not occur at their work location.



403-4
HS1

GRI Disclosure
Health and safety topics covered in formal agreements with trade unions

103-2

GRI Disclosure
Management Approach

Occupational Health

Pertamina guarantees that all of its workers can work in a healthy and productive atmosphere. Therefore, efforts are made to manage a healthy working environment and lifestyle so that workers can maintain and even improve their health status.

The purpose of Occupational Health Management is to prevent disease from occurring due to work and to create a healthy work climate so that workers can carry out their duties productively without any health problems caused by working. Routine occupational health programs include occupational health surveillance, development of occupational health implementation and occupational health training.

In the new HSSE policy, it has been mentioned that to ensure the health conditions of workers and business partners according to their work (fit-to-work), it has become one of the policies that management must take in all operating units and subsidiaries. All workers are required to perform a medical check-up (MCU) once a year, while partners are required to perform an MCU/medical examination at the beginning of the work contract. In addition, for workers and partners who carry out work in high-risk categories, they should carry out daily health examinations before working.

CONTRACTOR SAFETY

A safe occupational culture is not only intended for workers, but also for all parties involved in the Company's operations. Based on an analysis, 90-95% of work accidents in the Pertamina's work environment happened to partners. In HSSE policy, it expressly states that every worker and partner is responsible for managing HSSE.

Pertamina implements the stages of the Contractor Safety Management System (CSMS) in the management of partners working in each Pertamina location. There are 3 levels of contractor classification: contractors capable of managing high-risk jobs, contractors managing medium-risk jobs and contractors managing low-risk jobs. Only partners who have met the requirements of CSMS and obtained certificates can work on Pertamina's locations.

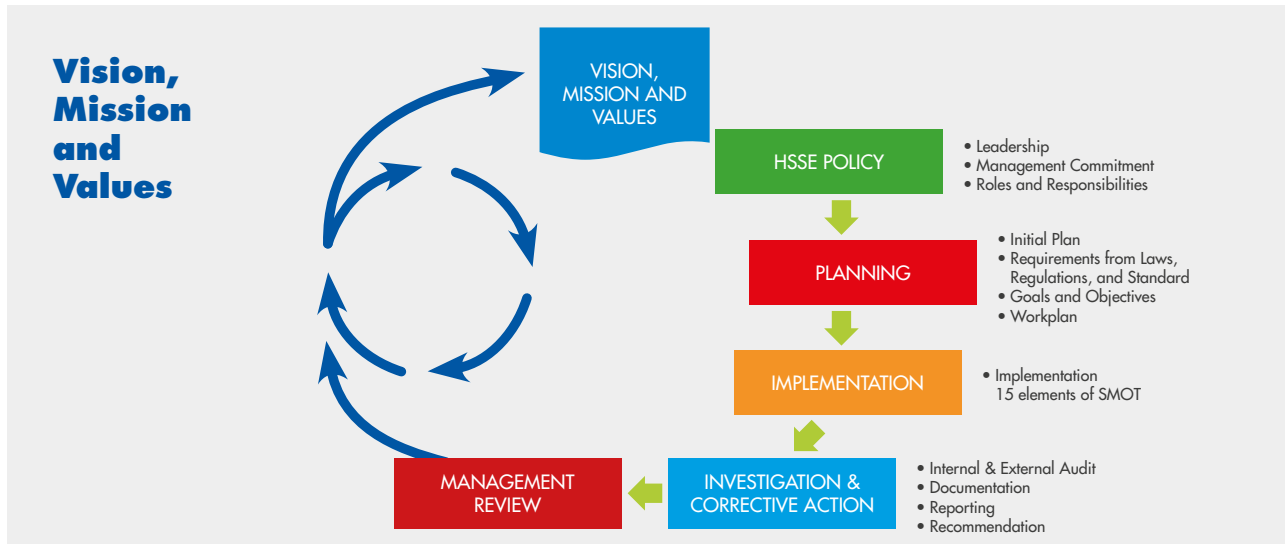
Periodically, CSMS audits from the Central Office are conducted, especially for large-scale EPC project locations. In 2017, CSMS audits were performed for 6 major project sites. CSMS implementation strengthening activities carried out within Pertamina include:

- Training, dissemination, sharing, clinic and consultation of CSMS implementation
- Addition of the HSSE aspect attachment in contract, in collaboration with the Legal Function
- Implementing Pre-qualification of ISC Procurement and other procurement
- Upgrade of Passing Grade on Pre-qualified CSMS as of 1st June 2017.

SAFETY OF PROCESSES AND ASSETS

Processes and assets are the two key factors of HSSE management in oil and gas safety, to prevent harmful damage to workers, the environment and the public in general, as well as to prevent investment losses.

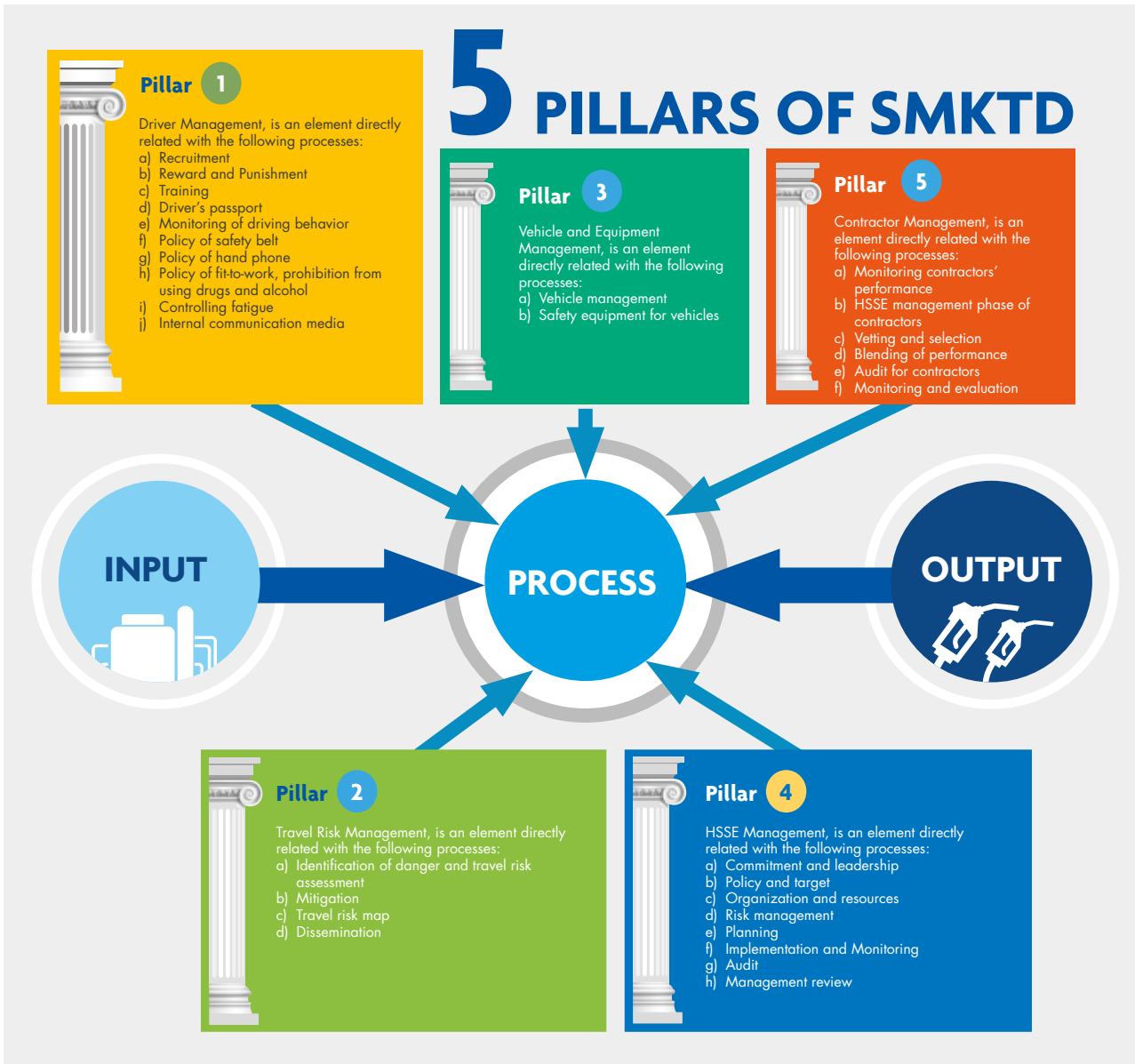
The safety of Pertamina's process involves operating and maintenance procedures, standards, competencies, certificates of feasibility of installations and oil and gas equipment and the implementation of Process Safety Management. Implementations of safety processes in Pertamina are regulated through the Guidelines of Integrated Operating Safety Management System (SMKOT).



Integrated Operational Safety Management System (SMKOT)

Element 1	Leadership, Commitment and Responsibility	Element 9	Change Management
Element 2	Training and Competence	Element 10	Contractor Occupational Safety
Element 3	Risk Measurement and Management	Element 11	Employee Participation
Element 4	Engineering and Construction	Element 12	Information and Documentation
Element 5	To Review Pro-Start-up Safety	Element 13	Crisis and Emergency Response Management
Element 6	Operational Control and Maintenance	Element 14	Incident Investigation
Element 7	Product and Customer	Element 15	Evaluation/Audit
Element 8	Integration of Mechanics		

The performance of SMKOT in the environment of Pertamina has earned international appreciation, among others, the World Safety Organization (WSO) award received by Balongan VI Refining Unit for WSO Concern Company category in September 2017. This achievement was in line with the performance of RU VI, i.e. safe working hours, which achieved more than 98 million hours without an accident, Gold PROPER, ISRS level 8, and more. During the 2017 reporting period, there has been zero incident in safety event and safety process.



TRANSPORTATION SAFETY

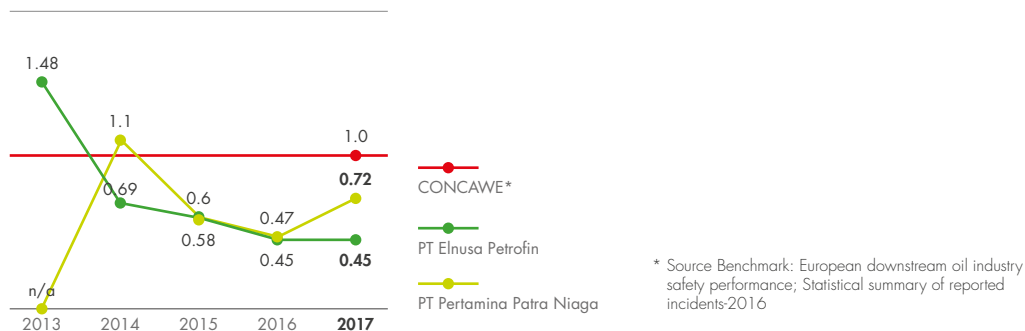
Transportation safety, especially for land transportation, is one aspect highlighted in the Company's operational HSSE. In this area, Pertamina has implemented a Land Transportation Safety Management System (SMKTD) beginning in 2012, with reference to ISO 39001: 2009 - Road Traffic Safety Management System.

SMKTD is a tool for managing the safety of fuel tankers to gas stations/SPBE. SMKTD is then developed with the application of the New Integrated Fleet Management System (New IFMS) since 2016.

Features in the New IFMS that directly support the implementation of SMKTD are, among others, Finger Ready and Fit to Work to ensure the physical readiness of the driver before work, maintenance scheduling to maintain the reliability of the fleet of tankers, and a GPS Tracking System whose data is often used to investigate in the case of incidents. The new IFMS has also been developed by adding features that integrate data in the Distribution Operations Information System to the transport contractor. The future is being evaluated for auto-scheduling and e-Seal feature.

With the implementation and development of SMKTD, the land transportation accident rate over the last 5 years has witnessed a downward trend.

Road Accident Rate (RAR)

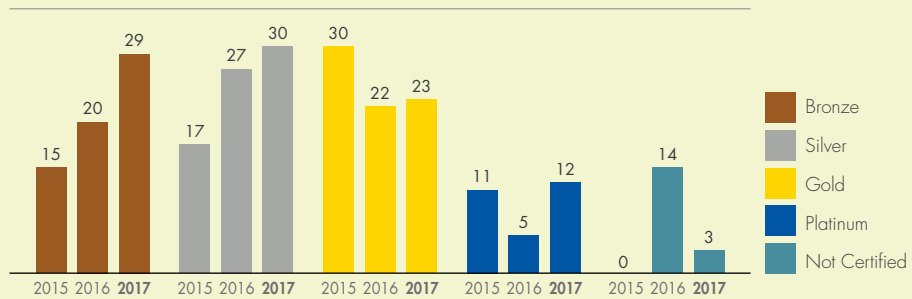


POSE

Fuel Terminal Management (TBBM) is a critical activity in maintaining energy security, including for the service and HSSE aspects of TBBM operations. Since 2010, the Supply & Distribution Function has implemented the Pertamina Operation and Service Excellence (POSE) of Fuel Terminals.

POSE consists of 5 steps in 13 elements that are implemented in the form of POSE Audit. The POSE element is an integration and harmonization of various requirements with TBBM activities, including HSSE Management System, ISPS, ISO, OHSAS, and PROPER. The POSE audit is conducted annually in each TBBM by rating of percentage of audit criteria fulfillment; each TBBM is expected to conduct continuous improvement of POSE audit score every year.

POSE Award

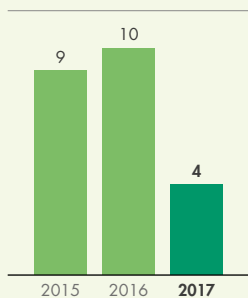


HSSE Evaluation

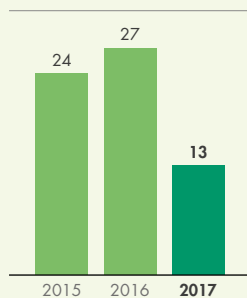
HSSE is one of the key performances that is determined for all levels of management at Pertamina. The HSSE KPI is reviewed quarterly. The KPI Target for 2017 is 0 Number of Accident (NOA); unfortunately, it could not be realized as there was 4 fatal incidents occurring in 2017. Nevertheless, Pertamina continues to strengthen its commitment to Zero Accident in all operational activities by improving awareness, system implementation and contractor management.

INCIDENT STATISTICS

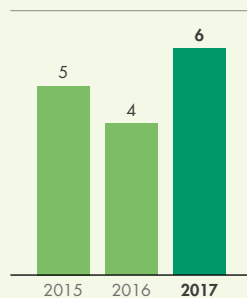
Fatality Cases



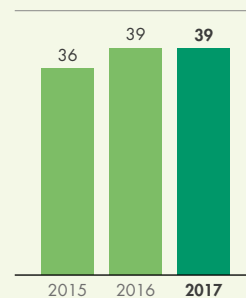
Day Away from Work



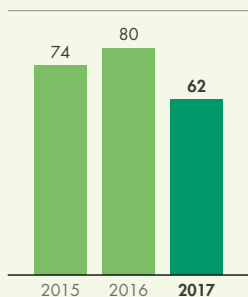
Restricted Work



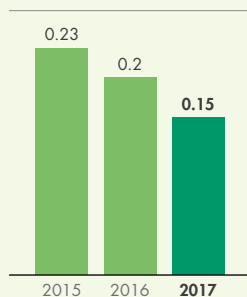
Medical Treatment



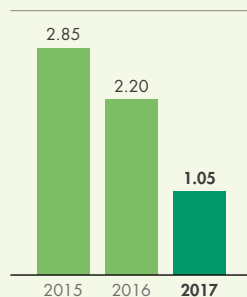
Number of Cases



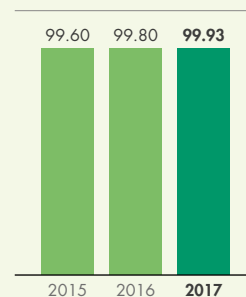
TRIR



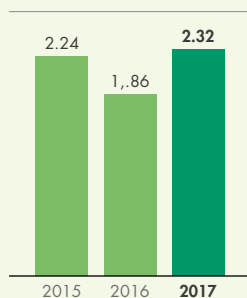
Fatality Rate



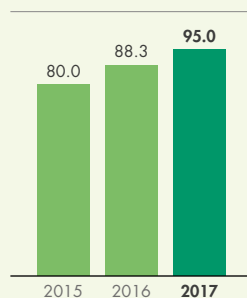
Degree of Health (%)



Absentism (%)



Coverage MCU (%)



ACHIEVING HSSE EXCELLENCE

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In Pertamina, we believe that excellent HSSE performance has a positive impact on an Excellent Business Performance. There is a close relationship between the sustainability of our HSSE performance and business performance. Based on a study conducted on 190 companies in the US, it was concluded that companies adopting sustainability-related policies consistently performed better than those which did not.

”

In order to strengthen business sustainability, in 2016, Pertamina launched the 2017 HSSE Excellence to be implemented in all Pertamina and subsidiary work processes, aiming at achieving the five strategic goals. These are: no major accidents, no compensation claims, no disruption of operations as a result of an incident, no violation of laws and regulations, as well as a solid reputation and good image through the eyes of the stakeholders.

HSSE COMPETENCE

The development of HSSE competence of our workers starts from the HSSE Mandatory Training implemented regularly and tiered to Pertamina workers. This training is required to be attended by every Pertamina worker and the depth of training depends on the risks faced, skills, and competencies needed for their work.

The Pertamina Corporate University (PCU) organizes the HSSE special training for workers and its implementation is centered on the HSSE Training Center - Sungai Gerong, South Sumatra. The HSSE Training Center of Sungai Gerong has received ISO certification. In addition, it has been designated as the National Professional Certification Board, in collaboration with the Sribima Maritime Training Center and is able to conduct offshore training in compliance to the standards of the Offshore Petroleum Industry Training Organization (OPITO).

Related to the HSSE's competence for job supervision, Pertamina has conducted certification for Gas Safety Inspector, Safety Inspector, and Technical Expert. The certification is undertaken to ensure that all officers signing the work permit are absolutely certain that they have mitigated the risks before performing the work.



HSSE Mandatory Training

Number of Programs

4 trainings

Number of Batches

89 batches

Number of Participants

1,486 people

HSSE Regular Training

Number of Programs

34 trainings

Number of Batches

67 batches

Number of Participants

3,305 people

HSSE Certification

Number of Programs

23 trainings

Number of Batches

74 batches

Number of Participants

1,461 people

ASSESSMENT OF THE HSSE MANAGEMENT SYSTEM BASED ON PROTOCOL OF ISRS - INTERNATIONAL SUSTAINABILITY RATING SYSTEM

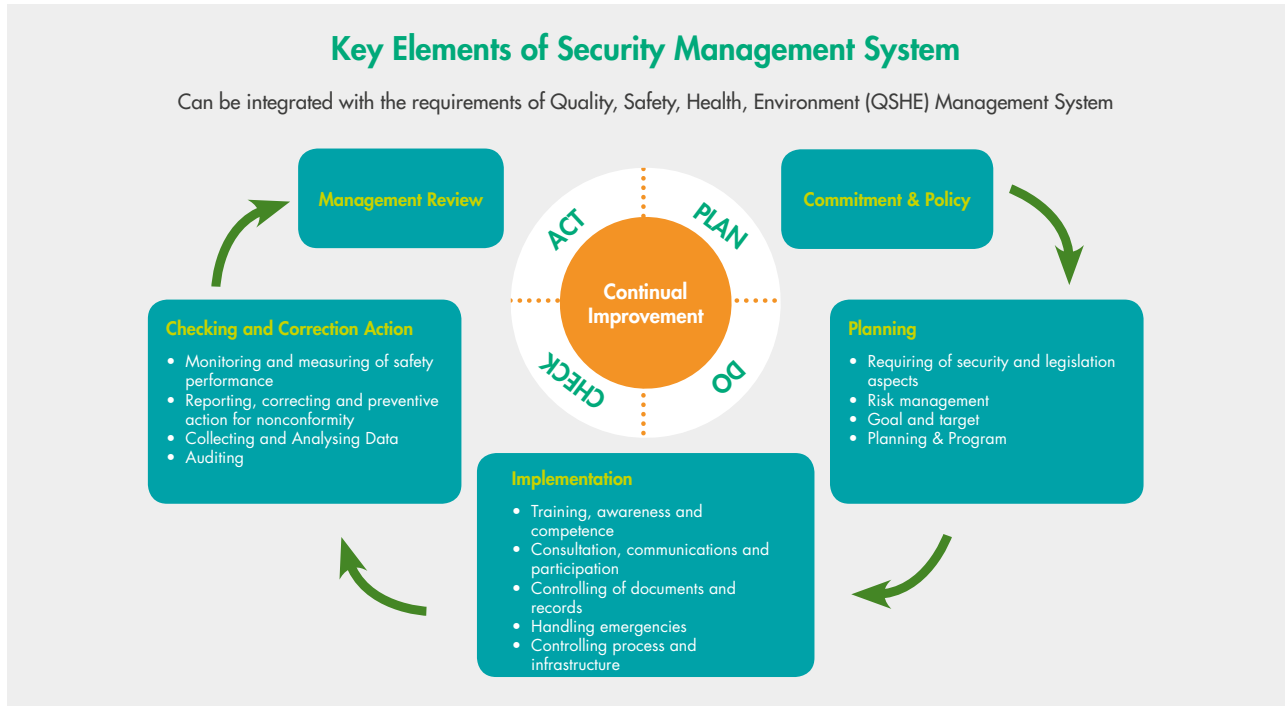
Pertamina uses several rating systems, of which the results will serve as a benchmark for the implementation of the HSSE management system within Pertamina. One of which is by using the assessment that is based on the International Sustainability Rating System (ISRS) protocol. In 2017, the Company conducted HSSE MS assessment based on ISRS protocols to 61 operating units/subsidiaries. This assessment was conducted by external assessors to 13 operating units/subsidiaries, and by internal assessors to 48 operating units/subsidiaries.

A Rating system that uses the ISRS protocol is a system designed to examine, improve and demonstrate the health level of an organization's business processes that is focused on best practices in the area of Occupational Health and Safety, the Environment, Quality Management and Security and Sustainability Reports.

SECURITY MANAGEMENT SYSTEM

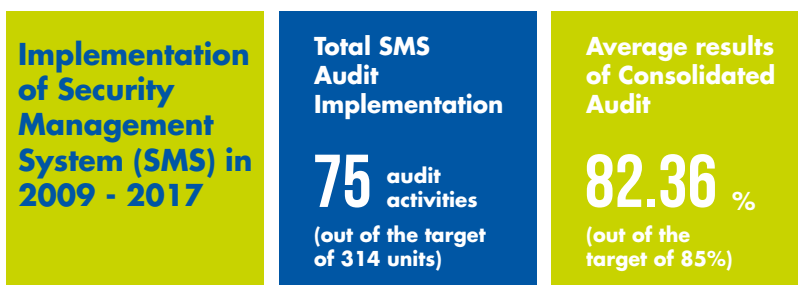
Within Pertamina there are, at the very least, 153 vital national objects that need to implement the Security Management System pursuant to the Regulation of Chief of National Police No. 24 of 2007 regarding the Security Management System of an Organization, Company, and/or Government Institution, as well as the Indonesian National Standards of ISO 28000:2009 regarding the Security Management System on Supply Chain.

The Security Management System (SMS) is a Management System, which is designed to, normally, protect assets of an organization at the required level of security through the establishment, implementation and maintenance of a set of policies, procedures, controls and practices.



Pertamina has implemented a roadmap for the implementation of the Security Management System for relevant operating units and Subsidiaries, including system development, standardization of facilities and infrastructure and SMS certification.

Through to 2016, as many as 16 units of operations have obtained SMS certification, while in 2017 there were 38 audit location activities for SMS, both conducted by external auditors and internal auditors with a consolidated audit average result of 82.36% (out of the target of 85%).



EMERGENCY RESPONSE WITH THE PUBLIC

Public safety is one of the safety guarantees regulated in the oil and gas law. This law regulates the protection provided for public safety in order to avoid any accidents caused by oil and gas business activities.

For the prevention and mitigation of public safety, Pertamina conducts counseling against the dangers of oil and gas, puts up warning signs or prohibitions, ensures certificates of feasibility of installations and equipment, ensures product safety alerts and so on. In the event of an incident affecting the community, Pertamina has an Emergency Crisis Center that is always on standby and operated according to the emergency response scale.

Emergency drills are carried out routinely in all operational lines, either independently or externally. Pertamina also actively participates in the Oil and Gas HSSE forum, MoU with the National Police and National Army, MARPOLEX activities, and MoU with Damkar.

One of the participatory emergency simulations conducted in 2017 was the implementation of the Cilacap - Bandung 1 (CB1) pipeline leakage control simulation, involving the Crisis Center Head Office, LLM Fuel Terminal, Tasikmalaya Fuel Terminal, Cilacap LPG Depot, Refinery Unit IV, and the Marketing Operation Region III and IV Offices carried out the simulation. In addition, it also involved several external parties, which were Pertamina Cilacap Hospital, Tarisi Public Health Center, the local police and Army, and all levels of Tarisi Sub-district government.



Demonstration handling simulation in participatory emergency response activity in Tarisi Village of Cilacap, Central Java, on 6th September 2017

Data of Occupational Health and Safety, and Security

Indicators	Units	2017	2016	2015			
STATISTICS OF INCIDENT							
Fatal Incident	Case	4	10	7			
Permanent Employee							
Contractor	Case	4	10	7			
Injury Incident							
Restricted Work	Case	6	27	24			
Days away from Work	Case	13	4	5			
Medical Treatment	Case	39	39	36			
Number of Cases	Case	62	80	74			
Rate of Fatality Cases		1.05	2.20	2.85			
Rate of Fatality Cases (Benchmark IOGP)		N/A	1.73	1.45			
Total Recordable Injury Frequency Rate		0.15	0.2	0.23			
Total Recordable Injury Frequency Rate Benchmark IOGP)		N/A	1.03	1.21			
Lost Time Injury Frequency Rate		0.04	0.09	0.11			
Lost Time Injury Frequency Rate (Benchmark IOGP)		N/A	0.27	0.29			
Degree of Health	%	99.93	99.80	99.60			
Occupational Disease Potential	%	N/A	7,00	6,00			
Absenteeism	%	2.32	1.86	2.24			
CONTRACTOR SAFETY							
Implementation of CSMS Audit	Case	6	9	NR			
PROCESS SAFETY							
Tier 1 Process Safety Event ¹		0	1	0			
TRANSPORTATION SAFETY							
Road Accident Rate							
PT Elnusa Petrofin		0.45	0.45	0.58			
PT Pertamina Patra Niaga		0.72	0.47	0.6			
Road Accident Rate Benchmark ²		1.0	1.0	1.0			
ISRS							
Number of ISRS Location during reporting year		61	12	54			
SMS							
Number of Location with SMS Certifications	Location	38	NR	NR			
Consolidated SMS Scores	%	85	NR	NR			
HSSE TRAINING							
		Batch	Participant	Batch	Participant	Batch	Participant
HSSE Mandatory Training		89	1,486	84	1,997	112	6,600
HSSE Regular Training		67	3,305	90	1,788	63	3,680
HSSE Certification		74	1,461	21	385	NR	NR

¹ According to API PR 754

² Source Benchmark: European downstream oil industry safety performance; Statistical summary of reported incidents-2016 Road Accident Rate: Total accidents per 1 million kilometer

NR: Not Reported

403-2, HS2, HS3

GRI Disclosure
Occupational Safety Incidents

OG13, HS5

GRI Disclosure
Safety Event



RELIABLE TALENTS



Human Resource Development is an important element required in achieving sustainable growth. By transforming, Pertamina has moved beyond Human Resources challenges and shifted towards the improvement of engagement, performance and innovation in all areas.

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OUR APPROACH

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Energy business activities undertaken by Pertamina are classified as high-risk and capital-intensive businesses that require reliable Human Resources to maintain safe, productive, and competitive operations. At the same time, Human Resources must also be able to adapt and innovate according to the rapid changes in the business both now and into the future.

”

In the near and medium term, Pertamina considers meticulously the strategy that must be applied to face the condition of the 40% of workers who will retire. For that purpose, the Company has conducted Akselerasi Talenta (Talent Acceleration) activities, which is a Human Resource Management Strategy compiled by referring to the Value Chain Model and operations of HR management strategy.

In the long run, Pertamina looks at the increasingly fragile and uncertain global energy challenges, both at home and abroad. In view of this condition, Pertamina has established a Roadmap to

improve the capacity and capability in line with the Company's future objectives.

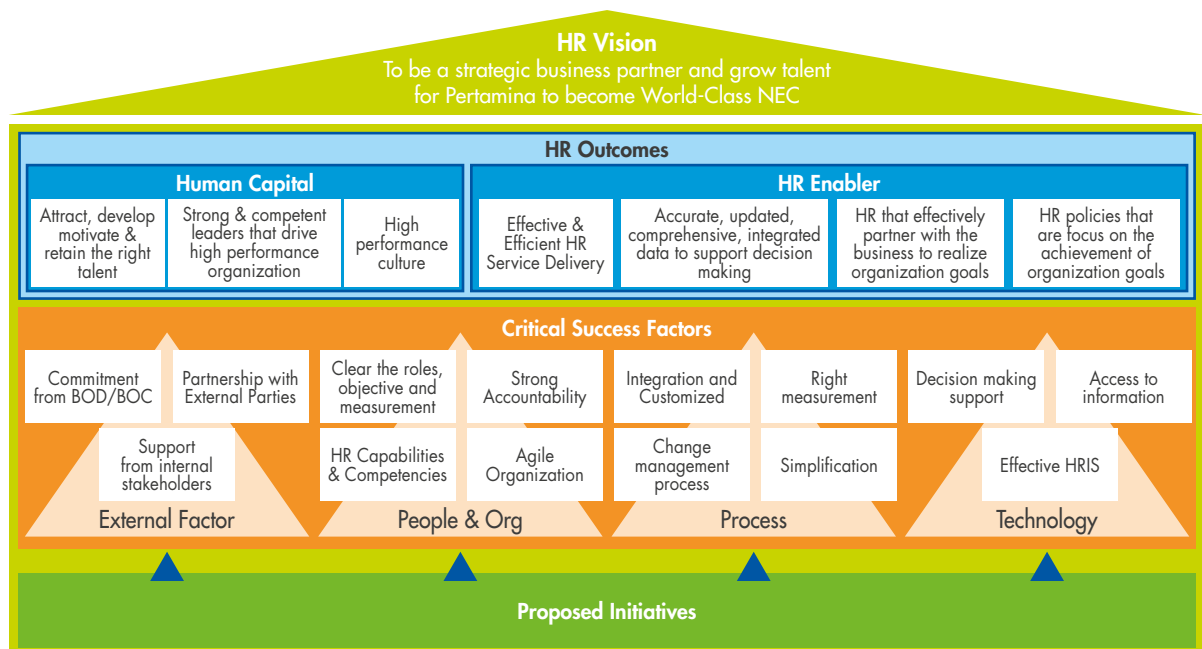
With regards to the management of employees, the Human Resource function acts as a strategic partner of the directorates and work units throughout Pertamina. The activities of HR functions outline the whole process of HR management ranging from seeking talent and development, to retirement and rewards programs.

Vision of HR Function

“To be a strategic business partner & grow talent for Pertamina to become World Class NEC”.

Mission of HR Function

“To support the Company's achievement to become the Energy Leader in Asia through talent development and Strategic Business Partner”.



ROADMAP OF HUMAN RESOURCES

The development of Human Resources is one of the strategic priorities of the Company that is focused on the availability and ability of employees in order to realize its aspirations. Therefore, Pertamina has compiled a Human Resource Roadmap for 2016-2030 (HR Roadmap), which is part of the Company's transformation that has been initiated since 2007.

The HR Roadmap is in line with the effort to achieve Pertamina's vision of 'World Class National Energy Company', where the Human Resource function also establishes World Class HR and the roadmap of the HR management strategy is focused on implementation in each development phase. On its journey, Human Resource Management

is tailored to the demands and dynamics of the Company in line with the set Strategic Priority.

This roadmap is Pertamina's response to the global and domestic energy challenges faced and to answer the challenges of future sustainability efforts. The HR Roadmap consists of 3 phases of achievement for 4 development areas. The first phase of 2016-2020 is currently being undertaken by the Company and focuses on the foundations for superior Human Resource Management.

HR ROADMAP

	Phase I – 2016 - 2020	Phase II – 2021 - 2025	Phase III – 2026 - 2030
Attract, develop, motivate & retain the right talent	Career Management	Global Workforce Scheme	Business Driven - Global Competencies
	Business Driven - Workforce Planning	Established International Mobility	
Strong & competent leaders that drive high performance organization	Succession Management	Leadership Pipeline	Global Leadership Pipeline
	Leadership Development	Empowering Global Talent Pool	Global Talent Establishment
	Talent Development Acceleration		
High Performance Culture	High Performance Corporate Culture	Shaping Global Corporate Culture	Global Corporate Culture
	Organizational Effectiveness	Developing Global Organization	Digital Working Style
	Efficient Outsourcing Management		
HR Enabler	Integrated HR Data/System	Enhance Shared Service Capability	Center of Expertise Alignment
	Strategic Business Partner	HR Strategic Advisor	Business Driven HR

EVALUATION ON PERFORMANCE ACHIEVEMENT

Pertamina has determined several targets relevant to its business sustainability that are translated into the Key Performance Indicators of each directorate. The achievement of such targets is reviewed quarterly. The following table describes KPI achievement relevant to the discussion in this section.

KPI Perspective	Units	Target 2017 (Revised)	2017 Achievement	% Performance
HR Excellence				
1. HR productivity	USD Million/ Worker	0.22	0.22	102.86
2. Critical Position with Successor	%	90.00	97.46	108.29

DEVELOPING QUALIFIED HUMAN RESOURCES

“

The Energy Business, with its high-risk and high-capital factors, requires qualified Human Resources that are managed comprehensively, starting from selection, competency management, career development, and engagement. Therefore, the personnel of Pertamina can demonstrate their best performance and the Company can grow sustainably. ”

ATTRACTING AND RECRUITING

Pertamina realizes that, to become a World Class National Energy Company, it needs to be supported by workers with a range of specialized skills, including the ability to explore, transport, and distribute new sources of energy safely to various locations.

However, due to the occurrence of several economic crises over the last 10 years has resulted in the absence of a new recruitment process. therefore, within the next 5 years, the Company will face an Aging Workforce that needs to be replaced. In terms of manpower planning, Pertamina conducts two approaches:

1. Manpower Planning for Sustainability
Used to support existing businesses and enhance organizational capabilities, including management of low performers.
2. Manpower Planning for Growth
Used to prepare the workforce needed to support business development.

Efforts that have been carried out by Pertamina in recent years have managed to change the demographics of its employees to be better than ever before. Today, the largest demographic is young employees. Nevertheless, recruitment continues to be conducted in order to improve the demographics of workers and overcome competency gaps.

Pertamina implements a fair, reasonable and consistent system of recruitment, promotion and career development based on competence, in accordance with the needs of the Company. Workers' compensation and rights are provided in a fair, reasonable and transparent manner based on their performance and in accordance with the applicable regulations. In addition, the Company provides equal work opportunities, as well as avoids any practices of coercion.

As part of its commitment to building the country, the Company provides priority to the best local people around the operating areas to fill certain jobs. This type of work includes Technical Guidance Counselor (BKJT), Expert Practical Guidance Worker (BPA), Supporting Services Workers (TKJP) and Volume Contract.



Data of New Recruit (people)

Age Group	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
< 30 years	775	116	90	-	837	69
30 – 50 years	111	33	6	1	197	10
> 50 years	119	5	3	2	-	-
TOTAL	1,005	154	99	3	1,034	79

Turnover (people)*

Age Group	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
< 30 years	4	5	11	11	6	14
30 – 50 years	2	12	16	8	17	5
> 50 years	-	-	5	-	8	1
TOTAL	6	17	32	19	31	20

* Turnover defines the employees who resign and whose work contract is terminated, excluding natural completion of work contract

TRAINING AND EDUCATION

Pertamina conducts a comprehensive training and education program as part of the efforts to ensure the Company's operations can be conducted in a safe and sustainable manner. Training and education is provided to those who are currently working as an employee of Pertamina and to those who will become the decision makers of the Company in the future.

In Pertamina, business leaders play a significant role in designing Human Resource Development in all business lines, instead of the HR Function. Human Resource function itself will serve as a business partner in facilitating the learning process.

In the development of employee competency, Pertamina optimizes internal resources in its organization as well as in subsidiaries. Learning facilities that have been established to support this goal are Pertamina Corporate University, HSE Training Center, Maritime Training Center and other operating facilities.

In 2017, Pertamina invested Rp227.188 billion in training and employee competency development programs, a 35% decrease as compared to the previous year of Rp350.68 billion, this is due to the availability of classes in PCU which is related to infrastructure development.

Employee Competency Development Programs

Types of Education Program	2017		2016		2015	
	Total	Number of Participants	Total	Number of Participants	Total	Number of Participants
Pre-Employment Program						
Induction Training	-	-	2	93	6	123
BPA	0	0	-	-	3	151
BPS	1	453	-	-	4	321
BKJT/Pre-Employment Education	0	0	-	-	6	760
Advanced Education Program						
Mineral and Academy Energy	4	80	2	187	4	109
Domestic Study for Master's Degree	2	19	12	35	18	80
Domestic Study for Doctorate Degree			0	0	0	0
Overseas Study for Master's Degree	6	6	20	28	13	14
Overseas Study for Doctorate Degree			4	9	4	9
TOTAL	12	105	36	259	39	212
Long-Term and Short-Term Training Programs						
Leadership Program	28	646	21	358	3	47
Mandatory Program	13	398	12	644	35	731
General and Functional Program	248	3,724	220	3,931	340	4,619
Overseas Training Program	37	68	43	81	5	59
Maritime-based Program	26	513	438	1,313	2,259	63,390
HSE Mandatory Program	132	2,234	66	1,478	61	1,140
GE Oil & Gas University Program	0	0	0	0	2,703	69,986
Competence Certificate	55	603	64	1,071		
TOTAL	539	8,186	864	8,876	2,761	71,553
Program E-Learning						
Mandatory		2,007		3,491		2,430
Non-Mandatory		9,228		8,768		-
Pertamina Values		2,806		1,211		3,752
TOTAL		14,041		13,470		6,182

TRAINING PERFORMANCE

Number of Training Programs

539 Programs

Number of Training Participants

8,186 Participants

Number of Training Days

77,256 Days

Average Training Days

5.8 Days/
Person

1 Training Day Equivalent with
8 Hours of Learning

TALENT MANAGEMENT

Within the framework of Talent Management & Succession, Pertamina has established a Career Path in which employees can participate and where their achievements can be assessed. All directorates and functions at Pertamina have had a Career Path built by the Human Resource function along with line function.

Furthermore, the Career Path is used as a reference for the management function in determining the Successor Shortlist in the Succession Management program, which aims to find and prepare the future Leaders of the Company.

With the infrastructure and completeness of the data that has been owned, the program is implemented thoroughly for the position of VP and more senior levels in Pertamina so that the Company is expected to possess the availability of prospective leaders in accordance with the standards of Leadership in the Company.

In addition to maintaining the continuity of leadership through the Career Path and Succession Management, Pertamina organizes Talent Development Acceleration (TDA) with a blended learning approach that combines training methods, coaching/mentoring and project implementation.

The Talent Development Acceleration program is also designed in stages to ensure that the development of Pertamina's work competence is done in a structured and systematic way.

NUMBER OF TALENT DEVELOPMENT PARTICIPANTS IN 2017

Entry Level

1,038 people

Mid Level

379 people

High Level

168 people

Out of the participating Mid-Level and High-Level Employees, the promoted ones amounted to

136 people (25%)

404-1

GRI Disclosure
Average Employee Training Hours

404-2

GRI Disclosure
Employee Skills Improvement Program

CULTURE OF PERTAMINA AND EMPLOYEE ENGAGEMENT

The high performing culture of Pertamina is based on an effective corporate behavior founded upon the 6C values and a productive work climate according to employee engagement.

Pertamina's culture begins with the way the leaders incorporate values that will then shape behavior, where behavior will shape culture, and ultimately that culture will drive performance. The desired high performance culture is:

- Creation of a solid team with shared values of 6C as the unifier.
- Realization of the competence and characteristics of Pertamina's workers who are valued on a par with the global oil industry's value standards.
- The formation of future leaders who are ready to continue and increase value in all areas of business.

Theme-O-Meter Survey

The achievement of a high-performance culture is measured through the annual Organizational Performance Profile survey and monitored annually through the Theme-O-Meter survey.

The purpose of the survey is to find out the workers' perceptions of the themes of Cultural Change and to know the sustainability of the implementation of Performance Culture practices. Based on the results of the survey, the Company established its intervention programs for improvement.

Activities to develop high-performance culture

1. #RaiseTheBar, an internal marketing campaign to encourage an innovation culture for every planning and execution of products and services. #RaiseTheBar is conducted with the Board of Directors e-cards to all workers and Up Close and Personal by the Marketing Director, both of whom communicate the implementation of #RaiseTheBar in accordance with their respective business processes.
2. CEO Letter, President Director's e-mail to all Workers is attributed to the achievements or obstacles faced by the Company that Workers need to know, which is also related to the behavior in the 6C scorecard.
3. PROFIT Campaign (Professional integrity), is a professional and professional workforce character building campaign with Joint Legal & Compliance Function.
4. Up Close and Personal, is an activity to get the workers closer with the Board of Directors, Board of Commissioners or well-known figures who provide inspiration and learning.
5. Culture Roadshow, is an activity to visit the unit or area in order to view the cultural program and to convey the messages of the Board of Directors related to the implementation of the 6C values and Corporate Culture.

**Up Close
and
Personal**

4 Times

**Culture
Roadshow**

3 Times

Theme-O-Meter Survey Executive Summary

Employee Engagement (EE)

The higher the rate of employee engagement, the more improvement in workers' productivity which will result in a higher financial and operational performance for the Company.

Employee Engagement



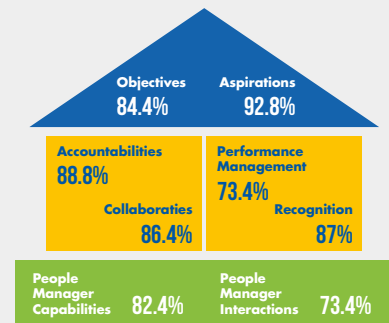
85.2%

(Increased slightly as compared to the Period I of 2017 at 84.4%)



ARE
8/10
ENGAGED

- EE in Semester I of 2017 reached 84.4%, decreased compared to the period of 2016 which reached 85.1%, before demonstrating an improvement in Semester II of 2017 reaching 85.2%.
- Almost all dimensions of EE managed to reach the 84% target with an exception in People Manager Capabilities and Performance Management dimensions.
- The EE value of junior employees (age range of 26-30 years old) was 78%, a decline of 2% (relatively stable compared to the previous period) and remained lower than employees of other age range groups.



Practices Pulse Check (PPC)

High result is supported by the high management practice.

Pertamina's PPC achieved 77.3%, the same as the result of 2016. This indicated that the management practice level was better but there was still a room for improvement.

Practices Pulse Check 2017



77.3%

Relatively the same as PPC value of 2016

Cultural Entropy (Entropy)

A healthy organization with strong performance culture shall have smaller cultural obstacles.

Pertamina's Entropy was better than the previous year, from 13.04% to 12.99%. This indicated that the Company still faced a small problem/obstacle that required a cultural adjustment.

Entropy 2017



12.99%

Better than the previous value of 13.04%

Period and Number of Participants

The Period I of 2017 Survey, which was held on 2nd May to 2nd June was attended by 12,064 employees (70%) of the targeted Pertamina's employees of 17,178 people. The Survey Period II, which was undertaken from 1st to 30th November, was attended by 46.8% of Pertamina's workers or 9,042 workers of the Company and Subsidiaries.



ARE
5/10
PARTICIPATED

KNOWLEDGE QUALITY AND MANAGEMENT

“

Pertamina establishes a Quality System and Knowledge Management (QS&KM) Function with the objective of improving performance through the creation of a sustainable improvement culture, enhancement of the effectiveness of standard system implementation and the knowledge-sharing culture, carried out in the business process corridor that is in line with 8 Priorities of a World Class Pertamina.

”

The QS & KM function ensures the implementation of Company's business processes quality to be within the four quality pillars of Pertamina, consisting of Continuous Improvement Program (CIP), System & Standard Management (SSM), Knowledge Management (KMS) and Quality Management Assessment (QMA). The four pillars have different roles at each level of the corporation in ensuring the quality of the business. In order to implement the quality of the business process, 23 personnel supported the QSKM function in 2017 with competencies in accordance with business development and demands.

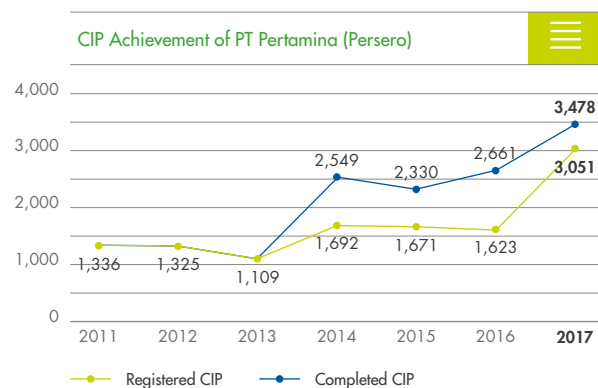
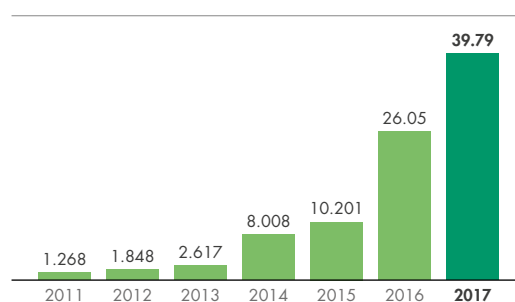
2017 PERFORMANCE

In 2017, the QS & KM Function successfully performed its tasks and work programs, and recorded achievements in supporting Pertamina's Vision to Be a World Class National Energy Company. QS & KM Function always ensures good quality across all operating units, business units, and subsidiaries of the Company at home and abroad in accordance with the Pertamina Management System Policy and Code of Pertamina. The Company implements the policy through the QS & KM Function to ensure the quality of a continuous improvement culture across all operating units/businesses/ regional and subsidiaries of the Company through four main pillars of activities as follows:

a. Continuous Improvement Program (CIP)

CIP is a program designed to solve problems and improve efficiency through PDCA and DELTA methods within Pertamina. In 2017, the Company succeeded in creating value amounting to Rp39.79 trillion as a demonstration of its commitment to running the business efficiently in the form of saving costs, additional revenue and cost reduction. Pertamina's successful value creation is a manifestation of the Company's commitment to running the business efficiently in the form of savings and process effectiveness in achieving and even exceeding the set revenue target. In 2017, 3,051 CIPs were completed with a fairly rapid increase of 53% from 2016. The increasing number of CIPs means that people of Pertamina are getting used to solving work problems using PDCA and DELTA (Eight Steps Seven Tools).

Value Creation CIP (Rp trillion)



b. System & Standardization Management (SSM)

SSM encompasses several activities, which includes the Management of System Standards and Certifications by Pertamina Standardization & Certification (PSC) which has been accredited by the National Accreditation Committee, management of documents in accordance with the Company's business process, as well as strengthening of the Company's business processes that focuses on the attainment of the Company's vision. In 2017, Pertamina implemented several standard systems, among others, ISO 9001, ISO 14001, OHSAS 18001, ISO 17025, ISO 20000, SMS, OHSMS, and other standard systems.

c. Knowledge Management System (KMS)

KMS plays a role in improving the culture of knowledge sharing as well as managing the Company's knowledge in an integrated manner. Pertamina maximizes the implementation of technology in carrying out knowledge sharing through webinar as well as the management of knowledge assets that facilitate access across all the Company's environments through the KOMET portal. In addition, KMS manages Intellectual Property Rights as a result of the continuous improvement process at Pertamina that is based on CIP. Knowledge sharing activities are conducted through offline and face-to-face meetings (online). Information including webinars, and management of KOMET portals aimed at creating, collecting, monitoring and distributing knowledge assets in Pertamina.

Over the last seven years since the establishment of KOMET, Pertamina has recorded a cumulative of 12,910 knowledge assets stored in the knowledge center in KOMET Portal, 3,691 Community of Practice members, and 937 knowledge sharing forums have been held offline.

Throughout 2017, KOMET organized 128 Webinars involving all Functions/Units/Regions and several Subsidiaries of the Upstream Directorate. KOMET also has 173 Expert Panel members that filter out the knowledge assets that enter the KOMET portal, with the number of Workers involved in the creation and sharing of knowledge of 25.12%, in 2017, KOMET Pertamina succeeded in becoming the national champion of the Indonesian MAKE Award winner and is entitled to represent Indonesia in the Asian MAKE Award for the fourth time with an award procession to be held in Beijing in March of 2018.

In order to manage Intellectual Property Rights, throughout the period of 2015-2017, Pertamina has obtained 12 Granted Patents from the Continuous Improvement Program and have been handed over from the Directorate General of Intellectual Property, Ministry of Justice and Human Rights to Pertamina.

d. Quality Management Assessment (QMA)

QMA based on Performance Criteria of Pertamina Ekselen (KKEP) plays a role in realizing excellent performance across all Business Unit/Unit of Operations/Subsidiaries. Pertamina realizes this by monitoring the integration between good plan-good execution and good achievement of the excellent performance. Achievements in each Business Unit/Unit of Operations/Subsidiaries can encourage the achievement of excellent performance of the Company. By the end of 2017, QMA had been applied to 32 Business Units/Operating Units/Subsidiaries with an average rating of 501 under the Emerging Company category with the previous rating of 484.



In order to support Pertamina's vision of becoming a World Class National Energy Company, Pertamina Quality Personnel improved their achievements in the national and international Innovation Competition Forums. Several awards received include:

1. National Energy Efficiency Award - Directorate General EBTKE of Ministry of ESDM,

- 1) 1st Ranked in the Category of Energy Management, Sub Category of Energy Management in Small and Medium Industry by Rewulu Petroleum Terminal, and
- 2) 1st Ranked in the Sub Category of Large Special Innovation Industry by PT Pertamina Hulu Energi ONWJ.

Both winners will represent Indonesia in ASEAN Energy Award 2018.

2. Dharmakarya – Ministry of ESDM;

- 1) Dharma Karya ESDM-Madya Award obtained by three Pertamina clusters (gugus), which are Gugus Belah Duren from Pertamina Shipping, Gugus WO-WS Jatibarang from Pertamina EP and Gugus Sypon Effects from Pertamina Hulu Energi.
- 2) The other 24 Pertamina clusters were awarded with the ESDM-Muda Dharma Karya award.
- 3) International CIP Presentation Forum
 - INST Taiwan, September 2017 attended by 5 CIP Clusters
 - APQO Manila, October 2017 attended by 6 CIP Clusters
 - ICQCC Manila, October 2017 attended by 7 CIP Clusters
 - CIISC Dubai, November 13, 2017 attended by 5 CIP Clusters
 - SIIF Korea, December 2017 attended by 5 CIP Clusters

POLICY AND LONG-TERM PLAN

Pertamina has determined long-term policies and plans with a focus on implementation and exemplary quality management practices for Pertamina. Therefore, the QSKM Function together with SOEs and other Companies collaborate concerning the excellent quality management as well as to improve the competitiveness of the Company. One form of this collaboration is the exchange of assessors for the assessment of KPKU, the Assignment of Standard System Auditors in Cross Functional Internal Audit across several Companies. It is expected that this collaboration will strengthen Pertamina's resources in improving Quality Assurance in terms of products and services.

In order to ensure effective operations, the QSKM Function in Pertamina Standardization & Certification manages all the standard system management implementation processes for all operating units, business units and subsidiaries of the Company in order to meet customer expectations. The function of the System Business Process as part of QSKM will develop the process of managing the Company's documents, the process of establishing a working system and the correspondence mechanism of the Company dynamically designed to support the Company's business processes and operations.

EMPLOYMENT

“

Pertamina respects all of its personnel by honoring the rights of workers in accordance with the prevailing employment norms, and encourages synergy between the Company and the workforce in order to achieve a win-win solution on every challenge faced. ”

In managing industrial relations, Pertamina guarantees the workers' rights in accordance with the applicable regulations. We believe that the synergy between the Company and workers is a prerequisite for achieving the vision of becoming a World Class Energy Company.

Statement of Equality



Pertamina's commitment to providing equal and non-discriminatory opportunity is expressed in the Code of Conduct of the Company.

- **Equal Career Opportunities**

The Company is committed to ensuring that every worker has equal opportunity to develop their career in accordance with their qualifications and performance. The Company provides training and education for career development of all workers supported by internal standards, procedures and internal requirements.

The Company ensures that decisions made, such as hiring someone, evaluating, and compensating, promoting, and terminating employment are based on qualifications, performance and other work-related factors.

- **Avoiding Discrimination**

The Company is committed to maintaining a work environment that is free from discrimination. The Company shall not allow any discrimination against any person due to ethnicity, race, nationality, religion, sex, age, disability or other reasons. Pertamina's personnel do not intimidate, humiliate, harass, provoke, and compete unfairly.

SETTLEMENT OF CONFLICT

The Company and Labor Unions are obliged to maintain, foster and enhance a harmonious working relationship through good cooperation so that industrial relations are truly realized and well maintained. Every problem regarding industrial relations must be solved by deliberation to reach consensus through bipartite negotiations in the place of the Workers.

In the event that a consensus is not reached, employers and workers or Labor Unions/FSPPB resolve industrial relations disputes through settlement procedures as regulated by the prevailing laws.



SYNERGY WITH EMPLOYEES

The personnel of Pertamina are the main partners in efforts to achieve the Company's goals. The synergy between these two is manifested through harmonious industrial relations, where formally, the labor union represents the interests of the employees.

Pertamina provides workers with the freedom to organize and form unions. There are 19 registered Labor Unions within Pertamina that are joined in the United Pertamina Labor Union Federation (FSPPB).

As of July 2016, based on membership verification, 9,482 workers (66%) of Pertamina are affiliated with the membership of the Workers Union in the FSPPB. In addition to going the extra mile for the welfare and protection of workers, FSPPB also plays an active role in maintaining the business continuity of the Company and National Energy Sovereignty.

One of the main roles of FSPPB in representing and protecting the employees' interests is through the implementation of a Collective Labor Agreement (PKB). On 24th May 2017, the PKB 2017-2019 was approved, which is the sixth PKB of the Company that

has passed the negotiation process between the Company and FSPPB, and the signing was witnessed by the Minister of Manpower and Transmigration.

PKB is a form of open, transparent and communicative industrial relations that aims to regulate and guide the rights and obligations of the Employers, Labor Unions and Workers, as well as to reinforce harmonious industrial relations in the Company.

PKB governs the terms of employment for Workers not yet regulated in laws, ways of resolving industrial disputes/differences as well as possible, and ways to maintain, improve and develop harmonious cooperation and working relationships between employers and workers. All Permanent Workers (PWTT) of the Pertamina business group (100%) have been covered in the Collective Labor Agreement of 2017-2019.

EQUAL OPPORTUNITIES

HR Management strategies are conducted by the Company through the assessment of labor demands and capabilities with reference to the requirements of the organization. To fulfill the needs, work opportunity is widely opened for the local people to join Pertamina.

The Company is committed to ensuring that every worker has equal opportunity to develop their career in accordance with their qualifications and performance. The Company provides training and education for career development of all workers supported by internal standards, procedures and internal requirements. With the right recruitment strategy, Pertamina has been able to fill the needs of employees with adequate capacity and capability. At present, Pertamina has diverse employees who are mainly considered as youth where 51% of Pertamina workers are still under the age of 36 years old.

Equal opportunity is also open to women; however, due to the traditional values of oil and gas activities, women employed in Pertamina are fewer than that of the opposite sex. Nonetheless, over the last 10 years, the number of women workers in the Company has been increasing steadily. By 2017, more than 12% of permanent employees are women amounting to 1,614 employees, an increase from 1,433 employees recorded in 2010.

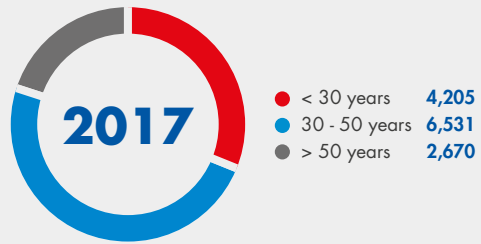
Education and careers become equal rights for all employees in accordance with their talents and abilities, as well as the needs of the Company. Over the last three years, there has been a significant increase of female workers in the ranks of managers and senior managers at Pertamina.

The Only Female Vessel Vetting Inspector

Ida Sri Nur Utami has been working with Pertamina Shipping since 2014. Presently, Ms. Ida is the only Vessel Shipping Inspector in Pertamina Shipping. Previously, she heavily took part in shipping activities, which are dominated by men. Ida is also acknowledged as the First Female Master in the LPG Carrier MISC Bhd during her previous work in the field of Vetting, SIRE Vetting and CDI at Petronas.

She became a dock cadet for the first time in 2000. Ida also devoted herself to become a lecturer at Politeknik Pelayaran of Dikti, however, sharing and practicing her knowledge regarding vessels apparently is her true calling in life.

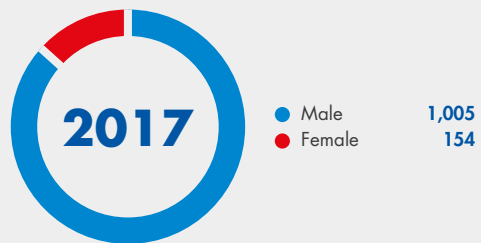
Permanent Employee based on age (people)



51%

employees whose age are <36 years old (compared to the 33% recorded in 2005)

Composition of New Workers based on gender (people)



Composition of Female Employees at the Rank of Manager (people)

63 Managers
(In 2014: 5 Managers)

12 Senior Managers
(In 2014: None)

Employee Composition Pertamina per 31 December 2017 (People)

Employment Status	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
Employee Composition By Employment Status						
Permanent Employee	11,792	1,614	12,004	1,598	12,883	1,680
Non-permanent Employee	1,750	86	2,007	86	1,403	29
TOTAL	13,542	1,700	14,011	1,684	14,286	1,709
	15,242		15,695		15,995	

Permanent Employee Composition (People)

	2017	2016	2015
Male	11,792	12,004	12,883
Female	1,614	1,598	1,680
TOTAL	13,406	13,602	14,563

Age Group	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
< 20 years	-	-	51	-	260	-
20-25 years	1,194	57	1,223	102	1,260	185
26-30 years	1,836	386	2,585	475	2,907	487
31-35 years	2,838	475	2,124	419	1,678	396
36-40 years	1,206	290	959	198	943	158
41-45 years	881	93	832	57	867	51
46-50 years	1,108	72	1,245	118	1,363	143
51-55 years	1,964	189	2,909	222	3,481	258
>55 years	765	52	76	7	124	2
TOTAL	11,792	1,614	12,004	1,598	12,883	1,680

Position Level	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
L1D	32	1	20	1	22	1
L2D	103	11	91	6	87	5
L3D	510	63	496	45	460	45
L4D and others	11,147	1,539	11,397	1,546	12,314	1,629
TOTAL	11,792	1,614	12,004	1,598	12,883	1,680

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GRI Disclosure
Scale of the Organization

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GRI Disclosure
Workers Information

Employee Composition Pertamina per 31 December 2017 (People)

Education	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
Post Graduate	1,071	199	1,072	185	1,066	182
Graduate	4,338	1,122	4,312	1,102	4,510	1,138
Diploma	3,837	229	3,794	230	3,953	253
High School	2,531	61	2,801	78	3,314	104
Junior High School	13	3	20	3	33	3
Elementary School	2		5	-	7	-
TOTAL	11,792	1,614	12,004	1,598	12,883	1,680

Length of Service	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
< 5 years	3,184	395	3,866	570	4,635	761
6-10 years	3,112	623	2,708	499	2,278	370
11-15 years	1,637	261	958	177	550	135
16-20 years	207	38	75	9	74	8
>20 years	3,652	297	4,397	343	5,346	406
TOTAL	11,792	1,614	12,004	1,598	12,883	1,680

Directorate	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
Upstream	52	10	160	43	164	40
Refinery	4,902	154	5,311	184	5,729	202
Marketing	3,360	309	3,276	287	3,496	308
Subsidiaries (Assignment)	1,574	264	1,598	265	1,717	270
Others	1,904	877	1,659	819	1,777	860
TOTAL	11,792	1,614	12,004	1,598	12,883	1,680

Composition of Diversity (People)

Diversity	2017	2016	2015
Gender			
Male	87.96%	88.25%	88.46%
Female	12.04%	11.75%	11.54%
TOTAL	100.00%	100.00%	100.00%
Age Group			
< 30 years	31.37%	26.94%	35.01%
30-50 years	48.72%	49.43%	38.45%
>50 years	19.92%	23.63%	26.54%
TOTAL	100.00%	100.00%	100.00%

Opportunity for Women (People)

Level	2017	2016	2015
Women at Managerial Level	63	32	5
Women at Senior Manager Level	12	8	0
TOTAL	75	40	5

Employee Engagement (%)

Theme-O-Meter Survey	2017	2016	2015
Employee Engagement	85.2	85.1	83.9
Practice Pulse Check	77.3	77.3	74.63
Entropy	12.99	13.04	13.5

Knowledge Culture

	Unit	2017	2016	2015
Continuous Improvement Program				
• Employee Involvement	%	25.1	30.00	27.62
• Value Creation	Rp trillion	39.79	24.60	10.21
Knowledge Assets				
• Member of Community of Practice	People	3,691	847	-
• Forum Off-line	Forum	937	548	-
• Webinar	Forum	127	203	-
• Member of Expert Panel	People	173	223	-



PRODUCTS AND SERVICES

Energy for the public is realized not only through provision of access equally, but also through the encouragement from both the Company and the stakeholders to utilize energy sources replacing fuel. Through the development of gas products, the public currently have an option for cleaner, more efficient and more affordable energy sources for transportation demands, in addition to the provision of LPG for fishermen throughout the nation.

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OUR APPROACH

“

Our commitment to consumers is in providing goods and services with the right amount and timing while simultaneously paying attention to complaints and feedback from customers, and innovating to produce market-needed products as well as fulfilling the expectations of stakeholders', including Government targets, so as to provide cleaner and more affordable energy.

”

In managing its Business, Pertamina is determined to become a Customer-Focused organization in contrast to its past concept of product-centric. We orient ourselves to the customers and are committed to providing the best service to our customers.

Since the oil and gas business climate in Indonesia has become more open, Pertamina has been transforming its business into the provision of products and services for the people of Indonesia. Pertamina is fully committed to providing products and services with good quality in accordance with the standards to all customers and complying with all product regulatory requirements, ensuring customer safety, and strengthening ties between Pertamina and the customers.

Breakthroughs are continuously being created over the years for the sake of making Pertamina's products at the top of mind in the country and to also be accepted overseas. In 2017, Pertamina prepared three Breakthrough Projects (BTP), which are BTP Marketing Operation Excellence (MOrE) in 2017, BTP Digitalization Marketing, and BTP Marketing 3.0 or Pertamina Spiritual Marketing (PSM).

Through its commitment and marketing strategy, over the course of 2017, the sales of fuel had reached 69.3 million KL, grew by 3.6% from the sales of 2016 recorded at 66.9 million KL. The sales of fuel consisted of PSO Fuel and Assignment amounted to 21.9 million KL and Non-PSO Fuel amounted to 47.4 million KL.

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GRI Disclosure
Markets Served

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GRI Disclosure
Scale of the Organization



Meanwhile, the sales of non-fuel product reached 16.5 million KL, a 7.8% increase from 15.3 million KL recorded in 2016. The products of non-fuel consisted of LPG PSO amounted to 11.2 million KL and non-PSO non-fuel amounted to 5.3 million KL.

In the LPG sector, Pertamina expanded penetration of Bright Gas to the regions through tube trade-in program, specifically of the Bright Gas brand. In addition to quality improvement with the use of holographic seals, Pertamina also increased the availability of Bright Gas in public gas station networks, LPG PSO bases, and modern retail networks. Currently, Pertamina has established a cooperation with Indomaret network and has planned to further expand cooperation with other modern retail network.

In the segment of petrochemical product sales, Pertamina successfully increased its sales by 30% compared to 2016. The achievement was supported by the successful trading of Asphalt, Granular Sulfur, Paraxylene, Slack Wax, Wax and Ethyl Acetate products. The contribution of sales volume achievement from this trading activity was around 20% of total sales volume of Petrochemical Trading. While in the petrochemical sector (bitumen, paraxylene, benzene, and propylene), Pertamina was able to dominate market share at around 44% (YTD September 2017).

BETTER PRODUCTS

“

The development of products and services has been implemented through strict standardization and the employment of experts with complete laboratory facilities so that Pertamina's products are recognized not only in Indonesia but also in the world. ”

Pertamina has been innovating to provide products and services in the form of quality fuel and various petrochemical products for diverse purposes. Product innovation is not only tailored to market demands but also considers energy sustainability, including the reduction in reliance on imports and climate change with cleaner energy. Gas is the focus of Pertamina's product development. As one of the primary energy sources whose availability is better than petroleum, natural gas has the potential to be developed for transportation and households' demands as a substitute for fuel and LPG. In addition, an increase in the refining business is also done to create products that meet the demands of the latest condition

In terms of distribution, the Company continues to develop energy infrastructure to improve the access to energy products and services for the public. Pertamina builds infrastructure as part of its commercial investment and assignment from the Government. With the energy infrastructure, the public can obtain fuel and increase economic activity in the area.

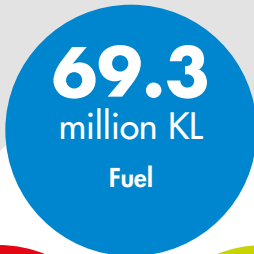
In the domestic market, Pertamina Retail Special Fuel (BBK) had a market share of more than 97% in 2017, up from 94.1% for BBK RON 92. As for RON 95 fuel, it achieved 65% (from 70.4%) while RON 90 still dominated the market at around 99% (3rd Quarter of 2017).

For LPG products, Pertamina remained as the market leader for PSO LPG products in 2017 while for non-PSO LPG products in the form of bulk and LPG 50kg for commercial and industrial needs, Pertamina's market share achieved 97%. In addition to market share, Pertamina's important regional performance included revenue, sales volumes, and profitability. Detailed description on products, services and market share of Pertamina can be read in the 2017 Annual Report of Pertamina under the section of Marketing Sector.



Main Products of Pertamina and the Market

DOMESTIC BRAND



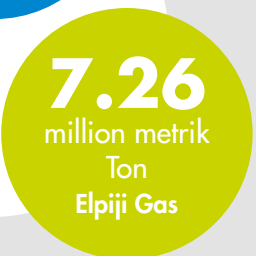
DOMESTIC BRAND



DOMESTIC BRAND & EXPORT



Pertamina's Lubricant has been exported to 16 countries amounting to 89.85 thousand KL



DOMESTIC BRAND & EXPORT



Pertamax Turbo
Has been tested on Lamborghini for 4 race competitions in Monza - Italy, Silverstone - UK, Paul Richard - France and Spa Francorchamps - Belgium



Domestic LPG PSO Market Leader

ENERGY PRODUCTS FOR THE PUBLIC

Fuel

Pertamina's Retail Fuel Marketing is conducted through fuel/BBK retail distributors, which are currently spread throughout Indonesia, which include Gas Stations (SPBU), Kerosene Agents (AMT), Premium & Diesel Fuel Agents (APMS), and Premium Solar Packed Dealers (PSPD).

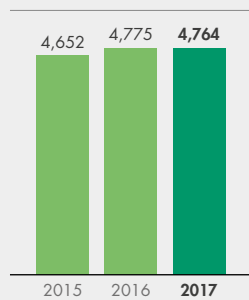
Prior to arriving at the hands of consumers, fuel passes through a fairly long chain of process, starting from the refineries, collecting tanks, transportation modes, up to the retail distributors. Before reaching the consumers, BBM quality inspection is conducted at the stage of demolition of fuel to minimize complaints from consumers. In addition, every gas station is required to check the suitability of the dosage at least 3 times per day to ensure the quality and sales dosage.

Gas for Transportation

Gas products for transportation available in the market are ENVOGAS that is based on natural gas and Vi-Gas that is based on LPG. Both have efficiency advantages and are more environmentally friendly.

ENVOGAS has a RON 120 with only one-third of the GHG emissions of conventional fuel. This product is relatively safe because the main ingredient is methane gas, which is lighter than air.

Number of SPBU Pasti Pas



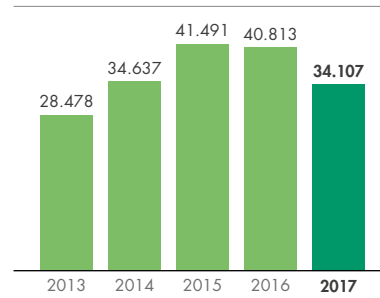
SPBU Pasti Pas and Pasti Prima



SPBU Pasti Prima is an innovation in SPBU service for consumers, which offers extra-mile fuel service. Here, customers will be more comfortable as compared to other conventional gas stations.

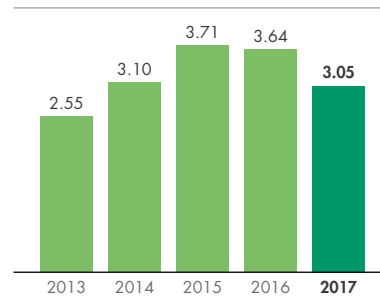
Sales of CNG

(Kilolitre Equivalent Premium)



Sales of CNG

(BBUTD)



57

57 Public BBG stations (SPBG) with total capacity of 60.96 MMSCFD

City Gas

The utilization of natural gas for household demands is carried out through the Gas Network (Jaringan Gas - Jargas) that has been made available in several cities across Indonesia. The Jargas program is a Government program aimed at driving energy diversification and reducing subsidies as well as the import of LPG.

Table of JARGAS

Jargas Area	Construction Year	Commenced Operations in
Prabumulih	2012	20 th July 2013
Sengkang	2011	4 th October 2013
Jambi	2012	21 st April 2015
Kab. Sidoarjo	2010 & 2011	Transfer of management by Pertamina on 23 rd November 2015
Kab. Sidoarjo	2012 & 2014	12 th October 2016
Kab. Bulungan	2014	28 th January 2016
Kab. Bekasi	2014	11 th February 2016
Lhokseumawe	2014	19 th May 2016
Lhoksukon	2015	18 th August 2016
Pekanbaru	2015	12 th October 2016
Prabumulih	2016	29 th October 2016
Prabumulih ABI	2016	17 th January 2016
Kota Balikpapan	2016	25 th January 2016
Kab. Ogan Ilir	2013	27 th February 2017
Kab. Subang	2013	22 nd March 2017
Kota Cilegon	2016	6 th April 2017

134,650

Household Connections

Gas for Fishermen

The Government has provided a fuel alternative for the fishermen throughout the nation, through the implementation of a fuel conversion program to gas fuel (BBG). The program is implemented based on the Presidential Regulation No. 126 of 2015 regarding Provision and Determination of LPG Prices for fishing vessels for small fishermen.

In this program Pertamina is assigned to provide 3-kilogram LPG prime pack and converter kits to fishermen in some areas. By using gas as fuel for boats to go to sea, fuel costs will be more efficient than using conventional fuel; therefore, fishermen can save money and improve their welfare.

The regions that have received the prime pack and converter kit are North Jakarta, Kabupaten Sukabumi, Kabupaten Cirebon, Kabupaten Bekasi, Kabupaten Cilacap, Kabupaten Demak, Kabupaten Pemalang, Kabupaten Tuban, Kabupaten Gresik and Kabupaten Karang Asem in 2016, and Kabupaten Pasaman Barat, Kota Padang, Kabupaten Agam, Kabupaten Labuan Batu, Kabupaten Cirebon, Kabupaten Sukabumi, Kabupaten Cilacap, Kabupaten Demak, Kabupaten Pati, Kabupaten Pemalang, Kabupaten Pekalongan, Kabupaten Jepara, Kabupaten Tuban, Kabupaten Pasuruan, Kabupaten Probolinggo, Kabupaten Banyuwangi, Kabupaten Malang, City of Surabaya, Kabupaten Lamongan, Kabupaten Jember, Kabupaten Lombok Barat, Kabupaten Lombok Timur, City of Makassar, Kabupaten Maros, Kabupaten Jeneponto, Kabupaten Soppeng, Kabupaten Mamuju and Kabupaten Gorontalo in 2017.

From the economic point of view, the utilization of gas as fuel for fishing vessels contributes to an increase in income from the fuel cost savings that can achieve 60%. This figure is obtained with the assumption that a 3-kg LPG tube worth Rp20-25 thousand can be used as fuel to go to sea for about three days as compared to using fuel that requires at least 2 liters of gasoline or about Rp18-20 thousand per day or Rp54-60 thousand for three days.

Converter Kit



Detailed description on products, services and market share of Pertamina can be read in the 2017 Annual Report of Pertamina under the section of Gas and New and Renewable Energy Sector.

SERVICES FOR CUSTOMERS

“

Pertamina provides products and services both inside the country and internationally. We continue to innovate through the creation of new products in order to leverage engagement with the customers to maintain a good relationship and loyalty. ”

Pertamina dedicates service to customers as the beginning and end of customer engagement. At the beginning, we interact with them to get consumer insight and at the end, Pertamina provides Pertamina Contact Center to handle customer complaints and feedback. All of these have the aim of providing the best service for the public. The Marketing Directorate mainly manages customer service and engagement, where customer relations are carried out in steps, which include regular gatherings, market analysis, sponsorship and Customer Relationship Management (CRM).

The main medium of customer interaction available at all times is the Pertamina Contact Center. Through this, the public can obtain information and file complaints regarding Pertamina's products and services.



pcc@pertamina.com



0815-9-500000

Marketing 3.0

Pertamina's product marketing strategy began to enter a new phase. In 2017, the Company developed a Marketing Digitalization Project through an application that brought Pertamina's information into hand phones, in the form of a mobile app. Pertamina also introduced MyPertamina as a loyalty program in the form of cards. Both programs aim to improve customer engagement and loyalty.

In 2017, Pertamina initiated Marketing 3.0 that includes collaborative activities with consumers in the business value chain that integrate the People-Planet-Profit interest.

For the People aspect, Marketing 3.0 activities are realized together with the social contribution through the Pertamina Spiritual Marketing (PSM) program, which includes activities aimed at improving education through cooperation with Vocational High School, local economic empowerment through the development of BUMN Creative Home and equal access to energy through One Fuel Price program. For the Planet aspect, Pertamina encourages the provision of more environmentally friendly fuel quality, which includes Dexlite and Pertamina Turbo, by adding point of sale. In 2017, this product segment contributed a profit of USD36,8 million.

Pertamina Community	Pertamina Satu Harga	Pertamina Edupreneur	Pertamina Eco Product
15 SOE Creative Houses for Development of local MSMEs by utilizing Pertamina's distribution channels	54 Distributors of one fuel price in 3T Areas	2 Capital Assistance for Enduro Ekspres Workshop	1,600 Outlets of Pertamina Turbo and Dexlite, and consortium of 5 SOEs to manage waste

THE BEST SERVICE

Pertamina continues to conduct transformation across all areas to always improve the services provided to the customers.

To continue to improve services, Pertamina wholeheartedly accepts criticism and constructive input from the public through Pertamina's contact center at **1 500 000** or email **pcc@pertamina.com** and via text to **0815-9-500000**.

Through the Contact Center, information requests and customer complaints are responded to as quickly as possible within the stipulated deadline. Any information received is collected in the Customer Response Center as a complaint knowledge source, and is processed by aggregating, analyzing, reviewing and evaluating them every month for the sake of continuous improvement.

Pertamina Contact Performance

93.29%

responses were given in 20 seconds via phone (85% of the target)

97.13%

problem solving conducted with no escalation (80% of the target)

89.80%

satisfaction of customer using the Contact Center (75% of the target)

Digital Marketing

Pertamina is developing digital-based services for customers to provide convenience for customers. Included in the development of this digital service are the Go-Pay Payment, My Pertamina, and Bright Package.

Go-pay

Pertamina cooperates with GoJek to provide digital-based service solutions at Pertamina gas stations for Go-Pay fuel payment using QR Code. This step also supports the Government in encouraging the Non-Cash National Movement (GNNT).

My Pertamina

My Pertamina is a loyalty program to provide appreciation to loyal customers of Pertamina’s products. This appreciation is given in the form of points on each particular product transaction. In addition, My Pertamina combines loyalty programs and cashless payments in one integrated card.

Market Test of My Pertamina Loyalty Program was conducted at the 2017 Gaikindo International Auto Show on 10th-20th August 2017, at 10 COCO Gas Stations and Soft Launching of My Pertamina Loyalty Program at Family Gathering Pertamina on 10th December 2017, at 60 COCO Gas Stations in Jabodetabek area, West Java and Banten. This app is available on iOS as well as on Android.

Meanwhile, in the industrial fuel sector, consumers can now monitor purchase information and products through the website. For Petrochemical Trading sector, consumers can already order petrochemical products through the Host-to-Host method.



Bright Package

Bright Package is a freight or package delivery service to various “Easy, Fast, and Efficient” locations in cooperation with PT Pertamina Retail, BP Corporation and PCP Express. Another advantage of Bright Package is an easily accessible location, because it is present at Pertamina gas stations across Indonesia.

Bright Package also works with SMK BISA HEBAT to provide internship opportunities for students through training. Bright Package is expected to be a place to provide work experience before entering the career ladder for vocational students.

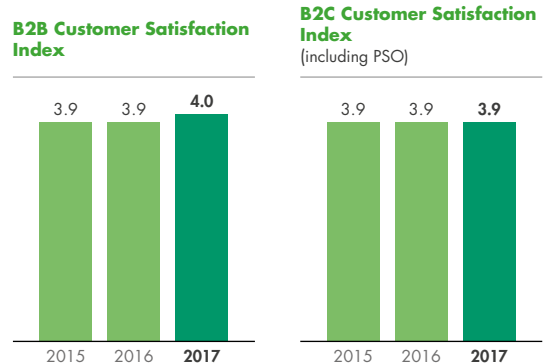
Gas Products

Specific for the consumer of gas product, Pertamina made several service breakthroughs including Pertamina Go, which contains information about Musicool agents and Vigas gas stations, Cashless Payment Mechanism for LPG Base, PSO bases extension to every sub-district, Vigas gas station extension, extension of NPSO LPG sales at PSO Base.

CUSTOMER SATISFACTION SURVEY

Pertamina measures the level of customer satisfaction both through B2C (Business to Customer) and B2B (Business to Business) transactions. These measurements are conducted on all business lines of the Marketing Directorate.

Through various engagement programs with customers, B2B customer satisfaction levels increased from 3.9 in 2016 to 4.0 in 2017 while B2C customer satisfaction levels are maintained at the level of 3.9.



Data of Pertamina's Product and Service Performance

Indicators	Units	2017	2016	2015
Classification of Gas Station				
SPBU Pasti Pas	Unit	4,764	4,775	4,652
SPBU Pasti Prima	Unit	90	7	0
SPBU Non Pasti Pas & Pasti Prima	Unit	592	625	618
TOTAL	Unit	5,446	5,407	5,270
Domestic Sales				
Non-PSO Fuel	Million kl	47.37	42.2	36.4
PSO Fuel and Assignment	Million kl	21.9	24.7	26.9
Non-PSO Non-Fuel	Million kl	5.3	4.6	5.0
PSO LPG	Million kl	11.2	10.7	9.9
Lubricants	Kiloliter	527,844	471,213	456,202
Gas for Transportation				
Converter Kit for Fishermen	Unit	22,554	17,081	NA
Contact Pertamina				
Service Level (20s respons)	%	93.3	86.5	NR
Solution without Escalation	%	97.1	99	NR
Customer Satisfaction	%	89.8	88.2	NR
Customer Satisfaction Survey				
Business to Customer	Scale 4	4.0	3.9	3.9
Business to Business	Scale 4	3.9	3.9	3.9

LIST OF SUBSIDIARIES AND ASSOCIATION

No.	Name of Subsidiaries	Shares in Percentage	Date of Establishment	Operation Status	Business Type	Total Assets 2017 (Million USD)
1	PT Pertamina EP	PT Pertamina (Persero) (99.99%) PT Pertamina Dana Ventura (0.01%)	13 th September 2005	Operating	Management of upstream oil and gas business which includes exploration, exploitation, and sales of oil and gas produced from the exploitation activities.	USD7,621.46 Million
2	PT Pertamina Geothermal Energy	PT Pertamina (Persero) (90.06%) PT Pertamina Dana Ventura (9.94%)	12 th December 2006	Operating	Management and development of geothermal resources which includes exploration and exploitation activities, the production of steam and electricity generation and consulting services, construction, operation and maintenance as well as technology development.	USD2,408.12 Million
3	PT Pertamina Hulu Energi	PT Pertamina (Persero) (98.72%) PT Pertamina Dana Ventura (1.28%)	29 th June 2007	Operating	Upstream oil & gas and energy business management both inside and outside the country as well as related and/or supporting business activities in the field of oil and gas.	USD4,780.79 Million
4	PT Pertamina EP Cepu	PT Pertamina (Persero) (99%) PT Pertamina Dana Ventura (1%)	14 th September 2005	Operating	Upstream oil and gas business management, including exploration, exploitation and production in Cepu.	USD2,608.02 Million
5	PT Pertamina Drilling Services Indonesia	PT Pertamina (Persero) (99.89%) PT Pertamina Dana Ventura (0.11%)	13 th June 2008	Operating	Management and development of drilling services including exploration and exploitation of oil and gas or geothermal.	USD574.40 Million
6	PT Pertamina EP Cepu Alas Dara Kemuning	PT Pertamina (Persero) (99%) PT Pertamina Dana Ventura (1%)	15 th August 2013	Operating in exploration stage	Upstream business management, including exploration, exploitation and production in Block Cepu Alas Dara & Kemuning.	USD18.53 Million
7	PT Pertamina Internasional Eksplorasi dan Produksi	PT Pertamina (Persero) (99.99997%) PT Pertamina Dana Ventura (0.00003%)	18 th November 2013	Operating	Management of upstream operations in the field of oil, gas and energy which includes exploration and production activities.	USD5,768.92 Million
8	PT Pertamina Hulu Indonesia	PT Pertamina (Persero) (99.93%) PT Pertamina Dana Ventura (0.07%)	28 th December 2015	Not Yet in Operating	Oil, natural gas and energy businesses - Oil and natural gas business including exploration and exploitation - Energy-related business, direct and indirect - Equity participation and participating interest in domestic operations - Services related to oil, natural gas and energy businesses - Other business directly or indirectly related to the businesses described above.	USD304.84 Million

No.	Name of Subsidiaries	Shares in Percentage	Date of Establishment	Operation Status	Business Type	Total Assets 2017 (Million USD)
9	PT Pertamina Power Indonesia	PT Pertamina (Persero) (99.998897%) PT Pertamina Dana Ventura (0.001103%)	Established since 26 th October 2016	Not Yet in Operating	Production, repair and trade of equipment for electricity generated from other energy sources such as natural gas, hydro, geothermal, solar, and others.	USD99.73 Million
10	PT Pertamina Gas	PT Pertamina (Persero) (99.99%) PT Pertamina Dana Ventura (0.01%)	23 rd December 2007	Operating	Business management in the fields of commerce, transportation, distribution, processing and other business related to natural gas and its derivatives.	USD1,926.76 Million
11	PT Kilang Pertamina Internasional	PT Pertamina (Persero) (99.90%) PT Pertamina Dana Ventura (0.10%)	13 th November 2017	Not Yet in Operating	Management of refinery in oil, natural gas and new and renewable energy, domestic and overseas, comprising activities in production, refinery and trading.	USD0.74 Million
12	PT Pertamina Patra Niaga	PT Pertamina (Persero) (99.912%) PT Pertamina Trans Kontinental (0.088%)	On January 31 st , 2012, became PT Pertamina Patra Niaga, previously established on February 27 th , 1997, under the name of PT Elnusa Harapan.	Operating	Technology services, trade services for non-fuel and oil and gas mining industry.	USD960.39 Million
13	PT Pertamina Trans Kontinental	PT Pertamina (Persero) (99.999%) PT Pertamina Dana Ventura (0.001%)	9 th September 1969	Operating	Shipping operation services including supply vessels, tug boats, cargo vessels, agency and management of Kabil jetty in Batam Island	USD287.01 Million
14	PT Pertamina Retail	PT Pertamina Gas (99.9994%) PT Pertamina Dana Ventura (0.0006%)	17 th June 1997	Operating	Retail gas station business management as well as trade and transportation services for BBM.	USD150.64 Million
15	PT Pertamina Lubricants	PT Pertamina (Persero) (99.95%) PT Pertamina Dana Ventura (0.05%)	23 rd September 2013	Operating	Management of production, trading, transportation, distribution, storage activities for lubricant and its derivatives.	USD500.64 Million
16	PT Pertamina International Shipping	PT Pertamina (Persero) (99.95%) PT Pertamina Dana Ventura (0.05%)	23 rd December 2016	Operating	Business management in the field of shipping, with main business activity is the shipping of oil and gas commodities, and other supporting activities.	USD208.97 Million
17	PT Pertamina Training & Consulting	PT Pertamina (Persero) (91%) PT Pertamina Dana Ventura (9%)	25 th February 2002	Operating	HR development services, assessment and consultation on management systems in support of oil and gas and geothermal activities.	USD40.77 Million
18	PT Patra Jasa	PT Pertamina (Persero) (99.999%) PT Pertamina Dana Ventura (0.001%)	17 th July 1975	Operating	Hotel/motel, office buildings and rental of property/hotels.	USD229.39 Million
19	PT Tugu Pratama Indonesia	PT Pertamina (Persero) (65%) Siti Taskiyah (12.15%) M Satya Permadi (5.25%) PT SaktiLaksana Prima (17.60%)	25 th November 1981	Operating	Insurance services related to the operations of oil and gas industry and marine hull.	USD836.39 Million

LIST OF SUBSIDIARIES AND ASSOCIATION

No.	Name of Subsidiaries	Shares in Percentage	Date of Establishment	Operation Status	Business Type	Total Assets 2017 (Million USD)
20	PT Pertamina Bina Medika	PT Pertamina (Persero) (99.98%) PT Pertamina Dana Ventura (0.02%)	21 st October 1997	Operating	Health care services and hospitals in Jakarta and surrounding areas, Cirebon, Balikpapan, Tanjung, and Prabumulih.	USD111.01 Million
21	PT Pelita Air Service	PT Pertamina (Persero) (99.997%) PT Pertamina Dana Ventura (0.003%)	24 th January 1970	Operating	Air transportation services, aircraft leasing and scheduled flights (regular), organizes other related businesses or support business activities.	USD65.66 Million
22	PT Pertamina Dana Ventura	PT Pertamina (Persero) (99.93%) PT Pertamina Patra Niaga (0.07%)	25 th July 2002	Operating	Business management in the provision of venture capital.	USD71.33 Million
23	PT Elnusa Tbk	PT Pertamina (Persero) (41.10%) Dana Pensiun Pertamina (14.90%) Public (44%)	19 th February 1969	Operating	The management of oil and gas services which include, among others, seismic, drilling and oil field management services.	USD358.32 Million
24	Pertamina International Timor S,A	PT Pertamina Patra Niaga (50%) PT Pertamina Retail (45%) 4- Consorcio Timor Progresso, Lda (5%)	19 th October 2015	Operating	Downstream oil and gas in Timor Leste.	USD28.68 Million

CERTIFICATION

Operating Unit/ Business Unit Pertamina	Area	Certification	Validity Date	Certification Body
Marketing Operation Region I – Sumatera Bagian Utara	TBBM Meand (Except Belawan), TBBM Tj. Uban, TBBM P. Sambu, TBBM Teluk Kabung, TBBM Dumai, TBBM Sei Siak, TBBM Sibolga, TBBM Lhoksemawe, TBBM Krueng Raya, TBBM Kisaran, TBBM Pematang Siantar, TBBM Meulaboh, Depot Tandem, Pangkalan Susu, and Tg. Uban	ISO 9001-2008/9001-2015	12 th January 2016 until 14 th September 2018	BSI, MS Certification Services & JAS-ANZ
		ISO 14001-2004/14001-2015	22 nd October 2014 until 27 th November 2017	
		ISO 14001-2004/14001-2028	Until 27 th December 2018	
		ISO 14001-2004/14001-2029	24 th January 2014 until 23 rd January 2017	
		OHSAS 18001:2017 OHSAS 18001:2018	1 st November 2017 until 1 st October 2019	
Marketing Operation Region II – Sumatera Bagian Selatan	TBBM Panjang, TBBM Kertapati, TBBM Baturaja, TBBM Jambi, TBBM Lubuk Linggau, TBBM Lahat, TBBM Pulau Baai, TBBM Pangkalan Balam, Pulau Layang, and Panjang	ISO 9001-2008/9001-2015	8 th December 2016 until 12 th August 2019	BSI MS Certification Services & JAS-ANZ
		ISO 14001-2004/14001-2015	29 th November 2014 until 29 th November 2017	
		OHSAS 18001:2014	21 st Maret 2016 until 21 st Maret 2019	
Marketing Operation Region III – Jawa Bagian Barat	TBBM Jakarta Group, TBBM Cikampek, TBBM Tasikmalaya, TBBM Bdg Group-Ujg.Berung, TBBM Bdg Group-Pdlrg, TBBM T. T - Tjg. Gerem, TBBM Balongan, Depot LPG Tanjung Priok, Tanjung Sekong, Pabrik Tabung Plumpang, and Depot LPG Balongan	ISO 9001-2008/9001-2015	15 th September 2015 until 14 th September 2018	Llyod's, BSI, Bureau Veritas Indonesia, Anglo Japanese American (AJA)
		ISO 14001-2004/14001-2015	21 st June 2016 until 21 st June 2019	
		OHSAS 18001:2017, OHSAS 18001:2018, OHSAS 18001:2019, OHSAS 18001:2020, OHSAS 18001:2021, OHSAS 18001:2023, OHSAS 18001:2024, and OHSAS 18001:2027	29 th January 2016 until 28 th January 2019	
Marketing Operation Region IV – Jawa Bagian Tengah	TBBM Cilacap, TBBM Maas, TBBM Pengapon, TBBM Boyolali, TBBM Rewulu, TBBM Tegal, TBBM Lomanis Cilacap, and CPO Semarang, Cilacap, and CPO Semarang	ISO 9001-2008/9001-2015	23 rd February 2016 until 14 th September 2018	BSI, SAI Global, UKAS - Anglo Japanese American (AJA), PT Global Solusi Mandiri/BSI
		ISO 14001-2004/14001-2015	23 rd February 2016 until 2 nd October 2019	
		OHSAS 18001:2027 SMP	23 rd February 2016 until 2 nd October 2019	
Marketing Operation Region V – Jawa Timur - Bali - Nusa Tenggara	TBBM Surabaya Group, TBBM Tuban, TBBM Tj. Wangi, TBBM Malang, TBBM Madiun, TBBM Camplong, TBBM Manggis, TBBM Sanggaran, TBBM Ampanan, TBBM Badas, TBBM Bima, TBBM Tenau, TBBM Mauwere, TBBM Atapupu, TBBM Kalabahi, TBBM Waingapu, TBBM Reo, TBBM Ende, Tj. Perak Manggis, and Pabrik Asal Gresik	ISO 9001-2008/9001-2015, ISO 14001-2004/14001-2015, and OHSAS 18001:2027	1 st February 2016 until 31 st January 2019	BSI, UKAS - Anglo Japanese American (AJA), SAI GLOBAL BSI

CERTIFICATION

Operating Unit/ Business Unit Pertamina	Area	Certification	Validity Date	Certification Body
Marketing Operation Region VI – Kalimantan	TBBM Balikpapan, TBBM Samarinda, TBBM Banjarmasin, TBBM Pontianak, TBBM Kotabaru, TBBM Tarakan, TBBM Sampit, TBBM Pangkalan Bun, TBBM Sintang, TBBM Pulau Pisau, and Balikpapan	ISO 9001:2008/9001:2015	8 th December 2011 until 7 th December 2017	BSI, Mitra Usaha Sertifikasi/BSI
		ISO 14001:2004/14001:2015		
Marketing Operation Region VII – Sulawesi	TBBM Makassar, TBBM Bau Bau, TBBM Kendari, TBBM Pare-pare, TBBM Palopo, TBBM Bitung, TBBM Gorontalo, TBBM Poso, TBBM Luwuk, TBBM Donggala, TBBM Tahuna, and Makassar	ISO 9001:2008/9001:2015	8 th December 2014 until 7 th December 2017	BSI, MS CERT JAZ-ANZ
		ISO 14001:2004/14001:2015		
Marketing Operation Region VIII – Papua	TBBM Wwayame, TBBM Jayapura, TBBM Sorong, TBBM Biak, TBBM Merauke, TBBM Tual, TBBM Manokwari, TBBM Ternate, TBBM Suamlaki, TBBM Masohi, and TBBM Labuha	OHSAS 18001:2007	7 th November 2014 until 7 th October 2017	BSI
Refinery Unit II – Dumai	All Area	ISO 9001:2008/9001:2015 ISO 14001:2004/14001:2015 OHSAS 18001:2027 SMP SMK3	20 th January 2016 until 14 th September 2018	TUV Nord, KAN, Sucofindo, and Depnaker
Refinery Unit III – Plaju	All Area	ISO 9001:2008/9001:2015	14 th April 2014 until 14 th April 2017	TUV Nord, KAN, and Sucofindo
		ISO 14001:2004/14001:2015	22 nd May 2015 until 21 st April 2019	
		OHSAS 18001:2027 SNI ISO/IEC 17025:2008 SMP	25 th May 2015 until 25 th May 2018	
Refinery Unit IV – Cilacap	All Area	ISO 9001:2008/9001:2015	19 th June 2016 until 14 th September 2018	TUV Nord, KAN, and Surveyor Indonesia
		ISO 14001:2004/14001:2015	18 th February 2015 until 29 th Maret 2018	
		OHSAS 18001:2027		
		SNI ISO/IEC 17025:2008 SMK3		
Refinery Unit V – Balikpapan	All Area	ISO 9001:2008/9001:2015	18 th November 2014 until 17 th November 2017	TUV Nord and KAN
		ISO 14001:2004/14001:2015	1 st August 2015 until 18 th August 2019	
		OHSAS 18001:2027		
		SNI ISO/IEC 17025:2008		
Refinery Unit VI – Balongan	All Area	OHSAS 18001:2027 SMP	27 th November 2013 until 10 th September 2018 9 th October 2013 until 10 th September 2018	SGS, KAN Sucofindo
Refinery Unit VII – Kasim	All Area	ISO 14001:2004/14001:2015	Until 1 st May 2017	Llyod's KAN

INDEPENDENT EXTERNAL ASSURANCE



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Independent Assurance Statement The 2017 Sustainability Report of PT Pertamina (Persero)

Number: 005/000-174/VI/2018/SR-Asia/Indonesia

Type : 1

Level : Moderate

PT Pertamina (Persero), or “the Reporting Organization”, or “the Company”, employed Social Responsibility Asia (SR Asia) to assure and provide an independent assurance statement on its **2017 Sustainability Report**, or “the Report”. The Reporting Organization is the Indonesia’s national oil company (NOC) operating in the upstream, midstream, and downstream of oil and gas industry sector. The Company also has subsidiaries running businesses in different industry sectors, e.g. health services, geothermal power plant, air transportation services, and insurance services. The Company developed the Report presenting its sustainability performance data and information based on the GRI Standards and its Oil and Gas Sector Supplement (GRI OGSS), the SGX-ST Listing Rules – Practice note 7.6, and the Regulation of Indonesia Financial Services Authority (OJK) No.51/POJK.03/2017.

As agreed with the Management¹, SR Asia is responsible to assure the Report content, generate an independent assurance statement, and come up with recommendations as described in the scope of assurance. The content and presentation of the Report is the sole responsibility of the Management. In performing assurance work, SR Asia’s responsibility is only to the Management. Therefore, SR Asia does not accept or assume any responsibility for any other purpose or to any other person or organization. Any dependence that third party has placed on the Report is entirely on its own risk. The assurance report or independent assurance statement should not be taken as a basis for interpreting the Company’s overall performance or sustainability except for the areas covered in the scope of assignment.

Scope of Assurance Service and Limitation

The scope of assurance service covers only the relevant aspects to the Reporting Organization including:

1. Data and information related to the Report for the reporting period of 1st of January up to 31st of December 2017.
2. Sustainability specific data and information related to the issues and/or topics that have been identified as material by the Company; which are economic performance, production and reserves, indirect economic impact, anti corruption, local community, emission, environmental compliance, energy, occupational health and safety, asset integrity and process safety, training and education, and substitute of fossil-fuel energy.
3. Visit the head office to review data, information, and disclosures as specified, to identify supporting documents or evidences, and also to review the Company’s business practices.

Exclusion

The assurance scope excludes:

¹ “The Management” refers to the management of the Company



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1. Aspects of the Report other than those mentioned under the defining materiality section and discussion on defining the Report content.
2. Analysis on the Report content based on the reporting standards and indicators other than those mentioned under the methodology section.
3. Data and information outside the reporting period or in the public domain not covered in the reporting period.
4. The Management's statements and claims describing expression of opinion, belief, expectation, advertisement, and future planning.
5. Financial performance data and information from the Company's documents other than those mentioned in the Report.
6. Stakeholders' engagement, which may be involved in developing the Report.

Type and Level of Assurance

Our responsibility, in accordance with the agreement with the Management, was to carry out:

1. Type 1 of assurance service on the Report content with respect to the AA1000AS (2008) Assurance Standard and AA1000AP (2018) AccountAbility Principles.
2. A moderate level of assurance procedure on the Report content and evidence, where the risks of information and conclusions of the Report being error is reduced, but not reduced to very low, but not zero.
3. Evaluation on the publicly disclosed information, the system, and the process of the Company has in place to develop the Report and ensure adherence to the principles.

Methodology

Firstly, the Assurance Team assessed the Report document that was submitted by the Company. As part of independent assurance, SR Asia engaged its official partner in Indonesia to carry out the following activities:

1. Visit the head office of the Company to discuss the Report with the Management comprising of representatives from several functions, e.g. human capital, finance, and environment.
2. Evaluation of data and information against the standards, principles, and indicators of the AA1000AS (2008) and AA1000AP (2018) AccountAbility, the GRI Standards, and the GRI OGSS disclosures.
3. Assurance of the disclosures of performance data and information, including tracing back data to the sources, especially on the disclosures related to the material issues and topics.
4. Discussion with representatives from its subsidiary, PT Pertamina Geothermal Energy (PGE), about the use of geothermal energy, the emission reduction from geothermal energy initiatives, and the Clean Development Mechanism (CDM) projects.

Adherence to AA1000APS (2008) and GRI Standards

Inclusivity – The Report presents adequate data and information on stakeholder identification and engagement in the decision-making process of the Company. The stakeholders listed in the Report are inclusive and the Company describes its approaches to response the stakeholders' concerns. The Company has a sustainability strategy consisting of the eight goals, as a strategic response to the stakeholders. Nevertheless, there is insufficient evidence showing the stakeholders' engagement in developing material issues and topics in the Report.



Materiality – Assessment on the Report indicates that adherence to materiality principles to some extent is appropriate. Material issues and topics in the Report describe the sustainability context of the Company as an oil and gas enterprise. Not all GRI OGSS disclosure are presented in the Report, where it indicates that the Company needs to enhance the process of identifying its sustainability context and the presentation of sustainability performance data and information for future reporting.

Responsiveness – In terms of responsiveness, the Report describes the Company’s timely and relevant responses to the impacts and the current internal and external issues. The Reporting Organization utilizes the Compliance Online System (COS) and the Whistle Blowing System (WBS) to respond internal grievances. For the local communities, the Company provides a grievance mechanism for them to report complaints. In order to respond the climate change issues and to develop low carbon economy, the Company initiates CDM projects and develops geothermal energy in the long run.

Impact – As per assurance work, the Report discloses the Company’s behavior, performance, or outcomes on its material topics and/or issues. The Company also states in the Report that its sustainability initiatives have contributed to the achievement of sustainable development goals (SDGs). However, the claim is not supported by adequate evidence and assessment on the Company’s initiatives against the SDGs targets and indicators.

In “Accordance” with Core Option – The Report follows the core option of GRI Standards where minimum one disclosure of each material topic is presented and discussed in the Report. The disclosures of management approach for each material topic in general are presented but improvements are needed for future reporting. Only GRI OGSS disclosures relevant to material issues and topics are addressed and presented.

GRI Standards Principles – The Company to some extent has applied the Principles for Defining Report Content (stakeholder inclusiveness, sustainability context, materiality, and completeness) and the Principles for Defining Report Quality (balance, comparability, accuracy, timeliness, clarity, and reliability). However, it needs improvement in terms of report quality due to some inaccuracies in presenting data and information. The Company also needs to improve the compliant of the Report to the materiality and sustainability context principles, as well as the clarity in presenting the sustainability performance indicators and the disclosure of management approach (DMA) section. During the assurance process, the Company adequately presented supporting documents as the evidence except for the material topic of energy. As required by GRI Standards, the Report explains that some data and information cannot be presented due to management discretion or nonexistence of data and information.

Recommendation

On the basis of our assurance methodology and procedure, it is our opinion that the Reporting Organization needs to improve the following:

1. Review and improve the sustainability context and material topics of the Company, and also to carry out a materiality testing.
2. Engage the stakeholders, including credible sustainability experts, in defining materiality topics for future reporting.



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3. Involve the highest governance body of the Company in defining sustainability context, materiality, and inclusiveness of future reporting, and also to supervise performance of material topics.
4. Meet all disclosures of the GRI OGSS in future reporting, because it is specifically developed and intended for oil and gas industry sector.
5. Implement AA1000SES (2015) Stakeholder Engagement Standards to improve its stakeholder management practices and provide the stakeholder engagement report as an evidence for identifying stakeholders and material topics.
6. Develop SDGs mapping to verify the Company's contributions to the sustainable development goals.
7. Develop a reliable and integrated data administration across functions in order to support the presentation of data in the Report, by considering also the methodology of data measurement and presentation in adherence to the standards and principles.

Statement of Competency, Independency and Impartiality

SR Asia is a networking organization among reputable organizations in Asian countries and promoting sustainable development through various activities, such as policy studies and advocacy, CSR studies and reporting, capacity building, researches, and various other services in sustainable development and sustainability.

The Assurance Team was consisted of a number of sustainability experts in ISO 26000, sustainability accounting standards of SASB, and the principles and standards of AA1000 AccountAbility, GRI Standards, and International Integrated Reporting (IR) Framework. The experts also have experiences in writing and reviewing sustainability reports and integrated reports of organizations from various industries.

SR Asia has ensured no member of the Assurance Team has any relationships with the Reporting Organization that could be perceived to affect the ability to provide an independent and impartial statement. SR Asia confirms that sufficient mechanism and professional codes of practices are designed and in place to ensure independency and free from bias and conflict of interest.

The assurance provider,

Jakarta, 4th of June 2018


Birendra Raturi
International Director, SR Asia



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GRI STANDARD INDEX AND DISCLOSURE OF OIL AND GAS SECTORS

This Pertamina Sustainability Report 2017 is prepared 'in accordance with' the Guideline of the Global Reporting Initiative (GRI Standard) and Sector Disclosure for Oil and Gas (SDOG) with the 'core' option in material aspects, and also based on the guidance for sustainability reporting for the oil & gas industry from IPIECA/API/IOGP Oil & Gas Industry Guidance on Sustainability Reporting.

The cross reference is presented in the following table:

General Standard Disclosure

GRI Standard Indicator	Disclosure	Page Number, URL, Other References	Omission
GRI 102: General Disclosures 2016	ORGANIZATIONAL PROFILE		
102-1	Name of the organization	12	-
102-2	Primary brands, products, and services	13, 24, 25	-
102-3	Head office location	13	-
102-4	Number of countries where the organization operates	https://www.pertamina.com/id/dokumen/laporan-tahunan Pertamina's 2017 Annual Report – Operational Review Section – Operation Area Map (106-109)	-
102-5	Nature of ownership and legal form	12	-
102-6	Markets served	157	-
102-7	Scale of organization	36-39	-
102-8	Information related to employees and other workers	149-150	-
102-9	Organization's supply chain	20-23,69-70, 79	-
102-10	Significant changes during the reporting period	15	-
102-11	Precautionary approach or principle	62, 94, 106	-
102-12	External Initiatives	74	-
102-13	Memberships of associations	74	-

GRI STANDARD INDEX AND DISCLOSURE
OF OIL AND GAS SECTORS

General Standard Disclosure

GRI Standard Indicator	Disclosure	Page Number, URL, Other References	Omission
STRATEGY			
102-14	Statement from the Top Management	31-33	-
102-15	Significant impacts, risks and opportunities	42-44	-
ETHICS AND INTEGRITY			
102-16	Values, Principles, Standards, and Norms of Behavior	19, 57, 64, 140	-
102-17	Mechanisms for advice and concerns about ethics	66	-
GOVERNANCE			
102-18	Governance structure	59	-
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	72-73	-
102-41	Collective bargaining agreements	147	-
102-42	Identifying and selecting stakeholders	72	-
102-43	Approach to stakeholder engagement	72-73	-
102-44	Key topics and concerns raised	72-73, 162	-
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	164	-
102-46	Defining report content and topic Boundaries	6	-
102-47	List of material topics	7-9	-
102-48	Restatements of information	9	-
102-49	Changes in reporting	9	-
102-50	Reporting period	4	-
102-51	Date of most recent report	4	-
102-52	Reporting cycle	4	-
102-53	Contact point for questions regarding the report	5	-
102-54	Claims of reporting 'in accordance' with the GRI Standards	4	-
102-55	GRI content index	173-176	-
102-56	External assurance	4, 169	-

Specific Standard Disclosure

GRI Standard Indicator	Disclosure	IPECA / API / IOGP 3RD Edition	Page Number, URL, Other References	Omission
CATEGORY: ECONOMY				
ECONOMIC PERFORMANCE				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		7	-
103-2	The management approach and its components		47-49, 156	-
103-3	Evaluation of the management approach		51	-
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	SE4	52, 84	-
201-2	Implications, risks and opportunities related to climate change		44	-
OG-1	Volume and type of confirmed reserves estimation and production		51, 52	-
INDIRECT ECONOMIC IMPACT				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		7	-
103-2	The management approach and its components		49	-
103-3	Evaluation of the management approach		51	-
GRI 203: Indirect Economic Impact 2016				
203-1	Development and impact of infrastructure investments and services supported	SE5	49, 158	-
203-2	Significant indirect economic impacts		50, 159	-
ANTI-CORRUPTION				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		7	-
103-2	The management approach and its components		64-66	-
103-3	Evaluation of the management approach		67, 75	-
GRI 205: Anti-Corruption 2016				
205-2	Communication and training about anti-corruption policies and procedures	SE11	75	-
205-3	Confirmed incidents of corruption and actions taken	SE11	66, 75	-
CATEGORY: ENVIRONMENT				
ENERGY				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		8	-
103-2	The management approach and its components		100-104, 108	-
103-3	Evaluation of the management approach		106	-
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	E2	108	Has not been presented based on business type since the data is unavailable; will be presented in the following report
302-3	Energy consumption intensity		108	Has not been presented based on business type since the data is unavailable; will be presented in the following report
GRI-G4 Sector Disclosure: Energy 2011				
OG-3	Energy from Renewable Resources		101, 104, 105	-
EMISSION				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		8	-
103-2	The management approach and its components		96-99	-
103-3	Evaluation of the management approach		97, 99	-

GRI STANDARD INDEX AND DISCLOSURE
OF OIL AND GAS SECTORS

Specific Standard Disclosure

GRI Standard Indicator	Disclosure	IPIECA /API/ IOGP 3RD Edition	Page Number, URL, Other References	Omission
GRI 305: Emission 2016				
305-5	Reduction of Greenhouse Gas (GHG) emissions	E1	97	Has not been presented based on Scope since the data is unavailable; will be presented in the following report
ENVIRONMENTAL COMPLIANCE				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		8	-
103-2	The management approach and its components		106	-
103-3	Evaluation of the management approach		106	-
GRI 307: Environmental Compliance 2016				
307-1	Non-compliance with environmental laws and regulations		111	-
SUBSTITUTE OF FOSSIL FUELS				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		9	-
103-2	The management approach and its components		103	-
103-3	Evaluation of the management approach		103	-
GRI-G4 Sector Disclosure: Substitute of Fossil Fuel 2011				
OG-14	Volume of biofuels produces and purchased to meet the sustainability criteria	E3	103, 105	-
CATEGORY: SOCIAL				
OCCUPATIONAL HEALTH AND SAFETY				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		8	-
103-2	The management approach and its components		114-121, 124-128	-
103-3	Evaluation of the management approach		122-123	-
GRI 403: Occupational Health and Safety 2016				
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	HS2 HS3	123, 129	-
403-4	Health and safety topics covered in formal agreements with trade unions	HS1	117	-
OG-13	Number of process safety incidents based on business activities	HS5	129	-
EDUCATION AND TRAINING				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		9	-
103-2	The management approach and its components		132-134, 138-139	-
103-3	Evaluation of the management approach		135, 140	-
GRI 404: Education and Training 2016				
404-1	Average hours of training per year per employee based on gender and employee category	SE17	139	Has not been presented based on gender and category since the data is unavailable; will be presented in the following report
404-2	Programs for upgrading skills	SE17	138-139	-
LOCAL COMMUNITIES				
GRI 103: Management Approach 2016				
103-1	Explanation of the material topic and its Boundary		8	-
103-2	The management approach and its components		78-91	-
103-3	Evaluation of the management approach		81	-
GRI 413: Local Communities 2016				
413-1	Operations with local community engagement, impact assessments, and development programs	SE1	78	-
GRI-G4 Sector Disclosure: Local Communities 2011				
OG10	Number and description of significant conflicts with local communities and cultural communities		79	-

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SGX-ST LISTING RULES

PRACTICE NOTE 7.6

SUSTAINABILITY REPORTING GUIDE

Pertamina is one of the companies that issues Global Bonds on the Singapore Stock Exchange (SGX); therefore, it complies with SGX's provisions, included in the reporting process. Under the provisions stipulated in the guidelines of securities listing on obligations that must be continuously implemented, SGX has issued new provisions of Rules 711A and 711B. These regulations shall take into effect for the fiscal year ended on 31st December 2017.

Description		Implementation	Page Reference
Rules 711A	Every securities issuer has to publish a sustainability report based on the current fiscal year	Comply	Pertamina publishes Sustainability Report annually based on fiscal year
Rules 711B	Every securities issuer has to describe sustainability practices according to the following main components:		
	(i) Material ESG factors	Comply	7-9
	(ii) Policies, practices and performance	Comply	Explained in each chapter
	(iii) Targets	Comply	Explained in each chapter
	(iv) Sustainability reporting framework	Comply	4
	(v) Board statement	Comply	26-33, 34-35

POJK 51 REFERENCES

Pertamina is a State-Owned Enterprise which operates in the Energy Sector and therefore, is not listed as an issuer on the Indonesia Stock Exchange (IDX). The references below are presented only to indicate disclosure of information under Attachment II of the Regulation of Financial Services Authority No. 51 regarding the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies for the relevant matters, not as a matter of compliance with the regulations.

No	Sustainability Report contains information on:	Page
1	Description on Sustainability Strategy	16-17
2	Highlights on the Performance of Sustainability Aspects	
	a. Economic Aspect	
	1) Quantity of productions or services offered;	37,137
	2) Income or sales;	37, 52
	3) Net profit or loss;	37
	4) Environmentally-friendly products; and	101, 103, 104, 105
	5) Involvement of local parties related to the business process of Sustainable Finance.	Irrelevant
	b. Environmental Aspect	
	1) Use of energy (among others: electricity and water);	108
	2) Reduction of emissions generated;	97
	3) Reduction of waste and effluents; and	Has not reported yet
	4) Biodiversity conservation.	89-90
	c. Description on positive and negative impacts from the implementation of Sustainable Finance for the community and the environment	Irrelevant
3	Brief profile	
	a. Vision, mission and sustainable values	18
	b. Name, address, telephone number, facsimile number, email address and website of Financial Service Institutions, Issuers, and Public Companies, as well as the branch offices and/or representative offices	13, 164
	c. Business scale	
	1) Total assets or asset capitalization, and total liabilities;	37
	2) Number of employees;	149-150
	3) Shareholding percentage; and	12
	4) Operational areas.	https://www.pertamina.com/id/dokumen/laporan-tahunan Pertamina's 2017 Annual Report – Operational Review Section – Operation Area Map (106-109)
	d. Brief description on products, services and business activities undertaken	24-25
	e. Membership in association	74
	f. Significant changes, among others, related to closing down or opening of new branches, and ownership structure	15
4	Board of Directors' Statement, covering:	
	a. Policies to respond to the challenges in meeting the sustainability strategies, which, at the very least, shall cover:	

No	Sustainability Report contains information on:	Page
	1) Definition of sustainability values for the Company;	31-33
	2) Description on response of the Company to the issues related to Sustainable Finance implementation;	31-33
	3) Description on the commitment of the leaders of Financial Service Institutions, Issuers, and Public Companies to achieving the implementation of Sustainable Finance;	31-33
	4) Performance achievement of Sustainable Finance implementation; and	31-33
	5) Challenges against performance achievement of Sustainable Finance implementation.	31-33
	b. Sustainable Finance implementation, which, at the very least, covers:	31-33
	1) Performance achievement of Sustainable Finance implementation (economy, social and environment) compared to the targets; and	31-33
	2) Description on accomplishment and challenges, including significant events occurring during the reporting period (for Financial Service Institutions which are obliged to prepare Sustainable Finance Action Plan).	Irrelevant
	c. Target achievement strategies, which, at the very least, covers:	31-33
	1) Management of risks on the implementation of Sustainable Finance, in relation to the aspects of economy, social and environment;	31-33
	2) Utilization of business opportunities and prospect; and	31-33
	3) Description on external economic, social and environmental situations which have the potential to affect the sustainability of Financial Service Institutions, Issuers, and Public Companies.	31-33
5	Sustainable Governance, covering:	
	a. Description on the duties of Board of Directors and Board of Commissioners, employees, executive officers and/or work units that are responsible for the implementation of Sustainable Finance.	59
	b. Description on the development of competencies carried out for the Board of Directors and Board of Commissioners, employees, executive officers and/or work units that are responsible for the implementation of Sustainable Finance.	Has not reported yet
	c. Description on the procedures taken by the Financial Service Institutions, Issuers, and Public Companies in identifying, measuring, monitoring, and controlling risks on the implementation of Sustainable Finance in relation to the aspects of economy, social and environment, including the roles of Board of Directors and Board of Commissioners in managing, reviewing periodically, and overseeing the effectiveness of risk management process of the Financial Service Institutions, Issuers, and Public Companies.	Has not reported yet
	d. Description on stakeholders, covering:	
	1) Stakeholders engagement based on the results of assessment, of the management, GMS, decree, and so on; and	72-73
	2) Approaches used by the Financial Service Institutions, Issuers, and Public Companies in engaging the stakeholders in the implementation of Sustainable Finance, such as in the forms of dialog, survey, and seminar.	72-73
	e. Problems or obstacles faced, the development and the impact on the implementation of Sustainable Finance.	72-73
6	Sustainable Performance, which, at the very least, covers:	
	a. Description on activities to develop sustainable culture inside the Financial Service Institutions, Issuers, and Public Companies	Has not reported yet
	b. Description on economic performance in the last 3 (three) years, covering:	
	1) Comparison between target and performance of production, portfolio, financing target, or investment, income and profit loss, in the event the Sustainability Report is prepared separately from the Annual Report; and	51
	2) Comparison between target and performance of portfolio, financing target, or investment in financial instruments or projects that are in line with the implementation of Sustainable Finance.	Irrelevant
	c. Social performance in the last 3 (three) years:	
	1) Commitment of Financial Service Institutions, Issuers, or Public Companies to providing equal services on products and/or services to the customers.	156
	2) Manpower, which, at the very least, covers:	
	a. Statement of equal and fair work opportunity and presence of forced employment and child service;	148
	b. Percentage of remuneration for permanent employees at the lowest level to the regional minimum wage;	Has not reported yet

POJK 51 REFERENCES

No	Sustainability Report contains information on:	Page
	c. Feasible and secure work environment; and	114-129
	d. Training and competency development activities for employees	136-140
	3) Community, which, at the very least, covers:	
	a. Information on operational activities or areas that generate positive and negative impacts on the local communities, including financial literacy and inclusiveness;	72
	b. Public complaint mechanism and the number of complaints received and followed-up; and	72-73
	c. Corporate Social and Environmental Responsibility that can be associated with the supports to the sustainable development goals, covering the types and achievements of community empowerment programs and activities.	72-82
	d. Environmental Performance for Financial Service Institutions, Issuers, and Public Companies, which, at the very least, covers:	
	1) Cost for environmental activities	Has not reported yet
	2) Description on the use of environmentally-friendly materials, such as the use of recyclable materials; and	Has not reported yet
	3) Description on the use of energy, which, at the very least, covers:	
	a. Total and intensity of energy used; and	108
	b. Efforts and achievements of energy efficiency conducted by the Company, among others, the use of renewable energy resources;	104, 108
	e. Environmental Performance for Financial Service Institutions, Issuers, and Public Companies whose business process is related directly with the Environment, which, at the very least, covers:	
	1) Performance as described in letter d;	104, 108
	2) Information on operational activities or areas that generate positive and negative impacts on the surrounding Environment, especially the efforts to improve ecosystem supports;	89-91
	3) Biodiversity	
	a. Impact from operational areas that are nearby or within the vicinity of conservation area or area that has thriving biodiversity; and	Has not reported yet
	b. Biodiversity conservation efforts conducted by the Company, including protection for flora and fauna species;	89-91
	4) Emission	
	a. Amount and intensity of emission generated based on the types; and	97
	b. Efforts and achievements to reduce emission;	96-99
	5) Waste and effluents	
	a. Amount of waste and effluents generated based on the types;	Has not reported yet
	b. Waste and effluents management mechanism; and	110-111
	c. Spillage (if any); and	111
	6) Amount and content of environmental complaints that were received and solved.	111
	f. Responsibility of products and/or services development for Sustainable Finance	
	1) Innovations and development of products and/or services	148-149
	2) Number and percentage of products and services that have been evaluated in terms of safety for the customers	Has not reported yet
	3) Positive and negative impacts generated from Products and/or Services and the distribution process, as well as mitigation efforts conducted to prevent negative impacts	158-159
	4) Number of withdrawn products and the reasons	Has not reported yet
	5) Customer satisfaction survey	162
7	Written verification from an independent party, if any.	169

ABBREVIATIONS

PPE	Personal Protective Equipment
AMDAL	Environmental Impact Assessment
Bbls	Barrel
BBM	Fuel
BBN	Biofuel
BBTU	Billion British Thermal Unit
BOEPD	Barrel Oil Equivalent per Day
BOPD	Barrel Oil per Day
BSCF	Billion Standard Cubic Feet
SOEs	State-Owned Enterprises
CDM	Clean Development Mechanism
CER	Certified Emission Reduction
CNG	Compressed Natural Gas
CSMS	Contractor Safety Management System
CSR	Corporate Social Responsibility
NRE	New and Renewable Energy
ERM	ERM Enterprise Risk Management
MoEMR	Minister/Ministry of Energy and Mineral Resources
GCG	Good Corporate Governance
GJ	Giga Joule
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GRR	Grass Root Refinery
OHS	Occupational Health and Safety
HSSE	Health, Safety, Security and Environmental
JOC	Joint Operating Contract
KPI	Key Performance Indicator
ISRS	International Safety Rating System
TCF	Trillion Cubic Feet
LGV	Liquefied Gas Vehicle
SOWR	State Official's Wealth Report
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MARPOL	Marine Pollution
MMBOE	Million Metric Barrel of Oil Equivalent

MMBO	Million Metric Barrels of Oil
MBOPD	Million Barrel of Oil per Day
MMSCFD	Million Standard Cubic Feet per Day
MRU	Mobile Refueling Unit
MT	Metric Ton/Metric Tons
MW	Mega Watt
NoA	Number of Accident
ODS	Ozone Depleting Substances
OGSS	Oil and Gas Sector Supplement
OPITO	Offshore Petroleum Industry Training Organization
PCU	Pertamina Corporate University
PDSI	PT Pertamina Drilling Service Indonesia
PEP	PT Pertamina EP
PEPC	PT Pertamina EP Cepu
PGE	PT Pertamina Geothermal Energy
PHE	PT Pertamina Hulu Energi
CLA	Collective Labour Agreement
PLBC	Proyek Langit Biru Cilacap
GPP	Geothermal Power Plant
PROPER	Program Penilaian Peringkat Kinerja Perusahaan
PSO	Public Service Obligation
RDMP	Refinery Development Master Plan
RFCC	Residual Fluid Catalytic Cracking
LCP	Long-term Corporate Plan
CBP	Corporate Budget and Plan
RU	Refinery Unit
GMS	General Meeting of Shareholders
SMEPP	Small Medium Enterprise Partnership Program
FGFS	Fuel Gas Filling Station
PFFS	Public Fuel Filling Station
FT	Fuel Terminal
TPPI	Trans Pacific Petrochemical Indotama
TRIR	Total Recordable Incident Rate
SDG	Sustainable Development Goals
WBS	Whistle Blowing System

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FEEDBACK FORM

Thank you for reading this Sustainability Report of PT Pertamina (Persero) 2017. In order for us to continue to improve our Sustainability performance and provide the best for the stakeholders, please take the time to complete the survey below. Thus, we look forward to your feedback.

1. This report has described information on material aspects for the Company

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

2. This report has described both positive and negative information of the Company

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

3. This report has met your information demands

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

4. This report is easy to understand

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

5. This report is interesting

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree



ASSESSMENT OF PT PERTAMINA (PERSERO) SUSTAINABILITY MANAGEMENT ACTIVITIES

1. Which material aspect is most important to you?
(Please give score 1=highly important to 5= highly unimportant)

- Energy for the Nation
- Corporate Governance
- Harmony with the Society
- Cleaner Energy
- HSSE Culture
- Reliable Talents
- Products and Services

2. Please give your advice/suggestions/comments concerning this report

.....

.....

.....

.....

YOUR PROFILE

Full Name :

Occupation :

Name of Institution/Company :

Type of Institution/Company :

- | | |
|-------------------------------------|------------------------------------|
| <input type="checkbox"/> Government | <input type="checkbox"/> Community |
| <input type="checkbox"/> Industry | <input type="checkbox"/> Education |
| <input type="checkbox"/> Media | <input type="checkbox"/> Other |
| <input type="checkbox"/> NGO | |

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