

Sustainability Performance Report 2010

This document is a PDF version of the online BG Group Sustainability Performance Report, including all information provided within the 2010 performance section of the sustainability website, www.bg-group.com/sustainability as at 30/03/11.



Contents

This document is a PDF version of the online BG Group Sustainability Performance Report. It includes all information provided within the 2010 performance section of the sustainability website. Information on BG Group's policies and management systems in this area can be found in the management approach section of the sustainability website, or downloaded as Appendix 1: Management Approach

More online

www.bg-group.com/sustainability



Chief Executive's Statement	02	
	03	About this Report
People	04	
	04	Summary and context
	04	About our people
	05	The 2010 Employee Survey
	06	Human Resource planning
	06	Learning and development
Ethical Conduct	07	
	07	Summary and context
	07	Ethical Conduct Compliance Unit
	08	The UK Bribery Act
	08	The Extractive Industries Transparency Initiative (EITI)
	08	Speak Up
Safety, Health and Security	09	
	09	Summary and context
	09	Safety performance
	10	Major hazard awareness
	12	Contractor safety
	13	Occupational health
Society	14	
	14	Summary and context
	14	Implementing the BG Group Social Performance Standard
	15	Impact management
	15	Benefits creation
	16	Strategic social investment
	17	Establishing and maintaining effective relationships
	18	Human rights
Environment	19	
	19	Summary and context
	19	Environmental management systems
	20	Water
	22	Spills
	23	Non-greenhouse gas air emissions
	23	Waste
	24	Biodiversity
Climate Change	25	
	25	Summary and context
	26	Progress against our GHG reduction target
	27	Scope 1 emissions
	28	Scope 2 emissions
	28	Responding to the legislative and regulatory environment
Reporting Practices and Assurance	29	
	29	Our approach to reporting
	31	Independent Assurance Report to the Directors of BG Group plc
	33	Learning from our independent assurance
Targets and Data	35	
	35	Targets
	37	Data

Chief Executive's Statement



Frank Chapman Chief Executive

"We believe that all accidents are preventable and our goal is zero injuries across all of our operations. Safety is our highest priority."

2010 was a pivotal year in the delivery of BG Group's strategy, with significant progress in crystallising the largest growth opportunities in our history. Underpinning our performance and our plans for growth is our commitment to work in accordance with our Business Principles.

BG Group's Business Principles set out the Group's core standards of ethical conduct. They also define our responsibilities to our people, to communities and to the environment. We believe that no company can achieve lasting success without ethical integrity, responsible environmental stewardship and the development of positive and enduring relationships with the people, communities and organisations affected by our activities. We therefore believe that compliance with our Business Principles is a prerequisite for sustainable long-term performance and value protection for our shareholders.

Operating safely – in an industry which routinely handles hazardous substances and which therefore presents potentially significant intrinsic risks – is of critical importance. At BG Group, we have instigated a number of initiatives over the years – and under my personal leadership – focused on both occupational safety and asset integrity. Our initiatives and approach are guided by a fundamental philosophy: we do not accept the notion that attention to safety requires financial performance to be compromised. In fact, in our view, the two forces are complementary since, invariably, sound safety management is also a reliable indicator of a business that is well-managed more generally.

We believe that all accidents are preventable and our goal is zero injuries across all of our operations. Safety is our highest priority.

There is also a shared commitment to absorb and apply the lessons from every accident, both our own and those of others.

In that context, we have set up a dedicated team to examine in detail the blow-out on the BP Macondo well in the Gulf of Mexico in April 2010. That team is looking at all aspects of well design, safety procedures and the management of, and interface between, contractors. We are also working with our peers to enhance the industry's oil spill contingency measures and will enhance our own technical standards, where necessary, to apply the key findings from the Macondo accident to our own operations and internal controls.

BG Group has made good progress in recent years in enhancing safety performance. Total recordable case frequency (TRCF) – a key industry measure of the number of injuries recorded per million hours worked – has fallen by more than half since 2005.

However, it remains an unacceptable fact that people are still being injured. I greatly regret having to report the deaths of two contractors during the period under review. One died on a construction site in Egypt, and another fell from scaffolding while working on a jacket under construction in Abu Dhabi for our operations on the Panna field, offshore India. Both fatalities have been investigated fully, with key findings disseminated across the Group.

Contractor safety performance is a particular focus in 2011, with a global programme already underway to ensure enhanced contractor and employee compliance with BG Group safety practices and standards.

Many of BG Group's operations are located in areas with complex social, developmental and economic challenges. We therefore work to ensure that neighbouring communities benefit from our presence on an enduring basis, seeking to contribute to the socio-economic development agenda of our host communities and governments. We also support human rights within our areas of influence.

The protection of the environment is also central to our Business Principles. We seek to go beyond compliance with local environmental regulation to meet internationally accepted best practice.

In particular, climate change linked to greenhouse gas (GHG) emissions is an issue of critical global concern. Although non-hydrocarbon energy sources are growing in scale and significance, they currently meet only a small proportion of overall global energy demand. Fossil fuels are expected to continue to meet most of the world's energy needs in the near and medium-term future.

As carbon dioxide emissions from natural gas combustion are on average 22% lower than emissions from oil use and 40% lower than coal, BG Group believes that natural gas – the predominant resource within our portfolio – has a vital role in helping to meet growing global energy needs while also contributing to strategies to limit GHG emissions. Meanwhile, I am pleased to report that we have further reduced GHG emissions and remain on track to meet our 2012 GHG reduction target.

Frank Chapman
Chief Executive

About this Report

This year's Sustainability Report adopts a new format, designed to focus concretely and concisely on in-year performance and to reflect its publication online rather than on paper. This focus on performance responds in part to feedback from our stakeholders: they have told us they want us to provide more information on the impact of our day-to-day working practices, with the emphasis on the issues to which they attach priority.

The established management approach which underpins the application of our Business Principles is set out in the Appendix to the Report and the main body of the Report has links to allow the reader easily to find the relevant background. The Appendix describes in detail our arrangements for governance, including the Policies and Standards that provide the basis for implementing the Group's approach to Sustainability. Particular attention is paid to ethical conduct, to the leadership and management of our employees, to our commitment to work with the societies where we operate, to stewardship of the environment and, as the Chief Executive's statement emphasises, to the central importance of safety in all its aspects.

These issues bring new challenges from year to year: in 2010, as a result of the Group's significant investments in unconventional gas resources in Australia and the USA, our contribution to the management of water resources moved into sharp focus. That issue is covered in detail in the Environment section of the Report. Equally, as the section on Society makes clear, the combination of changing expectations in communities and our increasing involvement in onshore unconventional gas resources has meant that we are now engaging intensively with local communities on the impact of those new activities.

As our work on sustainability develops to take account of the way the Group is changing its portfolio, so we need to be alive to the impact of external events, such as the blow-out on the BP Macondo well in the Gulf of Mexico. Its implications are covered in full in the Chief Executive's statement and the body of this Report. The UK Bribery Act has led us to review our approach to issues of ethical conduct – the Report covers the review.

Like all companies in our sector, we continue to face intense competition for skilled labour: the section on People makes clear both our commitment to understanding our people's views of us, and the work we have done to develop our existing workforce and meet future challenges.

The Report also covers climate change in detail. It is an area of vital interest to our stakeholders. We detail the reductions we have made to our own greenhouse gas emissions, as well as setting out the environmental advantages of natural gas.

This Report has been prepared in accordance with the Global Reporting Initiative, and meets the requirements of their A+ reporting level. Our 2010 and 2009 performance has been independently assured by PricewaterhouseCoopers. The results of their work are presented in the Reporting Practices and Assurance section of the Report, where we also describe our progress in addressing points identified for improvement.

We are committed to remaining alert and responsive to the changing and increasingly demanding world in which the Group operates. But the underlying vision of our approach to Sustainability has not changed. We work within the framework set by our Business Principles and described above, to find alignment with our stakeholders, whether individuals, communities, governments or non-governmental organisations, in a way that looks to the long-term. This is the best way to manage the risks faced by the Group and thus to protect and advance the interests of our shareholders.

We welcome feedback on all aspects of our sustainability performance. Please contact us at sustainability@BG-Group.com

People

Summary and context

BG Group's ability to create sustainable shareholder value depends on its ability to recruit, motivate and retain employees with a diverse range of skills. We need to identify the right people and give them the right job at the right time.

We believe that our competitive advantage is derived as much from our people – who they are, and how they do their work – as from our asset base and attractive and growing business opportunities.

To ensure successful recruitment, motivation and retention in a challenging, international market for skills and experience, we aim for:

- a competitive approach to remuneration;
- learning and development programmes that provide routes to enhance employees' careers;
- a commitment to diversity;
- a focus on recruitment from within our host countries and communities, where possible;
- a positive reputation as a responsible employer that people are proud to work for; and
- workplaces that motivate and engage employees at all levels, and which are free from bullying, discrimination and harassment of any kind.

For more information on our approach to managing our people, see the 'Our People' section within the Management Approach appendix to this Report.

Our performance in 2010

- Launched the BG Group Behaviours – nine core ways of working that can be applied to everything we do – and worked to integrate these into core processes such as recruitment, induction and annual development reviews
- Began the process of documenting and communicating position descriptions for employees, to ensure that all BG Group people have a clear understanding of their roles and accountabilities
- Appointed a Group Contractor Policy and Engagement Manager to facilitate the improvement of contractor management and engagement
- Developed an updated Human Resources (HR) Policy
- Reviewed and improved our learning and development offering for employees, including a re-definition of our core curriculum for training
- Further developed our resource planning model and systems
- Further developed our approach to succession planning

About our people

The following statistics provide an indication of the diversity of our workforce:

- as at 31 December 2010, 6 238 people were employees of BG Group, of whom 4 285 worked outside the UK;
- employees were drawn from more than 75 nationalities across more than 25 countries;
- as at 31 December 2010, 646 employees were working outside their home country, compared with 623 at the end of 2009;
- a total of 73 graduates were recruited from approximately 44 universities in 14 countries in 2010;
- 11% employee turnover rate for 2010, compared with 7% for 2009. The increase in turnover mainly relates to the restructuring of the Group's portfolio, including the disposal of power generation businesses;
- 50% of country management teams are employed on local terms and conditions, compared with 45% in 2009;
- 24% of country management teams consist of nationals from non-Organisation for Economic Co-operation and Development (OECD) countries, compared with 26% in 2009;
- 28% of the Group's total employee base are women – and of its senior management team (approximately 320 people), 10% are women; and
- the Group's senior management team consists of 9% nationals from non-OECD countries; the same as in 2009.

People

The 2010 Employee Survey

More people than ever before took part in this year's BG Group Employee Survey. Eighty five percent of employees and more than 1 200 contractors gave their views on the company's performance on a wide range of areas related to their working environment such as Reward, Performance Management, Safety and Communications.

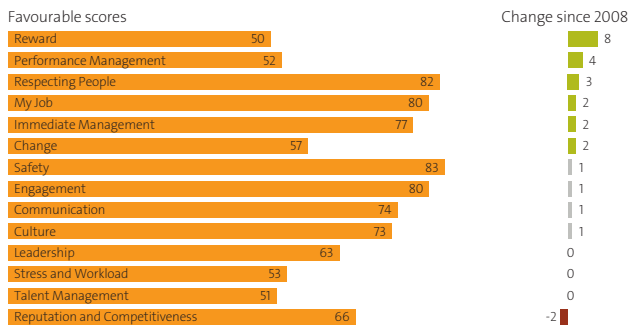
The participation rate was higher than in the last survey. Some sections of the business achieved a 100% response. Results indicate that progress has been made in tackling some key areas of concern in the previous survey, although areas for improvement remain.

Employees' level of engagement with BG Group's values is very strong. Ninety six percent of participants say that they fully support the Group's Business Principles. The marked improvement in views on Reward and Performance Management reflect the concerted focus on these areas since the last survey in 2008. The findings also suggest that employees have good relationships with their immediate managers. Benchmarked against other companies in the oil and gas sector, BG Group stands up well, with favourable rankings in a majority of areas.

The findings indicate that Stress and Workload is a concern in certain specific areas of the business. This is being followed up. Views on Reputation and Competitiveness were slightly less positive than in the last survey.

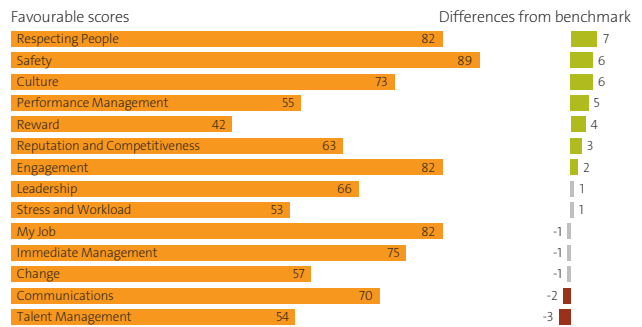
2010 Employee survey results

BG Group scores compared with same categories in 2008



Senior management has communicated the results to its teams through various channels including 'town hall' meetings and departmental meetings. The least favourable results will form the basis for further work across the Group in the coming months. Talent Management, for example, will continue to be a target area for BG Group's leadership. The survey results also make clear that the Group's people are keen to encourage greater visibility of Group leadership in the workplace.

BG Group scores compared with the Towers Watson benchmark of global oil and gas companies



People

Human Resource planning

As explained in the Management Approach appendix to this report, identifying BG Group's future people resourcing needs is essential for the continued growth and expansion of the business in existing countries and into new countries, markets and technologies.

In 2010, we improved our people resource planning systems, developing a strategy that seeks to meet future business needs. It is designed to promote individual career development, building on potential talent across the organisation. We worked with our businesses to draw up long-term resourcing plans.

We also took action to improve our succession planning in 2010, providing development centres and re-designing our leadership training programme to identify and support future leaders in particular through solid development plans.

Learning and development

The 2010 Employee Survey re-emphasised the need to focus on managing our talent to the benefit of individual employees and the business alike.

We took a number of steps in 2010 to enhance the ways in which we provide and manage learning and development opportunities for our people:

- reviewed and re-defined our 'core curriculum' set of training courses, ensuring that their content stays aligned with business needs;
- improved our internal reporting of annual development reviews, enabling us to have access to robust information and a better understanding of current capabilities across the organisation; and
- continued to encourage our people to take advantage of the online BG Group Learning Management System, which offers a platform for a wide range of learning opportunities and records courses attended. The system, which provides access to classroom courses, e-learning content and additional resources including videos and books, is available globally to employees and contractors working in our offices and at our facilities.

Ethical Conduct

Summary and context

BG Group's many and diverse stakeholders expect the Group to meet the highest standards of corporate conduct and governance.

BG Group is committed to operating in an ethical and responsible manner, underpinned by our Business Principles and supported by our Ethical Conduct Policy. That commitment is reinforced across our businesses and supported by our employees worldwide. BG Group has developed measures to instill a sense of accountability and to uphold ethical standards across our businesses and at all levels of the organisation.

For more information, see the 'Principles, Policies and Governance' section within the Management Approach appendix to this report.

Our performance in 2010

- Ethical Conduct Compliance Unit (ECCU) established, supporting the business in managing ethical risk, enhancing BG Group's anti-corruption compliance programme and managing the Speak Up process
- Engaged directly with the UK government on the implications for our businesses of the UK Bribery Act 2010
- Ethical Conduct and Speak Up Policies given increased prominence, as two of the eight Group Policies in the revised and streamlined internal control framework
- Provided ethical conduct training to more than 1 800 individuals in BG Group's businesses around the world
- Developed, in a joint project with BG Group security specialists, a Fraud and Bribery e-learning module for employees and contractors
- Continued our programme of internal audits assessing ethical conduct risk and compliance with our Ethical Conduct Policy

Ethical Conduct Compliance Unit

In order to support the business in managing ethical risk, improve our anti-corruption compliance programme and better manage our Speak Up process, in 2010 we established our Ethical Conduct Compliance Unit (ECCU). Made up of specialists with expertise in fields such as risk management, auditing, compliance and law, the unit provides guidance to, among others, the newly-established network of Local Compliance Officers (LCOs) in post in every BG Group business around the world.

During 2010 we created a tool to help assess ethical conduct risk, including corruption risk. It is recognised that greater exposure to risk resides in our businesses where BG Group is neither sole operator nor has a controlling interest in a joint venture. In those businesses BG Group seeks to persuade its partners to adopt and adhere to the Business Principles and our Ethical Conduct Policy or equivalents.

Communication and training

We provide training on the Business Principles to all employees and individual contractors. This training forms part of a new joiner's induction and is later refreshed as part of each individual's development programme. Courses, which are both face-to-face and online, reinforce what it means to work in accordance with the Business Principles. Their aim is to help people identify ethical dilemmas that arise in everyday working life and provide guidance on how to resolve those dilemmas. At the end of 2010, this training had been completed by a significant majority of employees.

We revised the Speak Up and Ethical Conduct Policies in 2010, as part of an update which resulted in the number of BG Group policies being reduced to eight. This change, effective from 1 January 2011, gives additional prominence to these Policies, and contributes to setting the right tone from the top. We also worked to revise the associated Ethical Conduct Standards, to reflect the UK Bribery Act 2010. The new Standards will set out the commitments and duties of BG Group and its workforce in relation to ethical conduct and the consequences of failure to comply.

Internal audit findings

The Group's programme of risk-based audits in this area is designed to promote local awareness and assess implementation of the Business Principles. In 2010, this work, conducted by the BG Group internal audit department, focused on the Ethical Conduct Policy and associated Standards.

The work identified a number of local actions to enhance understanding of the Ethical Conduct Policy and Standards and promotion of the Business Principles, particularly within joint ventures and those businesses not controlled by BG Group. Subject to that, processes to promote awareness and implement Business Principles within BG Group-operated assets were found to be satisfactory.

Supply chain screening

In 2010, BG Group launched a system to screen contractor companies to reduce the risk of a breach of our Business Principles in our supply chain. The tool screens (where there is a risk) and requires mitigations for perceived risks to the Business Principles to be developed and implemented throughout the tendering process. Training on the system started in 2010.

Ethical Conduct

The UK Bribery Act

BG Group has zero tolerance for corruption. We prohibit bribes and facilitation payments of any kind and believe it is important for companies to play a part in identifying and eradicating corrupt business practices.

We therefore support the objectives of the UK Bribery Act, passed in 2010. The Act introduces new provisions relating to bribery, extending the crime of bribery to cover private and public sectors, and creating the strict corporate liability offence of failing to prevent bribery. The possible offences set out in the Act are broadly-defined and have extra-territorial reach, meaning they have relevance for BG Group businesses around the world.

BG Group actively engaged in the consultation process on the legislation. We also provided input to the draft guidance that accompanies the Act. This included offering our view on what might constitute the 'adequate procedures' that a commercial organisation should have in place to prevent bribery. These procedures are important not only because they represent a company's defence against the offences in the Act, but because they reflect good business practice more generally.

While we believe that our existing framework already embodies the core principles included in the draft guidance, we are maintaining a close watch on the required measures and on the adequacy of our existing approach.

Training and guidance

In 2010, we developed training on corruption, the UK Bribery Act, the Business Principles, and our Speak Up and Ethical Conduct Policies and associated Standards. This training was conducted at BG Group countries around the world. More than 1 800 employees and contractors were trained during 2010. The training continues.

We have also developed e-learning awareness training on fraud and bribery. This training is mandatory for all employees and contractors. It encourages employees to be alert to risks and possible instances of fraud and bribery, and to report any concerns. The course includes a test that participants must pass.

The Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is the international standard for revenue transparency within the extractive industry. BG Group has supported EITI since its inception. In 2010, BG Group had interests in five EITI candidate countries: Kazakhstan, Madagascar, Tanzania, Nigeria and Norway.

In 2010, BG Group continued its support of EITI both at a corporate level and in candidate countries where we operate. At a corporate level, BG Group made a financial contribution to the EITI Secretariat in Oslo.

Speak Up

Speak Up, BG Group's whistleblowing policy, enables employees and any third parties to report their concerns if they have reason to suspect that the Group or anyone working within it has not acted in accordance with our Business Principles.

In 2010, we revised the Speak Up Policy, taking effect from January 2011. The revision enables the existing duty on employees to report breaches of Business Principles to be rolled out to contract staff.

During 2010, there were 151 reported cases via the Speak Up Policy, compared with 125 reported cases in the previous year. Of the 151 reported cases, 16 related to multiple reports of the same allegation, or enquiries relating to improper use of BG Group's name. BG Group believes the increase in reported cases is largely the result of increased training on the Ethical Conduct and Speak Up Policies.

Reported cases break down as follows:

- 42% related to general workplace concerns (including allegations of harassment in the workplace, discrimination, unfair hiring practices and unfair treatment);
- 36% related to reported malpractice (including allegations of breaches of the Group's Ethical Conduct Policy and Standards, including corruption);
- 14% related to fraud (including allegations of theft or misuse of funds); and
- 8% related to HSSE and other concerns.

Each reported case is investigated fully, and all investigations are monitored by the ECCU. As a result of the investigations carried out in 2010, there were 24 reported cases where actions have been taken against individuals, employees and contractors, ranging from training requirements and disciplinary action (from formal warnings up to and including dismissals) to contract termination, or other appropriate action. In addition, 35 cases resulted in other actions such as changes to procedures.

Safety, Health and Security

Summary and context

Energy companies face a wide and well-documented range of safety, health and security risks, ranging from industrial accidents and violent crime to occupational illnesses and global pandemics.

Safety is BG Group's highest priority. Effective safety performance across our operations depends on the right safety behaviours. This requires:

- setting the right expectations – that everyone must behave in a safe manner and follow all applicable safety rules;
- empowering people to intervene – to stop a task if they believe it to be unsafe and intervene if a colleague's behaviour could lead to harm;
- accountability – requiring people to take responsibility for their own safety and the safety of others and to be accountable for their behaviour; and
- leadership – managers and supervisors are expected to lead by example and demonstrate their personal commitment to safety.

These safety behaviours are expected from everyone working at BG Group at all levels of the organisation and cut across hierarchies and across boundaries between different companies operating at the work site. They are supported by a commitment from all levels of the organisation to maximise awareness about the risks and potential impact of unsafe behaviour.

BG Group has also developed a number of techniques and procedures to enhance safety performance across its businesses, ranging from design and engineering technologies and practices to governance and assurance processes.

For more information on our approach to managing safety, health and security challenges, see the Management systems section within the Management Approach appendix to this report.

Our performance in 2010

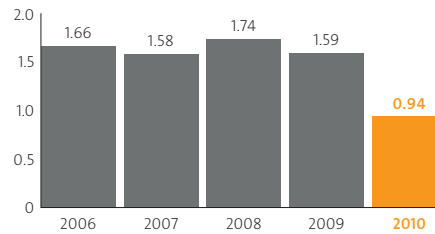
- Two fatalities, both of whom were contractors
- 41% improvement in Total Recordable Case Frequency (TRCF), to 0.94 per million work hours in 2010, from 1.59 in 2009. This also represents a 22% improvement on our 2010 target of 1.20
- Took action to respond to the BP Macondo incident; including full and comprehensive attention at Board level
- Began implementation of our global contractor safety management programme
- Focused on major incident hazard awareness, providing training to the Group leadership teams including Asset Integrity Managers, and developing a regular training programme
- Rolled out our high-visibility pictograms to BG Group and contractor sites, to increase responsiveness to personal safety issues at the point of risk at work sites

Safety performance

Fatalities

We suffered two contractor fatalities in 2010, in separate incidents in Egypt and Abu Dhabi. We deeply regret this loss of life, and carried out detailed investigations to understand the factors that led to each incident. Lessons learnt have been disseminated across the Group. Our Chief Executive has re-emphasised the need for all members of the workforce to work safely and manage risk through increased compliance, being alert and mindful through observation, and by making a difference by intervening to promote safe practices. These duties apply to everyone who works at or with BG Group – whether employee or contractor.

Total recordable case frequency (per million work hours)



For the year ended 31 December 2010

The accepted industry-standard safety metric for personal safety, TRCF, measures the number of injuries per million hours worked. It is the headline indicator for the Group's personal safety programmes.

In 2010, BG Group's TRCF was 0.94. This was a 41% improvement on performance in 2009, and a 22% improvement on the 1.20 target. All geographical regions showed improved performance. Nevertheless, we remain committed to ongoing vigilance, rigorous operational discipline, a focus on getting the basics right, and improved contractor management to improve performance further. We recognise that personal safety accident statistics, such as TRCF, do not measure the integrity of our major processes and facilities: for that we use a variety of asset integrity and process safety performance indicators.

Other safety performance indicators

TRCF is a 'lagging' safety performance indicator, in that it is used to analyse past performance and trends.

We also capture information on 'leading' indicators. These indicators, which highlight the activities we are undertaking to promote safety, test the strength of our controls and seek to influence future behaviour and performance. They are particularly important as they can signal potential future deterioration in safety performance, and give the opportunity to prevent this from happening.

Safety, Health and Security

In 2010:

- approximately 131 000 'behaviour based safety observations' – formal observations aimed at raising safety awareness – were carried out;
- more than 2 200 management site tours were undertaken, 109% more than targeted. These involve senior management reviewing HSSE issues at the worksite and aim to improve senior management awareness of HSSE issues. We have observed a correlation between increased management site tours and improved safety performance;
- more than 800 asset self-audits were completed, in which an asset carries out an assessment of its own safety performance. This was 29% more than target; and
- approximately 700 contract owners received training in contractor management, which includes a requirement to consider safety performance. This represented some 88% of identified contract owners.

We also carry out root cause analysis: reviews aimed at identifying the underlying cause of unsafe behaviours. A total of 484 root cause analyses were carried out in 2010.

Life Savers

Our Life Savers provide simple, mandatory rules that govern a set of high-risk activities such as working at height, lifting, driving, and working in confined spaces. We carried out campaigns focusing on the Safe Systems of Work and Driving Life Savers in 2010, and introduced two new Life Savers, on Armed and Violent Crime, and Electrical Safety.

During 2010, we launched a new pictogram-based approach to communicating the BG Group Life Savers to employees and contractors. This industry innovation recognises the need for simple and intuitive safety messaging which is effective in all cultures and working environments.

Major hazard awareness

We operate complex industrial processes involving hazardous substances.

The blowout on the BP Macondo well in the Gulf of Mexico in April 2010, in which explosion and fire killed 11 people and caused widespread pollution, provided a stark reminder of the hazards inherent in many aspects of oil and gas industry operations. We as a company and as an industry have to learn everything we possibly can from the investigations into the incident.

Major incident hazard training

Major incidents are defined as those that are catastrophic in scale and impact and can affect large numbers of people or cause loss of life to employees, contractors, emergency workers or those who live near our sites. They can also cause significant environmental damage or disruption to local people and businesses and severe and long-lasting consequences for communities.

Following a major incident training session attended by members of the Group Executive in 2009, we have run similar sessions for other senior managers in 2010. This is in line with the enquiry into the 2005 Texas City Refinery fire and explosion, which highlighted that senior managers should have a proper and full understanding of the potential impact of major incidents, and the appropriate response.

The training took place at Spadeadam in the north of England, a specially-designed site where full-scale gas explosions can be demonstrated. It involved creating, under controlled conditions, explosions, fires and full accident scenarios.

Regional executive teams and country teams will now go through the same thorough training process.

Making the case for safety

Safety cases are a key tool for understanding and managing the risks of major incident hazards.

Safety cases in line with the BG Group Safety Case Standard have been completed by BG Group operated assets. In 2010, the emphasis has been on taking this initiative to the next level. An internal audit, which examined safety cases across six BG Group locations, was carried out in 2010. The audit results will feed into renewed effort to ensure that safety cases are kept up-to-date and taken into account when making decisions regarding operational process safety.

Safety, Health and Security

Post-Macondo actions

BG Group continues to analyse the implications of the blowout on the BP Macondo well. The Group has established a dedicated, cross-functional Group Well Risk Management Team (GWRMT) which is led at Senior Vice President level and overseen directly by the Group Executive Committee, with regular updates to the BG Group Board.

The GWRMT is focused on:

- operational risk management, with a particular focus on contractor execution of safety-critical well engineering activities;
- incorporation into BG Group technical Standards of key learnings from the BP Macondo blowout;
- participation in industry working groups to develop new and more effective well capping and oil spill containment infrastructure and techniques; and
- engagement with policymakers and regulators regarding industry legislation and regulation.

We believe the steps we have taken represent a robust and pro-active response to the incident and form part of the need for all in our industry to look afresh at the systems and capabilities we have put in place. The incident has reminded us all of the need for vigilance and an unwavering commitment to technical excellence.

Blowout Risk Assessment

A new element has been introduced in the BG Group project risk review process on the recommendation of the GWRMT: the Blowout Risk Assessment (BORA) for wells. BORA's objective is to ensure that well blowout risks are more explicitly considered at an operational level and communicated through the regional management structure to the corporate centre in a timely fashion. The purpose is to ensure that controls directed at ensuring well integrity and mitigation measures are in place at the earliest stage in the project cycle.

Crisis management

As BG Group grows in size and complexity, we are continuously developing our capability to manage crisis. We also seek to take account of external developments to ensure we are as well prepared as possible to respond to an emergency.

Since 2009, there has been a deliberate focus on two areas: establishing and implementing a minimum standard across the Group (with planning, training and testing requirements); and structuring Group crisis management arrangements to fit the current organisation.

This programme to enhance crisis management does not cover installation or site-level emergency response plans, which are considered subordinate to the wider crisis management effort. However, in 2010, we have reviewed oil spill response capability in the light of the Macondo incident.

While some Incident Management Teams have been mobilised during 2010, there have been no incidents that have caused mobilisation of the Group Crisis Management Team.

Sharing good practice

Sharing good practices that emerge within our business is a vital part of a dynamic and positive safety culture. We support our businesses in sharing good practices and encourage innovation through initiatives such as the Chairman's Awards. These recognise outstanding initiatives in various aspects of the sustainability agenda, including safety. In 2010, 122 submissions were received.

Asset Integrity: profiling cumulative risk

Asset Integrity has been the focus of sustained activity across BG Group since the launch of the STEP UP in Asset Integrity campaign in 2007. Bringing clarity and understanding of overall risk management to a wider audience is never easy. Using a barrier model, the UK Upstream team has produced a visual representation of the Cumulative Risk Profile. This brings together technical information from discrete systems and displays it in diagrammatic form to enable a comprehensive understanding of risk.

The result is a heightened awareness and increased control of mitigation measures across the workforce, plus better informed decision-making. The UK Upstream approach won an internal BG Group Chairman's Award for this work in 2010 and has been recognised as 'Best in Class' by the UK Health & Safety Executive, the independent regulator that acts to reduce work-related death and serious injury in the UK.

Safety, Health and Security

Contractor safety

Managing contractor risk

The BP Macondo incident in the Gulf of Mexico in 2010 gave rise to unprecedented scrutiny of many aspects of our industry's operations including how operators manage and communicate with contractors.

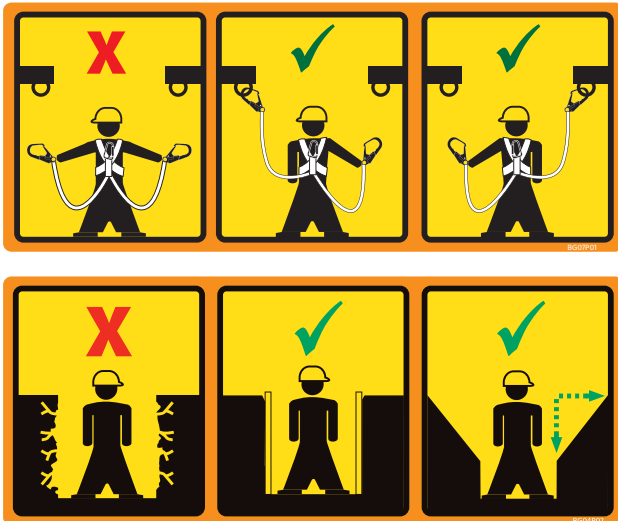
Managing personal safety with contractors

The Group's Contractor Management programme and efforts to improve communications at the point of risk are a key part of our response to incidents among our contractor and sub-contractor communities.

While the number of recordable injuries to contractor personnel has fallen in 2010 compared with 2009 – from 151 to 90 – the statistics also reveal that contractors are still significantly more likely to be injured than employees. BG Group retains contractors to carry out a large number of operational activities in our businesses. These activities typically involve much greater risks than office-based work. Our priority remains to manage these risks effectively and improve contractor and sub-contractor understanding of the hazards.

Pictograms

One method we have used to raise awareness of and manage hazards to our employee and contractor workforce is the use of BG Group 'Life Savers' pictograms, which communicate hazards at the point of risk. These materials have been distributed to approximately 20 countries, supported by material demonstrating how to use the pictograms in all work activity. The pictograms have been well-received.



Pictograms in action: the views of a contractor

"At mobilisation of the North Gamasa offshore 3D survey acquired by the CGG Amadeus and her supporting vessels the operation participated in the rollout of the BG Life Saver pictograms. These items were used extensively over the vessels in areas where they were of relevance to the marine survey operation. Areas where these proved of particular use were the crane operations and working at height. Not only were the pictograms placed in key areas but items like the banksman's hi-viz vest with the pictograms also proved useful. The response from all crews to this BG Group initiative was positive. The integration of the pictograms onto the banksman's hi-viz vest received particular interest from crews along with the nature of the pictograms passing a key message in a simple, cross boundary method."

Russell Endersby
HSE Manager
CGG Veritas

Training

A specific training programme for BG Group employees who manage contracts has been developed and deployed across our major businesses. This has been a joint initiative undertaken by the HSSE and Contracts and Procurement functions.

The training programme provides contractor owners with an overview of current contractor safety performance (as measured by BG Group lagging safety metrics) before teaching them, through a combination of tutor-led instruction and case studies, the requirements of the BG Group HSSE Contractor Management Standard. The Standard incorporates industry good practice as defined in the International Association of Oil and Gas Producers (OGP) HSE management guidelines for working together in a contract environment. The training is designed to raise awareness of the standard and the contractor owner's responsibilities.

In 2010, 88% of identified contractor owners received training in the programme. During the year, the HSSE requirements for contractors included in the general terms and conditions of contracts have been revised and updated. New guidance on contractor HSSE risk management for members of contract tender boards has also been developed. In 2011, Group HSSE will undertake a thematic audit of contractor management across a representative sample of the Group's businesses.

Safety, Health and Security

Occupational health

Reported occupational health cases continued to increase in 2010 with 65 cases of occupational related illness reported in 2010 compared with 24 cases in 2009.

A single incident of food-borne illness in 2010 affected 25 people. We believe the further increase in the number of occupational illness cases being reported reflects the efforts we have made to encourage reporting.

In 2010, we addressed the findings of two reviews undertaken in 2009 to improve occupational health performance:

- following an independent expert review, we clarified roles in the provision of occupational health care across BG Group. This involved establishing a more strategic role for the Chief Medical Advisor, creating managerial roles to deliver projects and spread best practice, and engaging a specialist occupational hygienist; and
- we also took action on a review by an external toxicologist which identified areas where the Group's awareness, registration and management of chemical hazards needed to be improved. We surveyed our businesses on their chemical use and risks and provided guidance to them on their management of these issues.

Society

Summary and context

Achieving BG Group's long-term business objectives depends to a significant extent on the support of host communities, governments and other stakeholders. Key challenges include:

- seeking to ensure access to land is secured using approaches that are sensitive to local concerns and values in order to avoid alienating communities;
- providing opportunities for local suppliers when there is often a significant gap between the highly technical requirements of the industry and the level of skills available locally; and
- generating socio-economic benefits that address long-term local needs without creating a culture of dependency or conflict between the 'haves' and 'have-nots'.

BG Group aims to contribute to the socio-economic development goals of host communities and governments. As detailed in the Management Approach appendix to this Report, the BG Group Social Performance (SP) Standard sets out a clear framework for effective SP management across our businesses and a framework for working in accordance with our Business Principles.

Our Performance in 2010

- Commissioned an independent review of our social performance framework to evaluate our progress and to inform our future strategic direction
- Completed the first phase of implementation of the Social Performance Standard across our operated businesses
- Carried out new baseline assessments and/or social impact assessments in Australia, Bolivia, Egypt and the USA
- Established micro-finance project in Egypt
- Engaged with the Weenhayek indigenous community to develop what we believe to be the first written account of their culture
- Continued our vocational training programmes in Tunisia and India
- Carried out the physical resettlement of 12 households as a result of the Hasdrubal project in Tunisia – monitoring and evaluation is ongoing

Implementing the BG Group Social Performance Standard

In 2008, we set ourselves the target of implementing the Social Performance Standard across all the Group's operated businesses by the end of 2010. This first phase of implementation comprised:

- launching the Social Performance Standard and developing three- to five-year social performance plans in each BG Group operated business;
- providing training; and
- recruiting specialised social performance practitioners at corporate level and in key businesses.

At the end of 2010, we had achieved our target and began to plan for a second phase of implementation from 2011-2013. To help plan the next stage, we commissioned an independent review of the implementation of the Standard. The review found that development and roll-out of the social performance framework to high-risk businesses had been successfully achieved. It also found that:

- the framework is consistent with current international good practice and provides a robust basis on which BG Group can engage with stakeholders;
- businesses where social performance has posed a substantive risk to project schedules have shown significant improvements;
- including social investment within the framework has significantly progressed the transition from philanthropy to investment programmes linked to business objectives; and
- local social investment strategies have developed significantly and some excellent programmes have been established, founded on understanding community needs.

The review also made wide-ranging recommendations. These included:

- strengthening training and capacity building programmes in social performance beyond those directly responsible for social performance, including senior management;
- providing further guidance to social performance practitioners on applying the Standard to non-operated joint ventures and contractors; on emergency preparedness response for communities; and on integrating social investment with strategies to develop the use of local suppliers; and
- strengthening the criteria for setting social investment budgets at corporate and business level to support the goals of strategic social investment.

Acting on these recommendations will form part of the second phase of implementation.

Society

Impact management

In 2010, we undertook social impact assessments (SIAs) at our joint venture with EXCO in Louisiana, USA, and in relation to projects in Bolivia, Egypt, and Australia. We also completed a socio-economic baseline assessment in Bolivia. In total, eight BG Group businesses have now completed socio-economic baseline studies or SIAs since the launch of the SP Standard in 2008.

Louisiana, USA: developing unconventional gas resources

The BG Group-EXCO joint venture holds exploration licences for land in northern Louisiana and eastern Texas. The Haynesville shale gas formation, in which the joint venture has gas-gathering and transportation assets, covers a significant part of this area.

The SIA carried out by an independent organisation for the joint venture in Louisiana is, as far as we are aware, the first for a shale gas operation in the USA. The assessment, which engaged stakeholders from the Holly Fields in DeSoto Parish, was undertaken against a background of growing national concern about the environmental and health issues potentially caused by the shale gas drilling technique of hydraulic fracturing or 'fracing'.

The SIA revealed that fracing is of comparatively limited concern to local residents in Louisiana given the area's long history and familiarity with the operations of extractive industries. There was widespread agreement among consulted communities that truck traffic and road deterioration were more significant impacts. Community members perceived the single greatest positive social impact of drilling and production in De Soto Parish to be direct and indirect employment and an expanded job market. The study was completed in July 2010 and the joint venture is currently addressing its recommendations.

Tunisia: managing local community resettlement

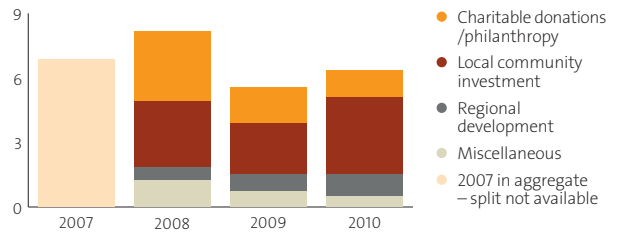
In March 2010, 12 households adjacent to BG Tunisia's Hasdrubal gas plant were successfully resettled in their new homes. Planning for the resettlement, which involved approximately 55 people from four families, began in 2006, alongside construction planning for the Hasdrubal project. Resettlement was delayed by difficulties in securing suitable land for house construction. This necessitated a temporary resettlement to rented accommodation in 2008, to enable the Hasdrubal project to proceed to schedule. Construction of the new houses was completed at the end of February 2010.

BG Tunisia has now begun monitoring and evaluating the resettlement, in accordance with international standards. Formal monitoring and evaluation will last for five years – until 2015 – at which point we aim to have fully restored the standards of living and livelihoods of the resettled households.

Benefits creation

Social investment

Voluntary social investment by category (US\$m)



The graph shows our social investment expenditure in each of the four categories we use for reporting purposes. The categories are:

- charitable donations and philanthropy;
- local community investment: projects that are targeted at fence-line communities or those within a project's direct area of impact;
- regional development: large-scale projects involving significant cost, carried out with the involvement of multiple stakeholders including regional government bodies, involving more than one source of funding, and implemented over multiple years; and
- miscellaneous: projects such as educational support through scholarships and bursaries.

The Group continues to focus on channeling spend to local community investment and regional development, which grew by 53% and 24% respectively. As we continue our transition to these strategic programmes, that meet both community and business objectives, we are reducing charitable donations and other miscellaneous activities. In total, voluntary social investment expenditure in 2010 rose by 14%, compared with 2009.

Society

Strategic social investment

In 2010, we launched new strategic social investment initiatives in several countries. We are also generating positive results from programmes that are maturing.

Egypt: micro-finance programme

Our social investment activities at the Idku Gas Hub, near Alexandria, target life skills, small grants and income generation. They are delivered in collaboration with the Alexandria Business Association (ABA). The BG Egypt socio-economic baseline assessment identified a population of small-scale local fishermen and shellfish collectors in Idku as the group most affected by the Gas Hub but receiving the least direct benefit from its presence. Our programme therefore focuses on increasing livelihood earning potential for this group.

In 2010, BG Egypt established a collaboration agreement with ABA to establish a pilot project with two components: Adult Literacy training and the Towards Self Employment Programme (TSEP).

TSEP aims to reduce poverty by providing small grants to help people with very low incomes start a micro-business. It targets the poorest and most vulnerable sectors of the population, particularly women and unemployed young people. The ABA provides business training support to TSEP recipients, to increase the likelihood of newly established micro-businesses succeeding and growing. In 2010, a total of 534 recipients received grants and associated business support training, enabling the establishment of a number of micro-businesses.

Approximately 400 people have been enrolled on the ABA Adult Literacy training programme. BG Egypt has now expanded its collaboration with ABA to expand both of these programmes to reach more of the Idku population.

Following the political and social events in early 2011, we will be reviewing all of our social investment programmes in Egypt.

Bolivia: supporting an indigenous community

A baseline assessment of the Weenhayek indigenous community carried out in 2009-10 has been instrumental in improving our relations with this stakeholder group which neighbours our operations. The assessment is believed to be the first written account of the Weenhayek and was developed with their full participation. The Weenhayek and BG Bolivia are now working together to adapt the baseline into a documented story of Weenhayek life and culture.

The assessment is informing the development of a five-year (2011-2015) sustainable development plan for the Weenhayek. The plan's implementation will be overseen by a steering committee comprising the Weenhayek governing body, an influential indigenous organisation, the national oil company (YPFB) and BG Bolivia.

BG Bolivia is playing an active role in facilitating the development of the five year plan. For instance, in 2010, BG Bolivia funded and co-ordinated the work of an expert, selected by the steering committee, to work collaboratively with the Weenhayek community. This involved building on the conclusions of the baseline study to identify key development needs and to design a strategic programme to address them. The resulting plan, to be finalised and approved by the Weenhayek governing body in 2011, will identify priority themes for development and the roles and responsibilities of different participants in its delivery.

BG Bolivia's support in implementing this plan in 2011 includes identifying and influencing possible partners who can help make it happen. The objective of the plan is to significantly improve the Weenhayek's welfare, including housing, health, education, water and sanitation, and livelihood development, including increasing productivity of fishing, handicrafts and agriculture.

In parallel, BG Bolivia is developing its own strategic social investment programme which complements this evolving strategy.

Tunisia: micro-finance and vocational training

BG Tunisia continued implementation of the Sustainable Livelihoods Programme in 2010, focusing on the provision of micro-finance loans and vocational training for neighbouring communities. The programme was initiated in 2009 with the objective of providing alternative livelihood opportunities for local people. It was developed in response to the high demand for the limited number of job opportunities that were available through BG Tunisia, following the completion of the construction phase of our Hasdrubal facility.

Working in partnership with the Tunisian Solidarity Bank (BTS) and local micro-finance institutions, the programme has provided more than 50 micro-finance loans to people living near the gas plants. These have helped create business plans covering a variety of livelihoods including livestock fattening, fishing, small shops and greenhouses for agriculture. A separate partnership with the national vocational training association and regional training centre in Sfax has provided training positions for more than 70 men and women. They are now receiving on-the-job training in fields such as welding, metal work, mechanics and sewing.

The challenge for BG Tunisia and partners is to ensure that indicators which show positive levels of enrolment and loan distribution translate into actual impacts on people's livelihoods over the medium to long term. Monitoring and evaluation mechanisms are in place.

Following the political and social events in early 2011, we will be reviewing all of our social investment programmes in Tunisia.

India: vocational training

There are a number of indigenous communities close to our operations in Gujarat that are socially and economically marginalised. In 2010, BG India continued to develop its vocational training programme for these communities. The programme, implemented by Gujarat Gas Company Ltd., aims to provide selected students from these communities with skills in gas plumbing in order to increase their prospects for future employment. In 2010, 32 students entered the programme – in addition to the 29 who completed the course in 2009 and were linked to employment opportunities during 2010.

Society



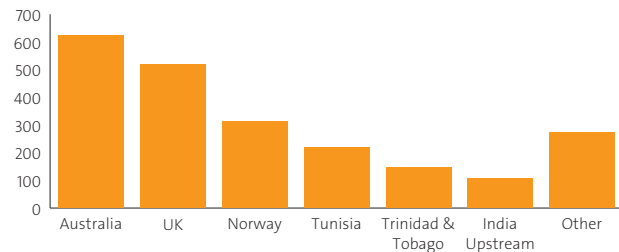
Local content

Local content refers to the contribution we make, through expenditure on bought-in goods and/or services, to the priorities for sustainable economic development in the countries and communities in which we operate.

In Kazakhstan, Karachaganak Petroleum Operating (KPO) has held workshops to outline pre-qualification and tendering processes to local vendors and has organised training seminars for contractors on measures within the national regulatory framework that seek to develop local content. They have also participated in an exhibition on local content that brought buyers and suppliers together to discuss the development and promotion of Kazakhstani goods.

To monitor our performance, we gather information on our local content expenditure. We estimate that we have spent approximately \$2.2 billion on local suppliers in 2010. The graph shows a breakdown of this expenditure.

2010 spend with local suppliers in BG Group-operated businesses (US\$m)



Establishing and maintaining effective relationships

Establishing and maintaining constructive relationships with a range of individuals, communities and institutions helps us to understand and manage our impacts. Stakeholder dialogue underpins all aspects of social performance, from the start-up of a project through to regular operations and ultimately to closure. In 2010, we strengthened our approach to dialogue with stakeholders directly and indirectly affected by our operations in several of our businesses. We also formalised our relationship with the WorldFish Centre.

Australia: Queensland Curtis LNG project

The Queensland Curtis LNG (QCLNG) project received its environmental approvals from the State government in June 2010 and the Commonwealth government in October 2010, and we took the final investment decision for the project shortly thereafter.

The QCLNG project has the potential to affect a large number of indigenous and non-indigenous communities not just in relation to the LNG plant and terminal itself but also in relation to the gas fields, pipeline and downstream areas connected with the project. QGC, BG Group's business in Australia, is committed to building long-term relationships with the communities affected directly and indirectly by the project - one of the largest underway in Australia.

Since the beginning of the project, QGC has used a variety of methods to engage with the diverse stakeholder groups. The goal has been to inform, consult, involve, collaborate with and empower all those affected by the project, whether directly or indirectly. Engagement has included briefings and information sessions throughout the regulatory environmental impact assessment process, during which more than 4 000 stakeholders were consulted. In addition, QGC has established six community committees, representative of the entire project area and covering each of the three main components of the project: the coal seam gas operations in the Surat basin, the 540 kilometre pipeline network and the LNG export terminal on Curtis Island. The committees meet quarterly to provide a forum for concerns and opportunities to be discussed. They also contribute to the development of indicators for future monitoring and reporting on QGC's social and environmental performance.

QGC encourages discussion about its activities and has a stakeholder feedback procedure to facilitate timely, consistent and appropriate responses to enquiries. External stakeholders can provide feedback using a toll-free telephone number (staffed 24 hours a day, seven days a week), email, feedback forms which are attached to QGC newsletters, or via formal or informal means with QGC employees and contractors. Feedback is logged and monitored. If a grievance arises, QGC acknowledges its receipt within 24 hours and investigates as appropriate.

To date, the engagement process has helped us better understand our communities and key stakeholders. Both BG Group and the community have faced challenges – the Group went through a learning process to understand what type of information the community wanted, and the community groups developed to be able to process, manage and respond to the information they received.

Society

Trinidad and Tobago: local hiring

Building on its socio-economic baseline assessment, BG Trinidad and Tobago has begun to implement its social performance plan. A social investment programme has been prepared targeting issues raised in the baseline assessment and during community consultations. For example, we are working with the Toco Foundation, a non-governmental organisation that seeks to nurture community development by providing educational and personal development services, sector-focused economic development and environmental preservation programming.

In 2010, BG Trinidad and Tobago began formal community consultations to identify potential candidates for short-term employment opportunities associated with a small project planned for 2011. The consultations and direct engagement marked a new approach in Trinidad and Tobago to encourage applications from and the hiring of local people.

In 2010, BG Trinidad and Tobago held community meetings informing residents of the forthcoming project, the local hire plan, and notifying participants of available positions and the recruitment process. An employment fair was held which provided BG Trinidad and Tobago with a database of potential candidates in each of the four required skill areas. The database currently holds information for 98 applicants. The business was able to identify and select 18 individuals from the community for the first phase of work, enabling the project to achieve its 60% target for community hire.

Global partnerships to strengthen relationships

In 2010, BG Group established a global collaborative partnership with the World Fish Centre (WorldFish), to stand alongside our existing global collaborative partnership with the University of Queensland Centre for Social Responsibility in Mining (CSRSM). These collaborative partnerships provide BG Group with expert analysis and independent perspectives on areas of mutual interest.

University of Queensland CSRSM is an internationally-renowned centre in socially responsible resource development. It has worked with BG Group in Australia on social investment and issues affecting Indigenous Peoples.

WorldFish is an international non-profit research organisation that seeks to reduce poverty and hunger by harnessing the benefits of fisheries and aquaculture. By collaborating with WorldFish, we are seeking to develop a relationship that helps to find positive solutions to issues affecting fisheries in the areas around BG Group operations, informed by sound examination of the issues.

Fishing communities are an important group to BG Group as they can be affected by our offshore and onshore gas processing facilities. The research that WorldFish undertakes is expected to create opportunities for BG Group to contribute to improved livelihoods for the affected fishing communities. To date, WorldFish has conducted research for BG Trinidad and Tobago and BG Egypt.

Human rights

BG Group respects human rights as set out in the Universal Declaration on Human Rights and has committed to abide by the Voluntary Principles on Security and Human Rights (VPSHR), to which we are a signatory.

In 2010, BG Group updated its Human Rights Policy as part of a Group-wide review of Policies. Human rights issues are relevant to all aspects of BG Group's business, from employment rights and supply chain practices to the management of relationships with Indigenous Peoples. To implement the new Policy, we are taking an integrated approach, bringing together a number of the Group's professional functions, including:

- Human Resources, with oversight of core labour standards;
- security and social performance experts, bringing greater consistency to the Group's management of security and human rights risks;
- contracts and procurement specialists, with responsibility for managing human rights risks throughout the supply chain; and
- lawyers advising on national and international legal and regulatory requirements as well as issues relating to ethical conduct.

The Policy review coincided with the publication of draft Guiding Principles by the UN Special Representative of the Secretary General on Business and Human Rights, Professor John Ruggie. In 2010, BG Group continued to engage with the office of the Special Representative. Our approach to implementing the Human Rights Policy is designed to align with the draft Guiding Principles.

In 2010, no new VPSHR risk assessments were undertaken. However, we continued to take action to address VPSHR risks previously identified. In particular, our social performance initiatives in Tunisia and Egypt sought to address the root causes behind potential incidents. In both these locations, security services for BG Group operations are provided in part by public security providers. Elsewhere, no material risks or incidents arose.

Environment

Summary and context

In common with other forms of industrial activity, hydrocarbon exploration, production, transportation, distribution and power generation have effects on the environment that can be mitigated but not wholly prevented.

The potential environmental consequences of our activities include:

- the impact of wells, pipelines and other infrastructure on onshore or marine ecological habitats, with a resulting effect on biodiversity;
- the accidental release of hydrocarbons or chemicals onto land or into water;
- the visual impact of and noise from infrastructure;
- the emission of contaminants which affect air quality and can be linked to climate change; and
- the use of scarce water resources or the effects on water quality from discharges.

The Group's strategic move into unconventional gas businesses in Australia and the USA has increased its exposure to water-related issues, as a result of the volumes of water required and extracted. The link between water and unconventional gas extraction is detailed further in the Water section of this report.

Our performance in 2010

- QCLNG project Environmental Impact Statement (EIS) approved by Australian State and Commonwealth Governments
- Group-wide review of water-related risks conducted to inform BG Group's strategy on water management
- Process water increased by 22% to 9.4 million tonnes, primarily caused by an increased number of wells at QGC
- Total oil spills of 88 tonnes in 2010
- Total waste disposed decreased by 15% to 39 000 tonnes
- Biodiversity programmes undertaken in Brazil and Australia

Environmental management systems

BG Group is committed to ensuring that the environmental management systems (EMS) at all our major operated businesses are certified to the international environmental management system standard ISO 14001. At the end of 2010, nine out of 13 of our major operated interests had been certified.

The Rashpetco joint venture in Egypt has maintained a certified EMS in accordance with ISO 14001 since 2002. In 2010, a decision was made to change the certifying company. As a result, the ISO 14001 certification lapsed. The new auditor has performed a preliminary audit and the business is working to address the findings. The certification audit is scheduled to take place in the course of 2011.

The three other uncertified businesses are additions to the portfolio (one in 2009 and two in 2010) that did not have ISO 14001 certification at the time of acquisition. We are in the process of developing their EMS to the required standard.

Environment

Water

The management of water resources is an area of emerging global importance that will increase in prominence as societal water demand increases, water resources are depleted and climate change influences resource recharge rates. BG Group is taking action to ensure that it understands how water is used and uses it prudently in its activities.

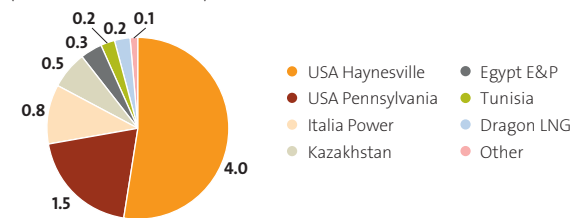
Water management strategy

BG Group's recent strategic move into unconventional gas businesses – the development of coal seam gas in Australia, and shale gas in the USA – has increased its exposure to water-related issues. Large amounts of saline water are produced from coal seam gas wells, and shale gas wells require large volumes of water as part of the 'fracing' process, in which subsurface rock is fractured in order to ease the flow of gas and liquids within the reservoir.

In response to this change in exposure, BG Group initiated a broader review of water-related issues across its worldwide business. In 2010, a major international water consultancy was engaged to assist in this process. The review covered 19 of BG Group's businesses, representative of all sectors in which BG Group has an interest. It gathered data on water demand and water production and identified water-related risks to water supply, in freshwater and wastewater management on site, and in wastewater treatment and disposal. The results of the review are being compiled and will be used to inform BG Group's strategic water management plan. BG Group has developed a strategic goal of achieving excellence in water management, which was approved in early 2011 within three themes:

- people (capability and accountability);
- improve (proactive risk management, Management System elements, technology and performance indicators); and
- engage (proactive communication and partnership with others).

Amounts of freshwater withdrawn
(million cubic metres)



The chart showing amounts of freshwater withdrawn is an output from the 2010 water review. The chart covers BG Group operated assets, jointly operated joint ventures, subsidiary liquefied natural gas (LNG) companies and non-operated joint ventures that have identified significant water-related risks. Non-operational projects and other non-operated joint ventures are excluded.

Freshwater withdrawal may have significant implications where water resources are constrained or where withdrawal requirements are considerable. BG Group's global reported freshwater withdrawal in 2010 was 1.9 million cubic metres.

This metric – reported for the first time in 2009 – provides a single, aggregated overview of water demand across all of our operations. Once we have completed the development of our strategic water management plan, we aim to put processes in place to enable us to report on freshwater withdrawal by source and on any operations where water use significantly affects a water source.

Sources of freshwater can include:

- surface water from wetlands, streams, ponds, rivers or lakes;
- groundwater from water supply wells and alluvial sands;
- rainwater, collected directly and stored; and
- municipal water supplies – which also includes other water utilities, and may be trucked or piped.

Efficient use of water

To reduce freshwater consumption, our joint venture partnership with EXCO Resources Inc. (EXCO) in the USA has been implementing measures to re-use and recycle waste water. In Louisiana, EXCO has signed an agreement with a local paper mill to re-use in the Haynesville shale waste water discharged from paper pulp production. With this agreement, EXCO may purchase up to 100 million barrels of waste water annually. In 2010, 25 million barrels of water was used at the Haynesville shale, of which 20-25% came from the paper mill, thereby directly reducing freshwater withdrawal by the same amount. EXCO has developed a pipeline network to transport water from the offtake point at the paper mill to the well sites, removing the need to transport the water by road. This has significantly reduced the impact on the local community. Increasing the proportion of water coming from the paper mill will require further increasing the water transport infrastructure.

BG Group extended its alliance with EXCO in May 2010 to include a joint venture in Pennsylvania. This joint venture is looking to develop shale gas reserves in the Marcellus shale, one of the largest gas fields in the world. This operation is at an earlier stage of development than that in Louisiana. Nevertheless, the joint venture is proactively addressing water management issues and, by the end of 2010 was recycling virtually all of the water produced from the Marcellus wells for use in further fracturing operations.

In BG Group's other interest in unconventional gas, coal seam gas, QGC established a multi-functional water management team to provide focus to the challenge of handling the large volumes of water to be produced from the Queensland Curtis LNG (QCLNG) development in a responsible manner. The production process requires the withdrawal of large amounts of water from the coal seam to release the natural gas. The water produced by this process is saline and must be treated before it can be put to beneficial use or disposed of by evaporation or other means. Further details on beneficial use of water are contained in the process water section, below.

Environment

Hydraulic fracturing

The use of advanced drilling techniques (such as horizontal drilling), along with well stimulation methods are enabling us to produce gas from dense and deep rock formations which have very low levels of permeability.

As is common and well-established in the oil and gas industry, we use the well stimulation technique of fracing to help open up subsurface reservoirs. The fracing process typically involves pumping water and 'proppants' (suspended particles in the fracturing fluid, commonly sand) and a small amount of chemicals such as surfactants (commonly found in dishwashing soap) at high pressure into subsurface formations. The process creates fissures in the rocks, which are then propped open by the proppants, allowing trapped hydrocarbon resources to flow more freely from the rock pores to production wells.

A short video illustrating the fracing process is available on the BG Group website.

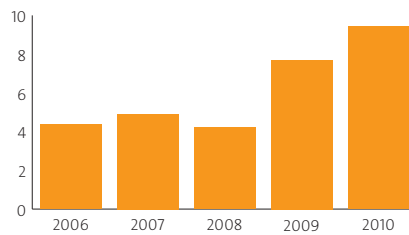
In the course of 2010, we have carried out fracing in our North American operations, several of which feature formations with low levels of permeability.

Concerns have been raised about the potential environmental and public health impacts associated with fracing, especially in relation to levels of water use and also to potential groundwater contamination. BG Group's US shale gas joint venture actively seeks ways to minimise the associated freshwater consumption, wherever feasible, by re-using waste water produced by other industrial users, such as pulp and paper mills. The fracing process typically takes place several thousands of feet below the level of freshwater aquifers and well bores are lined with steel casing and cement to maintain integrity and protect aquifer quality.

The Group-wide strategic water management plan we are developing is being informed by consideration of coal seam gas water extraction and shale gas water injection.

Process water

(millions tonnes)



Total process water produced by BG Group's operations increased to 9.4 million tonnes in 2010 from 7.7 million tonnes in 2009. This water was disposed of via a number of routes, including direct discharge to sea, reinjection into subsurface geological formations and evaporation. Some 546 000 tonnes (6%) of the total process water was removed and discharged, evaporated, or reinjected by third parties.

The primary reason for the increase relates to water evaporation in the QGC operation and is a direct result of the development of new CSG wells. Newly drilled wells produce significantly more water than older, partly dewatered wells. As gas production increases in the development of the QCLNG project, produced water volumes from QGC are expected to rise. QGC is developing solutions that will put this water to beneficial use, to reduce reliance on evaporation as a disposal method. This has involved engagement with stakeholders including government and local communities. A variety of options are being considered, including recharge of the Condamine River, compensating for agricultural abstractions and supply to power stations and mines.

In 2010, the total quantity of oil on drill cuttings discharged offshore decreased by 697 tonnes to 174 tonnes, compared with 871 tonnes in 2009. BG E&P India Ltd. and BG Trinidad and Tobago drilled fewer wells in 2010, and therefore reported lower discharges of synthetic oil based cuttings.

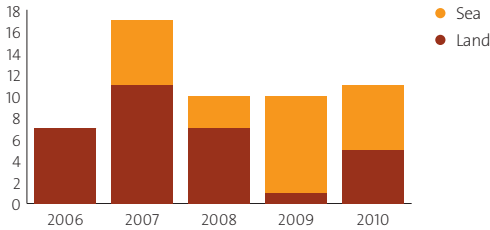
In 2010, the amount of oil in processed water discharged from BG Group operations increased by approximately 5 tonnes compared with 2009, from 96.6 tonnes to 101.5 tonnes.

Environment

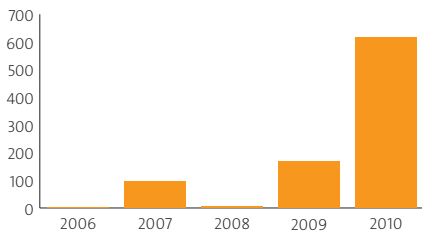
Spills

Hydrocarbon spills

Number of hydrocarbon spills
(Of one barrel or more)



Total volume of hydrocarbon spills to sea
(Barrels)



BG Group has a number of mechanisms to manage the risk of uncontrolled releases of hydrocarbons and chemicals.

There were 54 hydrocarbon spill incidents reported during the year, resulting in the loss of 88 tonnes of oil. Of those, 17 incidents resulted in spills to sea, totalling 82 tonnes (616 barrels) of oil.

The largest single incident occurred at the Panna oil field, approximately 90 kilometres off the coast of Mumbai, India. Seventy seven tonnes of oil were spilled to sea from a sub-sea hose during crude oil transfer operations. The oil loading operation was halted as soon as the oil spill was detected and the Emergency Management Plan was implemented. This included the application of dispersants, modelling the spill trajectory, helicopter tracking of the dispersed oil, coast and beach surveys and notifications to relevant government agencies and the Panna field partners.

It is believed, in the absence of any evidence of oil reaching the shore, that the early deployment of dispersant combined with favourable wind and wave conditions acted to break up the oil spill quickly and prevent it from reaching the coast. A detailed engineering study to determine the suitability of the current infrastructure was commissioned in response to this incident. Actions to be taken include replacing equipment, revising procedures, and reviewing inspection and testing regimes.

We carried out a review of our oil spill response capability in 2010. Our oil spill response plans were reviewed by Oil Spill Response Limited, an international expert in this area. The recommendations and actions arising from this review are being implemented. We are also taking account of lessons arising from investigations into the Macondo incident in the Gulf of Mexico to ensure our response plans are as robust as possible. Actions include developing a crisis management training exercise to respond to an offshore oil spill incident, planned to take place in March 2011.

Water spills

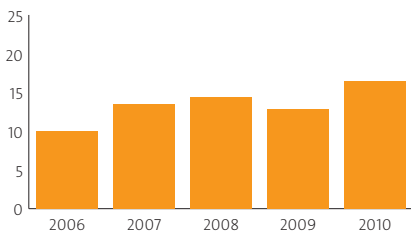
The water produced from coal seam gas (CSG) typically has a salt concentration of 2 000 - 6 000 parts per million (ppm). By way of comparison, sea water has an average salt concentration of around 35 000 ppm. In 2010, 37 of the 40 reported water spill incidents involved uncontrolled releases of both produced saline water and water that had been desalinated from our QGC business in Australia.

Total water spilled amounted to approximately 774 tonnes. The biggest single incident involved a spill of approximately 500 tonnes of associated water when a contractor's excavator struck a QGC water line. With the contractor, we conducted an investigation which identified a number of causes. Recommendations for actions taken in response to the incident included making changes to excavation and trenching procedures and reviewing roles, responsibilities and leadership expectations.

Environment

Non-greenhouse gas air emissions

Nitrogen Oxides atmospheric emissions ('000 tonnes)



During 2010, nitrogen oxides (NO_x) emissions totalled 16 422 tonnes, an increase of 27% compared with 2009. Total nitrogen oxides emissions per unit of throughput increased by 24% between 2009 and 2010. This change was primarily the result of the inclusion of nitrogen oxides emissions from the QGC business and additions to the LNG fleet.

We have recalculated the BG Group NO_x emissions as a result of historical over-reporting from our business in Tunisia. The recalculated historical data provides the basis for figures presented in this report.

Sulphur Dioxide atmospheric emissions ('000 tonnes)

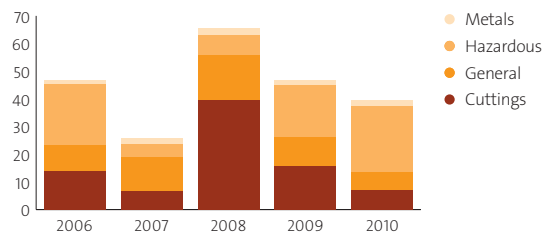


During 2010, sulphur dioxide (SO₂) emissions totalled 21 000 tonnes, a decrease of 9% compared with 2009. Total emissions per unit of throughput fell by 11% between 2009 and 2010. This decrease was primarily the result of reduced sulphur incineration at the Hannibal facility in Tunisia and a decrease in the use of oil as a fuel source in LNG vessels.

We have recalculated the BG Group SO₂ emissions as a result of historical under-reporting from our business in Tunisia. The recalculated historical data provides the basis for figures presented in this report.

Waste

Waste disposal ('000 tonnes)



BG Group reported a decrease of 15% in total waste disposal from 47 000 tonnes in 2009 to 39 000 tonnes in 2010.

The primary reason for the reduction in cuttings waste was the divestment of our assets in Canada. General waste decreased, primarily as a result of reduced general waste volumes at our Karachaganak Petroleum Operating (KPO) joint venture in Kazakhstan.

At KPO, best available techniques have been used to reduce waste. To minimise the environmental impact of its drilling wastes, KPO's 'Eco Centre' has deployed equipment to recycle, treat, and safely dispose of drilling fluids and wastes. The centre includes facilities to recycle drilling mud, a liquid treatment plant to clean drilling liquids for reuse and a thermo-mechanical cuttings cleaning facility to recover oil.

Environment

Biodiversity

During 2010, the UN International Year of Biodiversity, some of our businesses took steps to raise awareness about the protection of biodiversity. Our business in Brazil worked with external stakeholders to develop a Joint Industry Programme (JIP) on biodiversity. Our business in Australia built biodiversity measures into activities from the early stages of project design.

Brazil

In Brazil, the JIP brings together oil and gas companies active in the Santos basin and other stakeholders to deal with biodiversity challenges in a co-ordinated way. The initiative seeks to:

- carry out research and studies about biodiversity;
- co-ordinate a calendar of biodiversity initiatives;
- invest in research in a cost-effective manner; and
- share data and knowledge among the participants.

In addition to participating in the JIP, BG Brasil is sponsoring, with Chevron, a cetacean monitoring programme, scheduled to run for two years. The research is determining areas of whale and dolphin concentration, using satellite and radio telemetry to investigate movements, habitat use and behaviour, and collecting biological data. BG Brasil has also carried out a biodiversity awareness raising initiative for its employees, providing information on a range of threatened species.

Australia

In 2010, the QCLNG project in Australia made its final submissions in the Environmental Impact Statement (EIS) process to the Australian State and Commonwealth governments. The QCLNG project received its environmental approval from the State government in June 2010 and the Commonwealth government in October 2010. Detailed habitat and species management plans, covering terrestrial and marine areas, have been developed in order to mitigate the ecological impacts and agreed with the Australian State and Commonwealth governments as part of the Environmental and Social Impact Assessment (ESIA) process. Residual impacts on biodiversity are to be offset in accordance with plans to be agreed with the State and Commonwealth governments.

Climate Change

Summary and context

Climate change is a major global concern. The United Nations' Intergovernmental Panel on Climate Change (IPCC) has concluded that "warming of the climate system is unequivocal" and that "most of the observed increase in global average temperatures since the mid-20th century is very likely due to the observed increase in anthropogenic [man-made] greenhouse gas (GHG) concentrations." We recognise that GHG emissions from the combustion of hydrocarbon fuels – coal, oil and natural gas – directly contribute to climate change.

Natural gas offers a number of advantages that have led a wide range of experts, including the IPCC, to consider it an important component in global strategies to mitigate climate change as well as maintain security of energy supply.

These advantages include:

- a lower carbon content: on a per unit of energy produced basis, combustion of natural gas produces 40% lower carbon dioxide (CO₂) emissions than coal use and 22% lower than oil. In transport, using natural gas instead of petrol or diesel can reduce CO₂ emissions by 15-25% for an equivalent amount of energy. Strategies to use gas as a substitute for higher-carbon fossil fuels therefore can have a direct and immediately positive impact on global GHG reduction targets;
- proven and cost-effective technology, and the ability to use existing infrastructure: the infrastructure required to deliver natural gas to markets is largely in place and the technology required to develop it efficiently and safely is proven and cost-effective. Gas-fired power stations are typically able to replace coal-fired power stations with short lead times compared with the construction of alternative power generation options, and at substantially lower cost;

- base-load flexibility to complement renewable power generation: electricity generated from renewables is likely to grow in significance in future decades. However, while electricity users require the provision of a constant 'base-load' supply – with significant increases in demand during peak periods – onshore and offshore wind patterns are intermittent, as is cloud cover with a similar effect on solar power. Gas-fired plants can provide constant and reliable power generation with the ability to scale up rapidly to meet supply shortfalls when wind speeds are too low or too high for wind turbines to operate effectively; and
- global liquefied natural gas (LNG) flexibility: LNG is becoming a global commodity, available from a growing number of countries. It is brought to markets by sophisticated LNG shipping fleets, and can mitigate the risk of supply interruption for operational, commercial or political reasons that is associated with regional pipeline networks. Japan and South Korea – two of the world's largest economies – have relied on LNG for their natural gas needs for decades.

Natural gas offers geographically diverse and plentiful supplies at relatively low prices. Additionally, in recent years, 'unconventional' gas resources – such as coal seam gas and shale gas – have grown in importance, particularly in Australia and the USA. BG Group is developing significant unconventional gas businesses in both of these countries.

BG Group is a leader in natural gas. The Group's substantial LNG business and its Transmission and Distribution (T&D) interests are focused on the commercialisation and sale of gas to markets in both the developed and developing world. In our Exploration and Production business, natural gas accounted for more than 70% of total Group production in 2010.

Our performance in 2010

- GHG emissions from our operated businesses decreased by approximately 600 000 tonnes CO₂e as a result of divestments
- Carried out GHG reduction projects achieving approximately 275 000 tonnes of sustainable annualised CO₂e reductions in 2010 against our 2012 target
- As at the end of 2010, 769 000 tonnes of sustainable reductions had been achieved, and we remain on track to achieve our 2012 target

Climate Change

Progress against our GHG reduction target

Each year, we set an annual target as a milestone towards our 2012 one million tonne target. The way we set our target and monitor performance is described in the Management Approach appendix to this Report.

Our target in 2010 was 275 000 tonnes GHG reduction. Projects delivering annualised GHG reductions of approximately 275 500 tonnes were completed, with 244 441 tonnes of these reductions verified to date.

GHG reductions in 2010 included:

- 196 000 tonnes from the introduction of new, more energy-efficient tri-fuel ships within our LNG shipping portfolio; and
- 34 000 tonnes from five separate projects completed at our Kazakhstan joint-operated joint venture, including a compressor upgrade project and water washing of the power station gas turbine compressors.

As at the end of 2010, 769 000 tonnes of sustainable reductions had been achieved, and we remain on track to achieve our 2012 target.

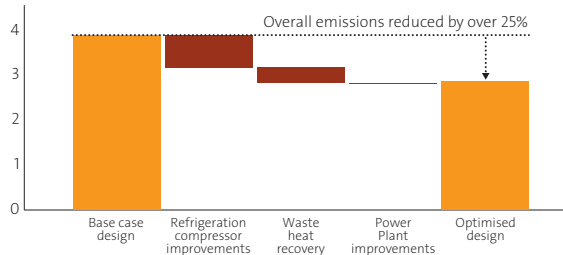
Our target comes to an end in 2012. In 2011, we will consider how we will achieve further GHG emission reductions after 2012.

Queensland Curtis LNG (QCLNG) plant – future reduction opportunities

In 2010, BG Group took the final investment decision to construct a two-train, 8.5 million tonnes per year (mtpa) LNG plant on Curtis Island, Queensland, Australia. Liquefaction plants are energy, and hence GHG emission, intensive parts of the LNG chain. Environmental, reputational and cost benefits arise from reducing the emissions intensity of these facilities.

The QCLNG team used a best available techniques analysis to reduce the GHG emissions from the project to a practicable minimum. Through focused engineering effort, the team achieved the goal of designing an LNG plant with an anticipated world-class GHG emissions intensity. For the two-train project, the saving is approximately 700 000 tonnes per year, calculated to be at least 25% less than the project’s base case. If current plans for a cost of carbon are followed through by the Australian Commonwealth Government, the emissions reductions will also lead to substantial annual cost savings. The plant is expected to begin operations in 2014.

Overall Plant Emissions
(million tonnes CO₂e per annum)



The QCLNG engineering team took the template design from our Egypt LNG operations and enhanced it to increase efficiency and reduce GHG emissions.

This was achieved through the inclusion of:

- thermally efficient turbines for both refrigeration and power, reducing fuel gas loads;
- waste heat recovery on the refrigeration turbines to eliminate the requirement for furnaces during normal operation; and
- inlet air chilling.

This plant design will be available for use in future LNG projects, both within and outside BG Group.

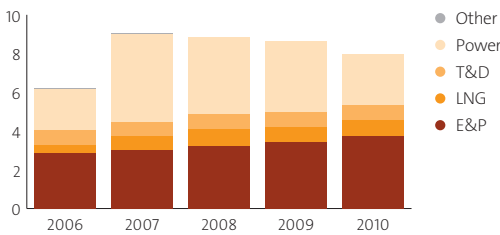
Greenhouse gas reductions in BG Egypt

A project under development in BG Egypt’s LNG operations will use waste heat recovery via improved turbo generators to extract heat from exhaust flue gases, and reuse this to heat up thermal oil rather than using traditional heaters. The estimated saving from this approach will be around 29 000 tonnes of CO₂ per year once commissioned.

Climate Change

Scope 1 emissions

BG Group GHG Emissions: by business
(million tonnes CO₂e)



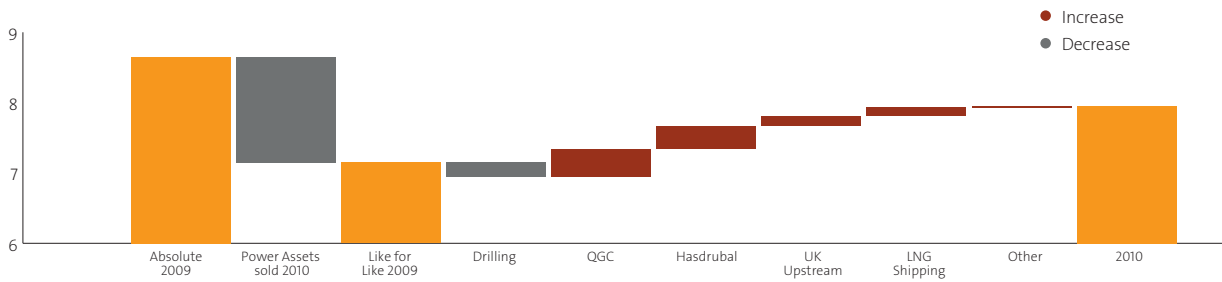
Scope 1 emissions, as defined by the international Greenhouse Gas Protocol Initiative, are those arising directly from sources owned or controlled by the reporting entity.

In our activities, the main categories of scope 1 emissions are fuel use, flaring, venting, fugitive losses and distribution losses.

In 2010, operations directly under BG Group's control emitted 8.0 million tonnes of CO₂e, (carbon dioxide equivalent), a decrease in absolute terms of approximately 0.6 million tonnes (8%) compared with 2009.

During 2010, BG Group disposed of a number of operating Combined Cycle Gas Turbine (CCGT) power stations. The impact on GHG emissions is significant – a decrease of approximately 1.5 million tonnes of CO₂e.

BG Group – Operated Emissions
(million tonnes CO₂e)



Like-for-like emissions data shows an increase in emissions from operated sites of 0.8 million tonnes CO₂e (11%) from 2009 to 2010. The principal reasons for the increase were:

- an increase in production volumes and drilling at QGC, together with a full year of emissions from QGC's Condamine Power Station;
- a full year of emissions for the new Hasdrubal offshore platform and onshore terminal, which came online at the end of 2009;
- a full year of emissions for the Everest and Lomond fields in the central North Sea, for which BG Group became the operator during 2009; and
- the addition of four new LNG vessels to our shipping fleet in 2010.

The Group also measures CO₂e emissions on an equity share basis, reporting emissions in line with the Group's equity interest in operations, including where BG Group is an investor but not operator. For example, we have a 21.73% interest in the Nexen-operated Buzzard oil field, located in the UK North Sea. Its GHG emissions are not included in BG Group total operated emissions because we are not the operator. However, 21.73% of the total reported GHG emissions from the Buzzard field are included in our equity-share-based GHG reporting.

CO₂e emissions on an equity share basis decreased by 1.7 million tonnes (12%) to 12.2 million tonnes CO₂e compared with 2009.

Climate Change

Scope 2 emissions

Indirect, or scope 2 emissions, as defined by the international Greenhouse Gas Protocol Initiative, are those resulting from the consumption of purchased electricity, heat or steam.

BG Group's only significant purchased energy is electricity. We calculate indirect GHG emissions from electricity consumption by applying country-specific emission factors (reflecting the average GHG emissions per unit of electricity produced on a country-by-country basis) to electricity purchased.

In 2010, businesses directly under the control of BG Group purchased electricity that emitted 24 000 tonnes CO₂e when originally generated at source.

Responding to the legislative and regulatory environment

Supply-demand scenarios

BG Group supports both government and industry-led approaches to mitigating climate change, participating in a range of consultations with policy makers and industry groups. To support our positions, we have developed a number of scenarios, used for internal modelling purposes, to assess the impact of climate change in key markets. Those scenarios:

- analyse how the transition to lower-carbon energy sources may affect a BG Group business in a specific market;
- assist the Group in identifying the most relevant key performance indicators to allow timely monitoring of market and policy developments;
- inform our contribution to legislative and regulatory initiatives; and
- support the Group in determining where technology solutions and infrastructure improvements could be most effectively targeted.

In 2010, our work on scenarios focused on the UK market. This assisted us in policy consultations with the newly-elected government and in discussions with senior policy makers in the European Union.

We also engaged with key stakeholders in the UK in 2010 to provide input into the UK electricity market review in terms of how natural gas can contribute to meeting the UK's energy and decarbonisation targets. We will respond formally to the consultation in 2011.

Carbon capture and storage

Carbon capture and storage (CCS) is the term used to describe the process for the long-term storage of carbon dioxide and other GHGs in which CO₂ is captured, compressed and injected into geological formations such as saline aquifers and depleted oil or gas reservoirs, deep below the earth's surface. The GHGs captured could come from a variety of sources including coal or gas-fired power stations.

While CCS technology has not yet been proven to be economic on a commercial scale, it has been identified as a potential means of mitigating climate change as global energy needs continue to grow.

In light of its potential importance we continue to maintain a careful watching brief on the development of CCS technology, and maintain contact with policy makers to ensure we are up to date.

Reporting Practices and Assurance

Our approach to reporting

BG Group's Business Principles are fundamental to the way we manage our business, and set out the core values and behaviours that we believe are essential elements of protecting the value of the business over the long term. As part of this, we are committed to engaging with our stakeholders, listening to their views and taking account of their interests. We aim to reflect this commitment in our reporting by:

- engaging with stakeholders to develop and achieve an accountable and strategic response to sustainability;
- identifying and reporting on the issues that are most relevant and significant to us and our stakeholders; and
- demonstrating that we respond to material issues in our decisions, actions, performance and communications.

Engaging with stakeholders

A description of how we identify stakeholders and their concerns is provided in the stakeholder engagement section of this Report. In addition to responding to stakeholder concerns in our business operations, we seek to take stakeholder views into account in our external reporting.

An important way in which we seek to respond to the needs of stakeholders in our reporting is our use of the sustainability reporting framework provided by the Global Reporting Initiative (GRI). GRI reporting guidance, itself developed from a process seeking consensus from business, the investor community, labour organisations, civil society, accounting bodies, academia and others, seeks to help stakeholders by providing for transparent and consistent disclosure.

In combination with our GRI index (appendix 2), our reporting meets the requirements of the GRI A+ reporting level. As set out in the GRI guidance, this assessment represents a self-declaration that has been externally assured by our independent auditor.

Materiality

In line with good practice in sustainability reporting, we aim to report on the 'material' issues – those identified as most relevant and significant to us and our stakeholders.

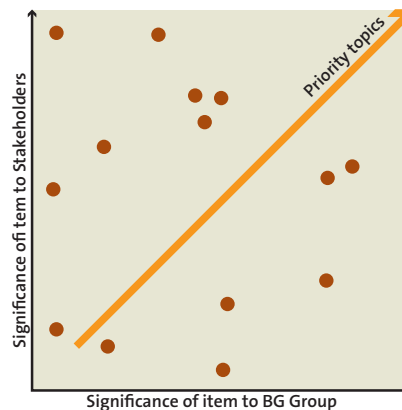
The BG Group business risk management process provides a framework to determine the material risks to the delivery of our business plans. It provides an assessment of the significance of issues to BG Group, taking account of their potential impact and the likelihood of occurrence.

This process takes place at the local, regional, and BG Group level. At local level, the assessment determines risks relevant to the business locally. At Group level, it considers issues with systemic exposure or those that are significant enough to reside in the Group risk register. The Group risk register is reviewed by the heads of Group functions to help ensure that all material stakeholder concerns are appropriately assessed and that the evolving maturity of each issue is taken into account.

The Group Performance Committee, a sub-committee of the Group Executive Committee, reviews Group risks on a quarterly basis. Each risk is owned by a member of that committee. Individual committee members are accountable for ensuring that each category of risk is subject to an effective control framework.

To assess the relevance and significance of issues to our stakeholders, we take into account the frequency with which an issue has been raised by external and internal stakeholders. In the case of internal stakeholders, we apply a weighting reflecting the relative expertise of the stakeholder raising the issue.

The results from these assessments are mapped onto our sustainability materiality assessment matrix, as illustrated.



Stakeholder concerns that are deemed material only at the local level are primarily managed locally. Group level risks are managed through the implementation of BG Group Policies and Standards.

Those issues identified as being of high or medium significance to our stakeholders and to BG Group within the materiality assessment matrix form the basis for our reporting within the BG Group Sustainability Report.

Material issues in 2010

The materiality process in 2010 identified a wide range of issues of interest to our stakeholders. They included:

- climate change;
- safety, major hazard risk and asset integrity;
- contractor safety;
- water management;
- local community concerns; and
- bribery and ethical conduct, including implementation of the BG Group Business Principles.

Reporting Practices and Assurance

Responding to material concerns

In 2010, we took actions which responded to or were informed by issues of material importance to our stakeholders. The actions we have taken are described throughout this Report. Our responses included:

- assessing the Group's risk exposure across its well portfolio and developing and implementing a Blowout Risk Assessment process following the BP Macondo incident;
- responding to the concerns of community groups in Australia in conjunction with the Queensland Curtis LNG development, and responding to regulatory requirements;
- assessing local community views on the issue of fracking in our shale gas activities in the USA; and
- engaging with various public and private sector initiatives to tackle climate change.

Independent Assurance Report to the Directors of BG Group plc

We have been engaged by the directors of BG Group plc (BG Group) to perform an independent assurance engagement in respect of BG Group's Sustainability Report 2010 (the Sustainability Report). Our report is in respect of the PDF version of the online BG Group Sustainability Report 2010 as at 30 March 2011 (the PDF).

What we did and our conclusions

We planned and performed our work, summarised below, to obtain the evidence we considered necessary to reach our assurance conclusions on the Sustainability Information.

What we are assuring (Sustainability Information)

- The data for the year on pages 37 to 40 of the PDF under the headings Environment, Greenhouse Gas Emissions, Safety and Health, People, and Social Performance (together the Sustainability Data) which has been prepared based on the Reporting Criteria set out in the Data Methodology Document.
- BG Group's self-declared Global Reporting Initiative (GRI) application level of A+ of the GRI "G3" Guidelines as stated on page 3 of the PDF. The scope of our work was restricted to the Sustainability Information for 2010 and does not extend to information in respect of earlier periods. Our independent assurance report in relation to the Sustainability Information for 2009 can be found in the 2009 BG Group Sustainability Report.

Assurance standard applied¹

ISAE 3000.

Understanding BG Group's reporting and measurement methodology

There is not yet an established practice for evaluating and measuring sustainability performance information. The range of different, but acceptable, techniques used can result in materially different reporting outcomes which may affect comparability with other organisations. It is therefore important to read and understand the Reporting Criteria on BG Group's [website](#) that BG Group has used to evaluate and measure the Sustainability Information.

Our conclusions

As a result of our procedures nothing has come to our attention that indicates:

- the Sustainability Data for the year ended 31 December 2010 is not prepared in all material respects with the Reporting Criteria; and
- BG Group's self-declared GRI application level of A+ on page 3 of the PDF is not fairly stated in all material respects.

BG Group's responsibilities

The directors of BG Group are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the Sustainability Report;
- establishing objective assessment and Reporting Criteria for preparing the Sustainability Report;
- measuring BG Group's performance based on the Reporting Criteria; and
- the content of the Sustainability Report.

How the information is assessed (Reporting Criteria)

BG Group's Data Methodology Document on BG Group's [website](#) sets out how the Sustainability Information is measured, recorded and reported.

Level of assurance²

Limited Assurance.

Work done by our independent, multi-disciplinary team of sustainability and assurance specialists³

We performed the following activities:

- evaluated the design and implementation of key processes and controls over the Sustainability Information;
- assessed the source data used to prepare the Sustainability Data for 2010, including re-performing a sample of calculations;
- carried out analytical procedures over the Sustainability Data;
- at a Group level, examined on a selective basis the preparation and collation of the Sustainability Data, as well as making inquiries of management and others;
- visited one of the territories in which BG Group operates: Karachaganak Petroleum Operating B.V. in Kazakhstan, to review systems and processes in place for managing and reporting on sustainability activities, and examined source documentation on a selective basis;
- reviewed the Sustainability Information disclosures; and
- assessed the GRI Index on BG Group's [website](#) for compliance with the GRI application level requirements for A+.

Our responsibilities

We are responsible for:

- forming independent conclusions, based on our limited assurance procedures;
- reporting our conclusions to the directors of BG Group;
- reading the other information included in the Sustainability Report, and considering the consistency of that other information with the understanding gained from our work, and considering the implications for our report if we become aware of any material inconsistencies. Our responsibilities do not extend to any information other than the Sustainability Information in the Sustainability Report.

Notes

- International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' issued by the IAASB.
- Assurance, defined by the International Auditing and Assurance Standards Board (IAASB), gives the user confidence about the subject matter ("Sustainability Information") assessed against the reporting criteria. Reasonable assurance gives more confidence than limited assurance. The evidence gathered to support a reasonable assurance conclusion is greater than that gathered to support a limited assurance conclusion.
- We comply with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics.

Independent Assurance Report to the Directors of BG Group plc

This report, including our conclusions, has been prepared solely for the directors of BG Group as a body in accordance with the agreement between us, to assist the directors in reporting BG Group's corporate sustainability performance and activities. We permit this report to be disclosed in the Sustainability Report for the year ended 31 December 2010, to enable the directors to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Sustainability Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and management for our work or this report except where terms are expressly agreed between us in writing.

Our observations and areas for improvement will be raised in a report to BG Group's management. Selected areas for improvement have been included in the "Learning from our independent assurance" on page 33 of the PDF. Our observations do not affect our conclusions on the Report set out above.

PricewaterhouseCoopers LLP,
Chartered Accountants, London
30 March 2011



Learning from our independent assurance

2010

We engaged PricewaterhouseCoopers LLP (PwC) to carry out limited assurance procedures on our 2010 Sustainability Report. PwC's report is found on pages 31–32 of the PDF. PwC identified a number of areas of good practice:

- PwC saw further evidence of the implementation of the Social Performance Standard during 2010. The Standard is helping to achieve a structured approach to stakeholder engagement at assets. PwC noted BG Group's focus on completing the implementation of this Standard across the entire Group during 2010.
- The establishment of the Ethical Conduct Compliance Unit (ECCU) is a demonstration of BG Group's continued focus on strong ethical performance. The establishment of the ECCU has also helped facilitate further training, focus and awareness of the Speak Up programme, to enable BG Group employees or third parties to raise concerns freely and anonymously should they wish.
- Given the significant expansion of the Group's activities in coal seam and shale gas in Australia and the USA, and the highly significant water management risks this presents, PwC was pleased to see the focus placed on the establishment of a strategy for water management and related action plans. This involved the use of independent subject matter experts to help formulate a thorough and practical strategy for the management of water use and discharge, recognising the central importance of water management to the Group.

PwC identified scope to build on the significant progress already made by BG Group on the management of sustainability matters, including the following key areas:

- BG Group should continue to improve the data collection and reporting skills of environmental practitioners in its businesses. This is key to maintaining robust, reliable and timely data for environmental reporting and management.
- In light of the significant recent expansion of the Group, PwC recommended a continued focus on working with management and employees of newly acquired assets to ensure a consistent understanding and application of BG Group's Policies and Standards.
- A significant proportion of the Group's activities are conducted through jointly- or non-operated assets. While BG Group cannot mandate the Health, Safety, Security and Environment (HSSE) practices at such assets, PwC recommended that BG Group continue to use its influence at these operations to encourage them to work towards the high benchmark set by BG Group's own HSSE Policy and Standards.

Learning from our independent assurance

2009 improvement areas

Areas for improvement identified in 2009 assurance process		Our progress in 2010
Develop the Group's Business Risk Management Process, introducing a wider range of sustainability risks and supplementing quarterly reporting with real-time online reporting	≈	The Business Risk Management Process has been improved to include a wider range of sustainability risks, introducing separate categories for social performance risk, ethical conduct risk and well engineering risk. Work on real-time online reporting is ongoing
Develop existing materiality criteria to allow future sustainability reporting to focus more precisely on the most material issues	✓	The Group further developed the processes for determining the most material items for the Sustainability Report, including improving the criteria by which issues are prioritised
Focus on assuring the sound statistical base for our contractor safety data, including controls over data for smaller contractors paid for work delivered	✓	In 2010 we have revised our incident reporting and analysis standard to give clearer definitions for "Work relatedness" and which contractor hours should be recorded. A decision flow diagram has been introduced to support the decision making of when to include/exclude contractor data. The Group continues to focus on ensuring all appropriate data is captured for both contractors and employees

✓ Signifies completed	≈ Signifies ongoing
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Targets and Data

People

Our targets in 2010	Actions taken in 2010	Our targets in 2011
Complete 2010 employee opinion survey and devise clear action plans to address main issues identified	≈ Completed employee survey. Action plans being developed	Implement talent management and succession plans for all key senior positions in BG Group and ensure alignment of recruitment and development processes
Ensure all employees understand their jobs through a clear statement of accountabilities for every role	≈ Draft statement of accountabilities completed for all roles. Work to refine these ongoing	Develop a strategic overview people resources plan Embed the BG Group behaviours (rolled out in 2010) into the organisation's culture
Implement succession programme for executive posts	≈ Significant progress made. Will continue in 2011	

Ethical Conduct

Our targets in 2010	Actions taken in 2010	Our targets in 2011
Establish Ethical Conduct Compliance Unit	✓ Completed	Launch revised Speak Up Policy, Ethical Conduct Policy and associated Standards
Implement general recommendations made by the Speak Up committee following its analysis of Speak Up cases reported in 2009	✓ Completed	Communicate the implications of the UK Bribery Act to employees identified as being at risk More than 65% of employees (with access to the intranet) to have completed the Fraud and Bribery e-learning during 2011

Safety

Our targets in 2010	Actions taken in 2010	Our targets in 2011
Reduce TRCF per million work hours to 1.20	✓ Completed	TRCF per million work hours of 1.00
Ensure 90% of contract owners receive HSSE contract owner training	✗ Not completed – 88% of identified contract owners received the training	Ensure 80% of planned Safety performance meetings held with contractors
Conduct two crisis management exercises in each country of operation	≈ Carried forward to 2011 targets	Conduct a crisis management exercise in each operated asset

✓ **Signifies completed**
We worked on this target in 2010 and completed all the associated tasks

≈ **Signifies ongoing**
We made some progress on this target but did not complete all the associated tasks

✗ **Signifies not completed**

Targets and Data

Society

Our targets in 2010	Actions taken in 2010	Our target Group in 2011
Complete social performance plans in all BG Group countries by end 2010	✓ Completed for all BG Group operated businesses	Establish Group guidelines on emergency response procedures for communities
Start new social investment projects in three countries	✓ Completed (Trinidad and Tobago, Bolivia, Egypt)	Establish two Social Performance (SP) partnerships to enhance strategic Social investment
Scale up existing social projects in two countries	✓ Completed (India, Tunisia)	Review the SP Standard against revised IFC Performance Standards

Environment

Our targets in 2010	Actions taken in 2010	Our targets in 2011
Develop Group-wide water management strategy	✓ Completed – approved by the Group Executive Committee on 19 January 2011	Establish Water Management Work Group/develop detailed strategic water management plan
Conduct a review of environmental practitioner capabilities within our operations	≈ Carried forward to 2011 targets	Establish plan to further develop environmental practitioner capabilities

Climate Change

Our targets in 2010	Actions taken in 2010	Our targets in 2011
Achieve annualised GHG emission reductions of 275 000 tonnes	✓ Completed	Achieve annualised GHG emission reductions of 200 000 tonnes
Continue to quantify and report on status of performance towards our 2012 GHG target	✓ Completed	Continue to quantify and report on status of performance towards our 2012 GHG target

✓ Signifies completed We worked on this target in 2010 and completed all the associated tasks	≈ Signifies ongoing We made some progress on this target but did not complete all the associated tasks	✗ Signifies not completed
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Targets and Data

Environment

Non-GHG Emissions ('000 tonnes)

	Venting	Fugitive	Flaring	Fuel use	Electricity generation	Distribution losses
Carbon monoxide	–	–	3	7	1	–
Nitrogen oxides	–	–	1	12	3	–
Sulphur dioxide	–	–	17	4	0	–
Volatile organic compounds	6	0	1	1	0	4

Non-GHG Emissions ('000 tonnes)

	Total 2010	Total 2009	Total 2008	Total 2007	Total 2006	t/MMBOE 2010	t/MMBOE 2009	t/MMBOE 2008	t/MMBOE 2007	t/MMBOE 2006
Carbon monoxide	11	9	9	8	9	26	22	23	22	26
Nitrogen oxides ^(a)	16	13	14	13	10	40	32	36	36	30
Sulphur dioxide ^(b)	21	23	23	17	15	50	56	58	45	45
Volatile organic compounds	12	11	10	11	11	29	28	27	28	32

Energy Use (GWHrs)

	Gas	Electricity	Oil	Total 2010	Total 2009	Total 2008	Total 2007	Total 2006
Energy Use	25 777	50	1 682	27 509	30 650	32 302	33 909	20 497

Controlled Discharges ('000 tonnes)

	Discharged by company							Discharged by third party
	Open marine	Coastal	Soil water/irrigation	Ground-water/reinjection	Inland sewerage system	Evaporation	Inland surface water	Wastewater removed by third party
Process water	3 755	–	1	155	274	4 697	–	546
Oil in process water	0	–	–	0	–	–	–	–
Oil in cuttings	0	–	–	–	–	–	–	–
Drill cuttings	15	–	–	–	–	–	–	–
Muds	15	–	–	–	–	–	–	–
Total	3 785	–	1	155	274	4 697	–	546

Controlled Discharges ('000 tonnes)

	Total 2010	Total 2009	Total 2008	Total 2007	Total 2006
Process water	9 428	7 700	4 190	4 914	4 357
Oil in process water	0	0	0	0	0
Oil in cuttings	0	1	2	2	0
Drill cuttings	15	29	45	30	24
Muds	15	25	62	29	40
Total	9 458	7 755	4 299	4 975	4 421

(a) Prior years' nitrogen oxides emissions recalculated as a result of historical over-reporting at our business in Tunisia.

(b) Prior years' sulphur dioxide emissions recalculated as a result of historical under-reporting at our business in Tunisia.

Targets and Data

Waste Disposed ('000 tonnes)

	Waste by Disposal Route						Total 2010	Total 2009	Total 2008	Total 2007	Total 2006
	Authorised landfill	Incineration	In situ disposal	Treatment/discharge	Reuse/recycling	2010 On-site Storage					
Cuttings	2	0	2	–	3	4	7	16	40	7	14
Metal	0	0	–	–	2	1	2	1	2	2	1
General	5	0	0	–	1	0	6	11 ^(c)	16	12	10
Hazardous	1	8	0	0	15	8	24	19 ^(c)	8	5	22
Total	8	8	2	0	21	13	39	47	66	26	47

Waste data from our operations in Australia is not included in 2010. This will be reported from 2011 onwards
(c) Classification amendment from our Rashpetco operation in Egypt: data recategorised from General to Hazardous.

Greenhouse gas emissions ('000 tonnes CO₂e) from assets under BG Group control

	Total 2010	Total 2009	Total 2008	Total 2007	Total 2006
Scope 1	7 951	8 644	8 834	9 056	6 200
Scope 2	24	30			
Total gross controlled emissions	7 975	8 674			

Greenhouse gas emissions intensity (Scope 1 & 2) ('000 tonnes CO₂e/mmboe)

	2010	2009
E&P	13	12
LNG Shipping	21	26
T&D	10	10
Power	724	701

Scope 1 Greenhouse gas emissions ('000 tonnes CO₂e)

By source	2010	2009	2008	2007	2006
Venting	643	634	594	686	643
Fugitive	5	5	8	19	18
Flaring	796	758	736	583	462
Fuel use	3 136	2 793	2 792	2 481	2 181
Electricity generation	2 614	3 686	3 945	4 537	2 129
Distribution losses	757	768	759	750	767
Total GHG	7 951	8 644	8 834	9 056	6 200

By GHG (in '000 tonnes of carbon dioxide equivalent)	2010	2009	2008	2007	2006
Carbon dioxide	6 919	7 607	7 826	8 032	5 217
Methane	973	978	946	961	941
Nitrous oxide	59	59	62	63	42
Total GHG	7 951	8 644	8 834	9 056	6 200

By business segment	2010	2009	2008	2007	2006
E&P	3 718	3 453	3 217	3 032	2 883
LNG Shipping	845	724	885	680	381
T&D	770	778	771	761	777
Power	2 614	3 686	3 944	4 537	2 129
Other	4	3	17	46	30
Total GHG	7 951	8 644	8 834	9 056	6 200

Targets and Data

Greenhouse gas emissions intensity ('000 tonnes CO₂e/mmboe)

	2010	2009	2008	2007	2006
E&P	13	12	12	12	13
LNG Shipping	21	26	31	27	16
T&D	10	10	9	9	10
Power	723	698	690	698	820

Scope 2

Greenhouse gas emissions ('000 tonnes CO₂e)

By source (CO ₂ e)	2010	2009
Purchased electricity	24	30
By business segment		
E&P	10	7
LNG Shipping	–	–
T&D	4	4
Power	6	15
Other	4	4
Total GHG	24	30

Greenhouse gas emissions intensity (tonnes CO₂e/mmboe)

	2010	2009
E&P	33	23
LNG Shipping	–	–
T&D	45	48
Power	1 683	2 881

Targets and Data

Safety and Health

	2010	2009	2008	2007	2006
Fatalities – employees	0	0	0	0	0
Fatalities – contractors	2	2	3	1	1
Total recordable case frequency – employees (per million work hours)	0.63	0.84	0.88 ^(a)	0.79 ^(a)	n/a
Total recordable case frequency – contractors (per million work hours)	1.04	1.83	1.98 ^(a)	1.84 ^(a)	n/a
Total recordable case frequency – total workforce (per million work hours)	0.94	1.59	1.74	1.58	1.66
Reported occupational related illness frequency	0.56	0.22	0.14	0.17	0.1

(a) Employee / Contractor split not reported in prior years, and therefore not subject to assurance.

People

	2010	2009	2008	2007	2006
Employees worldwide (average for year)	6 171	6 079	5 395	4 949	4 665
– of which employed outside of UK (average for year)	4 211	4 163	3 639	3 286	3 030
Employees working away from home country	646	623	623	582	529
Employee turnover ^(a)	11%	7%	9%	9%	n/a
Women in workforce ^(a)	28%	28%	25%	25%	23%
Senior management team percentage women ^(a)	10%	10%	10%	8%	9%
Senior management team percentage of non UK/US nationals ^(a)	21%	19%	16%	16%	17%
Speak Up/Whistleblowing cases	151	125	70	40	31
Actions against individuals as a result of Speak Up investigations ^(b)	24	15	n/a	n/a	n/a

(a) Data not available for Comgas and Gujarat Gas businesses, representing approximately 25% of employees.

(b) In 2010 the reporting methodology for actions as a result of Speak Up investigations was changed. 2009 reported cases only include cases where disciplinary action was taken. 2010 data includes reported cases where actions ranged from training requirements to disciplinary action, contract termination or other appropriate action.

Social Performance (\$000)

	2010	2009	2008	2007	2006
Charitable donations/philanthropy	1 211	1 670	3 239	n/a	n/a
Local community investment	3 613	2 365	3 088	n/a	n/a
Regional development	1 030	828	632	n/a	n/a
Miscellaneous	474	712	1 211	n/a	n/a
Sub-total voluntary contributions	6 328	5 575	8 170	6 847	6 891
Contractual obligations through production-sharing agreements	10 684	3 113	1 115	3 326	2 472
Total contributions	17 012	8 688	9 285	10 173	9 363

Social performance data was previously reported in Pounds Sterling (£).

Legal Notice

Certain statements included in this Sustainability Report contain forward-looking information concerning the Group's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Group operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a description of factors that may affect our business, financial performance or results of operations, we urge you to look at the Principal risks and uncertainties included in the Annual Report and Accounts 2010.

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