

Sustainability Report 2010:

Appendix 1 Management Approach

Contents

This document is a PDF version of the online BG Group Sustainability Report, including all information provided within the website.

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Principles, Policies and Governance

Business Principles

The BG Group Business Principles define how we operate and express our core values and behaviours. We believe that operating in accordance with our Business Principles is essential for sustainable performance and long-term value creation.

The Business Principles apply to all BG Group people. They define our standards of ethical conduct and set out the standards we commit to for environmental protection and for our relationships with employees and communities. We measure ourselves against these standards, and keep our performance under continuous review.

For more information on how we work with stakeholders, see 'Stakeholder engagement'.

BG Group has made the Business Principles the foundation of decision-making throughout its businesses.

The importance of our Business Principles is reflected within the performance-related component of our employees' remuneration. Awards under our Annual Incentive Scheme include a weighting for individual performance in relation to Health, Safety and Environment performance and behaviours. The Principles also shape our investment decisions, in addition to economic criteria. Where significant investment proposals include environmental, social or human rights risks, they are reviewed by the Board Sustainability Committee before final decision. We do not pursue opportunities where it is clear that we would be unable to work in accordance with our Business Principles.

Our industry changes constantly and stakeholder expectations evolve continually. Given this dynamic background, it is important to ensure our Business Principles do not remain static. For this reason, they are overseen and reviewed annually at BG Group Board level by the Sustainability Committee.

Conduct

- We act with integrity, fairness and transparency
- We comply with legal, regulatory and licence requirements
- We do not tolerate corruption in any form, whether direct or indirect
- Our investment criteria take account of economic returns, environmental impacts, social consequences and human rights
- High standards of corporate governance are integral to the way we manage our business

Our People

- We treat people with fairness, respect and decency
- We help employees develop their potential
- We believe that all injuries are preventable
- We provide healthy, safe and secure work environments

Society

- We work to ensure that neighbouring communities benefit from our presence on an enduring basis
- We listen to neighbouring communities and take account of their interests
- We support human rights within our areas of influence

Environment

- We make a positive contribution to the protection of the environment
- We go beyond compliance with local environmental regulation to meet internationally accepted best practice
- We reduce to the minimum practicable any adverse effects of our operations on the environment

Policies

The Business Principles flow through the Group via a system of Policies, Standards and Guidelines, which together are known as the Internal Control Framework (ICF).



- Policies define how BG Group operates and the expectations for business delivery in all BG Group companies. Each policy is defined by a clear statement of intent supported by a business rationale. Each of the four Business Principles areas has one or more Policies within it;
- Standards provide the mechanisms by which Policy compliance is demonstrated. They define the minimum requirements that apply to our workforce in the delivery of their duties, the common systems and processes which span group activities, and the performance level required when delivering specific activities and tasks;
- Guidelines provide best practice implementation advice on Business Principles, Policies and Standards.

Our eight Policies are:

Governance and Stewardship
Information Management and Security
Ethical Conduct
Human Resources
Health, Safety, Security and the Environment (HSSE)
Social Performance
Speak Up (Duty to Report)
Human Rights

In addition to the content of the ICF, it is the individual businesses' responsibility to ensure they understand and comply with all laws and regulations applicable to their business. In cases where BG Group requirements and local requirements differ, the higher standard takes precedence. If local laws or regulations exceed the requirements of BG Group Standards, the business is required to put in place appropriate local procedures to ensure compliance.

Governance

BG Group is committed to best practice in corporate governance.

Key elements of BG Group's governance architecture include:

- Independent oversight: to ensure independent oversight of the Group's operations, the majority of the Board are independent Non-Executive Directors. The independence of the Non-Executive Directors is assessed annually, in accordance with UK corporate governance requirements. The Board also provides distinct roles for the Chairman, the Chief Executive and a Senior Independent Director.
- Committee structure: the Board has established dedicated Committees, each chaired by a Non-Executive Director, to oversee policies in specific areas. This includes a Sustainability Committee which provides direction to and oversight of the implementation of the BG Group Business Principles. The Committee's main areas of focus are:
 - safety and asset integrity;
 - the health and security of personnel;
 - environmental protection;
 - managing the social impact of the Group's operations;
 - human rights; and
 - ethical conduct.
- Internal Control Framework: BG Group's Internal Control Framework (ICF) comprises the Group's Business Principles, Policies, Standards and Guidelines. The Board is ultimately responsible for the Group's system of internal controls and has established processes to assess the effectiveness of this system on a regular basis.

- Audit and financial controls: the Audit Committee assists the Board in fulfilling its responsibilities to oversee the Group's financial reporting process. It seeks to ensure that the appropriate financial, operational and compliance internal controls and business risk management processes are in place and are followed. The Audit Committee also oversees the performance of the Group Audit function and provides the necessary assurance that the function is operating with the appropriate degree of independence.
- Remuneration: the central premise of BG Group's remuneration
 policy, overseen by the Remuneration Committee of the BG Group
 Board, is that while reward should be market-competitive, there must
 be a clear link between pay and performance. The Committee takes
 into account advice received from external consultants and best
 practice guidelines set by institutional shareholder bodies.
 Performance-related remuneration also takes sustainability
 considerations into account.
- Governance Self Assessment (GSA): an annual process that obtains assurance over the implementation of the Group's core governance controls including compliance with the Business Principles. The GSA process requires those working directly for the Group Executive Committee and the Company Secretary to assess the effectiveness of the application of core controls from the ICF that apply to their respective areas of responsibility and to report any significant deficiencies or material weaknesses.

Training and communications

Commitment to our Business Principles is reinforced through formal training, including:

- mandatory online training: a series of scenarios based on real-world ethical challenges, culminating in a ten-question test and an affirmation that the individual will abide by the Business Principles at all times.
- induction training, including sessions for new graduate entrants;
- integration within our core management training course; and
- online guidance, available in 12 languages via the BG Group website, on how best to apply the Business Principles to day-to-day working practices.

The training is intended to reinforce each employee's formal commitment to adhere to the Business Principles, and it is underpinned by a clause in the Group's standard contracts of employment.

Supply chain

We seek to identify and address areas where contractor activities could potentially put at risk our capacity to work in accordance with our Business Principles.

We are implementing a collaborative approach to risk management, using prequalification questions, contract provisions and entitlements to make enquiries, and contractor self-reporting and whistleblowing reports. The aim is to focus on specific points in the supply chain where our Business Principles are potentially at risk.

The system complements BG Group's focus on contractor safety performance and ethical conduct and is designed to be integrated into the Group's risk management and contracts and procurement procedures.

Joint ventures

In common with its industry peers, BG Group conducts a significant proportion of its business through joint ventures. These allow the Group to gain access to additional business opportunities while at the same time spreading investment risk.

BG Group-operated joint ventures are required to adopt and adhere to our Business Principles, Policies and Standards. However, where BG Group is neither sole operator nor has a controlling interest in a joint venture, it is more difficult to ensure that our processes, and concept of values and behaviours is adopted. The Group therefore seeks to persuade its partners in non-operated joint ventures that adopting and adhering to the Business Principles, Policies and Standards, or their equivalent is the most effective means of achieving mutual objectives. Where possible, this is supported by contractual terms, sharing knowledge, providing training and seconding BG employees to joint ventures.

Assurance

BG Group and its stakeholders require assurance that BG Group is complying with its Business Principles.

We have developed a range of mechanisms to review and test compliance with our Business Principles and Policies, and to ensure that any shortfalls identified are addressed promptly and systematically.

Our assurance mechanisms include self assessment activities, internal audits, review and monitoring of Speak Up reports and independent external assurance.

Assurance of the Group's compliance with Business Principles is provided by:

- the BG Group Governance Self Assessment process a mechanism for assessing and discussing how key controls, including our Ethical Conduct Policy and Standards, are being implemented in the business.
- review and investigation, by the Ethical Conduct Compliance Unit, of concerns raised under the BG Group Speak Up (Duty to Report) Policy;
- two-yearly Group-wide employee surveys; and
- internal audits across different locations.

In addition, the Group obtains independent assurance from PricewaterhouseCoopers on selected sustainability information.

Investment decisions

BG Group will not proceed with new business opportunities unless satisfied that we can operate the business in question in accordance with our Business Principles. We make investments and business decisions based on our sustainability considerations because we believe that operating in accordance with our Business Principles is the foundation of sustainable long-term performance.

BG Group seeks to ensure that business decisions are taken with the fullest possible understanding of the context within which our businesses operate. That understanding is informed by a detailed analysis of external factors, including:

- the prevailing local health, safety, security, human rights and environmental protection standards and culture;
- the implications for the Group's reputation; and
- the prospects for long-term socio-economic development in the location in question. This is a key factor for BG Group. Countries actively engaged in efforts to reduce social inequality and broaden economic prosperity are generally considered to be more stable destinations for international investment than countries without such attributes.

Speak Up

BG Group's Speak Up Policy includes a duty to report any suspected breaches of the Business Principles or any other forms of misconduct. Concerns should be raised with the employee's line manager in the first instance or, if the employee feels he or she cannot raise an issue through the normal management route, via Speak Up.

The Policy also enables third parties (including partners, contractors, suppliers and members of the public) to raise concerns.

Employees and third parties can contact an independent external organisation confidentially and, if they prefer, anonymously, to raise their concern. This Speak Up facility is available online and over the telephone. It is provided in multiple languages.

The Business Principles Investigations Committee

The Business Principles Investigations Committee oversees matters raised via Speak Up. Chaired by the General Counsel, the Committee meets regularly to review progress of investigations and ensure that the Group takes the appropriate action to address any issues identified. Where appropriate, feedback from these investigations is provided to the relevant line manager, technical or professional function or business unit for action, while measures are taken to preserve the confidentiality of the individual who first raised the concern. The General Counsel provides quarterly statistical reports to the Governance Committee and the Group Executive Committee. The Sustainability and Audit Committees are provided with an annual overview.

For information on our performance in 2010, see 'Performance: Ethical Conduct'.

Management Systems

BG Group's Health, Safety, Security and Environment (HSSE) Management System sets out the fundamental requirements that must be followed in each of our businesses to keep people safe and to minimise impacts on the local environment. It consists of:

- an overall HSSE Policy, used as the basis of the approach taken by each BG Group business;
- a statement of organisational accountabilities, which reinforces the principle of line responsibility for HSSE performance and identifies specific accountabilities for every member of the organisation, from the Chief Executive to employees at the point of risk in the work site;
- general HSSE Standards, which define a broad range of specific requirements that are critical to maintaining safe operations across our businesses; and
- function-specific standards, designed to be managed by the Group's operational business functions and promote line management accountability for, and ownership of, safety systems and processes.

BG Group HSSE Standards are informed by a variety of sources including regulatory bodies such as the US Occupational Safety & Health Administration and the UK Health & Safety Executive, together with cooperation with peer group companies, analysis of key findings from industry incidents and local legislative requirements. As a result, the Group's approach to the management of health and safety risks is consistent with internationally-accepted standards for safety management systems.

Understanding and targeting risk

We require all our operational facilities that have the potential for a major safety or environmental incident to develop an Operational Safety Case (OSC) — a single document that identifies and evaluates the full range of major accident safety risks and demonstrates that all major residual risks have been or will be reduced to a level 'as low as reasonably practicable' (ALARP). Achieving ALARP requires a high degree of asset integrity to be factored into both the design and maintenance of our facilities, particularly in terms of safety systems.

Safety cases involve the identification of possible equipment failures, process flaws or human errors and the building of barriers to cover these aspects. This multi-dimensional approach reflects the fact that major incidents are generally triggered by a combination of failures.

HSSE Plans

In addition, each BG Group business has an annual HSSE improvement plan, which requires specific improvements to systems, procedures, training and operating facilities. Delivery against this improvement plan is a key performance indicator and is subject to quarterly assessment.

Targeting the highest-risk activities – the BG Group Life Savers

BG Group has identified a specific range of activities that account for the majority of the high-potential incidents at our work sites. One definition of a high-potential incident is an incident where under different, plausible circumstances a fatality might have occurred. Each of those activities is the subject of a specific Life Saver — a set of simple, mandatory rules governing that activity. The tasks currently covered by the BG Group Life Savers are:

- confined space entry;
- working at height;
- lifting operations;
- excavation;
- hydrogen sulphide a highly toxic by-product of gas and oil production in a number of locations;
- driving;
- electrical safety;
- armed and violent crime; and
- safe systems of work summarising the need to adhere to critical procedures such as risk assessments and permit to work systems.

All BG Group employees, contractors and sub-contractors working at BG Group offices and facilities are expected to become familiar with the Life Savers. Communications materials are provided in several languages, with a suite of training products including e-learning online modules, handbooks, posters, 'Toolbox Talk' kits and videos.

A BG Group Life Saver Steering Group, led by the heads of appropriate functions, continually reviews the performance of the programme and determines the need for, and shape of, additional campaigns.

Monitoring – key performance indicators

Our key performance indicator in personal safety management is Total Recordable Case Frequency (TRCF). This is an industry-standard safety metric that measures the number of injuries per million work hours.

We use a number of other indicators to monitor and measure our safety performance. These include indicators relating to personal safety as well as the safety and integrity of our assets. Asset integrity indicators focus on how well our management, control, maintenance and change processes are functioning.

Our indicators include measures that show past performance – such as TRCF – which are useful for understanding performance and trends, as well as measures that relate to future performance. These 'leading' indicators highlight and test the strength of our controls and seek to influence future behavior and performance. Examples of leading indicators include:

- Behaviour-Based Safety (BBS) observations formal observations aimed at raising awareness;
- Management HSSE site tours completed to plan the number of tours completed by management each month to review HSSE issues on site;
- Asset self audits delivered to plan the number of audits completed by assets of their own performance each month; and
- The percentage of contract owners who have received training in contractor management.

Asset Integrity and Safety Engineering

We take a holistic approach to plant process safety, working to prevent the kind of low-frequency, high-consequence events that can lead to fatalities. This requires taking a coherent approach to the two disciplines of asset integrity and safety engineering.

Asset Integrity (AI) is defined by UK regulations as "the ability of (an) asset to perform its required functions effectively and efficiently while protecting health, safety and the environment".

Safety Engineering focuses on the correct design and maintenance of protective systems to ensure that an operating system will continue to function should any single element fail.

The two disciplines are part of a spectrum of activities designed to ensure that the right system is in place, that it is operated and maintained properly, and that it performs reliably and safely. We have developed a suite of 'tools' to equip our assets with the materials they need to operate plant and equipment safely. These include Standards and Guidelines, templates, formal and informal networks, and mechanisms for sharing information and best practice. We back this up with training and awareness raising to ensure management, supervisors and operators are aware of the tools available and use them in the day-to-day management of our operations.

The HSSE function focuses on ensuring that robust levels of protection are designed in at the outset and that operational personnel are asking the right questions, conducting appropriate tests and performing proper maintenance at all times.

Contractor safety

BG Group retains contractors to carry out a large proportion of operational activities in our businesses. Typically, these activities involve much greater risks than office-based work. More recordable safety incidents have affected contractors than employees in recent years.

BG Group is concerned about the number of incidents involving contractors. We are taking further action to reduce the potential for harm. We have introduced a cross-functional approach to managing contractor safety. This system has several elements that can be used pro-actively to select and manage contractors including:

- additional pre-qualification processes for contractors who provide services that involve high-risk activities;
- a specific HSSE weighting within the evaluation process for all new contracts;
- training for BG Group 'contract owners' the individuals who appoint and manage contractors on behalf of the Group's businesses. The contract owner must understand his or her own accountabilities:
 - to ensure an appropriate HSSE plan is in place; and
 - to ensure necessary training has been provided, and to establish that contractors are fit for duty;
- a performance-tracking tool, together with five key performance indicators to assist BG Group businesses in collecting, monitoring and reporting contractor safety data; and
- a system of pictograms to communicate the BG Group Life Savers directly to contractors at the point of risk in the work site. These are intended to be easily understood across cultural and linguistic barriers. They are highly visible and located in environments where correct understanding of safe working practices is paramount. They do not use words, but instead employ visually striking and instinctively understandable images to illustrate good (and poor) safety practice.

The barrier safety model

No single element of a safety system – be it a process, a plant or a piece of equipment – is infallible: each has gaps. To analyse potential gaps in a safety system, BG Group uses a barrier model, also referred to as the 'Swiss cheese' model.

Safety systems use the concept of defence-in-depth by establishing multiple barriers against failure across a process or system. The greater the number of barriers, the less likely it is that the gaps in each barrier will coincide to allow a small failure to pass through the system and lead to a catastrophic event.

These barriers include activities, systems, processes and equipment that focus on, reduce, mitigate or eliminate asset integrity risks. They also include structural integrity; process containment; ignition control; detection, protection or shutdown systems; and emergency response. A performance standard is established for each barrier. This enables continual testing and refinement to ensure that each barrier is operating as intended and performing reliably.

The benefits of the barrier model include the scope to:

- understand potential safety management weaknesses through modelling in advance of any potential failure;
- assess the effects on overall safety management of changes to specific barriers; and
- identify which additional controls and safeguards are required if a barrier needs to be temporarily removed or changed, for example during maintenance.

The model also allows quick and efficient checks on specific barriers across multiple systems. For example, if there are maintenance flaws apparent in one particular safety system, we can rapidly check the effectiveness of maintenance across other instances of the same safety system elsewhere on that site.

Accountability for safety

An approach in which everyone in BG Group feels accountable for safety begins with a clear statement of ownership and control at the most senior level. This affirmation of accountability is then cascaded downwards through each operation and professional function.

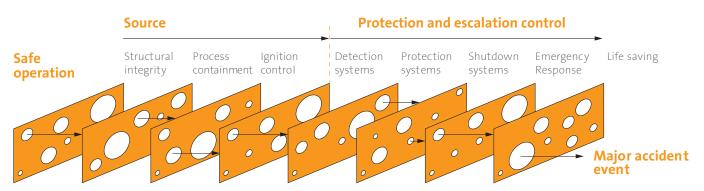
The BG Group HSSE team conducts Leading with Safety training sessions for leaders and first-level supervisors. The sessions are designed to set the 'tone from the top' and to ensure that senior management is well-positioned to ingrain a culture where the safety of our people and our operations is given the highest priority.

The training aims to shape the way in which individuals and the organisation as a whole think about safety by:

- developing the leadership skills required to modify team behaviour and ensure the appropriate focus on safety;
- identifying the cultural issues that can inhibit safety performance;
- learning how to use stories and emotional engagement to communicate safety messages; and
- providing a clear framework within which teams of people can take responsibility for the development of their own safety management plans.

Feedback indicates that the courses have increased confidence about speaking up about safety matters. They have put the importance of safety performance into a relevant context for individuals whose roles are not operationally focused and they have helped leaders and teams set clear priorities for safety commitments.

The barrier, or 'Swiss cheese' safety model



Assurance

Measuring and checking performance is a critical element of making every person accountable for safety. We use a number of approaches to keep our performance under scrutiny including:

- HSSE and Asset Integrity audits, carried out by functional teams.
 These audits assess compliance with the HSSE Management System and the effectiveness of our risk management processes;
- our 14-Point Assurance Tool, used to conduct self-assessments of compliance with Group HSSE Standards;
- quarterly and annual due diligence returns;
- quarterly reporting against key performance indicators; and
- incident reporting, including injuries, near-misses, unplanned hydrocarbon releases, security incidents and occupational illnesses.

Sharing what we have learnt

When something goes wrong, we need to learn why it happened and what needs to be done to prevent a repeat occurrence. We then need to communicate what we have learnt across the Group.

Formal processes to transfer knowledge and learning across our operations include:

- monthly Incident Review Panel meetings and briefing notes on recent incidents;
- 'lessons learnt' bulletins after significant and high-potential incidents;
- monthly, quarterly and annual HSSE performance briefing notes; and
- BG Group Life Saver awareness campaigns, overseen by the Life Saver Steering Group.

Occupational health

In order to support employee well-being, we have sought to increase the focus on occupational health across BG Group. Ensuring the health and well-being of our workforce and protecting them from hazards in the course of their work is a fundamental part of our approach to managing our people.

One important aspect of this has been our work to increase the reporting of occupational illness in our operations. While any incident of illness is regrettable, increased reporting is welcomed because active reporting of actual or possible cases of occupation-related illness provides valuable feedback on the adequacy of health risk control measures. It also helps to provide learning for the prevention of future cases.

Our approach is therefore to emphasise that there are no negative consequences associated with approaching occupational health professionals for support. This encouragement, together with a commitment to following up health-related incidents rapidly and in-depth, has resulted in more effective Group-wide responses to areas of concern. We will continue to encourage more reporting in this area.

The Group's environmental management ethos is captured in the three environmental Business Principles:

- We make a positive contribution to the protection of the environment
- We go beyond compliance with local environmental legislation to meet internationally accepted best practice
- We reduce to the minimum practicable any adverse effects of our operations on the environment

Underpinning the Business Principles above, the environmental management system requires our businesses to evaluate the broader environmental consequences of their operations as well as to identify the specific environmental risks directly related to site activities.

The management system elements, including planning, risk assessment, incident management and audit, are consistent with ISO 14001 — the established international standard for environmental performance. They are complemented by environmental requirements covering:

- the processes to be followed in evaluating environmental risk and to inform decision making; and
- the minimum performance requirements relating to specific environmental hazards.

Environmental Standard

The BG Group Environmental Standard requires our operated businesses to assess the environmental impact and risks of project plans. These projects range from seismic and drilling exploration activities through to multi-billion-dollar investment in green field developments.

The Standard requires our businesses to incorporate best practice environmental protection measures from the outset of project planning. This means our environmental engineering teams must go beyond attaining compliance with minimum legal requirements to apply a Best Available Techniques (BAT) approach to environmental protection from the early design and concept-selection phase through to construction and operations.

Design plays a key role in minimising environmental hazards. Our design teams explore options to minimise the overall environmental impact of a development and to reduce greenhouse gas (GHG) emissions at source.

BAT is defined as 'the most effective and advanced engineering practices and methods of operation, that are available and practicable, to prevent, and where this is not practicable, reduce emissions and the impact on the environment as a whole'. BAT is most effective when developed in conjunction with an Environmental Impact Assessment (EIA) which means that environmental effects are assessed — and designs are consequently modified — in an iterative process. The requirements of both are integrated into the project development process with guidance provided by BG Group's 'Encompass' tool.

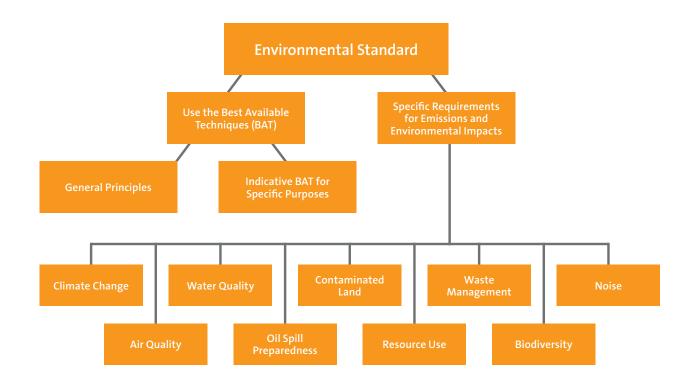
For examples of how we have applied BAT to minimise emissions, see our climate change performance section.

Performance and process standards for specific environmental issues form the remainder of the Environmental Standard and are designed to apply to all BG Group operated existing facilities, developments and projects worldwide within BG Group. The requirements are informed by:

- industry best practice, as defined by organisations such as the International Association of Oil & Gas Producers (OGP) and the International Petroleum Industry Environmental Conservation Association (IPIECA);
- the requirements of the World Bank Group's developing world investment body, the International Finance Corporation (IFC); and
- national and local legislative and regulatory requirements.

The requirements cover the following topics:

- BAT;
- environmental management;
- climate change;
- air quality;
- water quality;
- oil spill preparedness;
- contaminated land;
- resource use;
- waste management;
- biodiversity; and
- noise.



Managing environmental risk

BG Group follows a number of processes to ensure risks to the environment are fully considered and addressed in new developments and operations.

The risk management processes begin with an environmental assessment to inform judgements about how our planned developments will interact with the environment.

Analysis involves:

- environmental baseline surveys, conducted as part of our project development activities. These summarise the current status of a range of environmental factors and provide a reference point against which any future environmental effects arising from our operations can be measured; and
- the use of environmental identification techniques (using a tool called ENVID) designed to provide a timely, structured and high-level approach to the identification and management of environmental and social risks from the earliest stages of a project.

The detailed environmental impact assessments undertaken for new projects, where appropriate, involve a range of techniques. These may, for example, include large-scale data gathering and predictive modelling to identify specific environmental sensitivities that need to be taken into account in the project design phase.

The environmental assessment process is complemented by environmental engineering work applying the Best Available Techniques to minimise the potential for adverse effects by design. In addition, the Group's Environment and Community Project Assurance System (Encompass), helps us identify and manage environmental and social risk at each stage of the project development life cycle.

These processes are applied in our business operations around the world, using the approach best suited to the circumstances.

As projects evolve to become routine operations, a formal documented environmental management system is developed with the aim of ensuring that the impact of the operation is actively managed.

Assurance

The assessment of environmental risks and the design of best-practice solutions are coupled with assurance activities that seek to ensure that project execution and operational performance are in line with expectations.

The Group's assurance processes include:

- the HSSE audit and assurance process, which assesses compliance with the Group's HSSE Management System and Standards;
- third-party verification of ISO 14001 environmental management systems;
- reviews at each stage of a new project under the BG Group Value Assurance Framework, in which investment proposals are subjected to detailed peer review and cross-functional analysis;
- the BG Group Governance Self Assessment process, including a declaration of compliance with key corporate controls related to environmental protection and relevant legislation; and
- environmental performance reporting and incident reporting on both a quarterly and an annual basis, against a range of internal and external performance indicators.

Managing climate change risk

In responding to evolving scientific opinion and policy-makers' priorities on climate change, we assess:

- physical risks to our businesses, including changing rainfall patterns, varying temperature extremes and rising sea levels;
- legislative, policy and regulatory changes arising from national or regional emissions reduction initiatives; and
- supply and demand risk.

Direct management of climate change risk within the business can be categorised in two parts, mitigation and adaptation.

In relation to mitigation, the Group's Environmental Standard includes a set of requirements for greenhouse gas (GHG) management in new projects and existing operations. In conjunction with the BAT process, these seek to improve energy efficiency and reduce to a practical minimum the emissions of GHGs.

New projects must take account of the commercial impact of national and international initiatives to reduce GHG emissions, including:

- operational schemes, such as the European Union Emission Trading Scheme (the EU ETS); and
- other evolving carbon emissions reduction schemes.

Where there is no existing scheme, we include assessments of possible GHG mitigation measures and indicative carbon costs in evaluating the economics of all new projects. Additional scrutiny is applied to projects that are expected to emit more than 100 000 tonnes of carbon dioxide equivalent (CO,e) per year.

A BG Group target on GHG emission reduction emphasises the commitment of the Group to excellence in this area and drives performance improvement within the business.

On adaptation, BG Group's risk management procedures include an assessment of the risks to our operations presented by the short and medium-term consequences of climate change.

We have developed a step-by-step climate risk management framework to help form a view on the likely nature of the challenges over the coming decades.

Our GHG reduction target

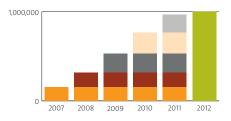
BG Group aims to reduce to a practicable minimum GHG emissions associated with its operations. In 2007, we set a Group-wide GHG emissions reduction target. In defining this target, we analysed how best to achieve a reduction in GHG emissions across businesses that continue to expand and which, in a number of locations, already use relatively new and efficient facilities.

Our target is to carry out a series of projects to reduce ongoing emissions, with the aim that by the end of 2012 our annual GHG emissions will be one million tonnes lower than they would have been without these projects. For clarification:

- the one million tonnes of GHG emissions refers to tonnes of carbon dioxide equivalent – CO,e;
- we use a 'no action' base case we assume that in the absence of a reduction project, no other action to reduce emissions would have occurred:
- we include reduction projects delivered by businesses directly under our operational control and by joint operated joint ventures;
- we include efficiency gains in existing assets and use of improved technology in new facilities; and
- projects are externally verified, and must be sustainable only those annualised reductions delivered in 2012 count towards the final one million tonnes.

The target is illustrated graphically below. As can be seen, projects may deliver reductions in multiple years, but only those annualised reductions delivered in 2012 count towards our one million tonne reduction target.

Progress towards one million tonne reduction target (tonnes)



Our GHG target in more detail

The GHG emissions reductions claimed from each project are externally verified. The Group has developed an accounting and reporting protocol to ensure external verification is effective. Sustainable reduction projects must be identifiable year-on-year following the implementation of a GHG reduction measure and the reduction must be in existence in the year 2012. A non-sustainable project is one that will not deliver GHG reductions in 2012 and is not included in our performance towards the 2012 target. The savings from reduction projects are re-verified on an on-going basis during the target period.

For existing facilities, the purpose of a GHG reduction project is to enhance the efficiency of current operations. Reductions are referenced against the 'no action' baseline defined in the project's verification report. The 'no action' baseline remains as the reference point to the end of 2012.

For new facilities, the GHG reduction project must introduce technologies that advance GHG efficiency. Technologies applied by BG prior to 2006 will be used as the baseline for comparison. The baseline technology is documented in the project verification report, with the baseline holding for a new facility for the duration of the target programme, to 2012.

Our businesses use Best Available Techniques (BAT) to determine the most effective project design and plant operating strategies for improving environmental performance.

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

Our People

The expertise, integrity and creativity of BG Group's employees are central to the Group's success.

Our human resources (HR) approach specifically supports the following Business Principles:

- We act with integrity, fairness and transparency
- We treat people with fairness, respect and decency
- We help employees develop their potential

Our HR strategy is to:

Identify

- identify the right people at the right time for the right job;

Equip

- deploy existing skills and develop new ones; and

Engage

- motivate and focus for outstanding results.

The markets in which we work present a range of challenges related to resourcing. Competition for skilled labour in the oil and gas sector continues to be intense, a factor that increases the need for us to develop the capabilities of our own employees as well as provide attractive employment opportunities to potential recruits. Across all our business, we face constantly changing business and technological challenges. Responding appropriately to demands such as these lies at the heart of our HR approach, which seeks to identify the right people at the right time for the right job, deploy existing skills as well as new ones, and motivate our people.

Our People:

Identify

Business success depends on identifying the right people and giving them the right job at the right time. We take a systematic approach to resourcing to ensure we can meet the business's long-term resource needs, operating a resourcing demand model to predict and manage the long-term people requirements that underpin BG Group's business plans. This model helps us to strike the best balance between the training and development of employees and the recruitment of experienced mid-career personnel from outside the Group when necessary. We aim to identify the best people through proactive succession planning and talent management coupled with effective recruitment.

We are committed to providing employment and development opportunities for people from the communities and countries that host our operations around the world.

As BG Group continues to grow, it is likely that external recruitment of experienced mid-career personnel will remain necessary.

Diversity and inclusion

BG Group has interests in more than 25 countries on five continents, and our employees are drawn from more than 75 different nationalities. We believe that increasing diversity will become a growing source of strength for the Group in the future. We aim to create working environments that accept and value men and women from a wide range of cultures, backgrounds and beliefs.

Equip

Systematic people development

We aim to equip our employees for success in the roles they perform today and in the future by ensuring that both individuals and line managers take responsibility for development.

We support succession planning and manage the talents of our employees by taking an active role in people development. We have developed online systems to collate information on employees' development needs and training activities as well as to inform succession planning across BG Group's businesses. Those systems include a formal annual appraisal and a formal annual development review between employee and line manager.

BG Group operates a core curriculum set of training courses which is continually reviewed to ensure it is aligned to current business objectives. Our country operations and professional functions also encourage employees to undertake task or role-specific skills training.

The Learning Management System

The BG Group online Learning Management System (LMS) provides a platform for our people to record their development and suggests and tracks relevant training courses. The LMS is available to employees and contractors working in our offices and at our facilities. It provides direct access to classroom courses, e-learning content and additional resources including videos and books. E-learning modules on some of the BG Group Life Savers is one example of courses available on the system to employees and contractors.

Engage

BG Group's approach to people development is to motivate and engage employees at all levels, informed by direct feedback and supported by the communication of clear expectations on the part of employer and employee.

Group-wide employee survey

Every two years, BG Group conducts an opinion survey among global employees and individual contractors directly retained by the Group. The survey, managed by an independent consultancy, is confidential and available online in seven languages.

Survey results are benchmarked against other companies inside and outside the energy sector. They provide senior managers with insights into aspects of BG Group's processes and working environments that employees believe need to be enhanced. Results from the survey are evaluated and actions taken to address areas for improvement.

Clear expectations

Our aim is to ensure that every employee has clarity about their role and responsibilities. We are working to ensure that:

- every role in the Group has a position description that clearly defines the associated accountabilities;
- employee performance targets and role objectives reflect those accountabilities; and
- those accountabilities are tied to remuneration.

Reward and benefits

Employees are more effectively engaged and motivated when there is a direct link between performance management and a remuneration policy that is transparent and widely understood. Allied to this, the delivery of BG Group's business goals will depend on attracting and retaining appropriate professionals with remuneration and benefit options that are market-competitive.

BG Group's reward philosophy is founded on four fundamental principles. We seek to ensure that rewards are:

- competitive: with the market and designed to match individual contributions with the appropriate levels of reward;
- performance linked: strongly linked to individual performance against goals and behaviours aligned with BG Group's business strategy and shareholder expectations;
- clear: simple to understand and straightforward to evaluate, with a clear connection between contribution and reward; and
- flexible: built around a central infrastructure that captures the things we all share with the flexibility to adapt to different markets, business challenges and employee populations around the world.

To provide attractive benefits packages that are clearly linked to what people want, we have introduced flexible benefits in some of our locations. These provide a range of workplace and family benefit options that can be tailored to each individual's needs. These flexible plans have been well-received and we will continue to look for opportunities to expand their use.

Social Performance

- We work to ensure that neighbouring communities benefit from our presence on an enduring basis
- We listen to neighbouring communities and take account of their interests
- We support human rights within our areas of influence

The operations of a global energy company can have far-reaching effects on the countries and communities in which they are located, especially in areas with complex social, developmental and economic challenges. Developing positive relationships with host governments and communities can make a material difference in reducing project and operational risk.

BG Group recognises that a long-term view is required to understand the cultural and societal values of local communities, as well as their economic and development needs. Understanding communities helps us to ensure that they benefit from our presence and that these benefits are fairly distributed. However, there are often significant barriers to winning local stakeholders' support.

The Social Performance (SP) Policy's commitments are to engage actively with our host communities and seek broad-based support for our activities. We seek to minimise and mitigate any negative impact of our operations and ensure that neighbouring communities benefit from our presence on an enduring basis.

The BG Group SP Standard sets out a framework for achieving these overarching objectives across our businesses and ultimately satisfying the societal aspects of our Business Principles. The Standard reflects the internationally recognised environmental and social performance standards developed by the International Finance Corporation (IFC).

The Standard is structured around three aspects of effective SP management:

- impact management: avoiding or minimising the negative impacts of our activities:
- benefits creation: creating and delivering on opportunities to enhance benefits to society; and
- establishing and maintaining effective relationships with local stakeholders.

SP management recognises local risks and the specificities of the local operating environment. The objective is to manage effectively the short and long-term social risks that may play out over the life of a project while maximising long-term benefits to our local stakeholders.

In joint ventures, BG Group endeavours to influence its partners to manage SP in a way that is consistent with the Group's SP Standard.

Since the Standard's launch, we have worked with our businesses to integrate SP requirements into mainstream activities. This is a continuing journey.

Social Performance:

Impact management

Impact management is a critical component of good social performance management, and is a pre-requisite to developing and maintaining effective relationships with stakeholders.

BG Group recognises that its activities can have both positive and negative impacts and these impacts can be experienced both directly and indirectly. The types of impact that our activities may have on communities will vary, depending on the activity being undertaken and the environmental and social context. Commonly they include land access, environmental impacts particularly during construction (such as noise and dust), and increased traffic. Conversely, positive impacts may include creating wider economic opportunities, increasing revenue to national and regional authorities, and improving physical infrastructure. The nature and type of impact is likely to change over time, and therefore requires ongoing monitoring to ensure continual and effective management.

The Social Performance Standard requires BG Group businesses to identify and manage impacts on local communities on a continual basis. Steps required to achieve this include:

- developing a baseline socio-economic assessment; and
- conducting a social impact assessment.

These assessments inform the mitigation plans for managing all identified impacts, plus the more detailed strategies to address more sensitive issues such as:

- the involuntary resettlement of communities, both physical and economic, within and adjacent to planned project areas;
- the rights and protection of Indigenous Peoples and vulnerable groups; and
- the effect of our operations on cultural heritage landmarks, landscapes and social traditions.

Baseline socio-economic assessment

- This assessment gathers quantitative and qualitative data on a range of factors, including health, education, employment, livelihoods, natural resource use, and access to infrastructure.
 These together set out the socio-economic circumstances of our operating environment.
- Generally undertaken by independent experts, the baseline assessment provides a blueprint for the management of all aspects of social performance, helping BG Group's businesses to identify and manage potential risks to both its activities and to neighbouring communities.

Impact assessment

- Social impact assessments draw on the baseline information to identify and understand the potential positive and negative effects of BG Group's activities upon these communities.
- The Standard requires our businesses to undertake one of the following types of impact assessment:
 - desktop impact assessment: for projects with minimal social impacts that pose little or no risk to BG Group projects;
 - traditional Environmental and Social Impact Assessment (ESIA): for projects where potential social impacts are considered generally few in number, are site-specific, largely reversible and readily addressed through mitigation measures;
 - stand-alone impact assessment: (commonly termed Social Impact Assessment, or SIA), where social impacts and associated risks are considered to be significant, for example if they are diverse, irreversible or unprecedented; and
 - integrated strategic or integrated regional assessment: for projects to be conducted in exceptional circumstances, such as trans-boundary projects, or those where the impacts are extremely significant, multi-sectoral, and expected to have large-scale regional and/or national impacts.
- Once those effects have been identified, the Group can explore measures that, in consultation with the affected community and in accordance with the relevant regulatory and policy framework, will avoid, mitigate or compensate for negative impacts. The assessment will also explore strategies to create or enhance opportunities for host community benefit emerging from the Group's activities.

Land acquisition and involuntary resettlement

- Involuntary resettlement refers to both physical displacement (relocation or loss of shelter) and economic displacement (loss of assets or access to resources that leads to loss of income or livelihood) as a result of project-related land acquisition.
 Resettlement is considered involuntary when individuals or communities do not have the right to refuse land acquisition.
- BG Group Guidelines follow IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement. Our Social Performance Standard requires the preparation of a resettlement action plan (RAP) when a resettlement is triggered as a result of our presence.

Indigenous communities and vulnerable groups

- BG Group's Standard recognises that indigenous communities and other vulnerable groups are often marginalised by other members of the population, and therefore may require us to adopt a different approach to managing these relationships to ensure that special attention is paid to their needs.
- Where we identify Indigenous Peoples living or working within a project's area of direct or indirect influence, our SP framework stipulates that we follow IFC Performance Standard 7 on Indigenous Peoples, and in line with this, produce an Indigenous Peoples' Plan.
- Where it is not clear whether communities within our area of operations include Indigenous People, the Standard requires that an expert be appointed to define the status of such communities.

Cultural heritage

BG Group's SP framework recognises both tangible and intangible forms of cultural heritage:

- tangible cultural heritage includes sites believed by communities to have archaeological or historical value or environmental features that embody spiritual and cultural values; and
- intangible cultural heritage includes knowledge and practices within communities embodying traditional lifestyles.

The SP framework requires BG Group projects to identify areas believed by communities to represent important aspects of their cultural heritage, and where appropriate prepare a Cultural Heritage Management Plan in line with the requirements of IFC Performance Standard 8.

Social Performance:

Benefits creation

Creating and delivering on opportunities for communities to benefit from our presence is essential to building broad-based support for our activities, and therefore contributing to the sustainability of our business.

There are a range of economic and development opportunities that our businesses can generate for host countries and communities, beyond the government revenues that typically result from investments in hydrocarbons projects. These benefits stem from direct and indirect employment, supply chain opportunities (local content) and financial or in-kind support to social programmes (social investment, or SI).

The extent to which our businesses are able to generate such opportunities, and the extent to which neighbouring communities can exploit them, will vary depending on the type of investment and the socio-economic context. Where there is limited business related infrastructure or availability of skills and capacity locally, generating extensive local employment and supply chain opportunities through our core business activities can be challenging. Therefore, we also aim to deliver benefits via SI programmes that address priority development needs.

SI programmes can play a significant role in generating sustainable benefits locally, particularly if they are strategically designed to address both community and business needs. For BG Group, a strategic approach to SI has two key elements – first, a hands-on approach to design and delivery of multi-year SI programmes, often in partnership with external organisations, and second, where possible, the creation of SI programmes that aim to unlock broader benefits for communities by enabling them to gain access to a wider range of employment and supplier opportunities linked to our core business activities.

In a small but growing number of countries, BG Group and others are required by government to contribute to social development programmes. Where this is the case, we believe we have a responsibility to ensure that this leads to long-term, sustainable outcomes for the beneficiaries.

In all our businesses, we aim to achieve a balanced portfolio of benefit generating activities for our host governments and neighbouring communities in order to achieve our social objectives.

Social investment

Our Social Performance Standard defines SI as a voluntary contribution to assist a community in the following ways:

- to meet development priorities such as education, health or income generation;
- to enhance existing opportunities, such as local contract development; and
- to build long-term skills to benefit local and regional communities.

SI can be considered 'strategic' where it encompasses voluntary spend that contributes to social, environmental and economic sustainable development and is designed and carried out in support of our business objectives. Strategic SI has the potential to benefit society by contributing to development priorities, complementing the efforts of

national governments and other organisations, and increasing capacity within civil society for wider sustainable development. Benefits can be further enhanced if BG Group SI initiatives are designed to leverage additional funds from other sources. SI activities help BG Group meet its objectives by providing a mechanism to engage and establish or maintain good relationships with stakeholders, including through partnerships and alliances.

The SP Standard requires our businesses to develop a three to five-year strategy for social investment, linking it clearly with business and other SP objectives. This should be outlined in a Social Investment Plan, which is a management tool for developing, choosing and managing individual SI initiatives in line with the strategy. This tool can also be used to monitor the effectiveness of individual projects on an annual basis, and to respond to evolving business and community needs.

Local Content

Local Content is the term used to describe the contribution of expenditure on bought-in goods and/or services to sustainable economic development goals in the countries and communities where we operate, in alignment with our business objectives. Local Content can stimulate the development of local skills and capabilities and support the emergence of competitive domestic supply chains.

In 2009, BG Group launched a Standard for Local Content, in recognition of this topic as a growing focus in many of our businesses. The Standard formalises the requirement for BG Group to ensure that decisions regarding expenditure on bought-in goods and/or services take due consideration of the commercial and reputational impact of Local Content regulations, obligations and expectations and to prepare, implement and annually update a Local Content strategy to give clear direction to these considerations.

Each strategy must take into account the BG Group business objectives in the host country, national and local government economic priorities, national regulatory and legislative requirements for Local Content (if applicable), and any applicable competition rules.

The resulting Local Content strategy will inevitably demand close collaboration with contractors. It comprises various approaches appropriate to the business and the local context such as the recruitment of local staff and the hiring of local suppliers, provision of skills training, business incubation initiatives and/or BG Group managed local content programmes. The strategy may also identify opportunities for linking with SI initiatives.

Social Performance:

Relationships

BG Group recognises the need to establish and maintain constructive relationships with a range of institutions, individuals and communities to ensure broad support for our activities. Doing so is integral to the sustainability of our operations.

In relation to social performance (SP) consultation, our approach is guided by the requirements of our SP Standard, in which community consultation makes up one of the nine elements. The Standard commits us to conducting our community consultation in a way that is transparent, inclusive, culturally appropriate and publicly defensible. Consultation underpins all aspects of SP, throughout the life of a project from exploration to closure. It is integral to our existing processes, from socio-economic baseline and impact assessment to impact management, SI and SP planning in general.

Consultation is important because it:

- builds understanding and trust between BG Group and community and other stakeholders;
- allows BG Group projects to understand the needs and values of the community and other stakeholders, and allows stakeholders to understand BG Group objectives, intentions and activities;
- helps to build a process of dialogue, through which the business can respond to changing concerns as the business progresses;
- enables people to make informed judgements about changes that will affect their lives;
- raises awareness of the business's impacts, positive and negative, and can help to gain agreement on the management of this impact to the benefit of BG Group and host communities; and
- ensures that the business and the community remain mutually informed and involved with each other throughout the life of the project.

Stakeholder engagement approach

Our SP framework sets out five levels of consultation, and refers to the guidelines for consultation outlined in the IFC publication 'Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets'. The five levels are:

- communication;
- disclosure:
- consultation and involvement;
- participation and empowerment; and
- negotiation, good faith agreements and strategic partnerships.

Building on good practices set out by the IFC, the SP framework outlines the following procedures for effective stakeholder engagement:

stakeholder identification and analysis;

- information disclosure;
- stakeholder consultation;
- negotiation and partnerships;
- grievance management;
- stakeholder involvement in project monitoring;
- reporting to stakeholders; and
- management functions.

In designing consultation programmes, we also take account of the capacity of the business to run an effective process, and the capacity of the community to participate. For the business, this might necessitate the use of external consultants where appropriate in roles requiring facilitation and independent reporting, for example. With the community, this might involve tackling challenges such as remoteness, disenfranchisement, factionalism, illiteracy, unequal access for participation or a lack of trust in the formal institutions that exist to represent them.

Human rights

BG Group believes that respect for human rights is central to sustainable value creation. Our Human Rights Policy states that we respect human rights as set out in the Universal Declaration of Human Rights. We have also participated in the work of Professor John Ruggie, the UN Special Representative of the Sectretary General on Business and Human Rights, with respect to the development of a business and human rights framework.

Aligned with this framework, BG Group seeks an integrated approach to identifying and managing human rights risk. Human rights risk identification and management is incorporated within our existing Standards and processes. Processes are in place across the company in the various functions where human rights issues have relevance, including Social Performance, Security, Human Resources, and Contracts and Procurement and Legal. For example, our Contracts and Procurement department conducts risk assessments and screens for human rights risk in the supply chain, and our Social Performance Standard captures issues in relation to the rights of Indigenous Peoples and other community stakeholders affected by our operations.

Our integrated approach, involving regular coordination between these functions, seeks to ensure that existing controls are effective in assessing and managing human rights issues. Where risks to human rights are assessed to be material or are not covered by existing controls, the option of conducting a standalone Human Rights Impact Assessment (HRIA) exists. However, it has not been deemed necessary to conduct such an exercise to date within the Group.

BG Group is a signatory of the Voluntary Principles on Security and Human Rights (VPSHR). Fulfilling our commitment to the Principles involves conducting risk assessments in locations where there is deemed to be a potential risk, and putting appropriate measures in place to manage this risk. We report annually on the policies and procedures we have in place as well as on activities undertaken to manage security and human rights risk in relevant countries. These activities can include working with private and/or public security providers and addressing the root causes of human rights challenges through effective engagement with local communities. We ensure our risk assessment is kept fully up-to-date and we monitor contextual and business conditions that may affect the risk profile of our operations. To date, we have not faced a material risk in relation to security and human rights.

Stakeholder Engagement

Engaging with stakeholders

BG Group's stakeholders are those groups or individuals who are affected significantly by our business or who can have an impact on it. Our commitment to engage with them underpins our Business Principles. The Principles set out that we will engage with our stakeholders, listen to their views and take account of their interests.

Identifying stakeholders and their concerns

The primary means of identifying stakeholders, along with their views and expectations, is at country level through our various businesses.

Issues highlighted by our country management teams are consolidated in our core business risk management process. Selected output from this is reviewed quarterly by the Group Performance Committee. Specialists within the Group functions add their own assessments to this bottom-up approach. This enables us to identify and manage stakeholder concerns that occur in more than one location, which may indicate a systemic exposure, as well as those that are common across different parts of BG Group. Our Group functions provide additional expertise to help our assets understand and respond to stakeholder concerns. Some stakeholder groups, such as the investment community, are most appropriately engaged with at Group level only.

Policies, Standards and Guidelines within our Internal Control Framework (ICF) sets out the Group's requirements to implement appropriate, engagement strategies, plans and modes of engagement for our key stakeholders. For example, the BG Group Health, Safety, Security and Environment (HSSE) Policy, which forms part of the ICF, states that we will understand and take account of stakeholder HSSE concerns by consulting with government, partners, customers, employees, contractors, local communities and industry organisations.

Responsibility for adherence to those controls, and to the Business Principles themselves, rests with our businesses. These engagement processes enable us to incorporate the views of stakeholders into the development of our business plans.

The identification of stakeholders, material issues and actions taken in response to stakeholder concerns are kept under review by the Sustainability Committee.

Our approach to engagement

Engagement communities is driven by the requirements of our Social Performance (SP) framework. The SP Standard takes account of IFC good practice guidance and sets out five levels of engagement that range from basic communications strategies designed to inform large numbers of people, to detailed negotiation and participation, targeting specific groups for specific needs.

Engagement mechanisms

BG Group uses a wide variety of methods to engage with stakeholders. Our aim is to address needs and expectations by communicating in a way that is tailored and accessible to each particular group. Our approach includes:

- community consultation, including both information disclosure and engagement activities;
- grievance mechanisms;
- written responses and face-to-face meetings with investors;
- formal consultation and disclosure as part of the permitting process;
- engagement with and responses to specific requests from governments;
- engagement with think tanks, industry initiatives, non-governmental organisations (NGOs) and development organisations;
- press releases, interviews and responses to queries;
- the two-yearly Group-wide employee survey;
- discussions with line managers, annual development and performance reviews and function meetings; and
- exit interviews and questionnaires when individuals leave the organisation.

The role of the Sustainability Report

This Sustainability Report represents one means of communication with stakeholders and forms part of our engagement and response process. Throughout the Report, we provide examples that show how we are responding to material stakeholder concerns in our day-to-day operations. The Report is primarily aimed at the following groups:

- employees and potential employees;
- investors;
- communities (where access is available);
- governments;
- civil society groups;
- non-governmental organisations (NGOs); and
- media.

To ensure it is aligned with internationally-accepted best practice, we also apply the Global Reporting Initiative's G3 guidelines to our reporting.