



BG GROUP

Corporate Responsibility  
Report 2007

# BG Group is a rapidly growing global energy business with interests in 27 countries across five continents.

BG Group is engaged in the exploration, development, production, transmission, distribution and supply of natural gas. The Group also has a number of power generation business interests. Gas reserves often require complex chains of physical infrastructure and commercial agreements to deliver the gas to markets and BG Group has proven skills and experience in creating value from these chains.



## Exploration and Production (E&P)

BG Group explores for, develops, produces and markets gas and oil around the world. Around 70% of 2007 production was gas. The Group uses its technical, commercial and gas chain skills to deliver projects at competitive cost and to maximise the sales value of its hydrocarbons.



## Liquefied Natural Gas (LNG)

LNG is gas that has been cooled to a liquid form to make it easier to transport. BG Group's LNG activities combine liquefaction and regasification facilities with the purchasing, shipping and sale of LNG.



## Transmission and Distribution (T&D)

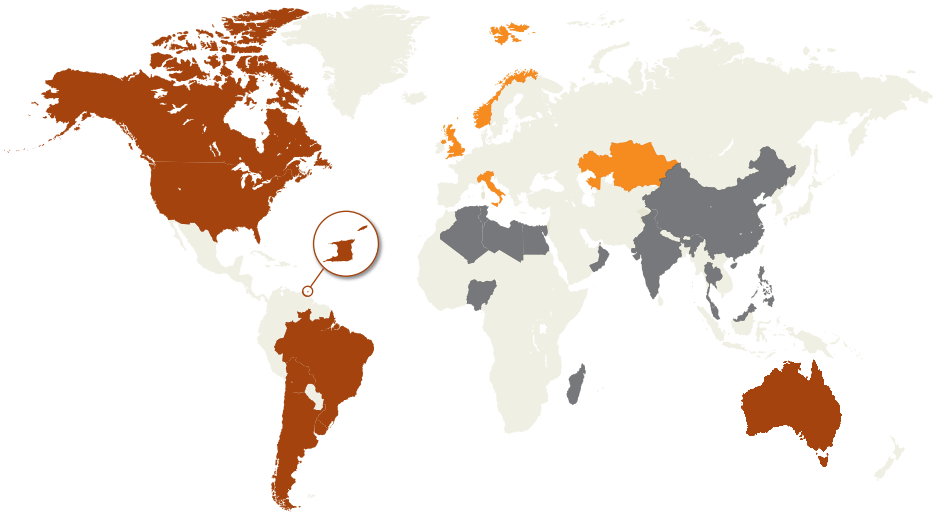
BG Group's T&D activities are focused in fast-growing markets, developing both markets and infrastructure for the delivery of gas.



## Power Generation

A large proportion of the worldwide demand for gas is attributable to power generation. BG Group develops, owns and operates gas-fired power generation plants.





BG Group manages its business segments on an integrated regional basis.

- 1 Europe and Central Asia
- 2 Americas and Global LNG
- 3 Africa, Middle East and Asia

### Main markets and activities

BG Group's high performing E&P business is the centre of gravity for the Group. E&P volumes were 604 000 barrels of oil equivalent per day in 2007.

Production: Bolivia; Canada; Egypt; India; Kazakhstan; Thailand; Trinidad and Tobago; Tunisia; UK.

### Key events in 2007

- Exploration drilling success in Bolivia, Brazil, Canada, Norway, Thailand and the UK
- Signed Gas Sales Agreement to facilitate Karachaganak Phase III
- Successful expansion of Tapti gas field in India
- Start-up of Buzzard field in the UK

### Business Performance<sup>(a)</sup>

Total operating profit

**£2 387m** 2007

**£2 457m** 2006

BG Group has an industry leading portfolio of LNG assets, delivering cargoes to nine out of the world's 17 importing nations in 2007.

Liquefaction: Egypt; Trinidad and Tobago.

Long-term LNG supply: Egypt; Equatorial Guinea; Nigeria; Trinidad and Tobago.

Regasification: Elba Island and Lake Charles, USA; Dragon LNG, UK; Quintero LNG, Chile; Brindisi, Italy.

- Sanctioned Quintero LNG import terminal, Chile
- Signed Sale and Purchase Agreement for 2.25 mtpa LNG from Nigeria LNG Train 7

Total operating profit

**£521m** 2007

**£352m** 2006

The Group's T&D businesses are focused on high-growth developing markets in Brazil and India.

Transmission and distribution: Brazil; India.

- Continued strong growth in customer numbers and volumes
- Expansion of distribution network in São Paulo and Gujarat

Total operating profit

**£247m** 2007

**£231m** 2006

BG Group has a 4.3 GW portfolio of mostly gas-fired power generation.

Power: Italy; Malaysia; Philippines; UK; USA.

Co-generation: Brazil; India.

- Acquired two US power plants
- Increased holding in Italian power operation to 100%

Total operating profit

**£130m** 2007

**£106m** 2006

(a) 'Business Performance' excludes disposals, certain re-measurements and impairments as exclusion of these items provides a clear and consistent presentation of the underlying operating performance of the Group's ongoing business. For further explanation of Business Performance and the presentation of results from joint ventures and associates, see BG Group plc's Annual Report and Accounts 2007

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## Our vision

Natural gas is our business. We are a rapidly growing company, with expertise throughout the gas chain.

We are a leading natural gas company in the global energy market – operating responsibly and delivering outstanding value to our shareholders.

### A balanced picture: the purpose of this Report

For BG Group, Corporate Responsibility (CR) means putting our Business Principles into practice. The purpose of this Report is to provide a balanced picture of the Group's activities during the year for all of our stakeholders – including employees, investors, communities, governments, civil society groups, non-governmental organisations and the media.

BG Group strives to behave responsibly wherever we operate. We are conscious of the impacts, both positive and negative, that large international corporations can have – as well as detailing our successes in this area, this Report includes accounts of where we are aware that we haven't achieved the high standards we have set for ourselves.

# Principles into practice



**Corporate Responsibility means putting our Business Principles into practice. It is central to our decision making.**

**Frank Chapman**  
Chief Executive

Welcome to BG Group's 2007 Corporate Responsibility Report.

For BG Group, Corporate Responsibility (CR) means putting our Business Principles into practice. The Group's Business Principles are the foundation of our Governance Framework and set out the values and behaviours that guide all areas of the business.

We believe that CR is an essential ingredient in the creation of sustainable value, both for shareholders and for other stakeholders. This Report describes how we seek to create value on an enduring basis by working together with our suppliers, our customers, governments and communities towards shared objectives.

## Key events in 2007

- Greenhouse gas emissions target set – one million tonnes sustainable reduction by 2012
- Lost Time Injury Frequency at lowest-ever figure
- Responses to Group-wide employee survey
- Goldman Sachs ranked BG Group as a "sustainable investing leader" in GS Sustain

As a natural gas company, BG Group has a role to play in advancing global efforts to combat climate change. The substitution of coal with natural gas – the cleanest of the fossil fuels, with 40% lower carbon dioxide than coal for an equivalent amount of energy – has been cited by the Intergovernmental Panel on Climate Change as a key and immediately commercially available measure to reduce greenhouse gas (GHG) emissions.

We are also committed to GHG savings from within our own operations. We have set a target of identifying and carrying out projects that will generate ongoing, sustainable GHG reductions of one million tonnes, compared to a 'no-action' base case, by 2012. As part of this, in 2007 we carried out projects that generated GHG reductions of 221 000 tonnes. One million tonnes represents approximately 8% of forecasted emissions from BG Group operations in 2012.

Safety is a key part of operating responsibly. All of our people, myself included, are expected to take personal accountability for ensuring their own safety and that of others. Our focus on safety has led to a continued enhancement of our safety culture and performance: in 2007 the Group's Lost Time Injury Frequency improved by 28% to 0.26 per million hours worked, our lowest-ever figure.

Our ultimate safety goal remains zero injuries. Everyone working for BG Group has the right to go home safely to his or her family. It is therefore with great regret that I report the deaths of two contractors during 2007: one in a road traffic accident in Kazakhstan and the second working on the construction of one of the Group's new LNG ships in South Korea. In early 2008, shortly after the reporting period, a contractor working on behalf of our Gujarat Gas subsidiary in India died following an incident during streetworks. All three incidents have been investigated to assess any lessons to be learned.

Working to high standards, as set out in our Business Principles, is a key element of our vision for BG Group. Our inclusion in the FTSE4Good index and the Dow Jones Sustainability Indexes, and particularly our ranking as a "sustainable investing leader" in Goldman Sachs' GS Sustain focus list, reflect recognition of our commitment to working responsibly.

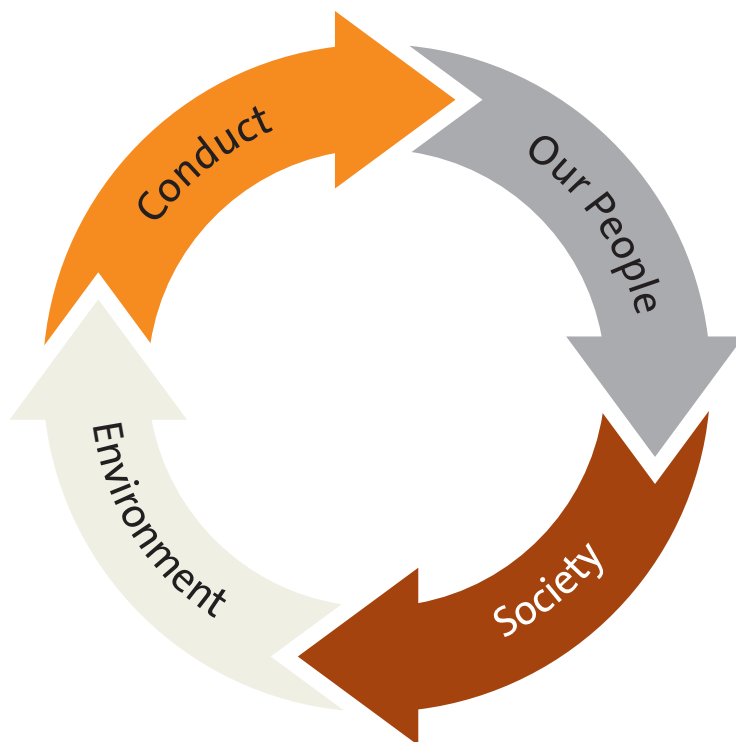
How we operate is as important to us as what we do or the assets we own. It is through the energy of our people that we achieve our goals. I am proud of the commitment, creativity and enthusiasm that our people bring to working responsibly, and I would like to pay tribute to them.

Finally, I would like to thank you for your interest in this report. Our aim is to report fully and transparently, not only on what we do but also on how we do it. If you would like to share with us how far you feel we have achieved this, please email [cr@bg-group.com](mailto:cr@bg-group.com) or contact us via the link on our website.

**Frank Chapman**  
Chief Executive

# Our approach to reporting

The 2007 Corporate Responsibility Report sets out our policies and performance in the four Business Principles areas: conduct, our people, society and environment.



In this report, we set out our performance in areas of greatest interest to our stakeholders across our Business Principles, in a way that allows stakeholders to measure that performance against clear and specific targets.

On pages 4 and 5 we explain our approach to Corporate Responsibility (CR), what it means to us and how we seek to ensure that we operate responsibly.

This report focuses on the issues that our stakeholders consider to be of most importance. It also addresses BG Group's own internal assessment of how these CR issues relate to the measures and risks considered material to BG Group. More information on how we identify stakeholder priorities and the risks we consider key to our business can be found on pages 6 and 7.

These issues are assessed across BG Group's businesses in Exploration and Production (E&P), Liquefied Natural Gas (LNG), Transmission and Distribution (T&D) and Power Generation.

The four central sections of the report – conduct, our people, society and environment – are structured around the Business Principles specific to that section. This approach highlights our performance against the measures we set ourselves, and reflects our belief that CR means putting our Business Principles into practice.

Each section includes a question from one of our stakeholders, together with our answer. Questions were submitted by our stakeholders, including Socially Responsible Investment (SRI) analysts, independent institutions and non-governmental organisations (NGOs), and from the questions submitted we selected those most relevant for this report. Those not selected will be answered on our website. For details on how to submit a question for our 2008 report, please see page 45.

On pages 8 to 11 we lay out our targets for 2008, based on our Business Principles. We also present our 2007 targets and the extent to which they were achieved. We will continue to report our progress against these targets annually. The data tables on pages 12 and 13 provide a statistical measure of our performance in 2007.

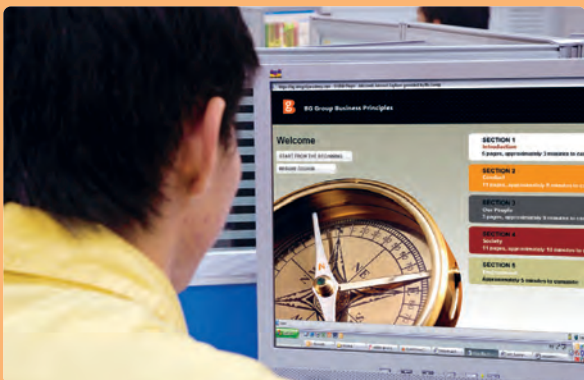
BG Group is a signatory of the UN Global Compact (UNGC). On page 41 you will find an index demonstrating our adherence to the UNGC's ten principles in our work. This index cross-refers to relevant Global Reporting Initiative (GRI) and International Petroleum Industry Environmental Conservation Association (IPIECA) indicators.

This Report has been subjected to an independent assurance review by Ernst & Young, the results of which can be found on pages 42 and 43. Points identified for improvement in the last year's Report can be found on page 42, together with our progress in addressing them. We have also included a number of Ernst & Young remarks throughout this Report.

## Conduct

p14

Describes how we conduct our business relationships in accordance with our Business Principles, and how we integrate CR into business processes. Here you will find our approach to corporate governance and stakeholder dialogue. We also cover whistleblowing in this section.



## Our People

p20

Explains our employment practices, training and development programmes and methods for employee engagement. The section also describes how we strive to keep our people healthy, safe and secure.



## Society

p27

Examines how we manage relations with communities impacted by our operations. It sets out our approach to managing the effect of our presence on local communities, sustainable development, social investment and human rights, and how we work to share the benefits of our presence.



## Environment

p33

Explains how we manage our environmental risks and aim to maximise the environmental benefits of natural gas over other fossil fuels. Includes information on climate change, air quality and biodiversity and other issues such as hydrocarbon spills, controlled hydrocarbon discharges, waste management and resource use.



# Our approach to Corporate Responsibility

Working responsibly is a key element of long-term economic success.

**Frank Chapman**  
Chief Executive

## CR is good business

BG Group believes that operating in accordance with our Business Principles is an essential prerequisite for outstanding performance that is sustainable over the long term. In our view, there is no trade-off between performance and principles: we believe that adhering to our principles leads to improved long-term growth.

Our approach to Corporate Responsibility (CR) helps us to identify risks, particularly in the form of external expectations and pressures, and to transform these risks into opportunities and competitive advantage. CR leads to more successful management of our business.

In all aspects of our operations, success depends on strong alignment with our stakeholders: governments, communities, partners, contractors, employees and customers as well as investors. We aim to deliver excellence in gas chain skills – discovering, producing, transporting and distributing gas – but we also have to understand our stakeholders' perspectives and priorities, and build businesses which reflect these. Our businesses are shaped by local and national requirements, both in producing countries and in our markets, and we seek to understand the impact of our presence on communities and wider societies.

### Long-term partnerships

Sustainable profits depend on working closely with stakeholders to achieve mutually beneficial goals, sharing benefits from the outset and over the long term. Our customers need secure and economic supply.

Governments need supply and revenue security. Communities need enduring benefits delivered through a reliable, trustworthy corporate presence. Companies and their partners and contractors need a predictable operating environment. Employees need safe working environments and career opportunities. All of these rely on long-term partnerships and require successful stakeholder alignment, consistent performance and, above all, a commitment to high standards of operation.

For many emerging nations, hydrocarbon revenues are driving long-term growth programmes designed to transform societies. Stable and enduring partnerships are critical to the delivery of these programmes. We also enhance quality of life directly through the provision of jobs, contracts or energy supply, and indirectly through improvements in infrastructure and health, or through building capacity.

### People

All industries face the challenge of attracting and retaining talented people. This is particularly the case in the oil and gas industry where there is a shortage of employees with key skills. CR can play a valuable role in meeting this challenge in the following ways:

- diversity – our aim is to recruit from the widest possible talent pool. BG Group's direct employees represent more than 65 different nationalities, maximising our opportunities to find tomorrow's leaders;
- motivation – our people want to work for a company that reflects values they share. Pride in the way the company works is an important element in motivation and retention; and

- recruitment – studies and experience demonstrate that a company's values have a major influence in attracting new employees. In a competitive market, a focus on the importance of CR helps attract leading talent.

### Risk management

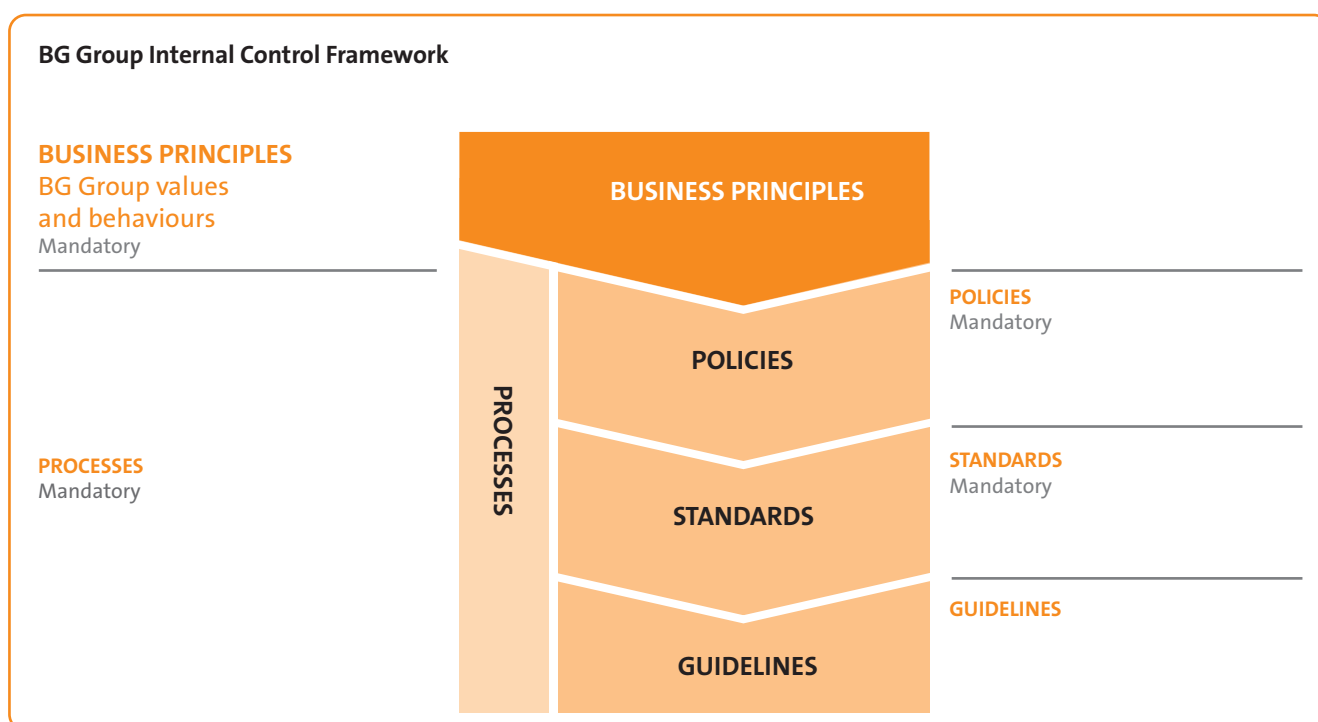
We believe that our commitment to working in accordance with our Business Principles reduces risk and increases long-term value:

- good governance procedures help to prevent financial and management failures;
- a commitment to fairness, respect and personal development in our dealings with our employees supports our goal of a high-quality and highly motivated workforce;
- managing HSSE risks helps to protect our staff from harm, minimises the potential for environmental incidents and helps ensure the integrity of our assets; and
- stakeholder engagement with communities increases local support for our operations and minimises the risk of disruption.

### Financial returns

While there is no conclusive evidence that CR alone adds value, Goldman Sachs' GS Sustain focus list has incorporated Environmental, Social and Governance (ESG) performance with long-term industrial analysis and returns-based analysis to "pick companies that demonstrate sustainable and sustained competitive advantage by leading their peers across all indicators of corporate performance: management quality, industry structural themes and primary drivers and financial returns". These same companies outperformed the MSCI (an index of world stocks) by 25% between August 2005 and





the report's publication in June 2007. Of these, 72% have outperformed their peers over the same period. The GS Sustain focus list has identified BG Group as an "energy leader" based on ESG, cash returns and industry structural themes (the key determinant for which in the energy sector is superior access to resources). More details on GS Sustain and BG Group's position within it can be found in the case study on page 16.

### How we do it

BG Group seeks to ensure that we operate responsibly through adherence to our Business Principles, 15 statements of core values and behaviours that define how the Company operates. For BG Group, CR means putting our Business Principles into practice.

#### Organisation and structure

The Business Principles flow through the Group via the Internal Control Framework. This Framework is overseen by the Board of Directors, which is ultimately responsible to

BG Group shareholders. The Corporate Responsibility Committee (CRC), a committee of the Board, has oversight of the Group's CR strategy, policy and risk exposure.

Implementation of our Business Principles is led by the Group Executive Committee (GEC) with support from three of the GEC subcommittees:

- the Governance and Risk Committee, responsible for Business Principles' annual review, overseeing compliance and implementation guidance;
- the People and Organisation Committee; and
- the HSSE Committee.

#### Internal Control Framework

The Internal Control Framework provides the rules and guidance within which the Group operates, and is illustrated above.

Our Business Principles define how the Company operates. They are the overriding element of this Framework. Each Business

Principle statement is underpinned by Policies, Standards, Processes and Guidelines, defined as follows:

- Policies – statements that govern the course of action that must be followed to deliver activities;
- Standards – statements containing precise criteria to be used as rules;
- Guidelines – recommendations and suggestions to assist with the implementation of Policies and Standards; and
- Processes – unified and logical structures for organising activities.

Functions responsible for specific Policies, Standards, Guidelines and Processes are also responsible for ensuring the Group's alignment with the related Business Principles statements. For example, the HSSE-related Business Principles are the responsibility of the HSSE department, which revised its Policies and Standards in 2007 to tighten alignment with the Business Principles.

# Materiality and scope

**Corporate Responsibility (CR) is a broad concept, integral to many aspects of how BG Group operates. In this Report we focus on CR policies and performance related to environmental, social and governance measures and risks that are material to BG Group's business and of significant interest to internal and external stakeholders.**

## Assessing materiality

BG Group utilises its main business risk management process to identify and assess CR risks. As with other business risks, assets and project management teams are required to review and register their key CR risks quarterly. High-impact risks are aggregated on a regional and Group basis to ensure that they are managed at the appropriate level.

Specialists within the Group supplement this bottom-up approach with functional risk assessments to identify and manage risks occurring in more than one location, which may indicate a systemic exposure, as well as risks that are not specific to any location.

To determine the degree of materiality, risks are assessed on the basis of likelihood and potential impact on the business and on stakeholders. Of the risk factors covered in the 2007 Annual Report and Accounts (ARA), the following are related to the issues covered in this Report:

- **Health, Safety, Security and Environment (HSSE):** a major HSSE incident could result in injury or loss of life, damage to the environment or destruction of facilities, each of which could have a material impact on BG Group. BG Group recognises that the protection of the health and safety of its employees, and others affected by its operations, is an essential element in delivering business performance, as are the security of physical and intellectual assets and the protection of the natural environment. Policies and measures at the international and national level to tackle climate change will increasingly affect business conditions, presenting environmental and regulatory risks. Similarly, measures to tackle loss of biodiversity may limit access to oil and gas resources in areas deemed to be biologically sensitive. The increased threats from international terrorism and violent crime could also interrupt the Group's operations to a material extent.
- **Stakeholder engagement:** a number of stakeholders (including employees, investors, media, governments, civil society groups, non-governmental organisations and those living in local communities affected by BG Group's operations) have legitimate interests in the Group's business. The Group's reputation and/or share price could suffer due to inappropriate or

inadequate engagement with stakeholders, including, for example: failure to develop proactive stakeholder engagement strategies, delivery of inconsistent messaging to key stakeholders on business objectives and strategy; failure to provide adequate explanations if performance targets are not met or if performance is perceived as poor against competitors; and inadequate responses to any crisis (including financial market challenges, such as a hostile bid) or a major HSSE incident.

- **Human resource and organisations:** BG Group's performance and its ability to mitigate significant risks within its control depend on the skills and efforts of its employees and management teams. Future success will depend to a large extent on the Group's continued ability to attract, retain, motivate and organise its highly skilled and qualified personnel. This in turn will be impacted by competition for human resources. If the Group loses the services of key people or is unable to attract and retain employees with the right capabilities and experience, it could have an effect on the Group's business and operations. Effective organisation of the Group's human resources relies upon the development and delivery of an organisational design aligned to the Group's business objectives. Failure to effectively implement organisational design, or to adapt the organisation as the

## Governments

Our local asset management teams conduct a systematic process of engagement with host governments and local regulators to identify issues of importance to those stakeholders.

The highest CR priorities for governments across most of our assets in 2007 were employment and the creation of local jobs, closely followed by community and social issues.

Governments are also increasingly identifying environmental management, and climate change in particular, as priorities.

## Communities

Our assets engage with local communities and analyse secondary sources to understand local social issues.

In 2007, local communities and the media were most interested in employment. For example, in several of our assets where we are moving from the construction phase to the operating phase of activities, neighbouring communities are particularly concerned about the ongoing availability of local jobs.

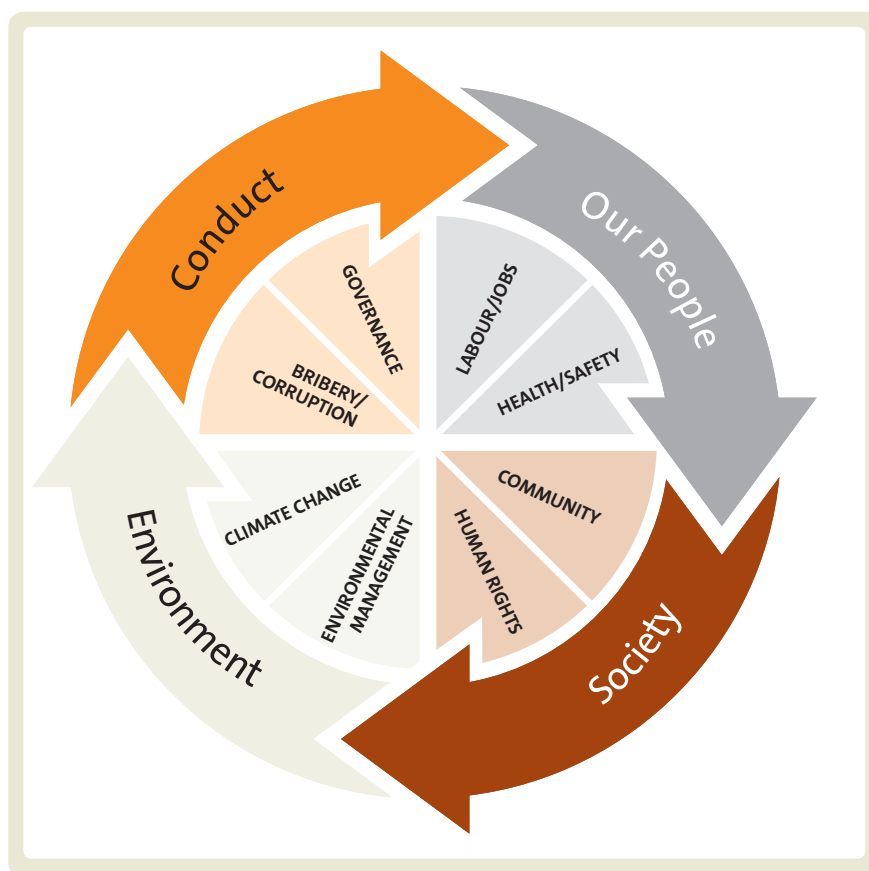
Environmental management and social issues were also raised frequently by community stakeholders.

## Stakeholder engagement overview

Group grows, could have a material adverse effect on the delivery of business objectives.

- **Corporate Responsibility:** BG Group defines CR as putting our Business Principles into practice. BG Group's failure to implement its Business Principles and/or any ongoing or damaging investigations of BG Group could impact the Group's reputation and/or share price. Each of the following risks could affect the Group's ability to deliver projects on time and within budget and damage BG Group's reputation: failure to consider and manage environmental impacts, social consequences and human rights in investment decisions, project planning and operational management; failure to identify stakeholder expectations; and weak governance and internal controls, including the ineffective implementation of anti-corruption policies.

Policies and procedures described in this Report apply to BG Group and our wholly owned subsidiaries. We are working to encourage joint ventures, non-operated businesses in which we have an interest and contractors to adopt equivalent policies. Performance data covers operations over which we have effective management control. In the case of greenhouse gas emissions we also report BG Group equity share from operations in which we have a financial interest (see pages 12 and 13).



### Investors

Our Investor Relations team receives questions and feedback from the Socially Responsible Investment (SRI) community throughout the year. We use the nature and volume of these enquires to gauge the importance of particular issues to the investor community. In 2007, the main investor focus was climate change, with questions relating to greenhouse gas emissions, fuel substitution, renewable sources of energy and carbon capture and storage. An additional area identified was entry into more challenging countries.

### Public opinion

Feedback from visitors to BG Group's website, [www.bg-group.com](http://www.bg-group.com), was overwhelmingly concerned with employment and community issues, with a large volume of highly specific queries regarding career opportunities, sponsorship and community-based projects. A large number of responses were also concerned with environmental management and governance, with whistleblowing a key area of focus.

## BG Group summary of performance

### CONDUCT

#### Business Principles

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 targets in 2007

- Introduce Group-wide online Business Principles training tool
- Run pilot project to monitor compliance of key contractors with our Business Principles
- Work with key contractors to extend this project to the monitoring of sub-contractors
- Launch a revised Whistleblowing Policy
- Implement the findings of the 2006 assurance process review
- Review Anti-Corruption Standard following first year of operation
- Hold Local Content Workshops with stakeholders in key assets. Continue to implement appropriate Local Content Development strategies
- Continue to evaluate and report on the performance of the CR Committee

### 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

- Continue to feed back Group-wide employee survey results and respond to findings
- Roll out Equality and Diversity briefings across the Group
- Develop and roll out Core Curriculum of training and development courses open to all employees
- Develop a programme to increase the emphasis on management training and development through the Group at all levels
- Develop a process to support the implementation of the BG Group Life Savers programme
- Strengthen the Group HSSE audit process to provide independent assurance that the key HSSE risks have been identified and appropriate controls are being effectively implemented
- Develop health guidance and occupational health manual

These pages include BG Group's CR targets for 2008. Among them (indicated in bold) are objectives which we believe require ownership at a Group Executive level. Each of these are therefore being led by a member of the Group Executive Committee. More detail can be found on page 15.

### Actions taken in 2007

- ✓ Group-wide online Business Principles training tool completed. During 2008, a programme to roll out the training tool will occur
- ? Pilot project initiated but not completed. Work carried out to date detailed on page 15
- ✗ Postponed until key contractor compliance achieved. See page 15
- ? Whistleblowing Policy revised, to be launched and rolled out in 2008. See page 18

? Reported on page 42

✓ Standard reviewed and areas for modification highlighted

? Workshops held in Nigeria and Trinidad and Tobago. Workshops were used to develop appropriate strategies which will be applied in 2008

✓ Evaluation completed using external specialist. Findings reported on page 18

### Our targets in 2008

- Carry out a structured programme of internal audits focusing on Business Principles
- **Hold four contractor workshops with 30 or more of our top-tier contractors on compliance with our Business Principles**
- Raise awareness of Business Principles among key first tier sub-contractors
- Launch and roll out revised Whistleblowing Policy
- Roll out further training on key areas of legal compliance
- Review the suite of Standards which contribute to managing conduct (which includes the Anti-Corruption Standard)
- Roll out further Anti-Corruption training
- **Establish Standards and Guidelines for Local Content Development**
- **Carry out initiatives to develop local contractor capability in two key assets**
- Strengthen the risk management process at project level to ensure this is incorporated into the assurance processes more effectively

- ✓ Communications sessions held with staff at most locations and action plans drawn up
- ? Briefings held in the UK but not globally. Equality and Diversity to be covered in the new online Business Principles training tool

- ✓ Core Curriculum of training and development activities open to all employees developed and rolled out
- ✓ Included in the Core Curriculum above

✓ New Standards introduced for each Life Saver to support implementation. Awareness campaign launched

- ✓ Group HSSE audit process revised with new framework, supported by tools, protocols and training. Fixed timelines and reporting structure in place, with key findings to be reported to the HSSE Committee
- ✓ Four Health Standards developed. Each of these includes documents giving specific guidance on implementation. These and other Guidelines were collected into a comprehensive Health Manual available electronically

- Achieve response rate for 2008 Group-wide employee survey of above 60%
- Implement Group-wide online induction tool for new employees

- **Pilot individual profiling to identify succession candidates**
- **Build development course options for technical departments**

- Strengthen incident investigation process to improve root cause analysis and consolidation and dissemination of lessons learned
- Develop safety leadership competency across the organisation through a structured programme of engagement and training
- Develop and roll out Guidelines to support the Contractor HSSE Management Standard and engage with assets to improve contractor performance

- Ensure all operating assets develop and maintain an operational safety case to demonstrate that the risks are As Low As Reasonably Practicable (ALARP)
- Develop a competency framework for occupational health and safety
- Ensure that all operated assets perform gap analysis for new HSSE Standards

## BG Group summary of performance continued

### SOCIETY

#### Business Principles

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

#### Our targets in 2007

- Update Community Relations Toolbox in response to feedback and to include additional tools
- Continue training for all community relations staff at operated facilities
- Use Toolbox to develop Community Relations Plans at all operated assets
- Integrate sustainable development criteria into business processes
- Establish formal community grievance procedures at all assets
- Establish community Stakeholder Engagement Plans as part of asset/operation community relation plans
- Revise guidance on basis of UN Human Rights Council decision on Human Rights and Transnational Corporations
- Roll out human rights training across the Group

### 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

- Continue quantification of positive contributions of the core business to reducing greenhouse gas (GHG) emissions
- Embed EnCompass tool within the business through training and awareness
- BG Trinidad and Tobago (onshore) to certify EMS to ISO 14001
- Further embed Enhanced GHG Management programme into the business

**Actions taken in 2007**

-  Community Relations Toolbox incorporated into a new Social Performance Governance Framework, which includes Guidelines that build on the Toolbox
  -  Postponed to allow training to include new Social Performance Governance Framework. Training in IFC Performance Standards carried out at Group and for key assets
  -  Ten Community Relations Plans completed. Seven incomplete or partially complete
  -  Sustainable development criteria integrated through the Social Performance Governance Framework, approved by the GEC and CRC, ready for roll out in 2008
- 
-  Grievance procedures in place in six assets, partially completed or incomplete in 11 assets
  -  Included in the Community Relations Plans; ten complete, seven incomplete or partially complete
- 
-  Guidance revised
  -  Training package to support human rights management system under development. Workshop training delivered for Kazakhstan asset. Asset security managers briefed on the implementation of the Voluntary Principles on Security and Human Rights with further training to follow in 2008

**Our targets in 2008**

- Roll out Social Performance Governance Framework for priority assets, including implementation plans for compliance with the Social Performance Standard
  - Develop Social Performance metrics and carry out a pilot programme
  - Carry out Group-wide assessment of social investment practice and develop revised Social Investment Guidelines
- 
- Review Stakeholder Engagement Plans and practice against the Social Performance Standard in priority assets to ensure compliance
- 
- Complete human rights risks assessments in high-risk countries of operation
  - Implement the new Guidelines on the Voluntary Principles on Security and Human Rights in high-risk countries of operation
- 
- Update biodiversity strategy
  - Complete methodology for quantifying effect of gas supply to distributed markets
- 
- Introduce Resource Use and Waste Management Standard
  - Roll out Environmental Competency Framework and identify practitioner skill gaps
  - Review asset ISO 14001 systems for consistency/best practice
- 
- Achieve additional GHG emission reductions of 244 000 tonnes as part of our 2012 target (see page 39), and ensure that the 2007 GHG reductions are maintained
  - Develop detailed plan to achieve 2012 target of one million tonnes of sustainable GHG emission reduction



**Signifies completed**  
We worked on this target during 2007 and have now completed all the associated tasks



**Signifies ongoing**  
We made some progress on this target during 2007 but have not completed all the associated tasks



**Signifies not completed**  
Note: the 2007 target may no longer be relevant due to changed circumstances

## Social and environment data

### Conduct

	2007	2006	2005	2004
Investigations of fraud allegations	6	7	6	–
Whistleblowing cases	34	24	7	2

### Our People

People data refers to direct employees of BG Group and wholly owned subsidiaries.

	2007	2006	2005	2004
Employees worldwide <sup>(a)</sup>	4 949	4 665	5 363 <sup>(b)</sup>	5 175
Employees based outside UK <sup>(a)</sup>	3 286	3 030	4 000 <sup>(b)</sup>	3 912
Employees working away from home country	582	529	440	452
Women in management	8%	9%	11%	12%

### Health and Safety

The health and safety data represents 100% of the data from:

- E&P operations where BG Group is designated as the 'operator'; and
- LNG, T&D and Power operations in which BG Group holds a total interest of over 50%. This includes MetroGAS S.A., which is controlled by BG Group (although BG Group's direct shareholding is less than 50%).

In addition, this includes Dragon LNG, UK and 100% of the data from KPO, our joint-operated venture in Kazakhstan.

	2007	2006	2005	2004
Lost time injury frequency (LTIF)	0.26	0.36	0.51	0.55
Total recordable case frequency (TRCF)	1.56	1.66	2.39	3.49 <sup>(c)</sup>
Sickness absence (per 100 man-days)	0.83 <sup>(d)</sup>	0.4	0.4	0.5
Reported occupational related illness frequency (ORIF)	0.12	0.1	0.1	0.2

### Society

#### Social investment (£)

The following data represents 100% of contributions made by wholly owned BG Group businesses and proportional contributions (according to BG Group's stake) made by operations and joint ventures where BG Group is a shareholder.

	2007	2006	2005	2004
Charitable donations	506 022	426 663	1 064 441	855 432
Community investment	1 290 010	1 364 205	1 508 691	843 804
Commercial initiatives	1 622 607	1 978 555	808 014	1 530 500
Management costs	459 691	470 966	260 357	264 978
<b>Sub-total voluntary contributions</b>	<b>3 878 330</b>	<b>4 240 389</b>	<b>3 641 503</b>	<b>3 494 714</b>
Contractual	1 660 590	1 352 053	3 503 761	5 661 765
<b>Total voluntary and contractual contributions</b>	<b>5 538 920</b>	<b>5 592 442</b>	<b>7 145 264</b>	<b>9 156 479</b>

(a) Average numbers throughout 2005, 2006 and 2007

(b) Included in this figure are an average of 1 009 employees of MetroGAS S.A. This company was deconsolidated at the end of 2005

(c) Amended from 2004, 2005 and 2006 CR Reports to include revised data from BG Egypt

(d) Increase mainly due to improved data collection methods and reporting in 2007



## Environment

The environment data represents 100% of the direct emissions, discharges and wastes from:

- E&P operations where BG Group is designated as the 'operator'; and
- LNG, T&D and Power operations in which BG Group holds a total interest of over 50%. This includes MetroGAS S.A., which is controlled by BG Group (although BG Group's direct shareholding is less than 50%).

In addition, the figures include 50% of the direct emissions, discharges and wastes from KPO, our joint-operated venture in Kazakhstan.

### Total emissions (tonnes)

	Venting	Fugitive	Flaring	Fuel use	Electricity generation	Distribution losses	Total 2007	Total 2006 (e)	Total 2005 (e)
Carbon dioxide	546 864	2	544 977	2 497 504	4 784 150	1 235	8 374 732	5 216 377	5 486 385
Carbon monoxide	0	0	1 483	4 639	2 794	0	8 916	8 665	39 331
Nitrogen oxides	0	0	732	12 163	5 515	0	18 410	13 590	11 685
Sulphur dioxide	0	0	2 675	8 240	593	0	11 508	9 216	17 197
Methane	6 656	882	1 509	431	624	35 658	45 760	44 825	48 427
Volatile organic compounds	6 458	157	630	296	82	2 889	10 512	10 617	10 467
Greenhouse gases (carbon dioxide equivalent)	686 636	18 514	582 741	2 526 741	4 836 705	750 059	9 401 396	6 199 205	6 550 543

### Emissions per unit of throughput (tonnes)

	t/mmboe 2007	t/mmboe 2006 (e)	t/mmboe 2005 (e)
Carbon dioxide	19 735	15 579	16 096
Carbon monoxide	21	26	115
Nitrogen oxides	43	41	34
Sulphur dioxide	27	28	50
Methane	108	134	142
Volatile organic compounds	25	32	31
Greenhouse gases (carbon dioxide equivalent)	22 155	18 514	19 217

### Discharges to aqueous environments (tonnes)

	Oil in process water	Oil on cuttings	Oil spills	Process water	Drill cuttings	Total 2007	Total 2006 (f)	Total 2005
	209	0	13	4 540 970	22 328	4 563 520	4 381 109	3 867 907

### Waste for disposal (tonnes)

	Metal	General	Hazardous	Recycled	Drill cuttings	Total 2007 (g)	Total 2006 (h)	Total 2005
	1 650	12 629	20 524	3 894	6 708	41 511	54 425	23 534

### Energy use (MWhrs)

	Gas	Electricity	Oil	Total 2007	Total 2006 (i)	Total 2005
	8 732 176	37 574	2 441 600	11 211 350	9 989 797	8 682 281

(e) Amended from 2005 and 2006 CR Reports to include revised CO<sub>2</sub> emissions for diesel vessels

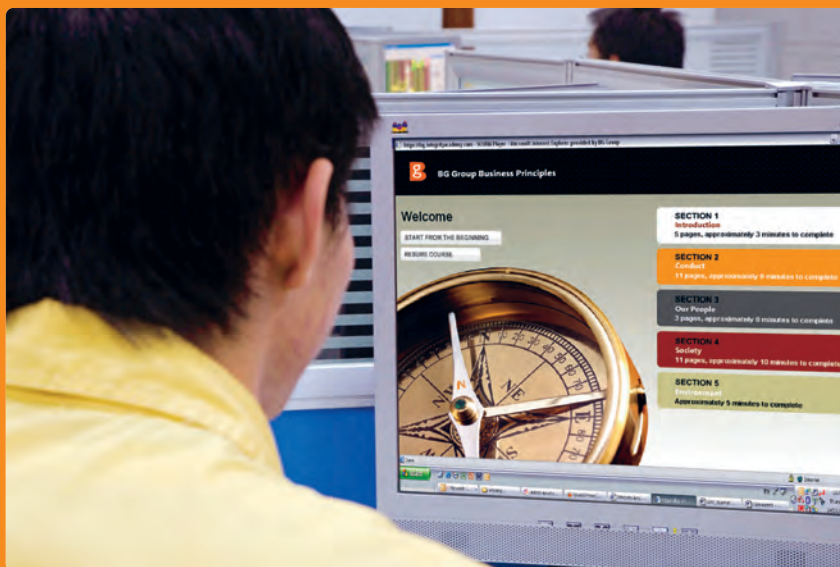
(f) Amended from 2006 CR Report to include BG Trinidad and Tobago drill cuttings data not available at the time of the 2006 Report

(g) 2007 operational waste data for Rashpetco was not available at the time of printing this Report. 2006 waste amounted to 304 tonnes in total

(h) Amended from 2006 CR Report to include additional data from BG Bolivia not available at the time of the 2006 Report

(i) Amended from 2006 CR Report to include additional data from BG Trinidad and Tobago not available at the time of the 2006 Report

# 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.

## 2007 in Summary

- Online Business Principles training tool developed
- Whistleblowing Policy reviewed and a revised Policy developed
- Goldman Sachs ranked BG Group as a “sustainable investing leader” in GS Sustain

BG Group's success is dependent on operating to high standards, as set out in our Business Principles. We recognise that the operations of any industry can have undesirable impacts if they are not managed with the needs of the broader community and environment in mind. We also believe that conducting our business with integrity and regard for others makes the Group more productive and effective in achieving its long-term strategic goals.

This belief in the importance of Corporate Responsibility (CR) led BG Group to establish a statement of principles in 1998, and to review it annually to ensure the principles reflect the evolving nature of our industry and stakeholder expectations.

For BG Group, CR means putting our Business Principles into practice. Today, our Business Principles consist of 15 statements of core values and behaviours with which all employees must comply. These Business Principles are supported by two documents, which together comprise the expression of BG Group's Principles:

- *Corporate Commitments*, which provides more detail on the Business Principles to external stakeholders; and
- *Principles into Practice*, which provides practical guidance for employees on applying the Business Principles in business life.

The Business Principles and these two supporting documents are distributed across the Group and are available in 12 different languages. Instruction on the Business Principles is included in our employee development Core Curriculum, and is an integral part of our Business Principles Discovery programme (our blue-ribbon business training course). Business Principles training is also part of our induction course for new employees at our corporate headquarters. Through these training courses, more than 1 300 people received training in 2007, over one third of whom were in management roles.

As a further step towards embedding the principle that CR is fundamental to the way

“During our visits to Oman and Tunisia we saw that the Business Principles had been published in both English and local languages. In Oman, we discussed how the Business Principles had been used to engage external stakeholders and had provided a means for the business to sensitively decline inappropriate requests from stakeholders.”

we operate, in 2007 we introduced a new reward framework. The link between reward and performance is now more transparent and annual incentives are directly linked to HSE and behavioural objectives.

**Principle: We act with integrity, fairness and transparency**

BG Group recognises that we need to demonstrate our commitment to integrity, fairness and transparency in order to earn and maintain the trust of our partners in government, business and the community.

**Business Principles and the supply chain**

Our business is based on partnership and co-operation. Because of this, we are committed to working with our contractors to cascade our Business Principles through our supply chain. As is widely recognised, the assessment and monitoring of CR in the supply chain is a challenging and complex task. However, we have identified this challenge as a priority and included it among the targets to be led by the Group Executive (see case study box to the right).

In 2007, we also initiated a pilot project that aimed to monitor the compliance of the Group's key contractors with our Business Principles. This project has not yet been completed, but we have achieved the following milestones:

- a review of the UK industry standard questionnaire developed by First Point Assessment Limited (FPAL);
- a gap analysis comparison of the FPAL questionnaire against BG Group requirements for contractors;
- direct discussions with selected contractors; and
- the preparation of a Corporate Responsibility workshop for selected top-tier contractors. The first workshop, held in January 2008, discussed the assessment of compliance in the supply chain.

While we plan to work with our top-tier contractors to extend our assessment of compliance with the Business Principles to key first-tier sub-contractors, we cannot do so until we are satisfied that we have fully addressed the assessment and monitoring of top-tier contractors. In 2008, the Group will focus on raising awareness of the Business Principles among key first tier sub-contractors.

In line with our commitment to integrity and transparency, in 2007 we continued to support the Extractive Industries Transparency Initiative (EITI) as it moved forward as the international standard for revenue management within the extractive industry. We continue to work with host governments that are EITI participants on procedures to increase transparency. However, until the EITI has been fully adopted into the local legislation of the countries in

which we operate, the confidentiality requirement in our commercial agreements places constraints on our freedom to disclose payments to governments.

**Principle: We comply with legal, regulatory and licence requirements**

With a business that spans an extremely wide and complex range of activities and geographic locations, we are subject to an extensive list of legislative and regulatory requirements, authorisations and exemptions, including competition rules, contracting, business conduct, employment, maritime and environmental protection. Furthermore, the licences which govern our operations often include additional requirements and conditions.

**Group Executive leadership**

Our performance targets (pages 8 to 11) review our record over the last 12 months and outline our goals for the next year.

BG Group has an ambitious agenda in fulfilling the standards to which we work. We recognise that some areas are particularly challenging, and that some need Group-wide commitment, both of which depend on leadership from the Group Executive Committee (GEC). We have identified six GEC CR objectives, which by their nature may not necessarily be achievable over one year, each of which will be led by a member of the GEC. They are as follows:

- produce Standards and Guidelines for Local Content Development. Establish initiatives to develop local contractor capability in two key assets;

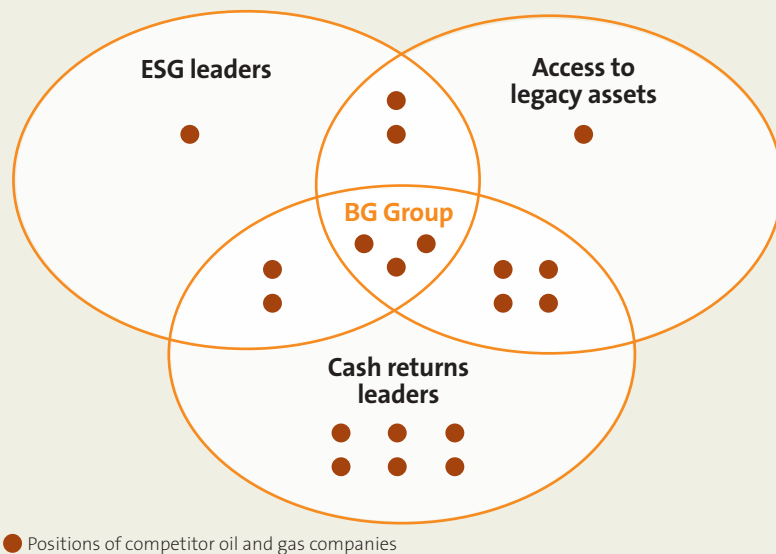
- assess key contractors for compliance with BG Group's Business Principles;
- improve ongoing systematic succession management with a time horizon of up to ten years;
- strengthen the structured programmes and support to develop our people purposefully at all levels of the organisation, with particular emphasis on technical disciplines and succession management across the Company;
- implement the Social Performance Standard in six higher risk assets in 2008, and produce a route map to full compliance. Achieve Group-wide compliance with the BG Social Performance Standard by 2010; and
- deliver projects generating one million tonnes of sustainable GHG emission reduction by 2012.



For more information visit [www.bg-group.com/cr](http://www.bg-group.com/cr)

## Goldman Sachs GS Sustain

## BG Group ranked as a “sustainable investing leader”



In June 2007, Goldman Sachs included BG Group as one of four energy companies in their GS Sustain focus list.

Goldman Sachs launched the GS Sustain focus list to identify long-term investment opportunities that arise from company responses to a rapidly changing, globalising world. The framework identifies companies best positioned to deliver sector-leading returns over an extended time frame of three to five years, by combining analysis of cash returns, structural change in industries and Environmental, Social and Governance (ESG) performance.

The ESG analysis is based on objective and quantifiable indicators to measure company performance with respect to corporate governance, leadership on sustainability, employees, stakeholders and the environment; indicators

considered essential to analysing a company's ability to have sustained competitive advantage.

The diagram above shows BG Group's position in the GS Sustain framework for the energy sector in which Goldman Sachs has rated companies' ESG performance, cash returns and ability to access next generation legacy assets. Superior access to resources is identified as the key determinant of success for integrated energy companies. In June, Goldman Sachs reported "BG Group is a leader on ESG issues, both from a strategic and operational perspective. The company leadership takes responsibility for CR issues, reflected in the formation of a CR Committee of the Board in February 2005."

Many of the countries in which we operate may have only recently developed, or may still be in the process of developing, hydrocarbon regulatory and legal frameworks, and even in other more mature markets regulatory frameworks continue to evolve.

Our legal department provides training for employees in legal and regulatory compliance. This training focuses on equality and diversity, employment law obligations, competition law, health and safety and anti-corruption measures.

Information on the processes that aim to ensure compliance with our Business Principles and legal and regulatory requirements is set out in the Governance section below and in the Corporate Governance section of our 2007 Annual Report and Accounts.

**Principle: We do not tolerate corruption in any form, whether direct or indirect**

In keeping with our commitment to act with integrity, fairness and transparency, BG Group does not tolerate corruption in any form, and we take steps to educate our employees and to enforce this principle.

BG Group communicates its position on corruption to employees through the Anti-Corruption Standard, rolled out in 2006. The Standard provides six 'Golden Rules' intended to help employees avoid or deal with difficult situations, and requires all of our businesses to maintain a register of offers of, and demands for, illegal payments from any third parties. Businesses are also required to record any payments made by BG Group employees as a result of concern for their physical safety. The Group carried out a review of the Anti-Corruption Standard with input from legal counsel after its first year of operation to determine possible areas of improvement. In addition, BG Group supports Transparency International's Business Principles for Countering Bribery and is a signatory of the UN Global Compact.



For more information visit  
[www.bg-group.com/cr](http://www.bg-group.com/cr)

BG Group's Policies also require employees to avoid conflicts of interest between their personal activities and Company activities. Anti-Corruption and Conflict of Interest Policies provide direction on avoiding potential conflicts. In addition, our Gifts and Hospitality Standard places limits on the value of corporate hospitality and gifts that may be accepted, and requires all hospitality and gifts to be recorded. The BG Standard on Political Donations prohibits donations to political parties and organisations, or to politicians, and political expenditure of any kind.

#### Fraud

BG Group has a Fraud Risk Management Standard designed to mitigate and manage the risks from fraud and malpractice. The Standard requires all assets to appoint a Fraud Officer to identify and assess fraud risks; co-ordinate local anti-fraud training; ensure that pre-employment checks are in place; and see that all staff understand their responsibilities under the Standard. The Officer is also responsible for promptly reporting all instances of fraud (whether actual or attempted and irrespective of value) to Group Security.

In 2007, in response to allegations of internal fraud, BG Group commenced six investigations. Further details of these can be found on page 19.

**Principle: Our investment criteria take account of economic returns, environmental impacts, social consequences and human rights**

BG Group's belief that CR is good business is demonstrated by our willingness to apply our Business Principles in directing our investment resources. BG Group is prepared to decline opportunities in countries where we have concluded that it would not be possible to operate in accordance with our Business Principles.

Our investment decision procedures ensure that non-financial risks and impacts such as human rights, health, safety, security and

environment risks are explicitly considered, and that all new country entry proposals that raise social or environmental issues are reviewed by the Board Corporate Responsibility Committee before the Group reaches an investment decision.

In 2007, we reinforced the application of this principle by further integrating CR into our formal business decision-making process. This involved building additional steps and CR-related checks into our Capital Investment Process, as well as into our revised and relaunched Value Assurance Framework – a formal step-by-step process that informs our decision-making on business opportunities.

**Principle: High standards of corporate governance are integral to the way we manage our business**

BG Group's commitment to CR starts at the highest level of the Company, with our Board and Group Executive Committee.

The Corporate Responsibility Committee (CRC) was established to assist the Board in providing strategic leadership, direction and oversight, and policy-setting on CR issues.

In 2007, principal activities of the CRC included:

- a review of BG Group's Business Principles;
- assurance that the Group would be able to conduct its business in accordance with the Business Principles in new areas of activity;
- a review of security management issues;
- a review of community relations;
- approval of the Social Performance Governance Framework to govern the implementation of the society element of our Business Principles;
- a review of the Group strategy for managing greenhouse gas emissions and climate change; and
- receiving regular reports on health, security and the environment.

## Stakeholder commentary

**“How does BG Group assure itself that all of its employees are acting with integrity, fairness and transparency?”**

Phillipa Foster Back,  
Director, Institute of Business Ethics

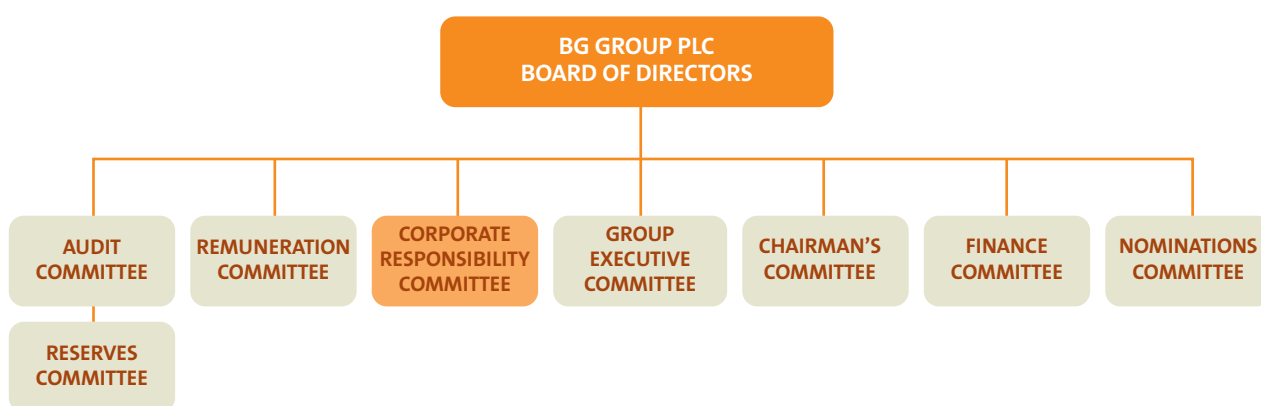
BG Group has put a wide range of processes and activities in place to meet the admittedly difficult challenge of ensuring our employees are able to follow our Business Principle to act with integrity, fairness and transparency. These efforts include:

- the Governance Self Assessment (GSA) mechanism – the formal assurance process over the Business Principles detailed on page 18 – which provides assurance on whether business is conducted in accordance with the Business Principles. This process reviews whether asset/function leadership demonstrates the behaviours described in the Business Principles, and whether behaviour not in accordance with the Business Principles has been identified and remedial action prescribed;
- Business Principles training and equality and diversity briefings;
- Group-wide recruitment Guidelines which encourage open advertising of employee vacancies on the Group's intranet;
- consistency reviews carried out during the Annual Performance Review process; and
- the assessment of incidents reported through the Whistleblowing mechanism to ascertain whether there has been an actual or potential breach of our Business Principles.



For more information visit  
[www.bg-group.com/cr](http://www.bg-group.com/cr)

### BG Group Board and Committee structure



In previous years, the CRC also received reports on safety. Following publication of the Baker Report, in January 2007, the Board reserved to itself the oversight of all matters relating to safety and asset integrity.

The CRC is a committee of the Board (see diagram above), and is chaired by Sir John Coles, a non-executive Director. The other members of the CRC are Sir Robert Wilson (Chairman of the Board), Frank Chapman (Chief Executive), and three further non-executive Directors; Peter Backhouse, Jürgen Dormann and Dr. John Hood.

Since March 2006, compliance with the Business Principles and the Group's governance, risk management and assurance process has been overseen on behalf of management by the Governance and Risk Committee (GRC), a sub-committee of the Group Executive Committee.

#### Review of Board performance

An independent evaluation of the effectiveness of Board Committees (including the CRC) was conducted during 2007 by external consultants. The reviewers concluded that there is a high degree of confidence in the Board Committees, their Chairmen and the work they undertake.

#### Business assurance processes

In 2007, awareness of some of the elements of BG Group's Business Principles was assessed at a high level across the Group through internal audit activities. These reviews identified a small number of actions to be taken to enhance the understanding of the Business Principles.

In addition, each member of the Group Executive Committee (GEC) annually completes and submits a Letter of Assurance (LOA) to the Chief Executive. This Letter provides confirmation that all areas of the business for which he or she is accountable have complied with a series of Core Controls (controls that significantly contribute to the identification and mitigation of one or more risks relating to the Group's objectives). The management level directly reporting to members of the GEC also each complete a Governance Self Assessment (GSA) questionnaire that complements and supports the LOAs. Data from the LOAs and GSA questionnaires are used to assess the effectiveness of the Internal Control Framework.

#### Brindisi investigation

Last year, we reported on a criminal investigation in connection with our planned facility in Brindisi. Legal proceedings are still ongoing. Further details on this investigation are available in our 2007 Annual Report and Accounts.

#### Whistleblowing Policy

The Governance and Risk Committee (GRC), a sub-committee of the Group Executive Committee, oversees the Group's compliance with the Business Principles. The GRC reviews and monitors compliance with a number of relevant policies including the Whistleblowing Policy and the Fraud Risk Management Standard.

The GRC has delegated to the General Counsel responsibility for investigating whistleblowing reports and ensuring an appropriate response is taken – the process is described in the case study on page 19. Where a case involves allegations of fraud or improper accounting, the Group Financial Controller is consulted. Concerns arising through other channels (such as the work of internal audit or the employee survey) that merit investigation by the General Counsel are also dealt with via the whistleblowing mechanism.

During 2007, the Group revised its Whistleblowing Policy, which will be renamed and relaunched in 2008. Key changes include an increase in the scope of the Policy to cover all reported breaches of Business Principles, along with an obligation for all employees to report suspected breaches of the Business Principles or other misconduct. A new external provider has been appointed to provide the independent hotline and a new secure web reporting facility.

The new whistleblowing facilities will be available to third parties such as suppliers, joint venture partners, employees' families and members of the public.

Compliance with the revised Policy will continue to be monitored by the GRC. The General Counsel will retain responsibility for investigating reported concerns and monitoring the progress of investigations, and will continue to report back to the GRC with summaries of investigations and findings.

The total number of whistleblowing and fraud cases during 2007 was 40 (34 whistleblowing, six fraud). Feedback from whistleblowing investigations has been provided to the relevant BG Group function to ensure appropriate follow up action, such as amendments to Company procedure. An example is set out on page 31. We found evidence of fraud in two cases, and three cases are still under investigation. Two employees' contracts have been terminated and Company procedures have been amended. The amounts involved in cases of fraud ranged from £25 to £17 000. None of the reported fraud cases demonstrated a material weakness over financial reporting controls, and they did not involve employees who have a significant financial reporting role.

In addition, one allegation of external fraud was investigated and proven. The amount involved was £62 000. BG Group does not believe that there was any internal involvement by employees in the fraud. Company procedures are being amended as a result of this investigation.

#### Investor dialogue

BG Group maintains a programme of engagement with its major shareholders on CR issues, including face-to-face meetings with analysts and written responses to surveys. In addition, reports and presentations can be accessed from the Group website.

In 2007, BG Group's Regional Managing Director for Europe and Central Asia presented and led a CR discussion with the Socially Responsible Investor community.

## Case study: Whistleblowing

BG Group employees, contractors and their families can report concerns by:

- telephoning an independent external hotline;
- writing directly to the General Counsel; or
- (following the launch of our new Policy) submitting an electronic report via the independent external web reporting channel.

Although anonymity is available, we encourage those raising concerns to give their names. Reports are passed to the Whistleblowing Steering Committee (to be renamed the Business Principles Investigations Committee (BPIC)), which is chaired by the General Counsel. The BPIC appoints a team to investigate the concern.

This team will not include anyone implicated by the individual raising the concern. To clarify and establish the facts, the investigation may include interviews, review of documents or other data. Where appropriate, external investigators are appointed.

The BPIC monitors the progress of the investigation and its findings to ensure that a thorough review has been undertaken and the appropriate process followed. Once the investigation is complete, the BPIC will decide whether the issues raised are substantiated and determine what actions should be taken, including sanctions if appropriate. If requested, feedback will be given to the person raising the concern, although it may not always be possible to reveal details.



For more information visit  
[www.bg-group.com/cr](http://www.bg-group.com/cr)

BG Group continues to be a member of the Dow Jones Sustainability Indexes (DJSI) and the FTSE4Good index. In 2007, BG Group's overall score in the DJSI was 68%, compared to the sector average of 53%. The FTSE4Good Index does not make scores available.

# 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.

## 2007 in Summary

- Employee numbers increased to 4 949
- STEP UP in Asset Integrity programme launched
- Two fatalities in 2007, and a further one in 2008
- Lost Time Injury Frequency improved to 0.26 per million hours worked
- Pressure and Stress Management Standard introduced

**BG Group's people are central to our success. In a complex global business that needs to excel in innovation, project execution, relationships with governments, businesses and communities and in environmental stewardship, we depend on the expertise, integrity and creativity of our teams.**

We encourage all employees worldwide to develop relevant skills and advance their careers. We value diversity; we recruit, promote and reward employees on merit and without discrimination. We are committed to maintaining a healthy, safe and secure work environment.

Our workforce represents more than 65 different nationalities, and the large majority of our staff work outside the UK.

**Principle: We treat people with fairness, respect and decency**

Respect for the individual and his or her contribution to our business is at the heart

of BG Group's approach to employee relations. Our Group-wide Human Resources Policy, Equality and Diversity Statement and Harassment Policy articulate our commitment to a work environment free from discrimination and harassment of any kind.

Respect begins with listening and responding to our people. In 2006, we reported the top-line results of our first-ever Group-wide Employee Survey, and in 2007 we focused on addressing the key issues that this brought to light.

For example, we acted on concerns raised about workplace stress by introducing the Pressure and Stress Management Standard, requiring every BG Group location to train managers and provide adequate resources to enable managers to implement the Standard. More information on this Standard is available on page 25.

Although overall the Group scored well with employees on communications, our South



**Ernst & Young remarks**



“During our visits to Oman and Tunisia we discussed the businesses’ localisation plans, including policies and initiatives designed to identify and attract appropriately qualified locals. It was apparent that the development of the local skill base to service BG Group’s recruitment needs is one of the biggest challenges faced by the assets, especially when seeking to identify individuals for roles within local management teams.”

America region was disappointed with its performance in this area and responded by inviting employees to join conversation groups where they could make suggestions and ask questions. Bringing together staff from all levels of the business, the conversation groups led to new initiatives including regular intranet and email updates, a regional newsletter and postings on notice boards.

A further Group-wide survey is planned for the first half of 2008, and we aim to improve the response rate for this survey compared to our 2006 survey. Our 2008 target response rate is 60%.

Attracting and retaining talented individuals also involves respect for personal lives. In 2007, 93 BG Group employees in the UK had formal flexible working arrangements, including part time working, annualised hours and job sharing. Flexible working patterns allow our people to balance their working lives with other responsibilities, interests and aspirations. We also believe that these arrangements contribute to employee commitment and motivation, and support the retention of skilled and experienced staff.

BG Group’s people represent a very diverse cross-section of cultures and backgrounds. At the same time, we have been more successful with diversity in some areas than in others, as the following statistics suggest:

- our workforce represents more than 65 different nationalities;
- 48% of our asset management teams are on local terms;
- within our core management team, 16% are nationals other than UK/US, and 8% are women;
- 22% of our global workforce is covered by trade union agreements, and we are committed to working effectively with trade unions; and
- our global workforce gender split in 2007 was 75% male, 25% female (2006: 77% male, 23% female).

**A new remuneration framework**

To increase our ability to attract, retain and motivate employees throughout the world, during 2007 we conducted the first Group-wide remuneration review since we were de-merged in 2000. We developed and refined the conclusions from this review through wide-ranging consultations including discussions with internal focus groups and line managers as well as the Group Executive.

The remuneration review produced two key recommendations: a clearer link between individual performance and reward, and tailoring of compensation to local markets. In order to implement the recommendation, in 2008 we will launch a new remuneration framework, which will include a ‘Performance Scorecard’ for each employee, setting out his or her expected contribution to the business plan and a personal action plan. A proportion of the existing annual discretionary bonus payments will be linked to HSSE performance, following the example set with our Chief Executive’s bonus for 2006 (paid in 2007), of which 15% related directly to HSE (and will relate to HSSE going forward).<sup>(a)</sup>

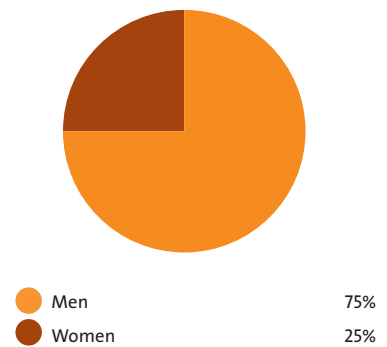
Overall employee turnover for 2007 was 9%.

**Principle: We help employees develop their potential**

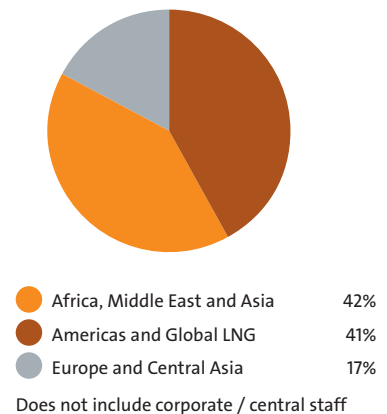
BG Group is a growing company which provides exceptional career opportunities. In 2007, 646 promotions, progressions or transfers took place and 582 employees were on international assignments.

BG Group is committed to the development of local staff in our countries of operation. During 2007, the Board and Group Executive approved a localisation framework that follows a McKinsey model based on a survey of more than 20 international companies and that we believe to be best practice. The objective is, “The development of managers at each of our locations who are able to provide the local knowledge, stability and experience to sustain performance, achieve

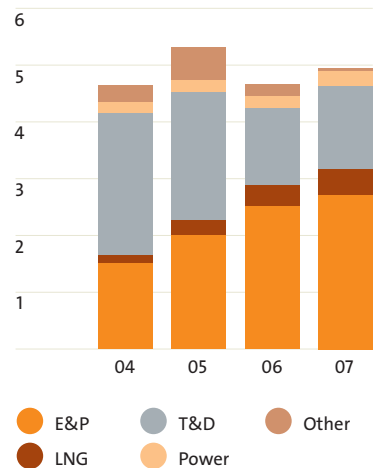
Gender split in global workforce



Employees by region (As at 1 January 2008)



Average number of employees by business segment ('000)



(a) Throughout this Report, we use the terms HSE (Health, Safety and Environment) and HSSE (Health, Safety, Security and Environment). The difference in use always relates to Security

## Case study: Localisation

## بي جي عمان BG OMAN



From exploration to distribution, BG Group is one of the leading forces in natural gas – one of the fastest growing sources of energy. While our operations span the globe, we place a high value on the individual and as such you'll see your efforts shape our future success.

BG Oman is part of BG Group, a global leader in the exploration, production and delivery of natural gas. BG Group is a fast growing company with operations in over twenty countries on five continents. Continued success is driven by great people, and we are actively recruiting and developing talent across many disciplines and at every level. To help extract and deliver the best, BG is looking to grow our Oman Team with high calibre Omanis who are eager to share our vision of being the best. As an ambassador for BG, you will possess exemplary communication skills being able to relate to individuals from a wide range of cultures and backgrounds. This is a first class opportunity to join an extremely successful organisation, as it delivers against a stretching growth plan. Opportunities for further career development are obvious.

If you are seeking a stimulating career with a dynamic company, and feel that you are qualified for one of the positions listed below, please send your detailed CV before 10 February, 2008 along with a covering letter, an indication of the position you would like to be considered for, and your current remuneration to: [box.bg.oman@bg-group.com](mailto:box.bg.oman@bg-group.com)

### Financial Accountant

Ref: No 001

We are seeking to recruit an Omani Financial Accountant to join our Muscat office Finance team. Reporting to the Financial Controller, you will be responsible for general ledger maintenance and analysis, significant element of the month end process, and internal reporting within BG Oman and to the Group HQ. As part of the job requirements you will be responsible for the month end closing/accruals, financial analysis, cost allocations and monthly transactions analysis.

For both roles you must possess a Finance degree or relevant qualification and experience preferably within the Oil and Gas sector. You should also have excellent written and verbal communication skills and be fully conversant with MS Application in particular.

BG Group values diversity and is committed to equal opportunities; applications are welcome from all suitably qualified candidates.

A world leader in natural gas

[www.bg-group.com/careers](http://www.bg-group.com/careers)

### Working Capital & Cost Recovery Accountant

Ref: No 002

We are seeking to recruit an Omani Working Capital & Cost recovery Accountant to join our Muscat office Finance team. Reporting to the Financial Controller, you will be responsible for tracking and reporting working capital and cash flows as well as cost recovery monitoring and analysis.

### Oman

BG Group's presence in Oman is relatively new, having established an office in Muscat in September 2006 initially populated with expatriates. In line with the Group's commitment to seek and develop talent from within its countries of operation, and in compliance with local legal requirements and our obligations under the PSC, national recruitment campaigns were put in place from the very beginning. 'Omanisation' – the localisation of positions in Omani-based organisations – is a priority for the Government and for BG Group, despite a very tight market for the type of skilled resources the Group requires. After only four months in Oman, three high-profile recruitment workshops had been held and staff recruited locally accounted for 44% of the Group's total workforce in the country.

During 2007, BG Oman ran monthly national newspaper advertisements, reviewed and responded to more than 6 000 curriculum vitae, interviewed more than 180 candidates and appointed more than 30 staff. Omani nationals now make up 56% of the total workforce in BG Oman.

Omani colleagues make a valuable contribution to the Group, both in Oman and beyond. BG Group has ensured that each employee has a personal development plan and offered training including English language assistance, people management skills, computing software training and, for one employee, sponsorship of MBA studies. One Omani colleague is currently on international assignment to the UK, and more assignments are planned for 2008.

our growth ambitions and provide succession options for local and international operations."

The framework establishes a localisation plan owned by each asset and includes a number of initiatives aimed at increasing the number of employees on local terms in each asset and, in particular, within the management team. The case study to the left gives an example of how we are pursuing this aim.

Localisation of staff is a challenging area, in many cases limited by the fact that ours is a very complex industry, and many countries of operation are only recently beginning to develop the full breadth of skills required within local employment markets. Whilst the Group is making good progress in many assets, we have more work to do. We will continue to report on progress in this area.

We provide all employees with the opportunity to have a wide-ranging discussion about their development during the annual personal career development review process (ADR). In response to concerns expressed in the Employee Survey, during 2007 we published 'career ladders' that explicitly state the different stages of progression within each level of a specific profession, together with the necessary competencies to perform each role effectively as well as requirements for promotion. Each individual's position on this career ladder, and paths for promotion, can be discussed at the ADR.

During 2007, we launched the Learning and Development Core Curriculum, consisting of training courses arranged around the themes of 'Managing myself', 'Managing others' and 'Business Skills' – all aimed at helping employees develop their potential, learn more about the business and understand management responsibilities. Details of all courses are available through the BG intranet, and employees can apply with their managers' support. During 2007, 118 courses were attended by a total of 984 delegates in 12 countries. Whilst the core content was developed centrally, assets are encouraged to adapt material to meet their local requirements.

In 2007, 41 new graduates were employed across four different countries. Our plans for

**Ernst & Young remarks**



“During our visit to Oman we saw evidence of the work that BG Group had undertaken to develop a safety culture within the local workforce. This included tailoring messages about health and safety to make them meaningful to the local culture, and working with other oil and gas companies to establish a forum for developing common standards for health and safety management amongst industry contractors in Oman.”

2008 are to recruit at least 60 graduates while further enhancing our development and placement schemes.

In the USA, the shipping resources development programme addressed a shortage of skilled LNG mariners through the creation of the BG LNG Shipping Management Development Programme in partnership with Ceres, BG Group’s vessel management contractor. In addition to the six graduates hired in 2006, two graduates were employed through this programme in 2007 and have spent time sailing on the Group’s vessels. A further scholarship programme has been introduced with the YES College Preparatory School to assist students who wish to seek careers in the maritime industry.

**Principle: We believe that all injuries are preventable**

Our core safety goal is simple, communicated across every part of our business and commonly understood. It is to ensure that there are zero injuries in all of our operations. Our performance has improved steadily against the standard industry safety benchmarks:

- Lost Time Injury Frequency (LTIF) measures the number of injuries (that result in the injured person being unfit for work on any day following the injury), including fatalities occurring per million hours worked. Measured by LTIF, BG Group’s safety performance has improved from 0.55 in 2004 to 0.26 in 2007, which compares well to the International Association of Oil and Gas Producers (OGP) comparator figure for E&P of 0.99 for 2006. Meanwhile, we have reduced Recordable Injuries – which includes fatalities, lost time injuries, medical treatment cases and restricted workday cases – from 285 in 2004 to 128 in 2007; and
- Total Recordable Case Frequency (TRCF) measures the number of recordable safety incidents which occur per million hours worked. Measured by TRCF, BG Group’s safety performance has improved from 3.49 in 2004 to 1.56 in 2007, compared to the OGP average figure (for E&P) of 2.92 for 2006.

However, we deeply regret that there have been two contractor fatalities in 2007, and a further contractor fatality in early 2008.

In Kazakhstan, a joint venture company vehicle collided with a third party caravan being towed by a tractor on a public highway. The driver, a contractor working for the Karachaganak Petroleum Operating B.V. joint venture, sustained fatal injuries. The driver had received defensive driving training and the road and weather conditions were good. The investigation, supported by forensic crash specialists, concluded the collision was caused by loss of control of the vehicle. There was no evidence that the vehicle was faulty. In response to lessons learned from the investigation, the venture has strengthened its driver training and control of vehicle and journey management procedures.

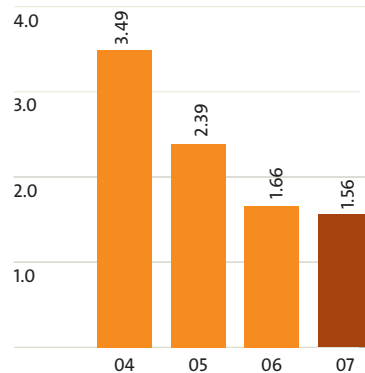
In South Korea, a welder working on the construction of one of the Group’s new LNG ships in a contractor shipyard died when working on a pipe weld as a result of asphyxiation caused by argon gas in a vertical pipeline on the deck. A full investigation of immediate and system causes has been carried out. This investigation is being followed up by BG Group and high-level management in the shipyard. Whilst this is not a reportable or recordable fatality for the Group as the incident was outside BG Group’s control, we have been concerned with the circumstances surrounding the fatality and have worked to capture any lessons learned for both the contractor and BG Group.

In February 2008, a Gujarat Gas Company Limited pipelaying contractor died following an incident during street works. This incident has been investigated to identify any lessons learned.

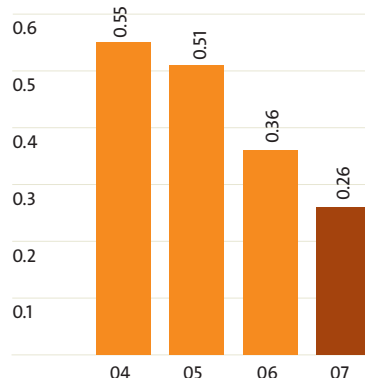
**STEP UP**

STEP UP, a Group-wide programme to drive an improvement in our safety culture and performance, was launched by our Chief Executive in October 2005 following a major review of the way the Group manages safety. In 2007, the STEP UP programme was enhanced with a new HSE Management System including Standards and Guidelines on best practice.

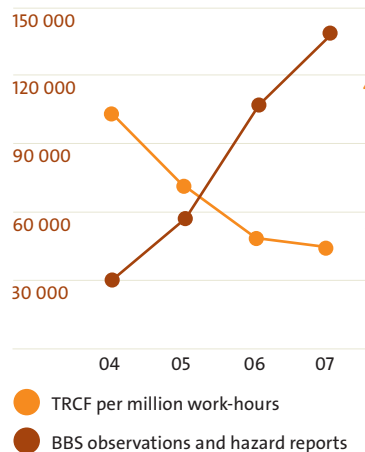
Total recordable case frequency (per million work-hours)



Lost time injury frequency (per million work-hours)



Increased safety observations leading to improved TRCF



## Our People continued

### Case study: Reducing road traffic incidents



#### Desert driving

Algeria, Libya and Oman have seen a high level of vehicle incidents, largely caused by specific security issues and limited knowledge of techniques for driving on sand dunes. A Desert Driving Life Saver, rolled out in conjunction with a bespoke training course, has markedly improved the standard of desert driving and reduced the number of incidents.

#### Driver monitoring

BG Egypt is one of a number of assets that have fitted vehicles with monitoring systems that record speed, acceleration and braking. Thanks to rewards for good drivers based on the information monitored, 80% of drivers now achieve compliance scores above 95%, compared to about half in the first month after installation.

Through STEP UP, employees and long-term contractors are trained in safety intervention skills, which raises their safety awareness and gives them the skills with which to carry out task risk assessments. These skills are reinforced through regular safety updates communicated via the intranet and during staff meetings. This training, combined with the Group's Behaviour-Based Safety (BBS) observations programme, has contributed to increased safety observations through hazard and near-miss reporting, allowing us to take preventive actions before further incidents can occur.

In 2007, an independent third-party assessment was carried out by DuPont Safety Resources to review BG Group's progress in delivering the improvement in safety culture and performance required to achieve a goal of zero injuries. The review concluded, "Over the past two years BG Group has invested significantly in improving safety management and performance across their operations. The STEP UP programme is at the forefront of this effort and is a well recognised 'initiative brand', visibly championed from the top of the organisation. The new HSE Policy, the much-improved Behaviour-Based Safety (BBS) programmes, BG Life Savers and BG Safety Behaviours amongst others, are all high quality outputs of the programme." BG Group is currently addressing the report's

recommendation to accelerate the rollout of some of the safety improvement tools developed as part of STEP UP.

#### A focus on safety behaviours

Central to the strategy to improve safety performance at BG Group is the emphasis on employee behaviours, identified as the trigger for up to 95% of all workplace incidents. In 2007, an HSSE Accountability Framework was developed with pilot programmes in several assets. This Framework aims to ensure that safety is foremost in our employees' and contractors' thinking at all times and in all environments – on site, travelling, in the field, in the office or at home. This model complements and builds on the Group's BBS programme, which similarly monitors safety behaviours in a manner aimed at reinforcing safe behaviours and eliminating the root causes of unsafe behaviours.

This same emphasis on behaviours led us to introduce the 'Life Savers into Action' programme in 2007. BG Life Savers are simple, mandatory rules which govern the most hazardous activities in our business. New BG Standards gave additional instructions on implementation and a Life Savers booklet was translated into multiple languages and distributed to staff. We have also undertaken initiatives to develop additional Life Savers reflecting specific factors in the Group's countries of operations, for example focusing

on helicopter travel, boat landing transfers, working above water and road traffic accident reduction. Life Savers are also included in the ongoing HSSE induction modules, reinforced through 'Touch Base' daily meetings and emphasised to contractors through group discussions.

#### Community safety programmes

During the year, a number of our assets extended safety promotion to the wider community. In Kazakhstan, a campaign aimed at both children and drivers has sought to improve road safety through better infrastructure and education. Crossings, speed-bumps and road signs have been installed outside schools, and an education campaign has used television and radio commercials (in both Kazakh and Russian), booklets and billboards to increase road safety awareness. Volunteers have spoken with children and their parents about road safety at schools and public events, earning positive feedback from transport police and schools.

#### Enhanced HSSE audit

During the year we revised the Group HSSE audit process, introducing a new Framework supported by tools, protocols and training as well as a more defined team structure, standard reporting formats and fixed timelines. In addition, actions are tracked to completion and key findings reported to the HSSE Committee, providing assurance that key risks in our business are identified and appropriate controls effectively implemented.

We carried out a Safety Plan Implementation Review of 28 active projects to identify best practice in the preparation and delivery of project safety plans. The projects identified as implementing safety measures to an excellent standard included the Central Block Project in Trinidad and Tobago and the Condensate Pipeline Project in Tunisia. The examples of best practice identified in the review were incorporated into amended Standards and Guidelines for future projects.

## Case study: BG Bolivia

### Principle: We provide healthy, safe and secure work environments

#### Health

As a global organisation operating in countries at varying stages of development, BG Group faces challenges in protecting the health and wellbeing of our workforce as well as those who come into contact with our activities. We seek to meet these challenges by identifying and managing specific risks and providing Occupational Health (OH) support to our employees.

In 2007, highlights of our efforts towards a healthier workforce included:

- the launch of the Pressure and Stress Management Standard. We formed a multidisciplinary steering group and engaged an external training provider to implement training for managers. In 2007, we held pilot training programmes at our Group headquarters, with further pilots to follow before rollout across the Group later in 2008;
- meetings with industry colleagues and experts to monitor the potential of an avian flu pandemic. A corporate plan to deal with a pandemic has been in place since 2006 and anti-viral medication is stocked at all assets, where permitted. All BG Group assets have their own contingency plans that take account of local considerations, these have been updated in 2007 although a small number still require further improvement;
- the extension of our Wellness Programme in Nigeria and India (previously focused on educating the workforce about the nature of HIV and means of prevention) to health campaigns including 'Well Woman Week', personal fitness and healthy eating. There is no evidence of a significant HIV problem in the BG Group workforce, and we have not entered any additional high risk countries in 2007. The Group does not and will not discriminate on the basis of HIV status, does not undertake pre-employment testing for HIV antibody status, and offers support to any employee who informs the Company that he or she is HIV-positive;

BG Bolivia is seeking to improve the health of all staff and their families through an ongoing series of initiatives including:

- health assessments by teams of doctors, physical trainers and nutritionists. Of those taking part, 76% at Santa Cruz and 80% at La Vertiente were found to have at least one risk factor for cardiovascular or metabolic disorders. After personalised wellness programmes were designed for each participant, 70% of cardiovascular disorders were reported as reversed, and the remaining 30% showed improvement. All pre-diabetes cases have been reversed, and cases of high cholesterol reduced;
- a No Smoking Campaign in which 23% of the company took part. After six months, 54% of participants had stopped smoking, and a further 31% significantly reduced their consumption;
- a nine-month challenge to improve employees' cardiovascular fitness and eating habits. 65% of employees participated, with 80% significantly improving their heart rate capacity and



24% achieving their target physical fitness and health condition; and

- the sponsorship of the formation of a cross-sector committee of private and governmental organisations to develop a national Company Health Management System Standard based on guidelines suggested by the World Health Organisation. BG Bolivia's case study will be included as a best-practice guideline in the Standard, and its system will be the first in South America to be certified to this Standard.

- increased engagement by assets with the Group OH team in response to Group concerns regarding the consistency of our OH provision across different assets. In BG Algeria, early consideration of occupational health issues has ensured that quality health provision is part of the asset structure and has allowed early review of emergency medical provision as the project moves from seismic data acquisition to drilling; and
- improved collection and reporting of data on occupational illness. The Group has decided not to set targets until we have full confidence in their value and relevance. This approach reflects our recognition that demanding adherence to targets may discourage reporting, providing an inaccurate picture and preventing appropriate intervention. Our discussions with colleagues in industry groups (such as the Energy Institute Health Technical Committee and the International Association of Oil and Gas Producers' Health Committee) have revealed that under-reporting of occupational illness statistics, especially those involving contractors, is an industry-wide problem.

#### Safety

Due to the nature of our business and the often difficult environments in which it is conducted, BG Group faces significant challenges in fulfilling its commitment to a safe working environment for its

workforce and meeting all applicable legislation in this area.

Accordingly, the Group pursues a rigorous risk management approach – a continuous process of identifying, analysing, mitigating, monitoring and communicating uncertainties – to protect workers in all environments, from an office to an onshore LNG facility, an offshore oil and gas platform or a ship at sea.

All operating assets are required to develop an Operational Safety Case (OSC) – a document that demonstrates to our staff and other stakeholders that the risks involved in operation are as low as reasonably practicable. In 2007, BG Group completed a thorough review of asset OSCs, which revealed a variation in quality between assets. To help remedy this, Group HSSE provided assistance to improve these safety cases, and a Group Standard for Safety Cases has been issued. We will continue to report on the status of OSCs in future years.

During the year BG Group also developed a new Standard for Management of Change, which is especially critical to safety systems. Management of Change involves the identification, analysis and appropriate management of equipment, systems, critical documentation or organisational aspects affected by a change to facilities, processes or in personnel.

## Stakeholder commentary

**“How has the Group Executive Committee (GEC) identified priorities, set meaningful targets (for safety, health and well-being) and tracked progress, including by personal participation in monitoring and audit processes?”**

Roger Bibbings,  
Occupational Safety Advisor, RoSPA  
(The Royal Society for the Prevention  
of Accidents)

The GEC has direct accountability for Health, Safety, Security and Environment (HSSE) performance.

The GEC is informed on HSSE issues by the HSSE Committee (chaired by the Chief Executive), a sub-committee of the GEC. This sub-committee receives regular reports on the Company's HSSE performance, significant changes in risk profile and priority findings from Group HSSE audits. This information allows the Committee to identify priorities. Actions taken on the basis of this Committee's recommendations include:

- mandatory Group-wide defensive driving training;
- enhanced health management resources;
- the establishment of an Occupational Health and Wellbeing centre of excellence at Group headquarters;
- revision of the HSSE policy to align work with the Group's Business Principles; and
- priority given to the investigation of, and learning from, high potential incidents.

Priorities identified are used to create an annual HSSE balanced scorecard, including both leading and lagging performance indicators. Targets are agreed with the aim of continuous and sustainable improvement. Performance against the scorecard is reviewed regularly: occupational illness and injury frequency rates are reported monthly; BBS observations and analysis and completion of health improvement actions are reported quarterly. This is supported by written commentary.

BG Board and Executive members undertook a number of visits to our assets and joint ventures during 2007. Awards for good health and safety performance and for innovation are given as part of the Chairman's Awards.

### Asset Integrity

Asset Integrity is defined by the UK's Health and Safety Executive as, “The ability of (an) asset to perform its required function effectively and efficiently whilst safeguarding life and the environment.” Whilst Asset Integrity has long been a central concern of BG Group, this issue gained renewed public focus with the publication in January 2007 of the Baker Report examining the implications of the 2005 BP Texas City refinery incident in the USA. This report included a broad range of specific recommendations on Asset Integrity of relevance to all industrial plant operators worldwide.

BG Group began a programme of detailed Asset Integrity assessments in 2004 and has since developed a series of leading indicators. The Group began reporting on activity against these indicators on a quarterly basis in 2007, with the aim of recognising and addressing potential Asset Integrity issues at the very earliest stages. The indicators vary according to the type of asset in question. Around ten are reported centrally, including maintenance backlogs, the number of unclosed modifications and number of alarms received by control rooms. Reports to date have reflected improvements across almost all indicators.

After the publication of the Baker Report, the Group established its own panel to examine the key recommendations of relevance to our own facilities and processes. That analysis led to further enhancements to our existing Asset Integrity systems, such as ensuring temporary accommodation is not situated close to process units.

Two major Baker Report recommendations concern the importance of an organisation's leadership setting the ‘tone from the top’ in underlining the importance of safety and Asset Integrity. Those conclusions supported BG Group's own established approach, under which all senior executives are required to demonstrate personal commitment to ensuring a safe operating environment. This includes an annual STEP UP webcast by the Chief Executive, which demonstrates to all employees worldwide the extent to which the most senior executive in the Group is personally focused on these most critical of issues.

The second recommendation consisted of establishing clear Board-level oversight of Asset Integrity. The BG Group Board receives quarterly updates on progress in both safety and Asset Integrity initiatives from the HSSE Committee.

### Security

A safe and secure working environment is fundamental to BG Group's business success. Many of our employees travel abroad, or work in countries with unfamiliar customs and differing levels of security threat.

During 2007, in response to changes in the security risk environment, we introduced and improved on security measures designed to protect our personnel, physical assets, information and reputation, including:

- establishing a travel tracking service to capture automatically the travel plans of our employees globally. All employees who travel internationally are also required to attend regular security briefings, and in countries considered to be high risk, travel security plans are put in place;
- initiating the development of a Group-wide programme of training to raise security awareness in response to the perceived increased risk of violent crime in some locations;
- introducing new Physical Security Guidelines for our operating facilities in light of an assessment of an increased threat from terrorism. This included strengthening office and site security at a number of locations;
- launching an Information Protection Standard setting out minimum requirements for information security, including the requirement that all staff receive information protection awareness training;
- holding a workshop to address both the Voluntary Principles on Security and Human Rights and Crisis Management for Security representatives from across the Group; and
- updating and improving the Group Crisis Management Plan.



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# 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.

## 2007 in Summary

- Establishment of Social Performance function
- Approval of Social Performance Governance Framework
- Development of ten Asset Community Relations Plans
- Total voluntary social investment of £3.9 million

Global companies are encountering rising expectations, increased scrutiny and higher reporting requirements in the social arena. The desire for greater corporate clarity and performance is shared by many stakeholders, from governments and host communities to NGOs and financial institutions. Their perspectives encompass concerns such as human rights, the rights of indigenous peoples, revenue and operating transparency and the sharing of economic benefits.

In recent years, BG Group's global portfolio has expanded and diversified; in 2003 the Group had interests in 20 countries, by 2007 this had increased to 27 countries. Several of the countries in which the Group operates face complex social and developmental challenges.

In response to these increased external expectations – combined with the Group's expansion – we are implementing a strategy which aims to ensure a more systematic approach to Social Performance. We have increased our capacity by recruiting additional experienced Social Performance specialists, and have begun to roll out a Social Performance Governance Framework which combines the Group's existing experience with external best

practice models. The Framework is designed to establish Social Performance management processes that we believe will be robust, consistent, effective and responsive to the interests of stakeholders. A key part of the Framework is a Social Performance Standard, which the Group Executive and the Corporate Responsibility Committee (CRC) approved in the second half of 2007.

The Framework seeks to meet three critical objectives:

- establishing and maintaining effective relationships with interested and affected stakeholders;
- avoiding or minimising the negative impacts of our activities; and
- creating and delivering on opportunities to enhance benefits to society.

In addition, the Group has created a separate Social Performance function in order to support the Group's business objectives by helping to manage operational risks and secure alignment with host community and host government objectives. Through this function, we aim to contribute to the

### Case Study: Tunisia Community Liaison Office opens



BG Tunisia encountered a number of community protests in late 2006, coinciding with early works on the Hasdrubal expansion. Through engagement with these communities we learned that these protests were primarily about employment, specifically:

- the types of jobs to be made available for local people; and
- the proportion of jobs going to neighbouring communities, rather than to Sfax (the nearest large town).

Following this, BG Tunisia improved its approach to consultation, in particular providing better opportunities for local communities to air their concerns with

BG Tunisia without needing to resort to protests.

In June 2007, BG Tunisia established a Community Liaison Office (CLO) in Nakta (1.5km from BG Tunisia's operations), which provides a focal point for local stakeholders, including job seekers and local residents, to engage with the Company.

The CLO receives on average more than one hundred visits per month, with issues focusing mainly on employment opportunities, the impact of the Hasdrubal construction and the socio-economic baseline studies that BG Tunisia is carrying out. The CLO is also the place for residents to air grievances as part of the formal grievance mechanism established for the plant.

socio-economic aspects of the broader sustainable development agenda in societies in which we operate.

In parallel, the Group is seeking to educate employees worldwide as to the nature of the challenge and the important role played by Social Performance in the sustainable delivery of long-term Group objectives. The intention is to build the same institutional

rigour into the process of assessing the Social Performance aspects of a development that the Group brings to other aspects of our business. Accordingly, we have held two training sessions for staff from a variety of functions and country operations on the International Finance Corporation's (IFC) Performance Standards and application of the new BG Group Standard.

The Social Performance Governance Framework will be implemented in all assets over a three year period, starting in 2008, and we will report on our progress in subsequent CR Reports.

#### Support for business objectives

Effective delivery of Social Performance objectives, in line with growing external expectations, will be a key determinant of the achievement of BG Group's ambitions in this area. Over the last few years, the Group has made progress towards meeting this challenge through the development of Community Relations Plans in key assets.

These plans are designed to build relationships and address local development priorities and concerns.

Recent examples of specific community relations activities carried out in support of our business include:

- Nigeria, where we have carried out socio-economic baseline studies, established relationships with local stakeholders and implemented social investment projects. The consortium developing the planned Olokola LNG export facility (OKLNG), in which BG Group has a 14.25% stake, faces the challenge of resettling local communities. During 2007, OKLNG, in partnership with the Nigerian Government, continued planning and consultation with the affected communities, in order to develop a Resettlement Action Plan (RAP) to international standards;
- Chile, where the Quintero LNG consortium (in which BG Group has a 40% stake) has been engaging with the community on issues such as noise generation and expectations for local jobs in connection with the construction phase of the regasification plan;
- Tunisia, where we have created provisions for local hire, enhanced social investment, carried out new baseline studies, and established a Community Liaison Office on-site (see case study on this page), as we continue to prepare for the Hasdrubal plant expansion. In addition, we have progressed work on the RAP for 12 households situated near the site of expansion;



**Ernst & Young remarks**



“During our visit to Tunisia we visited the Community Liaison Office and discussed how staff engage with local communities and officials over sensitive issues such as resettlement. We saw evidence that BG Group was using outputs from this engagement to develop projects designed to address local needs. In Oman we discussed how accountabilities for managing relationships with local officials had been assigned to the leadership team and how engagement with these key stakeholders is recorded and tracked.”

- Kazakhstan, where a detailed Environmental and Social Impact Assessment (ESIA) is being carried out to international standards as the Group and its partners plan for the phase III expansion of the Karachaganak field; and
- Bolivia, where we have engaged with the local Weenhayek indigenous community in the La Vertiente area to reach agreement over social development plans in the context of a new social and political environment in the country.

In 2008, we aim to build on these foundations with our enhanced Social Performance function in support of our business objectives and in response to our stakeholders' needs.

**Principle: We work to ensure that neighbouring communities benefit from our presence on an enduring basis**

BG Group's business activities and widespread investments around the world create ongoing opportunities to advance local sustainable development initiatives. One of our priorities is to work in partnership with governments and communities to deliver on the potential for increased employment and economic growth as well as to make voluntary social investments aimed at improving the lives of those with whom we come into contact.

**Sustainable development**

BG Group seeks to ensure its operations deliver positive and enduring benefits to host countries and communities, whilst working responsibly in line with our Business Principles. The Group's commitment to sustainable development is delivered through:

- an environmental policy that is based on going beyond compliance with local regulations to meet internationally accepted best practice;
- the creation of a new Social Performance Governance Framework (see case study on this page); and

**Social Performance Governance Framework**

In 2007, we developed a new Social Performance Governance Framework, drawing on BG Group's growing expertise in the management of social issues as well as lessons from elsewhere and international good practice guidance. The Framework is a Group Core Control, and consists of:

- a Policy statement;
- a Standard – mandatory for all assets;
- Guidelines and tools to assist assets to meet the requirements of the Standard; and
- an assurance process.

The Standard is based on the key elements of the 2006 International Finance Corporation (IFC) Policy and Performance Standards on Social and Environmental Sustainability. It covers nine elements, including:

- effective consultation;

- the management of high-risk issues such as involuntary resettlement, economic displacement, indigenous people and cultural heritage; and
- value-adding elements of social performance through social investment, and alignment of business and community priorities.

The Framework also sets out key management requirements, including the need for strategic planning, effective management processes, suitable resourcing and key performance indicators.

As the Framework is rolled out across the Group, performance against the Standard will be assessed by both corporate and asset staff using specific metrics and indicators. The rollout of the Governance Framework will focus on priority assets in 2008, with a view to establishing full compliance against the Standard in all assets by the end of 2010.



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- the aim of working with host governments to maximise the economic benefits of Group investments to host country economies.

The Group has commissioned two independent institutes (in Egypt and India) to conduct detailed studies to identify the direct, indirect and induced economic effects of the Group's operations on employment and income and their linkages with the rest of the economy. These analyses are being supplemented by social studies, to explore how the Group's activities can be integrated into sustainable development strategies in those countries. A third study will be commissioned for Kazakhstan in 2008.

- In sixteen villages in Gujarat, India, fieldwork has started on a detailed

socio-economic baseline survey which aims to link BG Group activities with local development priorities and to explore the potential for partnerships to enhance our social investment strategy. The survey is based on the results of the economic analysis finalised early in 2007. Ongoing engagement with the district administration and state government continues, as we seek a better understanding of stakeholder priorities and expectations of Gujarat Gas Company Limited in the social sector.

- In Egypt, we are developing the socio-economic analysis into an integrated social performance strategy, with renewed focus on community relations near the LNG plant in Idku, social baseline assessments in our

exploration areas in the Nile Delta, and a detailed plan to enhance local sourcing of goods and services.

In addition to these pilot programmes, in Libya we hosted a Sustainable Development forum for Government and industry stakeholders focused on the role of the oil and gas sector in local content development and training and education.

The creation of local employment opportunities is another area in which BG Group contributes to the sustainable development priorities of host societies. The Group has worked hard to address community requests to maximise appropriate local employment opportunities during the construction phase of projects in Tunisia and Chile. In cooperation with contractors on the Hasdrubal project in Tunisia, more than 350 local jobs were created at peak construction in the local Mahres and Agareb administrative areas. In Chile, where local employment creation

has been carried out by our Quintero LNG joint venture, around 60% of the current construction workforce has been sourced from neighbouring municipalities.

#### Social investment

In addition to economic opportunities directly arising from our operations, BG Group engages in a wide range of voluntary social investments ranging from small charitable donations to major initiatives. These investments are often undertaken in partnership with implementing organisations (such as NGOs) with experience and expertise in creating solutions to local concerns. The investments are aimed at addressing community and regional development priorities.

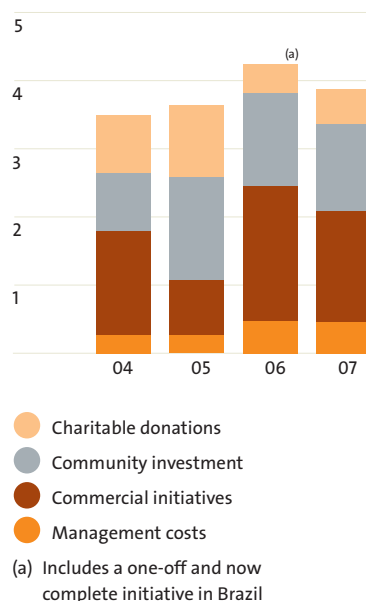
As part of the rollout of the new Social Performance Framework, we have launched an internal survey of social investment practice across the Group. We hope to use the results of this survey, together with outcomes from other initiatives, to measure more effectively and maximise the return on our social investments, both in terms of socio-economic outcomes for target groups and the Group's business objectives.

Noteworthy social investment initiatives from 2007 include:

- 'The First Step in Your Professional Development' - a trainee development programme supported by BG Bolivia, which has enabled 55 undergraduates drawn from eight faculties across four different universities to undertake work experience relevant to their field of study at either BG Group's Santa Cruz office or La Vertiente plant;
- the completion of a project by BG Tunisia to connect 172 households and a primary school from the local community to the running water network. This project will also include a US\$450 000 contribution to UNICEF to carry out a three-year development programme in the Sfax South region, which will provide for basic education, infant and maternal healthcare and youth training and development;

- the development by Comgas (Brazil's largest gas distribution company in which BG Group has a controlling interest) of the Comgas Apprentice Programme in partnership with a local NGO based in São Paulo. The programme focuses on adolescents aged 14 to 17, teaching them to design, plan and implement social projects in their communities. In addition, Comgas Environmental Education works with children aged nine to ten in state schools in São Paulo State to raise environmental awareness and build closer links between the company and the communities in which it operates;
- ongoing work with the Population and Community Development Association in Thailand to monitor the post-Tsunami rehabilitation project that BG Group has supported since 2005. To date, the project has helped 490 households from four villages with emergency support and sustainable livelihood restoration initiatives, and is on course to meet its goal of ensuring the long-term continuation of the initiatives after BG Group funding comes to a close in 2008; and
- the successful partnership with Pro Social in Brazil aimed at entrepreneur development. BG Brazil anticipates expanding its social investment activities beyond this initiative, which in 2007 assisted 15 women in developing their business skills and marketing their craftwork through the respected 'Toque de Mão' trademark.

Voluntary social investment 2004-2007 (£m)



**Principle: We listen to neighbouring communities and take account of their interests**

In all of our areas of operation, BG Group works hard to identify community stakeholders and to engage with them to understand better their key priorities and concerns. We see this as an essential part of project management; this approach enables us to respond to issues as soon as they emerge and to develop opportunities which benefit both BG Group and our neighbouring communities.

### Case Study: Bonded Labour

BG Group expects our contractors and sub-contractors to adhere to the labour practices defined in our Business Principles and Human Rights Policy or their equivalent. Our targets on pages 8 to 11 and the GEC objectives set out on page 15 reflect the commitment of the Group to this issue.

In 2007, BG Group received an anonymous e-mail claiming that a sub-contractor was underpaying its employees, providing irregular salary payments, withholding employee passports and original qualification certificates and had used threatening behaviour towards its employees. The bonded labour and other concerns, if substantiated, would clearly violate the human rights of the employees in question and would also constitute a breach of our Business Principles and Human Rights Policy.

BG Group treated the email as a whistleblowing case, immediately engaged an external independent consultancy firm to investigate the allegations, and replied to the email stating that a full investigation would be conducted. The findings of the investigation, which confirmed that the concerns were genuine and could be substantiated, were then shared with the asset management team. Following the

findings, the Group initially wanted to work with the primary contractor and sub-contractor to improve the employees' working conditions. However, it became clear that the sub-contractor would not meet the requirements of our Business Principles, and the contract was therefore terminated. BG Group also decided not to renew the contract with the primary contractor, as it became clear that it was also not prepared to address the issues raised, nor to guarantee future compliance with the Group's Business Principles.

Following this case, the BG Group asset management team undertook a review of its other suppliers and contractors to ensure that they conformed to our Business Principles. A number of recommendations emerged for ensuring compliance with the Business Principles, including the implementation of Compliance Letters confirming adherence to the Group's Business Principles and compliance with specific employment practices. All identified contractors and sub-contractors have accepted the Compliance Letters.

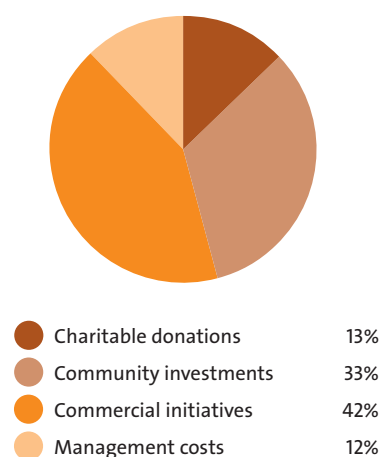
These findings have been shared with Group Contracts and Procurement who will oversee contractor compliance in future.

In Bolivia, BG Group has established a relationship with the Public University of El Alto, near La Paz, to help us to engage more widely with national-level stakeholders.

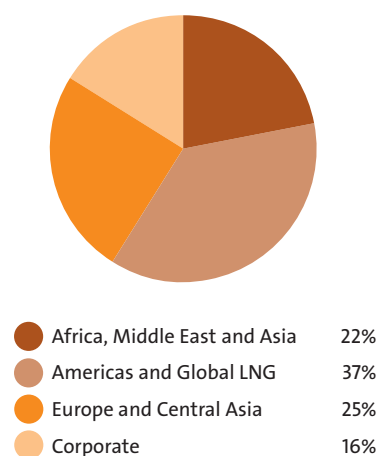
In Chile, our Quintero LNG joint venture (GNLQ) is constructing a 2.5 mtpa regasification terminal in a heavily industrialised zone in Quintero, 110km northwest of Santiago. The area has suffered from air pollution and other impacts of industrial development since the 1960s. As a new entrant to the area, GNLQ has engaged with local authorities and a variety

of community organisations representing fishermen, environmental interests, rural workers and labour groups to listen to concerns and views about the project and its wider context. These exchanges have allowed GNLQ to develop more effective plans for managing construction issues including noise and increased traffic, as well as local employment. GNLQ is building on these relationships to develop a long-term programme of social investment with the active participation of the community.

2007 voluntary social investment by category (%)



2007 voluntary social investment by region (%)



## Stakeholder commentary

**“It is estimated that over two billion people have no access to modern energy services. As a major producer of energy and power, what contribution do you believe that BG Group can make to increasing access within the communities in which it operates?”**

Adrian Hodges, Managing Director,  
International Business Leaders Forum

Access to energy resources and modern energy sources is a key requirement for both development and economic growth. Without this, emerging nations have difficulty building industries, establishing core infrastructure and connecting goods and services to markets. Communities also need reliable energy sources for basic services such as heating, lighting and cooking.

The provision of energy services must be sustainable. Supplies need to be reliable, predictable, affordable, straightforward to maintain and available for the long term. With present technology, under most circumstances providing energy from centralised services – national and regional gas and electricity grids – is the most cost-efficient means of meeting communities’ needs.

In 2007, BG Group subsidiaries connected more than 150 000 new households to gas networks in Brazil, India and Argentina. These connections provide direct access to modern energy supplies as part of our core business – they are an extension of our existing facilities and represent households who did not previously have access to gas networks.

The Group also connected a number of commercial and industrial facilities to gas for the first time, making more than 200 000 new connections in total.

Additionally, in a number of our assets (such as Kazakhstan), we provide electricity for local communities from the power plants within our facilities.

In support of our exploration programmes in new countries, such as Libya, Oman and Algeria, we have established relationships with local communities to understand better development priorities, concerns and issues – whilst not over-committing until we are sure of a long-term presence in the area.

In Oman, for example, we regularly meet with the local Walis of Hima and Ibri to discuss our exploration activities and opportunities for local benefits.

**Principle: We support human rights within our areas of influence**

BG Group’s support for human rights is based on recognition of the principles in the Universal Declaration of Human Rights and core International Labour Organisation conventions on equality, freedom of association and abolition of forced and child labour. We are a signatory of the United Nations Global Compact and support its six Principles relating to human rights.

We incorporate our commitment to protecting human rights in the workplace into our policies relating to equal opportunity and non-discriminatory treatment, security and labour standards. We also require key contracts to include the expectation that contractors will operate according to our Business Principles or their equivalent, including those relating to human rights.

During 2007, we revised our guidance on implementing our Human Rights Policy in the light of emerging standards and tools, and developed a human rights management system. All assets will be required to nominate a member of the management team to be responsible for managing human rights performance and, from 2008, to carry out human rights risk screening. Where this screening identifies significant risks to the Company, our staff or those affected by our operations, a more detailed human rights assessment will be conducted, using external specialist assistance where appropriate.

BG Group remains committed to the Voluntary Principles on Security and Human Rights and developed a guideline for their implementation that was rolled out to all asset security representatives at a BG Group Security Workshop in November 2007. The guideline provides practical advice and programmes aimed at ensuring that security operations comply with the Voluntary Principles and protect the rights of both employees and citizens of our host countries.

The Group has also undertaken an assessment of which countries are subject to Voluntary Principles implementation, on the ‘Watch’ list, or currently exempt from implementation. In 2008, Group Security will be working with high-risk countries (as appropriate for the stage of BG Group activities in these countries) to incorporate the Voluntary Principles into the business process.

The role of business in supporting human rights continues to be subject to international review and discussion by governments, non-government organisations and businesses. During 2007, BG Group participated in meetings with Professor John Ruggie, Special Representative of the UN Secretary General, as he proceeded with his examination of the role of business in addressing the human rights challenge.



For more information visit  
[www.bg-group.com/cr](http://www.bg-group.com/cr)

# 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.

## 2007 in Summary

- Greenhouse gas (GHG) emission reduction target announced – one million tonnes sustainable reduction against a ‘no-action’ base case by 2012
- GHG emissions from operations under BG Group’s control rose by 3.2 million tonnes, primarily due to acquisitions
- GHG emissions per unit of throughput from operations under BG Group’s control rose by 20%, primarily due to acquisitions
- Emissions of SO<sub>2</sub> and NO<sub>x</sub> rose by 25% and 35% respectively
- 77% of BG operated assets certified to ISO 14001

BG Group shares global concerns about climate change and other impacts of human activities on the environment. We are committed to deploying our full range of resources, from our products to innovative use of new technologies, to protect the environments within which we operate and to contribute to worldwide efforts to combat climate change.

Those commitments are put into practice through our Health, Safety and Environment (HSE) Policy and through the requirements set out within our HSSE Management System.

**Principle: We make a positive contribution to the protection of the environment**

Natural gas offers specific environmental advantages compared to other hydrocarbon

fuel sources. The use of gas in place of more carbon-intensive fuels can improve air quality and help reduce overall greenhouse gas emissions. However, the business of exploring for, producing and transporting natural gas has an unavoidable environmental impact, even when reduced to the minimum possible.

BG Group works to embed leading environmental protection practices and technologies in our operations around the world. The Group also works to facilitate action to protect the environment through partnerships and voluntary donations.

### Natural gas and energy efficiency

In many countries, social and economic development depends on access to secure energy supplies. BG Group plays a role in underpinning such development by supplying a relatively low-carbon fuel and by promoting efficient use of energy to reduce emissions further.

## Environment continued

### Case study: Photography Alliance



© Sterling Zumbrunn, Conservation International

In 2007, the Conservation through Photography Alliance, an initiative with Conservation International (CI), continued to promote public awareness of conservation issues by providing the means of capturing, storing and sharing high-quality photographs of the natural world. The images help to build understanding among local communities of the importance of their natural heritage and can play a role in influencing local

and global support for conservation and sustainable development initiatives.

The collaboration between BG Group and CI involves training workshops for field staff, expeditions to priority conservation areas and public photography exhibitions. During 2007, CI held workshops in Brazil and Cambodia, an expedition to the Congo, and hosted an exhibition in Houston, Texas.

The Group's core product, natural gas, is part of the solution to climate change. Gas is a plentiful and globally-available energy source with the lowest carbon content of any fossil fuel, releasing 22% less CO<sub>2</sub> than oil and 40% less than coal when combusted. Gas also lends itself to more efficient combustion technologies, producing significantly fewer emissions per unit of energy than coal or oil. These advantages have led the Intergovernmental Panel on Climate Change (IPCC) to acknowledge gas as an important fuel with a short- and medium-term role to play in addressing climate change (see page 38 for further details).

In 2007, the Group completed the acquisition and assumed operation of Serene S.P.A. (now BG Italia Power), a set of five Combined Heat and Power (CHP) plants. The plants are in the range of 50 to 100MW capacity each, and are considered to be amongst the most efficient fossil fuel-fired power plants in Italy for their size. These plants utilise high-efficiency gas turbines with aeroderivative technology; the exhaust gas feeds heat recovery boilers to produce steam at high pressure, which in turn powers steam turbines that produce additional electricity. Low-pressure steam

produced in co-generation is sent to nearby industrial plants, giving the plants a higher overall efficiency.

The Group also acquired additional CCGT generating capacity in the USA during the year. The US power stations, taken as a whole, operate at higher efficiencies than US average gas generation.

#### Implementing innovative practices

BG Group contributes to the protection of the environment by adopting leading environmental practices. The Group aims to minimise disturbance to ecosystems from its operations and, where appropriate, seeks to put in place programmes to compensate for unavoidable impacts.

An example of leading practice is our onshore gas production operation in the Victoria Mayaro Forest Reserve in Trinidad and Tobago. A specific goal of the environmental assessment process was the reduction of the amount of land required to a practical minimum through project design and prudent site selection. Recognising the country's 'no net loss of forestry' policy, BG Trinidad and Tobago is offsetting the residual land take required by the project's drilling and

production sites and roads by funding a programme to reforest 21 hectares of degraded secondary forest. The first tranche of planting started in August 2007, and by September the first seven hectares of land had been replanted.

BG Trinidad and Tobago objectives go beyond offsetting the land cleared to include conservation criteria that will ensure that we hand over to the Trinidad and Tobago Forestry Division what will be, in effect, a rehabilitated ecosystem. The Group also expects to gain valuable experience from this project that will inform best practice for similar projects worldwide in the future.

#### Sponsorship/partnership

BG Group also makes a contribution to the protection of the environment by sponsoring and partnering with third parties. For example, during 2007 we expanded our partnership with Conservation International, announced in last year's report, and report on it in the case study on this page.

**Principle: We go beyond compliance with local environmental regulation to meet internationally accepted best practice**

To help raise our management of environmental risks to internationally accepted best practice, BG Group took the following steps during 2007:

- restructured the HSSE Management System to ensure a more consistent and effective application of our policies. The restructured system was launched in 2007, through online training and awareness sessions;
- updated the BG Group Environmental Standards and Guidelines, bringing them in line with the associated new HSSE Management System format;

- strengthened the BG Group internal HSSE audit structure with a new framework supported by tools, environmental protocols and training for audit team members. The new framework has clarified the objectives of audits of the Group by providing a defined team structure, standard reporting formats and fixed timelines. Proposed actions on environmental findings are tracked to completion and key findings are reported to the HSSE Committee, providing greater assurance that environmental impact risks are identified and appropriately handled;
- rolled out the BG Group Environment and Community Project Assurance System (EnCompass), which provides best-practice guidance on environmental and community relations activities and deliverables for each stage of the life-cycle of a project; and
- continued implementation of the international Environmental Management Standard ISO 14001 across our major operated assets. The Group is currently developing a new system for the Armada asset (the ISO 14001 certification for which lapsed during the year) in the North Sea that will bring all the BG Group UK upstream assets under one certification. Recent acquisitions such as the US Power Generation assets are in the assessment phase of this process, whilst the Group is reassessing the certification timetables for a small number of projects such as the Central Block development onshore Trinidad and Tobago due to revised project delivery schedules.

**Principle: We reduce to the minimum practicable any adverse effects of our operations on the environment**

It is inevitable that BG Group's exploration, production, fuel transportation, distribution and power generation activities will leave an environmental footprint. These activities are a necessary part of modern energy access on the scale enjoyed by societies within both mature and emerging economies. To minimise the environmental impact of its operations,

BG Group employs risk-management processes throughout its business. These processes enable the Group to understand better the environmental consequences of new and existing operations and help us to take every practicable step to minimise their impact.

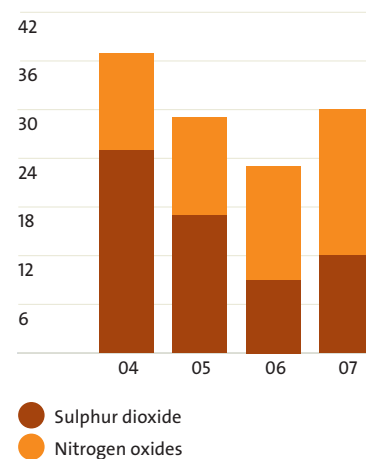
Our risk management processes begin with an environmental assessment process to inform judgements about the extent to which our operations will adversely effect the environment. We then carry out environmental engineering work using Best Available Techniques (BAT) to minimise the potential for any adverse effects. In assets where BG Group is the operator, we also put controls in place to manage environmental risks, with continuous improvement being driven through the use of ISO 14001 certified Environmental Management Systems (EMS).

Leading environmental performance requires the successful application of new technologies. For example, a common side effect of a gas-producing installation is condensate in produced water, a complicated problem requiring specialised technology, as condensate is more difficult to separate than oil with proven treatment technologies.

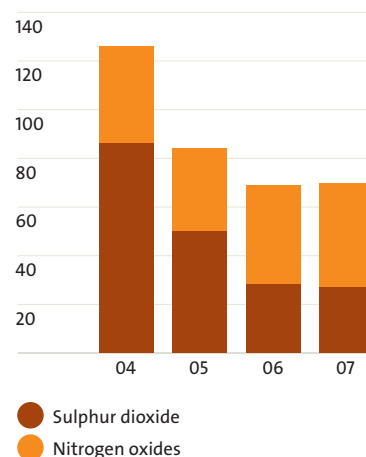
BG Tunisia's solution to this challenge, implemented on the Miskar platform, is a high-efficiency separation process that has required significant structural changes to the platform. Concept definition, field trials and technology selection took place in 2005, with detailed engineering and procurement following in 2006. Deck extensions and construction were carried out during 2007, and the installation of the treatment packages were completed in October 2007.

With the new treatment system, the produced water passes through filters to remove particulates and then into coalescers where entrained condensate is separated from the water stream. The cleaned water is discharged into the sea, and the hydrocarbons are routed to the export pipeline. The new system has been running since its commissioning in November 2007, and has resulted in a very significant improvement in the quality of the water discharged.

**BG Group atmospheric emissions**  
('000 tonnes)



**BG Group atmospheric emissions**  
(tonnes/mmboe)



### Performance in 2007

#### Air quality

The emissions of sulphur dioxide from operations under our control totalled 11 508 tonnes in 2007, an increase of 25% compared to 2006. This increase was associated with the incineration of sour gas at our assets in Kazakhstan and Tunisia. Despite this overall rise, total emissions per unit of throughput declined by 1% between 2006 and 2007.

During 2007, 18 410 tonnes of nitrogen oxides were emitted, an increase of 35% compared with 2006. This increase was due to the acquisition of additional commercial power generation capacity, a sector that has relatively high unit emissions. As a result, the unit of throughput emissions have also increased, by 7%.

## Case study: Waste management in Brazil



BG Group's efforts to minimise environmental impacts is exemplified by the waste management project implemented in the course of BG Brazil's drilling campaign at the BG Group-operated BM-S-13 exploration block in the Santos Basin offshore Brazil. BG Brazil aimed to use best practices in the collection and treatment of all wastes generated during the drilling campaign.

Effluent discharges were controlled prior to discharge, and wastes were segregated, stored and sent to shore for appropriate treatment and disposal. A specific manifest chain was set up for all types

of waste, which enabled BG Brazil to control the entire waste disposal chain and provide auditable registers to Brazilian authorities.

BG Brazil used seven different treatment and disposal options to manage a total of 406 tonnes of waste, an average of 2.6 tonnes per day of activity. Less than 3% of waste was sent to landfill and only 30 kilograms was incinerated. More than 80% of the waste generated during the drilling activity was sent to co-processing plants to be used as feedstock in other industrial processes or was otherwise recycled.

**Hydrocarbon spills**

Of 45 reported incidents of uncontrolled releases of hydrocarbons to the environment in 2007, 15 resulted in spills to sea and totalled 12.6 tonnes of oil.

The largest spill to sea was 10.4 tonnes of oil from a drilling rig in the North Sea. This was a result of an accidental discharge of oil based muds when a padlocked dump valve was opened in error. Following the incident, the asset has installed secondary barriers and improved training and procedures to prevent recurrence.

We also experienced a spill of 16.8 tonnes of hydrocarbons in Kazakhstan as a result of an attempted theft of product from one of the export pipelines from the Karachaganak field. Following discovery of the incident the pipeline was isolated and the area made safe. As a result, security procedures have been reviewed and improved, and the partners are working with the local authorities to reduce the likelihood of recurrence. In line with our overall environmental reporting approach for the Group's joint venture business interests in Kazakhstan (see page 13), the spill quantity is booked at 50%.

**Controlled hydrocarbon discharges to water**

In 2007, the total quantity of process water and the amount of oil in that water remained similar to 2006. We reported last year that the oil in water concentrations at our Miskar platform in Tunisia and our Dolphin platform in Trinidad were in excess of the locally legislated requirements. We have resolved this issue on our Miskar platform (see page 35 for details). In Trinidad and Tobago, the Group is investigating options to bring the discharges at the Dolphin and Hibiscus platforms to within legal limits. The project team is drawing on the experience gained at Miskar to find the optimal solution for each platform.

**Waste**

Waste generated by BG Group operations fell by 21% between 2006 and 2007. The total quantity of waste produced is substantially affected by short-term changes in activity. This makes relative performance measurement difficult, as activities fluctuate between years and between locations. Waste minimisation programmes are implemented at country level as appropriate (see BG Brazil case study on this page).



## COMBATING CLIMATE CHANGE

BG Group fully acknowledges that climate change is occurring and that the use of fossil fuels is a significant cause of global warming. The Group also believes that gas has a role to play within the package of measures required to lead to a stabilisation of carbon dioxide equivalent (CO<sub>2</sub>e) concentrations in the atmosphere. We have embedded consideration of climate change within our business to reflect our belief that BG Group can contribute to solutions to climate change.

Concerns about rising greenhouse gas emissions are increasing in light of the fact that only one-sixth of the global population currently enjoys developed-world living standards. The International Energy Agency (IEA) predicts a doubling or tripling of global energy demand by 2050. Fast-growing economies such as India and China are driving this increase in demand for energy – a demand which is being met in part by the construction of new coal-fired power stations.

### BG Group's GHG performance in 2007

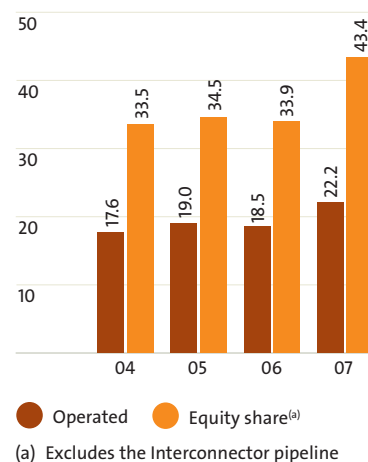
During 2007, BG Group increased generation capacity through the acquisition of operating CCGT power stations in the US and by increasing the Company interest in BG Italia co-generation facilities. The US power stations utilise CCGT technology, and due to this operate at higher efficiencies than US average gas generation; co-generation is also one of the most efficient methods of energy generation.

These facilities were operational and emitting GHG before their acquisition by BG Group. On acquisition, emissions were transferred into BG Group totals. The impact is significant. In 2007, operations under BG Group control emitted 9.4 million tonnes CO<sub>2</sub>e, an increase of 3.2 million tonnes (52%) over 2006. BG Group also measures emissions on an equity-share basis. We report those emissions aggregated on an ownership basis from both operated and non-operated assets. Equity share emissions from BG Group operated and non-operated activities rose by 3.5 million tonnes (30%) to 15.2 million tonnes CO<sub>2</sub>e.

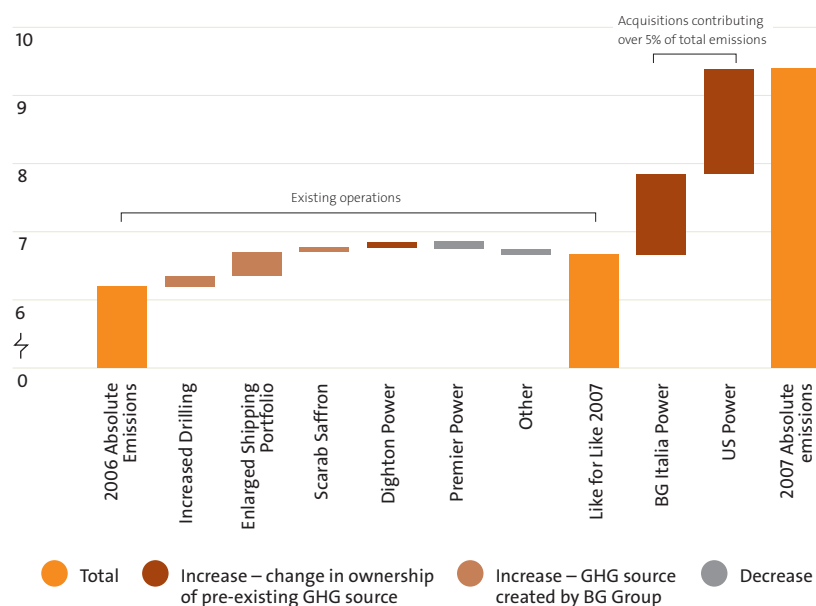
Like-for-like emissions data shows an increase in emissions from operated sites of 0.5 million tonnes CO<sub>2</sub>e (8%) from 2006 to 2007. Equity share emissions on the same basis rose by 1.2m tonnes CO<sub>2</sub>e (10%). The principal reasons for these like-for-like operational increases were increased worldwide drilling activity, an increase in the size of our LNG fleet, and full year emissions from Dighton power station, acquired in October 2006. These figures are illustrated in the chart below.

Emissions data has been adjusted to allow a like-for-like comparison between successive years, removing the effect of major acquisitions or divestments. For these purposes, major acquisitions or divestments are those which added or removed more than 5% of the Group's total GHG emissions in 2006 or 2007.

BG Group GHG emissions: by unit of throughput ('000 tonnes/mmboe)

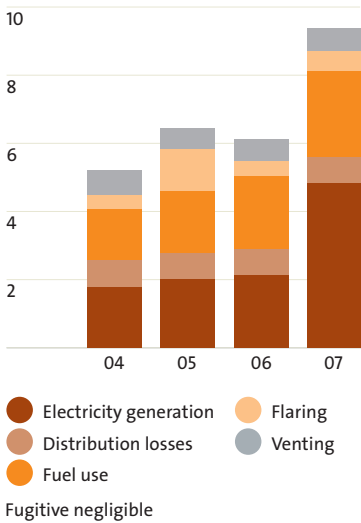


GHG emissions from BG Group Operated Facilities (million tonnes CO<sub>2</sub>e)

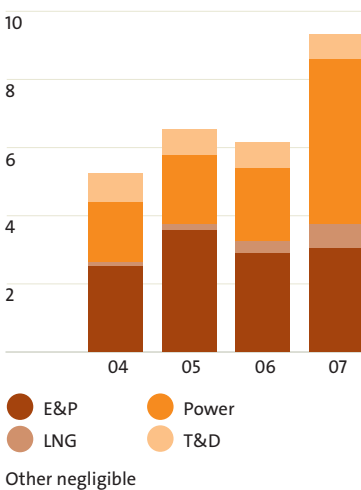


Environment continued

BG Group GHG emissions: by source (million tonnes carbon dioxide equivalent)



BG Group GHG emissions: by business (million tonnes carbon dioxide equivalent)



The case for gas

Many means exist to reduce carbon emissions, but there is no single solution. Issues of cost, state of technology development and scalability dictate that effective strategies to balance energy demand will require a variety of contributions from a range of measures. The IPCC's Fourth Assessment Report, in listing mitigation technologies open to the various sectors of the global economy, distinguishes between technologies and techniques that are currently commercially available and those that are expected to be commercial by 2030 (see table below).

BG Group has an important role to play in the areas of current technology outlined in the IPCC report and is examining the commercial feasibility of the report's future technology recommendations. In particular, the Group can help to address the challenging task of meeting energy demand growth whilst reducing GHG emissions by supplying and encouraging conversion to our core product, natural gas, which, as described on page 34, is a lower-carbon, higher-efficiency alternative to oil or coal.

Examples of how BG Group is reducing CO<sub>2</sub>e emissions by enabling the use of gas in place of higher carbon content fuels include:

- BG Group's conversion of Ballylumford Power Station in Northern Ireland from fuel oil to gas and the further improvement of the plant's energy efficiency by introducing a CCGT power station. Taken together, these steps have resulted in a 42% reduction in CO<sub>2</sub> emissions per unit of electricity. This improvement has directly contributed to the ability of the UK to meet its Kyoto Protocol targets;
- the Group's two CCGT power stations in the Philippines, which are displacing coal consumption – a fuel substitution that reduces overall CO<sub>2</sub> emissions by 4.5 million tonnes per year; and
- investments by our natural gas distribution company Comgas in gas networks in São Paulo, Brazil, enabling fuel-switching from diesel or fuel oil by factories and other industrial premises. The gas is burnt in more energy-efficient applications, creating additional savings for Comgas customers. The ongoing annual emissions reduction from Comgas-supplied businesses amount to more than 1.5 million tonnes of CO<sub>2</sub>, a figure that will increase as Comgas continues to expand the gas network.

To provide an idea of the scale of emission reduction that gas supply can provide in the near term, these three projects alone have produced emissions savings equivalent to those from 1 200 2.5 MW wind turbines.

BG Group's Enhanced Greenhouse Gas Management Programme

Beyond supplying our core product, BG Group can also contribute to GHG reduction in the near term by improving the efficiency with which we supply and distribute gas, by reducing emissions at our existing operational facilities, and by identifying and installing the best available emissions-saving practices and technologies in our new facilities.

To stimulate action across the business to reduce GHG emissions to a practicable minimum over a set time period, we introduced the Group-wide Enhanced GHG

Reproduced from the IPCC 4th assessment report Work group III – Summary for Policy makers

Sector	Key mitigation technologies and practices currently commercially available	Key mitigation technologies and practices projected to be commercialized before 2030
Energy supply	<ul style="list-style-type: none"> <li>• Improved supply and distribution efficiency;</li> <li>• fuel switching from coal to gas;</li> <li>• nuclear power, renewable heat and power, (hydropower, solar, wind, geothermal and bio energy);</li> <li>• combined heat and power, early applications of Carbon Capture and Storage (CCS, e.g. storage of removed CO<sub>2</sub> from natural gas)</li> </ul>	<ul style="list-style-type: none"> <li>• CCS for gas, biomass and coal fired electricity generating facilities;</li> <li>• advanced nuclear power, advanced renewable energy, including tidal and waves energy, concentrating solar and solar PV.</li> </ul>

Table SPM3: Key mitigation technologies and practices by sector.

## Ernst & Young remarks

“In the course of our work we discussed the GHG reduction projects that had been completed during the year. We saw evidence that where emission reductions could be attributed to a specific project, external verification of that project’s performance had been sought. In Tunisia we visited the Hannibal plant in which six GHG reduction projects had been completed, and viewed the externally verified project reports.”

Management Programme in early 2006. The Programme aims to provide the tools, processes and expertise to drive GHG emission reductions within both existing operations and new projects.

### BG Group GHG reduction target

Recognising the value of a target in focusing management attention on a programme, BG Group has analysed in detail how a GHG emissions reduction target could be introduced into a rapidly expanding business with relatively new and efficient facilities. As a result of this analysis, we have introduced a Group target for emissions from our operated assets. Between now and 2012 we will be identifying and carrying out projects that aim to generate ongoing GHG reductions of one million tonnes (compared to a ‘no-action’ base case) by 2012. These projects will involve improvements in efficiency in our existing operations as well as the use of more advanced technology in new projects. The one million tonnes target consists of 100% of the reductions achieved at all BG Group operated assets, including the KPO joint-operated venture, and represents approximately 8% of our forecasted 2012 emissions.

BG Group will report performance towards the one million tonnes target annually alongside our figures for total operated and equity share emissions and will subject these reports to external verification. The Group has developed an accounting and reporting protocol for the emission reductions achieved from individual projects to allow for external verification. However, some of the mitigation actions will not be fully quantifiable due to a lack of suitable measurement techniques.

In several cases in 2007, efficiencies were made but GHG savings could not be absolutely verified due to changes in operational circumstances between the measurement of baseline emissions and the completion of reduction projects. Experience gained from these situations will be applied to reduction projects still underway to allow complete verification in future.

## Case study: GHG reductions in Tunisia



In 2007, BG Tunisia launched a programme to increase energy efficiency and reduce GHG emissions from its operations as part of the BG Group Enhanced GHG Management Programme. The asset identified opportunities to reduce GHG emissions, bringing in independent expertise to carry out a review of operations at both onshore and offshore locations.

Based on the conclusions of this review, BG Tunisia calculated a target GHG reduction figure. This target was then incorporated into the overall BG Group GHG reduction target number for 2007.

The Group then ascertained an emissions baseline for the specific processes involved. If the reductions were successful, this baseline would demonstrate that sustainable GHG reductions had been achieved.

The asset assigned specific responsibilities for the delivery of each reduction opportunity and tracked progress monthly.

During 2007, BG Tunisia undertook six GHG reduction projects, yielding a total of 54 917 tonnes of GHG reductions. In addition to this, 640 tonnes of VOC emission reductions were achieved. Projects included work on gas export compressor controls, amine fin-fan coolers, optimisation of sales gas compressors and an amine regeneration system (pictured above).

Following completion, a verification report detailing how the reductions had been achieved allowed BG Tunisia to share the lessons learned and include the reductions against the Group’s 2007 target.

## Environment continued

### Stakeholder commentary

**“Does the absence of published greenhouse gas emissions targets or a formal commitment to reduce greenhouse gas emissions undermine the credibility of BG Group’s claims to making a positive contribution to the protection of the environment?”**

Rory Sullivan, Head of Investor Responsibility, Insight Investment

Our core product, natural gas, has proven benefits in reducing emissions of greenhouse gases and improving air quality where it is used in place of other fossil fuels. We also provide access to technologies such as co-generation that improve efficiency and thereby bring environmental benefits. Our business extends these benefits to emerging economies, many of which have depended historically on coal or oil supplies. We also provide greater supply certainty for established economies which have been partly or wholly dependent upon gas for many years.

In addition to these direct benefits from our core product, we also develop and introduce improved environmental management practices, such as ISO 14001, which have the effect of reducing the environmental impact of our operations. In some countries BG Group has been the first hydrocarbon company to introduce these systems.

As well as providing benefits through our core business, we also recognise that we need to manage the rate of growth of our own emissions as our business grows. We have therefore introduced a greenhouse gas emissions reduction target.

We will continue to take positive actions to reduce emissions: our target states that by 2012 the outcome of those actions will have resulted in a sustainable total emission reduction of one million tonnes. Further details of this target may be found on page 39.

### Case study: Reduced flaring in Kazakhstan



The Karachaganak facility in Kazakhstan is working towards an emissions-reduction target which will see 99.6% of gas produced either injected, used or sold. The total volumes of flared gas have decreased by 30% since 2006 due to a reduced well-drilling programme and the application of new well-testing technology that includes a hydrocarbons collection system.

In 2007, a number of initiatives and projects were carried out to reduce further flaring and other GHG emissions. These

initiatives included reducing the quantity of purge gas flared, reducing the non-essential use of steam turbines for producing low-pressure steam and process optimisation to reduce the use of fuel gas.

The total amount of gas flared has decreased from 0.53% in 2006 to 0.35% in 2007 as the asset approaches its goal of zero planned flaring.

In 2007, implementation of 26 emission reduction projects in operational assets resulted in GHG emission reductions ranging from 54 tonnes to 42 000 tonnes. In total this amounted to:

- 182 000 tonnes of quantified, verifiable emissions reductions; and
- an estimated 39 000 tonnes of emissions reductions that are not yet fully confirmed.

In 2008, we aim to achieve additional reductions of 244 000 tonnes, bringing the cumulative annual reduction at the end of 2008 to approximately 465 000 tonnes.

#### Strategies for new projects and technologies

Within BG Group-managed projects, new and updated environmental Standards and Guidelines have enhanced the means by which the Group will deliver GHG emission reductions within new projects, applying Best Available Techniques to minimise both energy requirements and emissions whilst maximising the flow of hydrocarbons to customers.

In 2009 and 2010, BG Group expects to take delivery of four new, energy-efficient Dual-Fuel Diesel-Electric (DFDE) LNG tankers,

with an additional tanker due to come on lease in 2008 for one year to replace a steam turbine driven vessel. Against a base case of using steam turbine driven vessels, just two of these high-efficiency tankers will cut our CO<sub>2</sub> emissions by an estimated 70 000 tonnes each year on a sustainable basis.

The IPCC Fourth Assessment Report states that, for the energy supply sector, the early application of Carbon dioxide Capture and Storage (CCS) is a key climate change mitigation technology. Feasibility studies are currently underway to test the applicability of CCS in a number of BG Group operating assets. CCS offers the potential to generate deep cuts in emissions where the proportion of CO<sub>2</sub> in gas is high or where gas is burnt in large volumes, as in power stations. However, there are significant economic and technical barriers to be overcome. The studies, reinforced by our membership in industry-wide groups, are preparing us for the use of CCS in such high-emissions projects in the future.



For more information visit  
[www.bg-group.com/cr](http://www.bg-group.com/cr)

The UN Global Compact (UNGC) is an international initiative that brings together companies, UN agencies, labour organisations and civil society in support of ten principles covering human rights, labour, the environment and corruption. The ten principles are based on the Universal Declaration of Human Rights; the International Labour Organization's Declaration on Fundamental Principles and Rights at Work; the Rio Declaration on Environment and Development; and the United Nations Convention Against Corruption.

In December 2004, we signed up to the UNGC to reaffirm our commitments to respect labour standards and human rights, to operate in an environmentally responsible manner and to maintain zero tolerance towards corruption.

Here we provide an index to our performance in demonstrating the Global Compact's ten principles in our work. This index cross-references to relevant IPECA and GRI G3 indicators used in this report.

Global Compact Principles	IPECA Indicators	GRI Indicators	Page no.
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	SOC-1	HR1; SO1	15, 27, 31, 32
2. make sure that they are not complicit in human rights abuses.		HR2; HR5,HR7	17, 26, 31, 32
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	SOC-7	HR5, LA4	21, 32
4. the elimination of all forms of forced and compulsory labour;	SOC-7	HR7	31, 32
5. the effective abolition of child labour; and	SOC-6, SOC-7	HR6	32
6. the elimination of discrimination in respect of employment and occupation.	SOC-4, SOC-6, SOC-7, SOC-A3	LA2, LA4, LA13, LA14	20-21, 32
7. Businesses should support a precautionary approach to environmental challenges;			7, 33-40
8. undertake initiatives to promote greater environmental responsibility; and	ENV-1, ENV-2, ENV-A3, ENV-A4, ENV-A5, ENV-3, ENV-A6, ENV-6	EN3, EN4, EN6, EN12, EN13, EN14, EN18, EN22, EN23, EN26	10-11, 13, 33-40
9. encourage the development and diffusion of environmentally friendly technologies.		EN6,EN18	34-36, 38-40
10. Businesses should work against corruption in all its forms, including extortion and bribery.	SOC-2 , SOC-3	SO2, SO3, SO4, SO6	15, 16-17, 18-19

## Learning from our independent assurance process

We engaged Ernst & Young (E&Y) to carry out an independent review of our 2007 Corporate Responsibility Report. The review focused on the processes we have in place over the management and reporting of social and environmental risks, the progress we have made in Corporate Responsibility (CR) in 2007, and our corporate aggregation of HSSE, community and employee data. E&Y's report is found on page 43. E&Y identified particular strengths in our processes and plans:

- The development of the Social Performance Standard. This Standard is designed to provide a more consistent approach to addressing community relations across the Group.
- A continued focus on addressing safety issues at assets. In particular, the identification and dissemination of lessons learned from serious incidents involving third party contractors and in non-operated joint ventures.
- A strong commitment to developing people. This commitment was repeatedly emphasised by the leadership of the assets visited, and staff interviewed were positive about the development opportunities and support made available to them.
- The Chief Executive and executive leadership set a clear 'tone from the top' in relation to CR issues, including CR objectives in their performance targets, some of which are linked to their remuneration.

E&Y identified areas for improvement in the evolving process of implementing CR. Over the coming year, we will be working on the areas shown below, which are also incorporated into our targets on pages 8 to 11, where appropriate:

- Clarify asset-level understanding of CR and better communicate the breadth and scope of the CR Committee. Although there is clear accountability for each element of CR at a corporate level, it is sometimes unclear to the assets who is responsible for the CR agenda. Additionally, consider improving the alignment between governance structures of the business and CR communications.

- This Report includes little discussion on how BG Group exerts influence over partners and joint ventures in relation to achieving performance and behaviours which are consistent with BG Group's Business Principles. As partnerships and joint ventures account for a significant proportion of BG Group's business, further consideration should be given to coverage of these issues in future CR reports.
- BG Group is taking steps to assess the compliance of key contractors against the Business Principles. Guidance should be provided to assets on expectations to set for contractors in relation to the Business Principles, and contractors' performance against these expectations should be monitored.
- Provide a consistent framework for decision making with regards to social investment. Although BG Group supports many worthwhile and beneficial projects across the assets, the theme of 'opportunities and skills for development' is too broad. The implementation of the Social Performance Standard should help to address this.
- BG Group is in the process of implementing a consistent approach to the challenge of localisation. BG Group is also strengthening its approach to employee diversity and will launch a new strategy in 2008. The Group will need to ensure that this is clearly communicated and sensitively applied across its assets.

E&Y identified seven areas for improvement in their review last year (see page 35 of our 2006 Corporate Responsibility Report). This 2007 Corporate Responsibility Report describes how we addressed these seven areas and the table below summarises our progress.

### Areas for improvement identified in the 2006 assurance process

### Our progress in 2007

Consider whether appropriate assurance is given to the roll out of Core Controls and Standards, including the commissioning of specific audits	✓	Assurance over the implementation of Core Controls and Standards is primarily assessed through the GSA process described on page 18. In addition, a number of internal audits have been carried out in the year to assess the implementation of the Group's CR related Core Controls and related Standards.
Ensure those with responsibilities for implementing new or revised Core Controls and Standards are given timely training	✓	In 2007, Business Principles workshops included training on the Gifts & Hospitality, Anti-Corruption, Conflicts of Interest and Political Donations Standards.
Establish clear criteria on when and how to apply the Voluntary Principles for Security and Human Rights	✓	Our corporate security team have created clear criteria to decide in which countries the Voluntary Principles (VPs) are applicable based on an initial risk assessment and regular risk reviews. A new Group document, the Voluntary Principles on Security and Human Rights: Implementation Guide, provides a Guideline to asset security and PCA managers on how to apply the VPs.
Define the extent to which BG Group should exert and report externally on the influence over partners and joint ventures in achieving performance and behaviours consistent with BG Group's Business Principles	~	BG Group seeks to ensure that the performance and behaviours of partners and joint ventures are consistent with BG Group's Business Principles. The extent to which the Company exerts influence is reflected in our risk assessment process. This is a challenging and sensitive area, but we will continue to address this on a case-by-case basis in 2008.
Provide guidance and help assets set expectations and monitor performance against Business Principles for third party contractor relationships	~	All significant contracts and invitations to tender require our contractors to perform work in accordance with our Business Principles. In 2007, we launched a pilot project to monitor the compliance of key contractors with our Business Principles. This project is ongoing (see page 15).
Develop clear, credible targets against which progress in reducing climate change impacts can be measured	✓	GHG emission target set as one million tonnes annual saving of carbon dioxide equivalent by 2012, as against a 'no-action' base case (see page 39).
Provide greater clarity to assets on community investment	~	Guidelines for social investment are being developed as part of the Social Performance Standard, to be rolled out in 2008. The Guidelines are based on a Group-wide review of current practice, along with leading international practice within the extractive sector.

## Independent assurance report to BG Group plc on its 2007 Corporate Responsibility Report

BG Group plc's (BG Group) 2007 Corporate Responsibility Report (the Report) has been prepared by the management of BG Group, who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BG Group management's instructions, is to carry out a limited assurance engagement on the Report in order to provide conclusions in relation to the AA1000AS<sup>(a)</sup> Principles of Materiality, Completeness and Responsiveness. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

### WHAT WE DID TO FORM OUR CONCLUSIONS

Our assurance engagement has been planned and performed in accordance with the AA1000AS and ISAE3000<sup>(b)</sup> Standards. The AA1000 assurance principles have been used as criteria against which to evaluate the report.

In order to form our conclusions in relation to the AA1000AS Principles of Materiality, Completeness and Responsiveness we undertook the steps outlined below:

1. Interviews with a selection of BG Group executives and senior managers to understand the current status of Corporate Responsibility (CR) activities and progress made during the reporting period.
2. Visits to BG Group's assets at Oman and Tunisia to review the systems and processes in place for managing and reporting on CR activities at asset level and to review evidence in support of claims made in the Report regarding BG Group's CR performance.
3. Review of selected corporate level documents to assess management awareness of performance against non-financial policy commitments and test the coverage of the Report.
4. Review of documents from stakeholder engagement activities, including documents summarising engagement with the socially responsible investment community.
5. Review of social investment, employee and health, safety and environmental (HSE) data samples and processes to assess whether they have been collected, consolidated and reported appropriately at corporate level and at the assets visited.
6. Test the consistency of the claims made in the Report regarding BG Group's CR performance against the evidence obtained through our work.

### LEVEL OF ASSURANCE

Our evidence gathering procedures have been designed to obtain a limited level of assurance (as set out in ISAE3000) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

### THE LIMITATIONS OF OUR REVIEW

The scope of our work was limited to corporate level activities and visits to two of BG Group's assets. We did not attend any stakeholder engagement activities. Therefore, our conclusions on Materiality and Responsiveness are based on our discussions with BG Group management, our review of selected media and the review of documents provided to us by BG Group.

### OUR CONCLUSIONS

Based on the scope of our review our conclusions are outlined below:

#### Materiality

- With the exception of how BG Group seeks to influence the CR activities of its partners in joint ventures and non-operated assets, we are not aware of any material aspects concerning BG Group's CR activities that have been excluded from the Report.

#### Completeness

- We are not aware of any material issues excluded from BG Group's judgements on the content of the Report.
- We are not aware of any misstatements in the assertions made by BG Group management in the Report regarding CR activities.

#### HSE, Social Investment and Employee Data

- We are not aware of any material reporting units that have been excluded from the Group-wide data relating to the topics above.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from information reported at operations level.
- We are not aware of any errors that would materially affect the data as presented in the Report.

#### Responsiveness

- With the exception of the issue highlighted in relation to Materiality, we are not aware of any additional issues of stakeholder interest that are not currently included in the Report's scope and content.

### OBSERVATIONS AND AREAS FOR IMPROVEMENT

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 process' section on page 42 of the Report. In addition, we have been asked to provide specific observations on selected matters discussed in the Report. These observations are spread throughout the report. Our observations do not affect our conclusions on the Report set out above.

### OUR INDEPENDENCE

This is the third year Ernst & Young LLP has provided independent assurance services in relation to BG Group's CR reporting. With the exception of this work we have provided no other services relating to BG Group's approach to CR reporting.

### OUR ASSURANCE TEAM

Our assurance team has been drawn from our global environment and sustainability network, which undertakes similar engagements to this with a number of significant UK and international businesses.

Ernst & Young LLP  
London  
4 April 2008

(a) AA1000AS – AA1000 assurance standard from the Institute of Social and Ethical Accountability

(b) ISAE3000 – International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

## Definitions

For the purpose of this report the following definitions apply:

'Acid gas'	Gas mixture which contains significant amounts of acidic gases such as carbon dioxide (CO <sub>2</sub> )	'ILO'	International Labour Organization
'AIBA'	Asset Integrity Baseline Assessment	'IPIECA'	International Petroleum Industry Environmental Conservation Association
'ARA'	Annual Report and Accounts	'ISO 14001'	International Standard for Environmental Management
'BG Group'	BG Group plc and/or any of its subsidiary undertakings, joint ventures or associated undertakings	'km'	Kilometres
'Biodiversity'	The variety of organisms found within a specified geographic region	'KPIs'	Key performance indicators
'boed'	Barrels of oil equivalent per day	'KPO'	Karachaganak Petroleum Operating BV.
'Carbon dioxide equivalent'	Carbon dioxide, methane and nitrous oxide aggregated in proportion to greenhouse warming potential – methane's greenhouse warming potential is 21 times that of carbon dioxide and nitrous oxide's is 310 times that of carbon dioxide	'LBG'	London Benchmarking Group
'CO <sub>2</sub> e'		'LNG'	Liquefied Natural Gas
'CCGT'	Combined Cycle Gas Turbine	'LTIF'	Lost Time Injury Frequency, expressed as injury frequency per million hours worked
'Climate change'	A significant change from one climatic condition to another	'mg/l'	Milligram per litre – measure of concentration of oil in water
'CNG'	Compressed Natural Gas	'mboe'	Million barrels of oil equivalent
'Co-generation'	Co-generation is the simultaneous production of heat and power	'mtpa'	Million tonnes per annum
'Company'	BG Group plc	'MW'	Megawatt
'Core management team'	Roles such as positions on the Group Executive Committee, Regional and country management teams and managers of corporate functions	'MWhrs'	Megawatt hours
'CR'	Corporate Responsibility	'NGO'	Non-governmental organisation
'EITI'	Extractive Industries Transparency Initiative	'NGV'	Natural gas vehicle
'EMS'	Environmental Management System	'OGP'	International Association of Oil and Gas Producers
'E&P'	Exploration and Production	'ORIF'	Occupational Related Illness Frequency, expressed as illness frequency per million hours worked
'Equity share emissions'	Emissions aggregated on an ownership basis from both operated and non-operated assets	'Particulate'	Minute matter such as dust produced by combustion engines
'EU'	European Union	'Process water'	Water resulting from the production or use of any raw material, intermediate product, by-product or waste product
'Flaring'	Disposing of waste gas by burning	'PSC'	Production Sharing Contract
'Footprint'	Physical amount of land occupied by operations	'Sour gas'	Gas mixture which contains significant amounts of hydrogen sulphide (H <sub>2</sub> S)
'Fugitive emissions'	Continuous low rate losses from system elements	'SRI'	Socially Responsible Investment
'General waste'	Solid and liquid non-toxic or non-hazardous waste	'Stakeholder'	Anyone with a share or legitimate interest in the Group, or who may be affected by the business activities of the Group
'Greenhouse gas'	Gas that contributes to the formation of an insulating blanket around the earth by trapping heat from infra-red radiation	'Sustainable Development'	Meeting the needs of the present without compromising the ability of future generations to meet their needs
'GHG'		't'	Tonnes (metric)
'Group'	BG Group plc and/or any of its subsidiary undertakings, joint ventures or associated undertakings	'T&D'	Transmission and Distribution
'GW'	Gigawatt	'TRCF'	Total Recordable Case Frequency, expressed as injury frequency per million hours worked
'Hazardous waste'	Solid and liquid toxic or hazardous waste	'UN'	United Nations
'HSE'	Health, Safety and Environment, including security in relation to management systems	'UNGC'	United Nations Global Compact
'HSSE'	Health, Safety, Security and Environment	'Venting'	Intentional, passive release of gas to the atmosphere
'IFC'	International Finance Corporation	'VOCs'	Volatile organic compounds
		'Voluntary Principles'	Voluntary Principles on Security and Human Rights developed by US and UK Governments, mining and energy companies and human rights organisations



## STAKEHOLDER QUESTIONS



In each of the four main sections of this report we have included a stakeholder question together with our answer. For reasons of space, we have only been able to include four questions in this Report – additional questions will be answered on our website at [www.bg-group.com/cr](http://www.bg-group.com/cr)

If you would like to provide us with a question for our 2008 Report, please contact us via the website above, or email [cr@bg-group.com](mailto:cr@bg-group.com)

### LONDON BENCHMARKING GROUP ASSURANCE STATEMENT

We have been asked to assess BG Group's use of the London Benchmarking Group (LBG) model to measure and report on its corporate community involvement activity during 2007.

The LBG model was developed by a group of companies in 1995 as an internal evaluation tool and as a way to ensure greater consistency and comparability in external reporting. Today more than 100 leading international companies apply the model around the world.

The LBG model helps businesses to improve the management, measurement and reporting of their corporate community involvement programmes. It moves beyond charitable donations to include the full range of contributions (in time, in kind and in cash) made to community causes, and assesses the actual results for the community and for the business. (See [www.lbg-online.net](http://www.lbg-online.net) for more information)

As manager of the LBG, we have worked with BG Group to review its understanding of the LBG model and its application to the wide range of community programmes.

Our aim has been to ensure that the evaluation principles are correctly and consistently applied. We are satisfied this has been achieved. Our work has not extended to an independent audit of the data presented in this report.

The quality of the data reported by BG Group's operations continues to improve. Last year we highlighted that there are certain areas of activity, such as support for sport and arts projects, where caution needs to be

exercised in differentiating costs that are of benefit to the community (e.g. using sport as a means to benefit disadvantaged groups) from those that are more strictly commercial in nature (e.g. professional sports sponsorship). The data this year demonstrates that operations have clearly understood and applied this distinction.

Overall, BG Group's operations continue to classify the majority of their activities as local or regional community investment and only a small proportion as charitable gifts, continuing the trend away from reactive cash donations towards more strategic investment in the community.

Last year we highlighted that a challenge for BG Group is to assess more comprehensively the achievements of its community programmes. The data from operations indicates that some assessment of key projects is being made at local level. Collecting further data on the aims of major activities and the extent to which these are achieved, in terms of additional resources attracted (leverage), community benefits and the business case (outputs and impacts), will help BG Group obtain a broader understanding of its impact on the communities where it operates.



Corporate Citizenship  
[www.corporate-citizenship.com](http://www.corporate-citizenship.com)  
February 2008

### LEGAL NOTICE

Certain statements included in this Corporate Responsibility 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 detailed analysis of the factors that affect our business, financial performance or results of operations, we urge you to look at the "Risk Factors" included in the 2007 Annual Reports and Accounts. Nothing in this Corporate Responsibility Report should be construed as a profit forecast, and no part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in BG Group plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

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