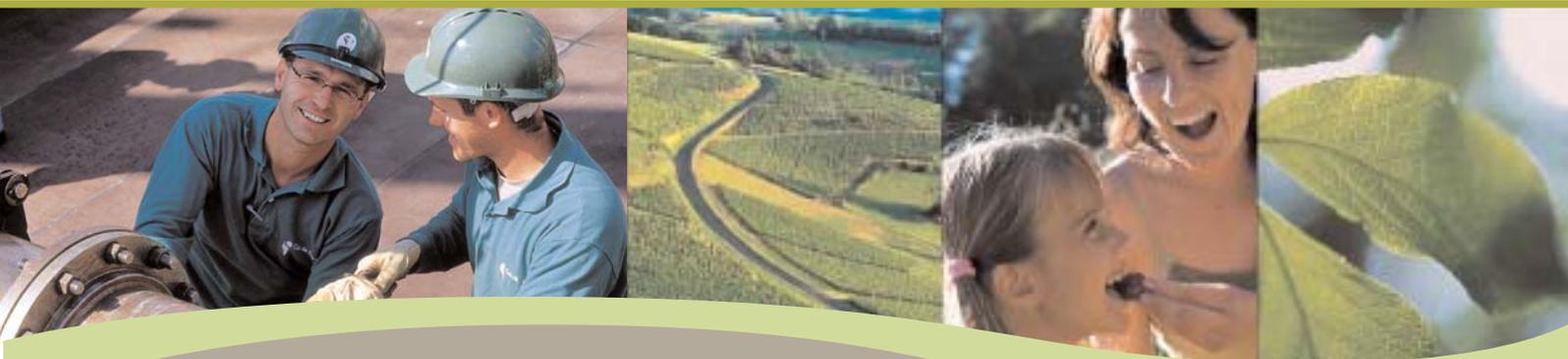


/ GAZ DE FRANCE AND THE UNITED NATIONS GLOBAL COMPACT
COMMUNICATION ON PROGRESS 2005



/ COMMUNICATION ON PROGRESS

The Gaz de France Group bases its sustainable development approach on principles of transparency and progress. In 2003, it committed itself through the United Nations Global Compact to support and translate into acts the ten universal principles on human rights, labor standards, the environment and the fight against corruption.

Since 2004, the Group has presented these initiatives in a specific document entitled "Gaz de France and the United Nations Global Compact, Communication on Progress". Every year, this report illustrates the manner in which the Group respects the principles by presenting the policies and main initiatives that contribute to their implementation.

/ CONTENTS

1/ Message from the Chairman and Chief Executive Officer	page 4
2/ A European energy utility committed to sustainable development	page 5
3/ The sustainable development approach of Gaz de France	page 8
4/ Evaluating performance	page 11
Presentation of the principles of the Global Compact and the policies and corresponding initiatives of Gaz de France in 2005-2006.	
PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights, and	page 13
PRINCIPLE 2: make sure that they are not complicit in human rights abuses.	page 16
PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	page 17
PRINCIPLE 4: the elimination of all forms of forced and compulsory labor;	page 20
PRINCIPLE 5: the effective abolition of child labor, and	page 20
PRINCIPLE 6: eliminate discrimination in respect of employment and occupation;	page 21
PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges;	page 23
PRINCIPLE 8: undertake initiatives to promote greater environmental responsibility, and	page 26
PRINCIPLE 9: encourage the development and diffusion of environmentally friendly technologies.	page 28
PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.	page 30

The base used in this report is the parent company and Group subsidiaries in which the Group has more than a 50% equity interest or non-joint operating control.

1/ MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Although the contribution of States to the implementation of modes of development compatible with the planet's long-term ecological and social balances is of primary importance, the participation of companies is essential. This conviction is at the root of Gaz de France's commitment to sustainable development and the United Nations Global Compact.

This commitment provides a frame of reference that is particularly adapted to the integration of issues concerning human rights, labor standards, the environment and the fight against corruption. For the Gaz de France Group, human rights take on a new dimension by reason of its presence outside of Europe, where these rights and principles have been accepted policy for many years.

Guided by the principles of the United Nations Global Compact, we strengthened our commitment this year, in particular by formalizing the Group's business ethics with a code of conduct that is being finalized. For the second year, as a complement to the Sustainable Development Report it has published annually since 2001, Gaz de France here presents a specific document, a "Communication on Progress", which in addition to policies and initiatives, also presents the way corporate processes integrate the Global Compact's ten principles.

As our sphere of influence grows with our expansion, this document shows how, as an efficient and responsible international energy utility, we help to develop awareness of the principles of the Global Compact through our acts and initiatives.



Jean-François Cirelli

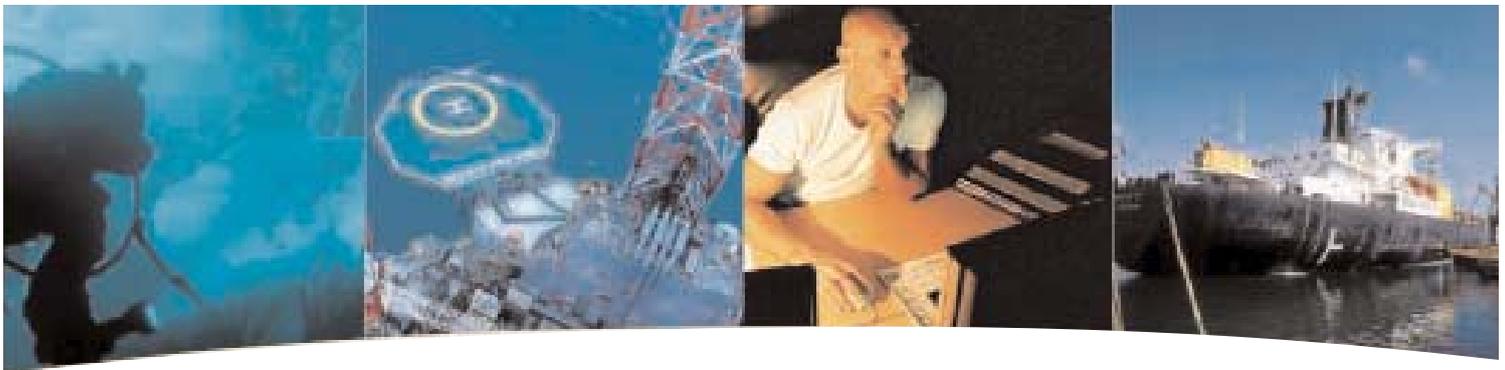
Chairman and Chief Executive Officer



2/ A EUROPEAN ENERGY UTILITY COMMITTED TO SUSTAINABLE DEVELOPMENT

2•1 From exploration to use

Present at all the stages in the energy industry, the Gaz de France Group identifies the sustainable development challenges it faces and strives to reconcile the expectations of its different stakeholders who are committed and impacted by the Group's activities.



/ Exploration

Gaz de France explores fields in the North Sea, Algeria, Egypt and Mauritania.

Challenge: to reduce the impact of the Group's activities on the environment and promote local economic benefits wherever the Company operates.

/ Production

Gaz de France produces natural gas and electricity.

Challenge: to secure natural gas supplies and develop the production of electricity from natural gas and renewable energies.

/ Procurement

Norway, Russia, Algeria, the Netherlands, the United Kingdom, Egypt, Nigeria and Libya are the Group's principal natural gas suppliers.

Challenge: to diversify procurement sources and ensure the supply of energy at a competitive price over the long term.

/ Regasification

Because it takes up 600 times less space in the liquid state, natural gas may be liquefied then transported by LNG tanker so that consumer regions can be supplied from distant production areas. When it arrives at French LNG terminals, the liquefied natural gas is regasified prior to distribution.

Challenge: to provide secure links between regions of consumption and natural gas resources that are farther and farther away.

2/ A EUROPEAN ENERGY UTILITY COMMITTED TO SUSTAINABLE DEVELOPMENT



/ Transmission

Gaz de France transports natural gas throughout France via its 31,589 kilometers of high-pressure pipelines. It has the most extensive transmission system in Europe, which is open to all European shippers.

Challenge: to provide all natural gas shippers with transparent and non-discriminatory access to the transmission system and guarantee safety and security.

/ Storage

Natural gas is stored underground at 12 facilities, which can also be accessed by all the suppliers operating in the French market.

Challenge: to modernize storage facilities, increase storage capacities and bolster the relations of confidence with the local community.

/ Distribution

Natural gas is carried to customers by 180,700 kilometers of mains – the largest distribution network in Europe, open to all natural gas suppliers.

Challenge: to provide all natural gas suppliers with transparent and non-discriminatory access to the distribution network, accompany local development, ensure market infill, and guarantee safety and security for everyone.

/ Sale

Gaz de France markets its energies to 14 million customers through dedicated brands, such as DolceVita® for residential customers in France.

Challenge: to reduce consumption and energy costs in all customer classes, promote combined natural gas-renewable energies offerings and accompany underprivileged customers.

/ Services

Gaz de France complements its combined natural gas-electricity offerings with energy services, including boiler servicing for residential customers.

Challenge: to ensure safety and promote energy efficiency.

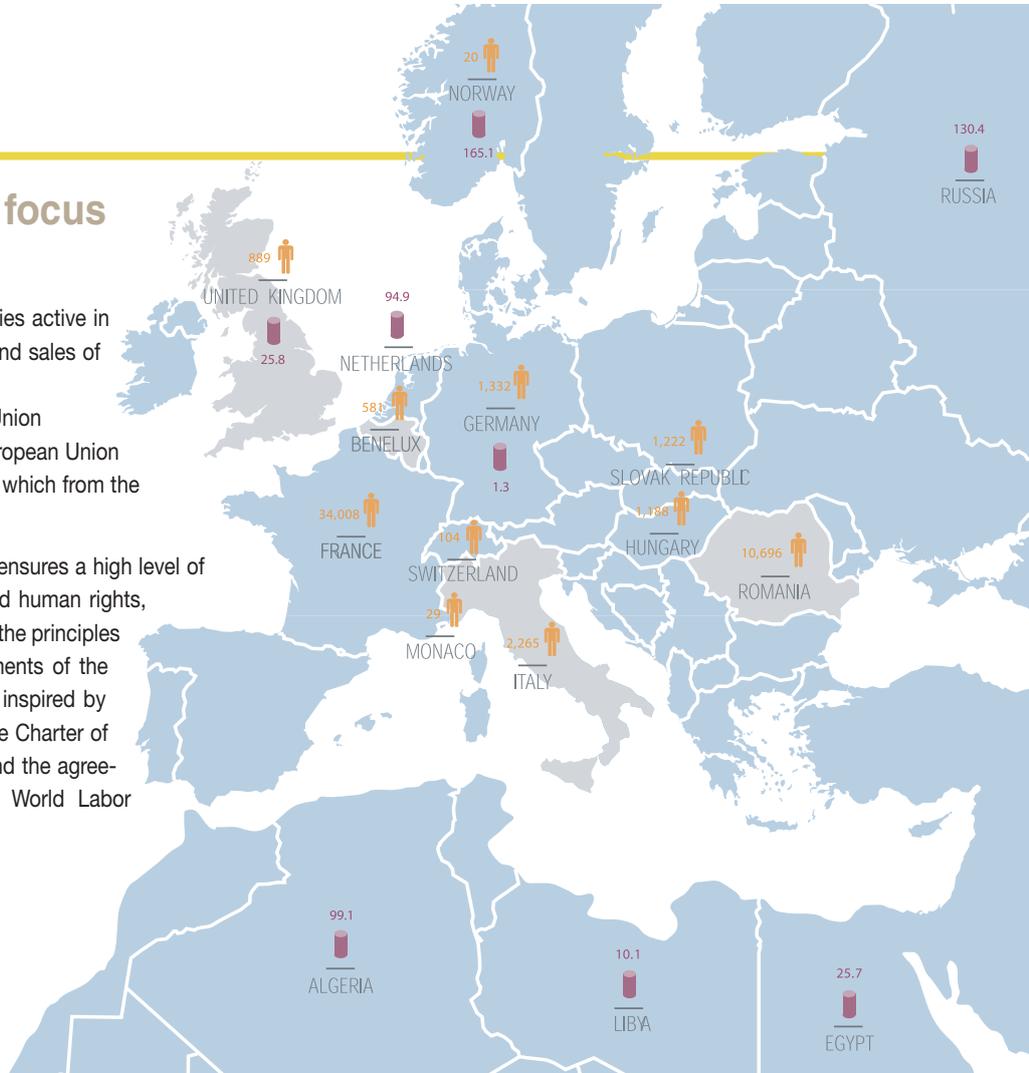
And also, from the wellhead to the burner tip,
to limit greenhouse gas emissions to help fight against global warming
to respect the environment
to ensure safety for everyone (employees, the local community, customers, etc.)
to invest in ethical and sustainable growth
to inculcate a Group culture and implement a human resources
policy adapted to its European development.

2•2 A mainly European focus

The Group operates mainly through subsidiaries active in the transmission, distribution and marketing and sales of energy and services in Europe.

- 96% of net sales reported in the European Union
- 78% of the workforce is employed in the European Union
- 80% of supplies come from Europe (17% of which from the European Union)

The Group's presence in the European Union ensures a high level of environmental regulation, social protection and human rights, directly contributing to the good application of the principles of the Global Compact. The ethical commitments of the Gaz de France Group formalized in 2002 are inspired by the Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union and the agreements signed within the framework of the World Labor Organization.



Main Group Locations

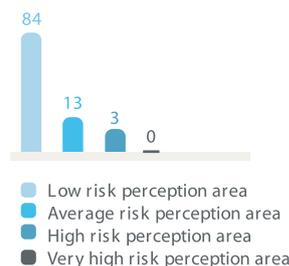
- GROUP PROCUREMENT (including proprietary resources) in billions of kWh
- MARKETING AND SALES (Workforce)
- EXTERNAL GROWTH OPERATIONS IN 2005



>Low corruption risk profile

Volume of net sales by country according to Transparency International corruption perceptions index (%)

Most of the Group's net sales are in low risk areas. France, which was an average risk country in 2004, moved into the low risk category in 2005.



3/ THE SUSTAINABLE DEVELOPMENT APPROACH OF GAZ DE FRANCE

Energy markets are undergoing profound changes, and energy utilities face major challenges that include increased competition, pressure on supplies, higher prices, global warming and the environmental impact of activities. In this new context, Gaz de France aims to reconcile performance and environmental protection, competitiveness and social solidarity, profitability and public service responsibilities. It uses sustainable development as leverage for performance that is fully integrated into its strategy. The Company develops guidelines for action on a daily basis that reflect the commitments of a responsible energy operator.

3•1 Define and apply a sustainable development approach

/ A comprehensive, structured approach



/ Sustainable development policy defined...

The Initial Public Offering in 2005 gave the Group the resources it needs to achieve its ambition – to be a leader in the energy industry in Europe. This ambition drives the strategy of Gaz de France. Totally integrated into this strategy, the Group's sustainable development policy structures its initiatives and is based on different dedicated policies, including the Company's public service

contract, environmental policy and safety strategies. To define this strategy, the Group identifies, analyzes and ranks its stakeholders' expectations and the challenges it faces. It then defines the relations, responses and initiatives to be implemented. To keep pace with developments (emergence of other challenges) and new stakeholder expectations, sustainable development priorities are reviewed every year.

/... and implemented

Various tools are used to implement this strategy and monitor progress – the Sustainable Development Action Plan for 2004-2006, the Quality Safety Environment – Risk Management integrated management system, sustainable development performance indicators and reporting to stakeholders. At the operating level, management contracts consolidate the different initiatives undertaken by the businesses and units so as to allow for managerial supervision.

/ From the identification of challenges to the action plan and supervision tools

The diagram below illustrates the process by which Gaz de France proceeds from challenges to action: identification of the challenges and stakeholder expectations, development of strategies and policies up to implementation and supervision tools.



3/ THE SUSTAINABLE DEVELOPMENT APPROACH OF GAZ DE FRANCE

3•2 Addressing the challenges of sustainable development

/ Stakeholder expectations and the challenges of sustainable development

After identifying and ranking sustainable development challenges and stakeholder expectations, the Gaz de France Group focuses on three categories of issues linked to its identity as an energy utility, an industrial entrepreneur, and lastly a socially responsible international group.

> Challenges for the energy utility

- Fight against global warming by developing renewable energy, limiting consumption and reducing CO₂ emissions
- Promote the conservation of energy resources and the reliability of supplies

> Challenges for the industrial entrepreneur

- Improve safety and security and control industrial risks
- Avoid any type of local pollution
- Develop differentiating offerings that incorporate environmental concerns
- Ensure customer satisfaction

> Challenges for the socially responsible international group

- Guarantee respect for fundamental human rights
- Promote ethical behavior and fight against corruption
- Ensure responsible practices in the field of human resources
- Take stakeholder expectations into account
- Promote sustainable development at the regional and local level

/ Addressing the challenges

To address these challenges, the Group organizes its decision-making and initiatives through:

- a sustainable development policy and related policies,
- a selection of annual priorities addressed by this policy,
- a number of commitments to stakeholders,
- an approach that monitors improvement and evaluates results.

/ Zoom: the Sustainable Development Action Plan for 2004-2008

The implementation and monitoring of these policies and commitments are built into the Sustainable Development Action Plan, which is organized around five main focuses.

> Addressing the energy challenges of today and tomorrow

To meet the challenge of climate change, the Gaz de France Group controls its greenhouse gas emissions and helps its customers reduce their own emissions and their energy consumption. In addition, the Group has also integrated renewable energies and is studying innovative energy. Selling energy and promoting the rational use of energy while continuing to grow are three compatible objectives. Gaz de France is convinced that this is possible and makes consumption reduction and energy conservation the core of its marketing strategy by proposing efficient offerings in terms of comfort, price and environmental quality.

> Acting as a responsible enterprise

As an industrial operator, Gaz de France has set the objective of ensuring exemplary application of best safety, investment and procurement practices, and it works with determination to reduce the environmental impacts of its activities.

> Ensuring the growth of the Group in Europe

To satisfy its customers over the long-term and meet the growing demand for natural gas, Gaz de France ensures the reliability of its supplies and develops its service offerings. The diversification of sources and the development of its own resources are key factors in growth and economic survival.

> Developing a human resources policy at the level of the Group

The human resources policy of Gaz de France aims to foster employee acceptance of its values, promote consistent practices in its different international entities, and lead change. It also commits to diversity, safety and health, and the development of skills.

> Playing an active role in regional development

The Gaz de France Group expands its local presence in France, as it does internationally, participates in regional development together with local governments, companies and populations. For this reason, it supports local economic development, promotes concrete solidarity initiatives and dialogues with its facilities' stakeholders.

3/ THE SUSTAINABLE DEVELOPMENT APPROACH OF GAZ DE FRANCE

3•3 Supervising the sustainable development approach

/ Ensuring a consistent approach at the Group level

Created in 2003 by combining expertise in the environment, social responsibility and quality, the Sustainable Development division coordinates and supervises the sustainable development approach at the level of the Group and assesses the initiatives taken. It promotes Gaz de France's sustainable development positions in discussions with decision-makers, forges partnerships with non-profit organizations and NGOs and responds to rating agencies.

The Sustainable Development and Business Ethics Committee, chaired by the officer in charge of Sustainable Development, brings together all the officers of the Group's main entities, divisions and support functions every quarter. The committee discusses topics related to the Group's sustainable development policy, monitors the progress of the Sustainable Development Action Plan, and presents future directions to Gaz de France's Executive Committee.

/ Mobilizing a network of sustainable development correspondents

The Sustainable Development and Business Ethics Committee is complemented by a network of sustainable development correspondents representing all the Group's divisions. A convincing argument to advance the Group's strategy and a relay to facilitate the spread of sustainable development ideas and practices, the network ensures that the Group divisions move forward together and benefit from mutual synergies. The network meets two to four times a year in plenary sessions, and working groups are organized on different topics as well.

/ Integrating the Global Compact in processes

The ten principles of the Global Compact are included in the 2004 corporate guideline "Gaz de France's Sustainable Development Policy" and are covered by the Group's risk management policy, which targets risk control in health and safety, the environment, image and reputation, and human resources. This corresponds to the process "Risk Control at the Executive Management Level", which is piloted by the process review and the review of Group Quality Safety Environment – Risk Management.

All Group processes, in business units and support functions, are subject to an annual evaluation of their level of control based on ISO 9004 principles.

See Appendix 1: Mainstreaming the 10 principles of the Global Compact into processes

4/ EVALUATING PERFORMANCE

Gaz de France continues to anchor its respect for the ten principles of the United Nations Global Compact more solidly in its strategy and initiatives, and thus improves its performance in terms of social responsibility. The Group monitors its commitment in a concrete manner by means of internal and external performance assessments.

4•1 Monitoring and measuring performance

/ Measuring the Group's sustainable development approach with the Balanced Scorecard

In addition to the supervision tools for the sustainable development approach (Sustainable Development Action Plan, the Quality Safety Environment – Risk Management system, and management contracts), the Group uses Robert Kaplan's and David Norton's Balanced Scorecard to build its annual sustainable development performance review, which is submitted to the Chairman and Chief Executive Officer.

Gaz de France is a pioneer in France in the use of the Balanced Scorecard for sustainable development purposes. This tool measures performance in four areas: "finances", "customers", "processes" and "organization-skills-loyalty".

See Appendix 2: Strategic map of Gaz de France sustainable development indicators using the Balanced Scorecard

/ Measuring awareness of social and environmental responsibility in keeping with the principles of the Global Compact

Developed by SustainAbility, the social and environmental responsibility "gear box" is a self-assessment tool that allows companies to evaluate their performance on a scale of social and environmental responsibility in keeping with the principles of the Global Compact. It analyzes the different approaches or "gears" that the company may engage from the first gear (comply) to the fifth (re-engineer). In first gear, the company complies with the required minimum, whereas in fifth gear, it rethinks and redefines its responsibility beyond its products and services. There is also a reverse gear that indicates that the company is sliding backwards.

See Appendix 3: Results of the self-assessment on the basis of the social and environmental responsibility gear box

/ Using recognized analysis tools in its consultations

Within the framework of its specific approach in consulting stakeholders in 2005-2006, the Group evaluates its own performance using two assessment tools.

- "Take the Challenge" is complemented by the AA 1000 SES standard, which is specific to the consultation of stakeholders and by the AccountAbility framework, which is specific to lobbying.
- The "Business Case" tool helps identify leverage for the creation of value and measure the financial impact of sustainable development for Gaz de France. Applied to each of the approaches linked to sustainable development (Health Quality Environment, procurement policy, prevention of health-safety-environment risks, etc.), the Business Case evaluates the financial impact on tangible and intangible assets as well as on income and expenses.

4/ EVALUATING PERFORMANCE

4•2 Submitting initiatives to external evaluation

To determine how efficient its approach is, Gaz de France submits its initiatives and tools to external evaluations:

- since 2001, in order to guarantee transparency, Gaz de France asks its auditors to verify the indicators in its Sustainable Development Report;
- as early as 2002, Gaz de France solicited its first trial environmental and social rating;
- in 2004, the Marketing and Sales division asked Vigeo, an agency that rates and evaluates social and environmental responsibility, to launch its requested rating procedure. Likewise, the Fondation d'entreprise Gaz de France solicited the Core Ratings agency to rate their activities in 2004;
- every year, SustainAbility assesses the strengths and areas for improvement cited in the Sustainable Development Report. The agency's methodology was selected by the United Nations Environment Programme.

4•3 Reporting

/ Reporting based on the Global Reporting Initiative

After two Environment Reports, the Gaz de France Group has reported on its progress since 2001 in its annual Sustainable Development Report. It is an objective and reasonable presentation of the Group's performance in the area of sustainable development. The Group's strict reporting criteria are based on the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative. Since 2003, Group reports follow GRI guidelines.

/ External verification of sustainable development indicators

Since 2001, in order to guarantee transparency, Gaz de France asks its auditors to verify the economic, environmental and social performance indicators in its Sustainable Development Report. In 2005, the Group reported certain key indicators at a higher, "reasonable" level of assurance, similar to the level by which the auditors evaluate financial information.

See appendix 4: GRI indicators matched with Global Compact criteria

/ HUMAN RIGHTS / PRINCIPLE 1

«Businesses should support and respect the protection of internationally proclaimed human rights.»

As a business, the first duty of Gaz de France is to offer its employees satisfactory working conditions, and in particular to ensure their safety. At the same time, in its development, the Group is now entering regions in which the respect for fundamental rights and support for local communities are key priorities.

Improving working conditions

POLICIES

/ Committed to employee safety: safety policies in 2005

The Gaz de France Group aims to rank among the safest energy utilities and to be recognized for its performance in health and safety. Committed to continuous improvement, it regularly enhances the level of workplace safety, with a corresponding significant decrease in the number of accidents. Formal policies spell out the Company's commitment to guarantee safe and secure working conditions. Industrial Security and Occupational Health and Safety policies adopted in 2005 highlight:

- risks specific to natural gas, road hazards during work and commuting, operating and handling risks in terms of safety;
- the prevention of chemical risks, psychological and social risks and those related to addictive behavior, muscular pain and back problems in terms of health.

In addition, the Group takes the necessary measures to ensure constant control of the risks linked to its industrial activities, which may be the cause of accidents for gas users and the local population. Since 2003, its risk management activities have been integrated into a Quality Safety Environment program. This

double-barreled Quality Safety Environment and Risk Management approach has taken concrete form in contracts between executive management and the Company's operating entities and support functions.



/ Measuring plug soundness during a pipeline section change

INITIATIVES

/ Promoting safety

The determination to enhance the level of safety goes beyond the Group's own corporate structure. Health and safety policies impose safety as a criterion of selection in procurement, providing an incentive for suppliers to improve safety conditions in their own companies. These policies also require service providers to pass on Gaz de France criteria to their subcontractors.

Gaz de France participates in the adaptation of standards and regulations to ensure an efficient level of safety in its sector by working with public authorities and standardization bodies. It helps improve safety in the gas industry by advocating professionalism in sector organizations. In companies in which the Group is not the operator, Board members representing Gaz de France recall the Group's commitment to best practices in terms of safety.

/ Dedicating an organization to health and safety

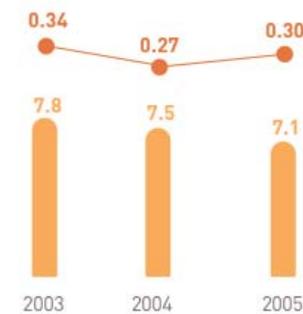
The Gaz de France Group has an officer in charge of prevention and safety, who reports directly to a chief operating officer. At the parent company, a specific Health and Safety network brings together specialists in occupational safety

«Businesses should support and respect the protection of internationally proclaimed human rights.»

and health, environmental health and occupational medicine. This network helps improve monitoring of employee health in different ways: employee health analyses, epidemiological studies, public health programs, etc.

PERFORMANCE INDICATOR

/ Accident frequency and severity rates



ACCIDENT FREQUENCY AND ACCIDENT SEVERITY RATES (GROUP)

The accident frequency rate is decreasing at the Group level.

- Accident frequency rate (number of accidents/million hours)
- Accident severity rate (number of work days lost/ thousand hours)

Promoting human rights

KEY INITIATIVE

/ Helping the underprivileged in France

Gaz de France participates fully in the life of local communities in which it operates. It makes a special effort to help the underprivileged by showing solidarity, fighting against exclusion and affirming human dignity.

- Since 1985, Gaz de France has been mobilized to assist customers in financial difficulty. Every year, it contributes 3 million euros to the Housing Solidarity Fund. Managed by France's regional General Councils, this fund aims to solve and especially to prevent payment problems on the part of certain customers.

- In 2005, the Group created the Gaz de France Energy Solidarity Fund, an unprecedented move to help underprivileged customers. Endowed with 10 million euros, the fund will make it possible to assist customers who have the greatest difficulty to pay their gas bill, so that their gas supply will be maintained throughout the winter.

- Gaz de France is an active partner with non-profit organizations and NGOs, such as Codegaz and Samu Social Paris, for which it provides financial, logistic and human support. By the terms of the agreement signed on December 21, 2005, Gaz de France and Codegaz strengthened their cooperation in accident prevention and safety programs and vocational education programs.

OTHER INITIATIVES

/ Promoting the development of local communities at the international level

Gaz de France organizes programs designed to promote local economies in developing nations.

It supports the UNEP and UNDP in setting up development programs in the disadvantaged region of Adrar in Algeria. These programs concern health, education, culture, the availability of water and the distribution of energy. In 2005, Gaz de France sponsored the medical caravan organized by the non-profit organization SoliMed, which enabled more than 3,000 patients in the region of Timimoun to benefit from medical attention.



/ Médiatrice 13 mediators in the field assisting the underprivileged

Gaz de France helps Egyptian Liquefied Natural Gas (ELNG) assist the local population in Idku in Egypt. Following meetings with the local community, ELNG launched a road safety awareness and training campaign for mothers and elementary school teachers, which has resulted in a 75% decrease in the number of children involved in road accidents

since 2002. In 2005, efforts were concentrated on the education and training of local fishermen to facilitate employment opportunities.

With Codegaz, the Group also provided assistance to units when natural or industrial disasters occurred in France and to distressed populations outside of France so that they could regain access to water or energy. For example, school supplies and medical equipment were sent to three Romanian villages that had been flooded in August 2005. It also undertakes humanitarian projects, such as the drilling of wells and the production of Spirulina.

/ Self-evaluation of initiatives in favor of human rights

In 2005-2006, Gaz de France made a special effort to consult stakeholders on human rights. The dialogue with stakeholders was based on questionnaires drawn up from criteria provided by:

- the Human Rights Compliance Assessment (HRCA) questionnaire of the Danish Institute for Human Rights;
- the business principles of Transparency International;
- the evaluation matrix of the Business Leaders' Initiative on Human Rights (BLIRH);
- the Business Charter of the International Chamber of Commerce.

/ HUMAN RIGHTS / PRINCIPLE 2

« Businesses should make sure that they are not complicit in human rights abuses. »

Gaz de France operates in regions in which basic human rights are generally accepted and applied. The Global Compact's second principle is not so major an issue for Gaz de France, which mainly operates in Europe (see Group profile page 7). The values the Group defends are universal values originally formulated in the Universal Declaration of 1948 and the principles of the WLO.

POLICY

/ Ethical commitments in 2002

Inspired by the Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union and the agreements signed within the framework of the World Labor Organization, Gaz de France's ethical commitments were published in 2002. They apply to the Company's relations with its employees and partners (employee representatives, customers, shareholders, suppliers, industrial or financial enterprises and public authorities). They promote respect for human dignity, social dialogue, non-discrimination, political neutrality, social solidarity and environmental protection.

KEY INITIATIVE

/ Drawing up ethical principles for the whole Group

Gaz de France's reflection on its basic values has pointed up the fact that its commitments in favor of human rights help structure its identity. A guide for all its employees, which is currently being defined, the Group's ethical approach specifies, formalizes and strengthens commitments to fundamental rights. The Group's humanist values exist; it is here a question of expressing them and building a common base so that they may serve as benchmarks for the whole workforce. They are listed in a charter of the values of the Gaz de France Group. To give life to these values:

- a code of conduct will formalize the behavior expected from all Group employees vis-à-vis stakeholders;
- codes of conduct specific to certain sensitive businesses (finance, procurement, audit, etc.) will address focused issues;
- employees will have access to an alert system for unethical practices.

A supervisory unit will be set up to evaluate the integration of ethical commitments in all the businesses of the Gaz de France Group.

/ LABOR RIGHTS / PRINCIPLE 3

« Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. »

Guaranteeing the social fabric and balanced relations, dialogue within the Company has recognized status. This is evidenced in an agreement that gives a preponderant role to collective bargaining in Group management. It also encourages free expression on the part of employees and facilitates their participation in the most important decisions through their representatives in corporate governance bodies.

Social dialogue procedures

POLICY

/ Promoting social dialogue: procedural agreement signed in 2004

The negotiating partners (executive management and labor organizations) have great responsibility at both the social and economic level in this time of change for Gaz de France. To foster reciprocal understanding and constructive dialogue, their relations are structured by principles of sharing and joint responsibility. The agreement signed in January 2004 is based on these principles. It defines procedures and the issues that are subject to collective bargaining – employment, skills, mobility, restructuring, improvement of social dialogue, working conditions and compensation. Today, more than 50% of human resources policies are negotiated with management and labor organizations.

For all these questions, dialogue and negotiation occur at many different levels:

- at the level of the parent company and GRTgaz through employee representative bodies and labor organizations;
- at the Group level within the framework of the European Works Council which meets at least twice a year;

- at the level of the professional sector for this category of agreements. Gaz de France is a member of the *Union nationale des employeurs des industries gazières* (UNEmIG), one of the two employer associations in the electricity and gas industries authorized to negotiate with labor organizations.

KEY INITIATIVE

/ Keep lines of communication open in a time of restructuring

Within the framework of the procedural agreement, the different parties reviewed the dialogue process and the measures accompanying restructuring. The analysis pointed up the main reasons for success and the best practices applied to lead change, i.e. anticipation, consultation, information and communication in the direction of employees, individual and collective assistance, as well as feedback. Following this analysis, an agreement was signed on April 5, 2005, clarifying consultation procedures related to reorganization and making provisions for negotiations on the definition of individual accompanying measures and functional and/or geographic mobility.

This agreement defines the procedure to follow for restructuring, articulating a phase of upstream consultation with labor organizations and a phase of consultation with employee representative organizations. They reaffirmed the importance of quality dialogue between executive management and labor organizations and in employee representative organiza-

tions so as to anticipate and enhance the projects presented. To ensure compliance with these measures, a national group was formed to monitor progress.

Agreements signed with labor organizations

OTHER INITIATIVES

In 2005-2006, strategic negotiations on professional training, compensation and savings resulted in the signing of agreements with labor organizations.

/ Training throughout an employee's career: the sector-based agreement of 2005

Executive management and labor organizations re-launched corporate social dialogue on training by signing an initial sector-based agreement in September 2005, then a corporate collective bargaining agreement on training throughout an employee's career on March 1, 2006. Pursuant to the law of May 4, 2004, which created an individual right to training, every employee benefits from a quota of hours of training to help develop skills. This right aims to combine the employee's personal interest and corporate priorities by making provision for relatively long learning careers. Training programs are linked to employees' adaptation to their jobs, changes in employment and technologies, and the development of skills. They target the acquisition or improvement of knowledge, or qualification.

The corporate collective bargaining agreement signed on March 1, 2006, sets the annual performance review at the heart of the system. It enables every employee to participate fully in the definition of his/her professional project, and also to design a training plan. All the measures contained in this agreement

will progressively be implemented in 2006 and 2007, and they will be regularly reported on by management and human resources officers in charge of training.

/ Improving employee compensation

In 2005, two collective bargaining agreements led to an enhanced standard of living for Gaz de France employees. First of all, a national gainsharing agreement that recognizes and encourages the active contribution of employees to the results of Gaz de France was signed on June 3, 2005. It provides for a level of gainsharing based on financial results and the respect of CO₂ emission allowances (environmental approach). Gainsharing may total 3.7% of annual gross compensation.

A national agreement on a minimum wage increase in the gas and electricity sector was signed on June 6, 2005. This agreement makes it possible to maintain the buying power of active employees, raise the buying power of retired employees and respect the financial limits of the different companies in the sector.

Through the agreement on performance-based compensation for the sales force signed on October 26, 2005, by the Marketing and Sales division and three labor organizations, approximately 1,000 employees active in direct and indirect sales, primarily in the eligible market, will be financially rewarded for achieving results that exceed the objectives set. Individualization will account for a maximum of 70% of the objectives set. This

system, which has been introduced for two years (results in 2006 and 2007) is not designed to replace negotiations on compensation or other recognition mechanisms.

/ Additional health insurance upgraded

In the autumn of 2004, collective bargaining in the gas and electricity sector focused on the reform of the management of the complementary health insurance and improved employee coverage, and talks were resumed in the autumn of 2005. In the absence of an agreement, the government published two decrees in February 2005 modifying the way the system is funded (contributions of employees, retired employees and employers). The principle of solidarity between active workers and retired employees was maintained, and a supervisory body was set up to monitor the system. Three players are involved: labor organizations, employers and the French government.

/ Pension reform in the parent company

In view of the application of international accounting standards, the law of August 9, 2004, reformed the organization and financing of the special pension system of employees in the electricity and gas industries (EGI). Implemented as of January 1, 2005, when the national EGI fund was created, the reform reorganized the EGI system and structured funding for the special pension system so that it could be backed by the general pension system managed by the *Caisse Nationale d'Assurance Vieillesse* (CNAV) and the additional retirement systems managed by ARRCO and AGIRC.

This backing, formalized in financial agreements signed with these systems, is the counterpart, on the one hand, of the payment by employees and EGI companies of contributions equivalent to those due in the event of direct subscription to these systems, and on the other hand, of the payment of an "exceptional contribution" designed to ensure the economic neutrality of the system in the long term.

For pension rights not covered by the general pension system called "specific rights", the reform stipulates:

- for rights vested at the date of the reform, a rate-based contribution from the transmission and distribution of electricity and gas;
- for all other rights (vested at the date of the reform for the other activities or vested after December 31, 2004), that benefits remain the responsibility of sector companies prorata to their respective commitments.

The mechanisms introduced ensure overall rate neutrality for end users, electricity and gas consumers. The pension commitments of Gaz de France (parent company) are covered by insurance contracts signed with different insurance companies.

/ LABOR RIGHTS / PRINCIPLE 4

« The elimination of all forms of forced and compulsory labor. »

/ PRINCIPLE 5

« The effective abolition of child labor. »

If Gaz de France is an exemplary enterprise in terms of compliance with WLO principles, its prerogatives go beyond its corporate base. Its social responsibility is also engaged when the Group works with suppliers or subcontractors who may be located in regions that are less advanced in terms of democracy. By working together, Gaz de France ensures that its subsidiaries and suppliers respect principles 4 and 5 of the Global Compact.

Good procurement practices

POLICY

Encouraging suppliers to respect labor rights

Designed as a guide to procurement, the document whereby sustainable development criteria were integrated into the procurement process in 2005 meets criteria of ethical behavior and applicability. It formalizes the following rules:

- all players respect and make others respect the Group's ukase against child labor and any type of forced or compulsory labor;
- competitive bidding procedures have been established to contribute to the development of a global, socially responsible economy, and lead to a social but fair choice of supplier.

Depending on the products in question, the level of sustainable development risk varies. When the sustainable development stakes are high, as in the case of production outsourced to countries with low labor costs, the active search for new suppliers implies systematic application of the fundamental principle of refusal to employ child labor or any type of forced or compulsory labor either directly or indirectly. Compliance with these principles is verified upon the initial evaluation of any sourcing supplier.

KEY INITIATIVE

/ Supplier commitment charters

The agreements or charters between Gaz de France and its suppliers lead to a dynamic of intense sharing and cooperation. They require the partners to listen carefully to one another and be attentive to the quality of their relations. In 2005, ten pilot suppliers, representing each of the procurement categories, signed a supplier charter with Gaz de France.

For example, the commitment charter signed by Gaz de France and Molinel promotes respect for human rights and labor standards in work clothes supply channels. In fact, Molinel outsourced its production of work clothes as of 1986. The polo shirts bought by Gaz de France are thus made in Bangladesh.

This commitment includes:

- a list of critical points with regard to the principles of the Global Compact based on contacts with inspection companies or the International Federation for Human Rights;
- the evaluation, in particular by audit, of Molinel's supply chain;
- the definition of progress initiatives for Gaz de France and Molinel.

On the basis of the different audits, areas for improvement were identified so that principles 4 and 5 could be better implemented. Ideas include an employment

contract for temporary employees and a pay slip for each employee, or proof of age, such as academic certification or certification given by elected local government authorities.

/ LABOR RIGHTS / PRINCIPLE 6

« The elimination of discrimination in respect of employment and occupation. »

Gaz de France is committed to fight against all forms of discrimination in employment, access to training and promotion. Fostering diversity through new recruitments and career planning is a factor of progress for the Company. Such an approach improves its efficiency and the quality of its labor relations.

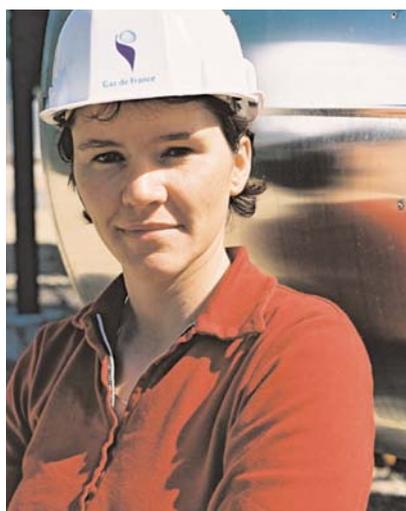
Fighting against discrimination in the Company

POLICY

/ Introducing a diversity policy: diversity charter signed in 2005

On November 22, 2005, Gaz de France signed the Charter for corporate diversity in order to testify to its commitment in favor of cultural, ethnic and social diversity. It was the Paris-based Institut Montaigne that launched the idea of a charter for diversity in its report on those forgotten by equal employment opportunity in order to encourage companies to reflect the diversity of French society. The charter helps fight against any form of discrimination on the basis of family name, real or supposed national origin, disability, gender, age or sexual preference. Within this framework, Gaz de France develops diversity and pursues its fight against any form of discrimination on the basis of:

- nationality and culture, to be in step with the Group's international reality;
- gender, to bolster equal opportunity and a male-female employment balance at all levels in the Company and in all the businesses;
- national origin or race, to reflect its customers and their regional base;
- age, to develop the employment potential of people of whatever age;
- disability, to foster professional integration.



/ Manager of an underground storage facility

KEY INITIATIVE

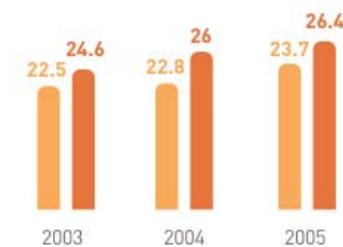
/ Bolster equal employment opportunity for men and women

The July 13, 2004, agreement on equal employment opportunity for men and women in the parent company expressed the determination of executive management and labor organizations to correct existing inequalities in a durable manner. The agreement is characterized by pragmatic, innovative measures that target equality in compensation, external recruitment, career, professional training and awareness. A national action plan was launched in the divisions in cooperation with labor organizations. The initial tangible results include:

- catch-up compensation: additional funds were made available for individual compensation packages reserved to women for the three years the agreement covers. This initiative will make it possible to reduce the gap between men's and women's salaries by 4.5%, representing approximately 350 supplementary individual pay raises for 6,000 women;
- recruitment and male-female employment balance: the recruiting process aligns the proportion of female hires on that of women graduates;
- career and training: an audit conducted on the career paths of men and women at

Gaz de France made it possible for the Career Development Committee to take the measures required to increase the number of women in executive management;

- tailoring of working conditions and work schedules: to help employees harmonize their professional and personal lives, Gaz de France opened a nursery serving several companies in the northern suburbs of Paris in November 2005. It cares for employees' children as well as those of local parents;
- awareness: to get across the idea that equality between men and women is a source of performance, an intranet site dedicated to equal employment opportunity was created, and contact people were named in all units. Women attended forums; and special presentations on the least feminized businesses. Internal and external recruiters were informed of the policy on equal employment opportunity.



Group female managers
Female managers
(Gaz de France S.A. and GRTgaz)

PERCENTAGE OF FEMALE MANAGERS
[%]

The percentage of female managers continues to rise, with a more marked increase in the Group.

Promoting diversity

OTHER INITIATIVES

Gaz de France is resolutely committed to the promotion of diversity for reasons of performance and social responsibility.

/ Assisting the disabled

A sixth agreement on the employment of the disabled was signed for 2005. It scheduled a review of the previous period and reiterated existing objectives: recruitment, workplace access and adaptation, training, career paths of the disabled, support for the disability assistance sector, research, events, exhibitions and communication. The review studied the conditions under which disabled employees were integrated. A statistical approach made it possible to understand career paths, conditions of mobility and access to training. A second, qualitative approach in the form of meetings of groups of disabled employees examined their psychological and professional experiences, their perception of their integration, their accomplishments and difficulties. Feedback from this initiative has been integrated into the three-year agreement for 2006-2008.

- To adapt the workplace to different handicaps, appropriate adaptations have been made, such as the warning system installed to alert hearing-impaired employees at a Gaz de France facility. The corporate unit in charge of integrating disabled employees makes available three experts in sight and hearing impairment and the mentally handicapped.
- Following works to ensure the accessibility of all customer relations agencies, Company representatives were trained to respond appropriately in both acts and attitude to all types of disability.

/ Helping sensitive urban areas

The challenges the Group faces require it to find specific skills and attract various profiles. Aware that discrimination may exist at the recruiting stage, Gaz de France takes concrete action.

- The year 2006 will be marked by a communication campaign favoring applicants from sensitive urban areas. For this purpose, Gaz de France is working with various non-profit groups such as *APC Recrutement* – a human resources firm specialized in the promotion of diversity – in the Ile-de-France region.
- Marketing and Sales renewed for 2005-2006 its 2003 commitment to recruit 140 young people from underprivileged neighborhoods through assisted contracts.

/ Helping international employees

The Supply and Trading division, which welcomes managers and employees from its European subsidiaries, launched a program in March 2005 that targets diversity and the conditions required to ensure non-discrimination in work teams. The conclusions of this study will help Supply and Trading's management decide what measures should be taken in 2006 and 2007.

PERFORMANCE INDICATORS 2005

Maintenance of the certifications acquired: 100%
Respect of the AERES 2005-2007 average commitment:
2.5 million metric tons CO₂e in 2005 for transmission
and distribution in France

/ ENVIRONMENT / PRINCIPLE 7

« Businesses should support a precautionary approach to environmental challenges. »

The Gaz de France Group is primarily an industrial group. It strives to identify and control all the environmental risks associated with its activities in order to limit their impact on the natural environment. The Group applies a comprehensive precautionary approach which makes it possible to address all risk dimensions.

Predicting, anticipating, protecting

POLICY

/ Limiting impacts through the environment policy

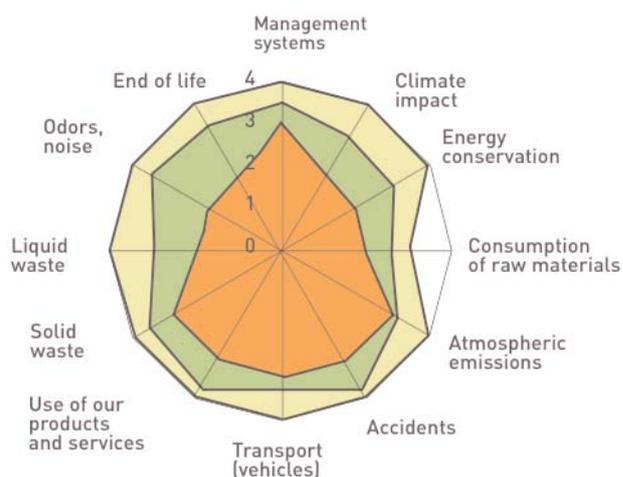
For more than ten years, Gaz de France has implemented an environment policy that aims to limit the Group's impacts. Formalized as early as 1993, it was updated in 2004. The policy strives:

- to respond more fully to the environmental expectations of external stakeholders by paying more attention to the risk of global warming and promoting the development of renewable energies;
- to heighten the involvement of the Group's different entities and encourage them to implement the environment policy;
- to reaffirm the importance of environmental awareness in the Group's activities.

Implementation of the priorities of the environment policy is an integral part of the management agreements with the operating entities and support functions. To ensure its application, Gaz de France uses a tool that provides a honed appreciation of the level of awareness in each area concerned by the environment policy, on the one hand, and gives a synthetic view for each entity involved, on the other hand. In this way, the evaluation of the maturity of the awareness of the

environment policy is mapped, with a related questionnaire. For each subject, the entity's maturity is evaluated on four levels: indifferent, initial or regulatory compliance, active and committed.

EVALUATION OF THE STAGES OF AWARENESS OF THE ENVIRONMENT POLICY



Evaluation on four levels

1 indifferent

2 initial or regulatory compliance of facilities

3 active

4 committed

The regulatory compliance of facilities is a point that is well managed by the Group from the wellhead to the burner tip

■ Highest rating attributed to a division

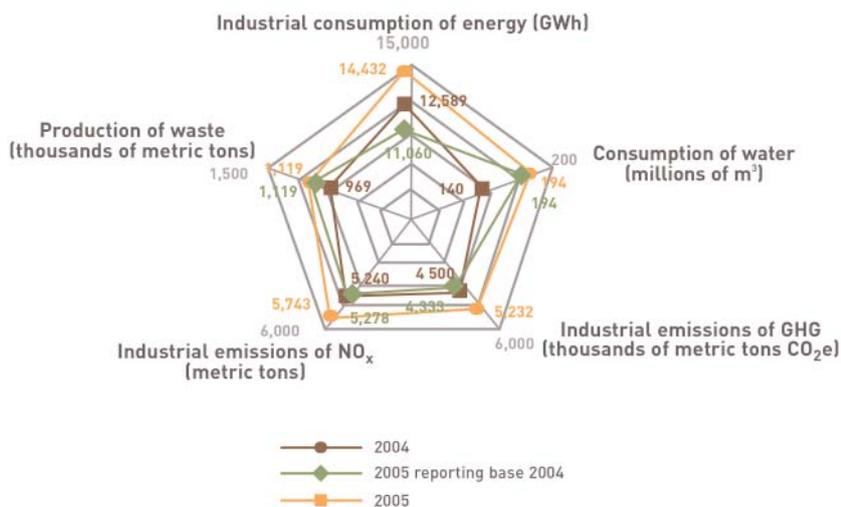
■ Group's average rating

■ Lowest rating attributed to a division

« Businesses should support a precautionary approach to environmental challenges. »

In addition, Gaz de France measures its environmental footprint in order to have a better idea of its impacts on the environment such as disturbances related to works (waste, noise, traffic, etc.), the consumption of energy and water, and atmospheric emissions.

ECOLOGICAL FOOTPRINT



As the Group tends to produce more emissions, while fully aware of the challenge that must be met, Gaz de France has voluntarily committed to control its emission by means of:

- the improved performance of its facilities (AERES commitment);
- the use of energies with low emission levels, such as renewable energies;
- energy efficiency and energy conservation;
- the development of innovative projects in the capture and sequestration of CO₂;
- the financing of efficient technologies and renewable energies in developing countries.

PROCESS

/ Evaluating and managing environmental risks

The management of environmental risk has become a major issue in a company's economic development. Such management involves the evaluation of risks, their reduction at the source, prevention and protection. By ranking and managing risks, Gaz de France applies a precautionary approach. To this end, it maps risks and uses an integrated Quality Safety Environment – Risk Management system based on assessment criteria and spelled out in contracts with managers. The management system is part of a continuous improvement initiative based on the PDCA (Plan, Do, Check, Act) cycle. Beyond the prevention of risks, the integrated Quality Safety Environment – Risk Management system makes it possible to anticipate future requirements (regulatory, contractual, social, etc.), thereby saving money and boosting competitiveness.

Evaluating, rehabilitating, dialoguing

KEY INITIATIVE

/ Life-cycle analysis

Life-cycle analysis takes into account all the environmental impacts (consumption of resources, emissions into the atmosphere and water, production of waste, etc.) from the mining or production of resources to the end of the product's life. Active in this field since the 1990s, the Research and Development division of Gaz de France is now stepping up its investigations, which mainly target a life-cycle analysis of the gas chain and of other energy systems (NGV or heat), at times in cooperation with international organizations. It is also active in methodological reflections on life-cycle analysis to incorporate all the economic, environmental and social components of sustainable development.



/ Rehabilitation of a former industrial site in Germany

OTHER INITIATIVES

/ Protecting biodiversity

Gas exploration and production and gas transmission activities have an impact on biodiversity. When transmission facilities are built, Gaz de France conducts public surveys and environmental impact assessments in order to cooperate with local partners to analyze the environment in which the facilities will be located. More than six months are dedicated to investigating how to adapt the construction to the environment, especially by means of specific studies on biodiversity conducted by independent experts (e.g. protection of local fauna, of a rare species, etc.). In exploration and production, the Health Safety Environment management system incorporates environmental impact assessments.

/ Rehabilitating sites

When gas production facilities are shut down, surface facilities are dismantled, but various types of residue remain, such as hydrocarbons, chemicals, waste, etc., which may pollute the site. A program for the rehabilitation of former gas production facilities was signed on April 25, 1996, by Gaz de France and the French Environment Ministry. It was completed in 2005. Altogether, 467 facilities were audited and rehabilitated. Since the beginning of the 1990s, 332 hectares, including 18 hectares in 2005 – have been returned to urban development. The other sites have been secured and analyzed, and all pollutants have been removed. In addition, Gaz de France commits to rehabilitate the site in the event of sale or development.

In Germany, a similar program (150 million euros, of which Gaz de France's contribution is 10%) has been conducted for ten years at EEG's former gas production facilities.

/ Communicating with stakeholders

Gaz de France organizes local forums at industrial facilities with its stakeholders to provide them with transparent information.

The law of February 1, 2005, on risk control and urban development near Seveso facilities created local information and consultation committees to ensure the consultation and participation of the different stakeholders (local residents, special interest groups, etc.) in the prevention of incidents. A committee meeting was held in 2005 to discuss the Montoir-de-Bretagne LNG terminal.

/ ENVIRONMENT / PRINCIPLE 8

« Undertake initiatives to promote greater environmental responsibility. »

Backed by its corporate culture of sharing and dialogue, Gaz de France seeks to communicate its convictions and commitment in favor of sustainable development. Within this framework, it has developed a set of initiatives and tools to promote sustainable development that highlight environmental responsibility. It has organized a network to encourage best practices.

Promoting environmental responsibility

Gaz de France promotes sustainable development principles and values in its dealings with stakeholders. It multiplies initiatives to heighten awareness.

/ With customers

Gaz de France's commercial offerings are a prime vector for increasing awareness of energy conservation. By helping customers control their energy consumption (DolceVita® for residential customers, Energies communes® for local governments, Provalys® for small businesses and the self-employed, Gaz de France energyY® for large European industries) and promoting renewable energies, the Group addresses contemporary issues in society.

In 2005, Gaz de France developed an offering combining access to the CO₂ allowance trading market and advisory services for its industrial customers. It organized regional and sector-based information forums to present the Kyoto Protocol and its consequences on their activities. The Group also proposes energy optimization services.

Gaselys, the energy trading affiliate of Gaz de France, has started to sell green certificates to guarantee the renewable source of electricity and encourage further ecological production investments. Each certificate lists the location, date of production and energy source used.

/ With the general public

> Communication

Press, radio and television communication campaigns systematically highlight environmental priorities. For example, Gaz de France helped produce a television program to encourage simple, everyday practices to promote environmental protection, health, safety and household savings.

> Working with partners

Gaz de France has forged strong partnerships, in particular with ADEME and WWF-France, to give a broader dimension and greater impact to its efforts to promote environmental responsibility. These partnerships express common values and commitment to sustainable development. They aim to heighten awareness of the fight against global warming and the rational use of energy.

Scientific and educational initiatives were launched with these partners – Nicolas Vanier's Siberian Odyssey and the Climax exhibition at the *Cité des Sciences et de l'Industrie* in Paris.

In partnership with WWF-France, Gaz de France participates in the European Life Promesse program for the rehabilitation and upkeep of the Camargue wetlands, the *Marais du Vigueirat*, contributing 6% of the funding. This program aims to protect biodiversity and promote responsible

tourism in order to reduce man's impact on this sensitive natural environment, heighten awareness of eco-responsibility and contribute to local development. It rehabilitates and makes available a protected natural space combining eco-tourism, sustainable agriculture and the protection of nature. The *Marais du Vigueirat* wetlands have become a center for applied ecology.



/ Local development and protection of biodiversity in the *Marais du Vigueirat* wetlands

A botanical garden with a conservatory of endangered Mediterranean plants, a producing greenhouse and an entertaining educational display on energy are scheduled to open in 2007.

/ With suppliers

Every Group procurement unit, whatever the country it is located in, conveys Gaz de France's commitment to environmental protection and energy conservation in its relations with suppliers and the obligations it imposes on the products it buys, e.g.

- the commitment charter signed in 2005 with Guilbert, which introduces a reporting tool to track environmentally friendly consumption of office products;
- the system developed by the Major Infrastructures division to evaluate suppliers and their products on the basis of criteria incorporating the environment and safety.

/ With employees

Gaz de France promotes the principles and values of sustainable development within the Company throughout the year. The Group's different employee newsletters relay these awareness campaigns, such as the calculation of employees' ecological footprint in partnership with WWF-France and the activities proposed during sustainable development week.

/ With school children

Gaz de France organizes awareness activities for children of all ages. For elementary school children, it distributes educational kits on energy, the environment and global warming. In 2005, it backed the fifth Children's Call for the Environment contest, in which several hundred classes

contested for the prize awarded by the Group for the best idea on how to promote responsible energy consumption.

For junior and senior high-school students and their teachers, Gaz de France created an Internet site whose educational interest was recognized by the National Education Ministry.

/ With local governments

"Territoires 21" is Gaz de France's partnership policy to support regional sustainable development projects. It defines support procedures for local government initiatives and partnership conditions with regard to energy (energy audits, development of district heating systems, pedagogical programs to control consumption, etc).

Gaz de France also backs the *Agenda 21* portal designed to give greater visibility to *Agenda 21* initiatives and to share best practices.

It again renewed its cooperation with the non-profit organization of environmentally aware mayors to promote Energie Territoria software for improved energy conservation. More generally, the partnership with this group aims to encourage the sharing and communication of information, in particular in the field of renewable energies and the development of sustainable buildings.

/ With public authorities

Involved in public sustainable development issues, the Group supports certain initiatives, such as French energy conservation certificates. Through this system, energy suppliers encourage their customers to conserve energy. Gaz de France is currently testing this system in

cooperation with Ademe in two local experiments, one in northern France and the other near Lyon. The Company plays an active role in identifying efficient gas technologies (e. g. condensing boilers, solar power/gas boilers).

In 2005, Gaz de France became a member of the French national sustainable development council and strengthened its capacity to network with stakeholders, since this organization is responsible for informing French public authorities of how civil society and the corporate world view national priorities in the field of sustainable development.

/ ENVIRONMENT / PRINCIPLE 9

« Encourage the development and diffusion
of environmentally friendly technologies. »

Limiting climate change is a key priority for Gaz de France, which multiplies initiatives to respond. The Group works to develop innovative energy solutions, including renewable energies, new fuels, and the research and development of new, efficient energy vectors.

POLICY

/ Renewable energy policy in 2005

Gaz de France has resolutely expanded the scope of its activities to diversify its energy sources. Renewable energies are viable alternatives from both a technological and economic point of view. On July 12, 2005, the Group approved its renewable energies strategy. These options go beyond regulatory compliance and define objectives to develop renewable energies activities and enhance the energy mix of the Gaz de France Group. Priorities in the renewable energies policy are:

- solar heating (hot water and heating);
- wood-biomass for renewable energies with heat applications, in particular for local governments and industry. Gaz de France will operate different types of facilities for various heating uses, and may work with a district heating system. This may also cover cogeneration and the production of electricity;
- wind power and biomass used to produce electricity. The objective for 2007 is to own 100 MW of installed power, and 10% of the renewable energy assets in its electricity production portfolio by 2012.

Limiting greenhouse gas emissions in its activities

KEY INITIATIVES

/ Using environmentally friendly technologies

> Combined cycle power plants

The DK6 combined cycle power plant in Dunkerque helps limit polluting atmospheric emissions by recovering and recycling blast-furnace gas from Arcelor's steel mills. In addition, its energy efficiency stands at 57% (versus 35% at a conventional plant) with small amounts of minor constituents and carbon dioxide. The plant provides Gaz de France with a production capacity of 533 MW of electricity. The Group plans to build two other combined cycle power plants in France, near the LNG terminals at Fos-sur-Mer and Montoir-de-Bretagne.

> Natural gas for vehicles

The transport sector represents the primary source of greenhouse gas emissions. A comparative analysis of the life cycle of light vehicles proves favorable to natural gas. Producing less carbon dioxide than gasoline, natural gas for vehicles is an alternative and complementary solution vis-à-vis traditional fuel. Already, some 2,000 trucks and 5,500 light vehicles in corporate and government car fleets are powered by natural gas. To boost the use of natural gas for vehicles in the residential market, Gaz de France has developed an innovative system to fill customers' vehicle



/ The DK6 combined cycle power plant at Dunkerque

tanks with NGV at home, which is currently being tested near Toulouse.

> Heating with wood

Environmentally friendly, the use of wood energy contributes to the fight against the greenhouse effect by reducing emissions of carbon dioxide into the atmosphere. To diversify its sources of energy and limit greenhouse gas emissions, the Group invests in wood energy. For example, Cofathec has built and operates wood-burning boilers, like the one at Alençon in Normandy.

In addition, Cofathec and a local cooperative have signed a protocol agreement to ensure the supply of wood

/ Going further with research

Formalized in the 2005-2007 research contract, research activities assign a major role to forward-looking studies and the implementation of research projects on subjects such as global warming, renewable energies, new energy vectors like hydrogen, demand-side management and new uses such as cogeneration.

> Hydrogen and fuel cells

Gaz de France studies scenarios for the transition to a hydrogen economy, in which combustion in the air produces no CO₂, but only water. Within this framework, between 2000 and 2003, Gaz de France conducted experiments on a fuel cell that can provide heat and electricity for the equivalent of 200 dwellings. Fuel cells are cogeneration systems that combine hydrogen and oxygen and produce water. They are designed to supply electricity and heating to industrial facilities, apartment buildings and single-family homes.

> Research programs in Europe on the capture and storage of CO₂

- The Group networks its research and development efforts through French and European research programs for the development of solutions such as the capture and storage of CO₂ (CASTOR), the hythane® natural gas and hydrogen mixture (ALT-HY-TUDE), etc.
- It is investigating several solutions for the sequestration of CO₂ like at an Altmark field in Germany.
- Since 2004, Gaz de France has conducted experiments on the injection of CO₂ into the K12B deposit operated by ProNed in the Dutch North Sea sector.

Trading in allowances and certificates**OTHER INITIATIVES****/ Prototype Carbon Fund**

Gaz de France has been an investing member of the Prototype Carbon Fund since its creation in 2000. This investment fund is based on the Clean Development Mechanism that promotes cooperation between industrialized countries and developing nations by allowing the former to finance projects for reducing greenhouse gas emissions in the latter and receiving credit for doing so.

In 2005, 28 projects were approved for a total budget of 140 million dollars, including the development of hydroelectric facilities in Honduras and Ecuador, the replacement of coal by geothermal power in district heating systems in Poland, the improvement in waste water processing and the production of electricity from biogas in Colombia.

/ French energy conservation certificates

Gaz de France is a major player in the energy conservation certificate market, which was directly inspired by British and Italian practices. These certificates are an incentive for energy suppliers to promote energy conservation. They were introduced with the backing of the Group to help limit the demand for energy by reducing French energy consumption every year.

/ FIGHT AGAINST CORRUPTION « Businesses should work against corruption in all its forms, including extortion and bribery. » / PRINCIPLE 10

More than 80% of the Gaz de France Group's net sales are reported in countries in which the risk of corruption is limited, according to Transparency International. Nevertheless, Gaz de France considers this risk in its reflection on ethical behavior at the level of the Group. Charters and specific codes of conduct already spell out commitments in terms of the fight against corruption for trading and procurement activities.

Guiding employee behavior with clear rules

POLICY

/ The fight against corruption at Gaselys

The investment service subsidiary Gaselys has taken a strong stand in the fight against corruption, money laundering and the financing of terrorism. The code of conduct drawn up in 2005 formalizes and strengthens best practices and is based on regulations against money laundering and the financing of terrorism. This document goes even further. It specifies that before entering into any relation with present or former public officials from foreign countries with a reputation for a lax legal system or enforcement, the integrity of such individuals should be checked. For example, this might be the case of customers who may be suspected not to exercise their activities according to commonly accepted rules of public or professional ethical conduct, especially as concerns the environment, health and the principles of international human rights. The same goes for any relation which may be thought to be linked to corrupt practices or fortunes thus created.

In addition, the rules with regard to professional gifts and invitations for Gaselys customers or employees meet clearly defined, reasonable and transparent ethical criteria.

Gaselys's executive management oversees employee application of these rules of good conduct with the help of the business ethics

officer. Executive management defines, accompanies and controls the implementation of these rules, and reports directly to the Board.

KEY INITIATIVE

/ Protecting the Company from the risk of corruption

Gaz de France has taken measures to protect the Company from the risks of corruption, particularly in exploration and production and trading activities, its most sensitive areas of operation. For example, certain supply contracts explicitly state that gifts or presents to governments are not authorized. The standard procurement process for service providers and the standard acquisition process for investments are systematically applied.

/ Supporting the EITI initiative

Proposed at the Earth Summit on sustainable development in Johannesburg in 2002, the EITI initiative (Extractive Industries Transparency Initiative) aims to improve transparency in the extractive industries. As an example of good governance, EITI informs a wide audience of the revenues oil, gas and mining companies pay to governments. This information on revenues will enable citizens and institutions to make their governments accountable. In fact, EITI is based on the fact that in several countries, there is a correlation between ample natural resources and corruption.

Fighting against corruption

The Gaz de France Group approves this initiative and plans to relay EITI criteria to member States with which it is involved in extractive activities. It commits to comply with EITI criteria:

- 1• Regular publication of all material oil, gas and mining payments by companies to governments (payments) and all material revenues received by governments from oil, gas and mining companies (revenues) to a wide audience in a publicly accessible, comprehensive and comprehensible manner.
- 2• Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
- 3• Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with the publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.
- 4• This approach is extended to all companies including state-owned enterprises.
- 5• Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
- 6• A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

OTHER INITIATIVES

/ Ethical behavior

- Ninety percent of Gaz de France's supplies come from take or pay contracts with an average life of 20 years. These long-term contracts provide ethical assurance since the risks are controlled, the markets organized, the suppliers recognized and often involved in a sustainable development approach. In other, less structured markets, before buying natural gas from new partners, Gaz de France analyzes their technical and ethical credibility, their financial soundness and their reputation. The Group may then decide to refuse an offer, as it has already done.
- The Group code of conduct, which reflects the ethical approach of Gaz de France, is currently being drawn up. It will make it possible to structure and formalize responsible behavior in specific areas: the fight against corruption, financial delinquency, money laundering, discrimination, harassment, competition and conflicts of interest.
- Since 2001, the Procurement division has a code of conduct for relations with suppliers. It is a member of the Responsible Procurement Club created by ORSE (*Observatoire sur la Responsabilité Sociétale des Entreprises*).
- The Group is investigating a partnership with an NGO with experience in the field that could share its expertise with Gaz de France with regard to working in a country in which the risk of corruption exists. Such a partnership would improve understanding of the challenge the risk of

corruption represents and, more generally, the issue of human rights in business relations.

APPENDIX 1: MAINSTREAMING THE 10 PRINCIPLES OF THE GLOBAL COMPACT INTO PROCESSES

Gaz de France integrates sustainable development challenges into all the Group's activities and entities.

The following table illustrates how processes account for the principles of the Global Compact.

Principles of the Global Compact	Policy / process / agreement	Oversight (unit and tool)	Examples of oversight performance indicators
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and	<ul style="list-style-type: none"> - Safety and Health Policy - Industrial Safety Policy - Public Service Contract - Group Code of Conduct (currently being defined) - Managing Research Projects process - Solidarity policy (currently being redefined) 	Process review (1) Group executive management Quality Safety Environment – Risk Management review (2) Sustainable Development and Business Ethics Committee	Accident frequency rate Number of incidents or accidents linked to facilities
Principle 2: make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> - Group Code of Conduct (currently being defined) with alert system 	Sustainable Development and Business Ethics Committee	Group business ethics indicators currently being defined
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<ul style="list-style-type: none"> - 2004 procedural agreement 	Works councils European works council Sustainable Development and Business Ethics Committee	Percentage of employees covered by a collective bargaining agreement Number of collective bargaining agreements
Principle 4: the elimination of all forms of forced and compulsory labor;	<ul style="list-style-type: none"> - Sustainable development criteria integrated into procurement code of conduct - Writing and applying the Group's procurement policy process - Supplier commitment charters 	Process review Group executive management Quality Safety Environment – Risk Management review	Number of supplier commitment charters
Principle 5: the effective abolition of child labor; and	<ul style="list-style-type: none"> - Sustainable development criteria integrated into procurement code of conduct - Writing and applying the Group's procurement policy process - Supplier commitment charters 	Process review Group executive management Quality Safety Environment – Risk Management review	Number of supplier commitment charters
Principle 6: eliminate discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> - Human resources section of the sustainable development policy - Diversity policy currently being defined - Charter for corporate diversity - Equal employment opportunity agreement - Agreements on the occupational integration of the disabled 	Career Development Committee	Equal employment opportunity index (men and women) Rate of recruitment of disabled employees
Principle 7: Businesses should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> - Environment policy - Policy on former gas plants - Protocol on former gas plants 	Group executive management Quality Safety Environment – Risk Management review Sustainable Development and Business Ethics Committee Health Safety Environment management system	14001 certifications maintained and developed Group's ecological footprint CO ₂ emissions
Principle 8: undertake initiatives to promote greater environmental responsibility, and	<ul style="list-style-type: none"> - Environmental policy - Partnerships (Ademe, WWF) - Project to introduce energy conservation certificates 	Process review Group executive management Quality Safety Environment – Risk Management review Monthly monitoring of the energy conservation certificates project by a chief operating officer	External perception of sustainable development efforts Net sales reported on offerings with sustainable development content
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> - Environmental policy - Renewable energy policy - Managing Research Projects process with reference contract - Protocol agreement with wood suppliers 	Process review Group executive management Quality Safety Environment – Risk Management review	Percentage of R&D budget earmarked for environmental protection Acquired certifications maintained
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> - Group Code of Conduct (currently being defined) - Group procurement policy, Sustainable development benchmark, Writing and applying the Group's procurement policy process, Supplier commitment charters - Group acquisition policy - EITI - Long-term supply contracts - Cofathec Servizi code of conduct - Gaselys code of conduct - Gaselys memorandum on the fight against money laundering 	Process review Group executive management Quality Safety Environment – Risk Management review	Group business ethics indicators currently being defined Number of files studied on the basis of acquisition criteria

Unilateral Agreement with stakeholders

1) Process review

Process reviews are conducted by process managers at the level of the divisions. They aim to evaluate the results and operation of each process in the previous year in order to program improvement in the following year.

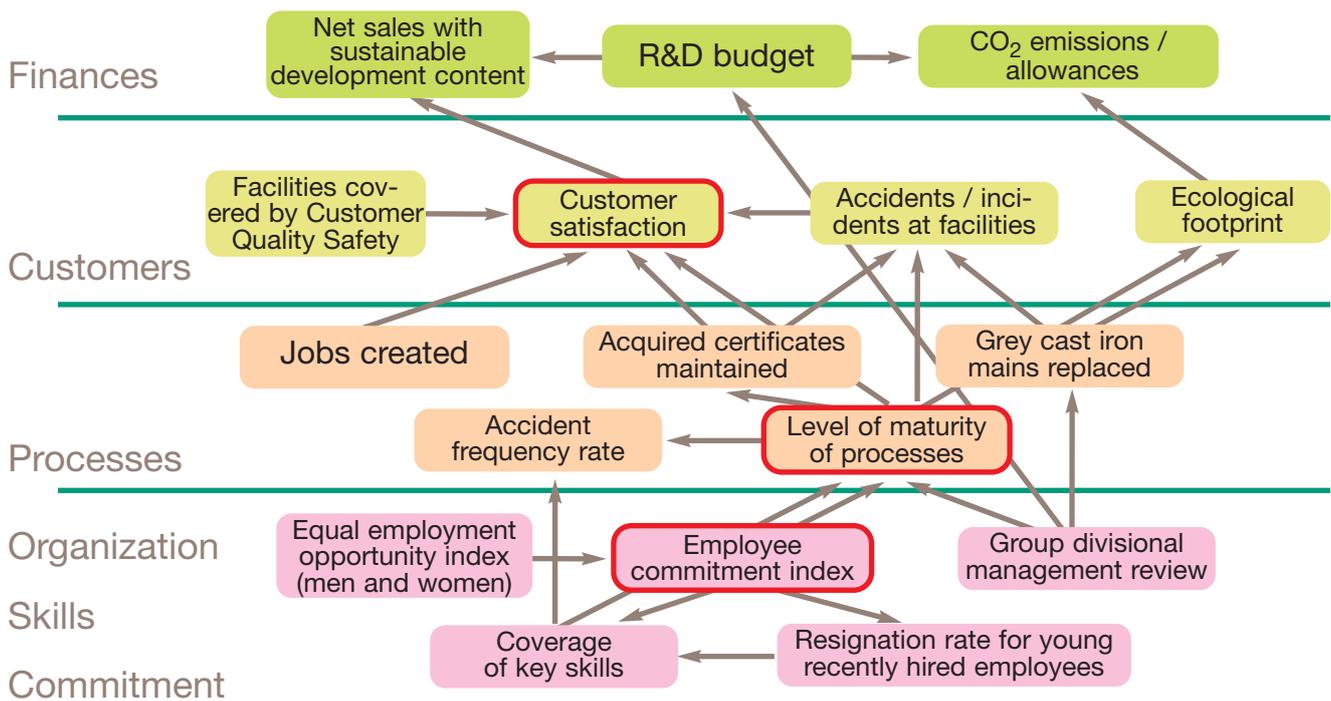
2) Group divisional management Quality Safety Environment – Risk Management review

In a full session of all the Group's divisional managers under the authority of the Chairman and Chief Executive Officer and the Chief Operating Officers, the approach to these subjects is examined, and guidelines are provided for the following year in the field of quality safety environment – risk management. This review is based on the work of the Quality Safety Environment – Risk Management Committee, a dedicated cross-division entity that complements regulations.

APPENDIX 2: STRATEGIC MAPPING OF GAZ DE FRANCE'S SUSTAINABLE DEVELOPMENT PERFORMANCE INDICATORS ACCORDING TO THE BALANCED SCORECARD

This presentation points up three nodes or key factors in Gaz de France's success:

- employee commitment;
- risk control and sustainable development opportunities through processes;
- stakeholder satisfaction (customers in the broad sense of the term).



APPENDIX 3: RESULTS OF THE SELF-ASSESSMENT OF SOCIAL AND ENVIRONMENTAL RESPONSIBILITY ON THE BASIS OF SUSTAINABILITY'S GEAR BOX

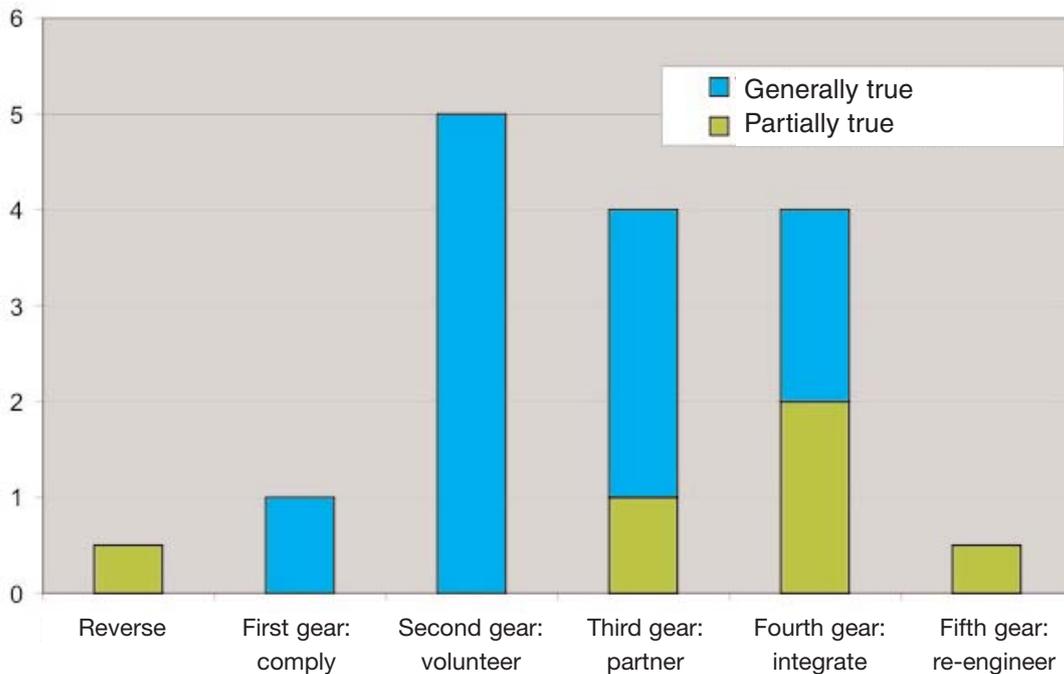
With regard to social and environmental responsibility, Gaz de France is committed to the cause, making a special effort to develop partnerships in order to advance in the integration of social and environmental responsibility.

- Sustainable development challenges (proactive risk management, environmental protection, accounting for the human dimension) are integrated by the business units and the divisions.

• In its relations with stakeholders, Gaz de France puts particular emphasis on transparency, information and dialogue. It relies on partnerships to further improve dialogue with the civil society at all levels.

- The Company considers that energy efficiency and risk management are key factors in creating value and ensuring growth. Its commercial offerings incarnate this conviction.

How quickly does Gaz de France incorporate social and environmental responsibility?



See page 36 for concrete examples.

APPENDIX 3: RESULTS OF THE SELF-ASSESSMENT OF SOCIAL AND ENVIRONMENTAL RESPONSIBILITY ON THE BASIS OF SUSTAINABILITY'S GEAR BOX

	Reverse	First gear: comply	Second gear: volunteer	Third gear: partner	Fourth gear: integrate	Fifth gear: re-engineer
Generally true	0	1	5	3	2	0
Partially true	0.5	0	0	1	2	0.5
Who is involved in the social and environmental responsibility approach (sustainable development) within the Company?		The public relations and legal departments often play a major defensive role	Measuring and managing direct operational impact, although mainly for public relations reasons	Social and environmental responsibility specialists take a major role, using executive management for important events	Top management and executive boards and committees are actively involved	
What does the approach focus on?		Companies that operate in first gear generally do not recognize any responsibility to stakeholders beyond that of earning income	Participating in the development and the implementation of voluntary industrial standards		Emphasis on integrating social and environmental responsibility in all the business's processes	Social and environmental responsibility ranks above products and services and serves as a tool to reexamine the business models
What are relations with stakeholders and peers?		Commitment vis-à-vis stakeholders is primarily seen as philanthropic	"Communicate with" rather than "work with" stakeholders	Commitment vis-à-vis stakeholders evolves toward a bilateral exchange with society as a whole	The company works with civil society and public authorities in progressive alliances, setting common objectives	New players make their appearance as change agents, including inventors, entrepreneurs, venture capitalists and investment banks
What are relations with public authorities?	"Reverse" attitude with regard to public positions, thus hindering progress on major social and environmental issues and slowing the development of the trust required to create effective, shared solutions	Relations with public authorities are mainly seen as compliance issues		Relations with public authorities are closer, for example through multi-sector or public-private partnerships (e.g. civil society, State and private)	The company works with civil society and public authorities in progressive alliances, setting common objectives	Progressive alliances target changes in method, based on governance and the markets
How do we envisage a corporate action plan?		No action plan is undertaken beyond compliance	Risk management and environmental efficiency as major objectives in the corporate action plan	The corporate action plan focuses on proactive risk management and a good corporate image	The corporate project is strategic when business begins to connect the company's long-term objectives with those that imply greater social responsibility	In the short term, the project may be a handicap for the pioneer
What are the main motivating factors?		The main driving forces are NGOs, the media and public authorities	Considering the pressure exercised by peers as the principal driving force	The main driving forces are NGOs, certain public authorities and global business leaders, while most of the media is less interested in this aspect (because there are fewer accidents)	There is a wide variety of driving forces, some of which from the financial sector; but for certain more ambitious companies, motivation is still insufficient in key sectors	There are many change agents, including a growing financial contingent, but public authorities and governance systems should still play a major role

Is this true for Gaz de France?	Assessment scale
True for the most part	100%
To a certain extent	50%
Not really	0%

APPENDIX 4: GRI INDICATORS MATCHED WITH GLOBAL COMPACT CRITERIA

In its Sustainable Development Report, Gaz de France publishes the GRI indicators listed below.

For a quantitative assessment of the progress made, please see the 2005 Sustainable Development Report.

Environmental performance Indicators

- GC8 Amount of steel used
- GC8 Amount of polyethylene used
- GC8 Amount of waste from external sources used
- GC8 Total energy use at industrial facilities
- GC8 Electric energy used
- GC8 Gas energy used
- GC8 Fuel oil energy used
- GC8 Indirect energy use
- GC8 Industrial water use (excluding commercial activities)
- GC8 Total recycling and reuse of water
- GC8 Significant discharges to water
- GC8 Significant spills of chemicals, oils and fuels
- GC8 Greenhouse gas emissions from industrial activities (excluding commercial activities): CO₂ and CH₄
- GC8 Greenhouse gas emissions by business unit (Exploration and Production)
- GC8 Greenhouse gas emissions by business unit (Transmission)
- GC8 Greenhouse gas emissions by business unit (Distribution)
- GC8 Greenhouse gas emissions by business unit (Services)
- GC8 Use and emissions of ozone-depleting substances
- GC8 NOx emissions from industrial activities
- GC8 NOx emissions by business unit (Exploration and Production)
- GC8 NOx emissions by business unit (Transmission)
- GC8 NOx emissions by business unit (Services)
- GC8 SOx emissions from industrial activities
- GC8 Total amount of waste produced
- GC8 Total amount of waste recycled
- GC8 Facilities or worksites in biodiversity-rich habitats

Social performance indicators

- GC3 Average turnover (Group financial reporting base)
- GC3 Employees covered by collective bargaining agreements
- GC6 Female managers

GAZ DE FRANCE

SUSTAINABLE DEVELOPMENT DIVISION

23, rue Philibert Delorme
75840 Paris cedex 17 - France

telephone +33 1 47 54 20 20
fax +33 1 47 54 38 58

www.gazdefrance.com

Gaz de France S.A., capital of 983,871,988 euros – Headquarters: 23, rue Philibert Delorme – 75017 Paris – 542 107 651 R.C.S. PARIS

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