



Corporate Responsibility is at the heart of our business

BG Group
Corporate Responsibility
Report 2005

Our business

BG Group is engaged in the exploration, production, transmission, distribution and supply of natural gas to industrialised and developing markets around the world. Active in over 20 countries, we have key skills and experience to connect high value markets to cost competitive resources.

Exploration and Production (E&P)



BG Group explores, develops, produces and markets gas and oil around the world. Around 73% of 2005 production was gas. The Group uses its technical, commercial and gas chain skills to deliver projects at competitive cost, and maximise the sales value of production.

Liquefied Natural Gas (LNG)



BG Group's LNG activities combine the development of LNG liquefaction and regasification facilities with the purchasing, shipping and sale of LNG. The Group uses its expertise in LNG to connect its own and other producers' gas reserves to markets.

Transmission and Distribution (T&D)



BG Group's T&D expertise and activities develop markets for natural gas and provide them with supply from its own and others' reserves through transmission and distribution networks and complementary businesses.

Power



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

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Our vision

**Natural gas is our business.
We are a rapidly growing company,
with expertise across the gas chain.
Our vision is to be the leading natural
gas company in the global energy
market – operating responsibly
and delivering outstanding value
to our shareholders.**

2005: Corporate Responsibility Review

- Revised Business Principles were agreed, following consultation with employees and external organisations
- 60% of our operations are certified to the revised ISO 14001 standard
- We recruited around 1 100 people into our business
- The lost time injuries rate for employees and contractors was 0.5 per million hours worked
- Six contractors died in three incidents in Egypt and Kazakhstan; we launched the STEP UP safety initiative in October
- Greenhouse gas emissions from BG Group operated assets rose by 23%; emissions per unit of throughput rose by 8%
- Net reduction of carbon dioxide emissions facilitated by Comgas exceeded 1.5 million tonnes per year





“Outstanding performance depends on high standards of behaviour and sustainable, shared values across the organisation.”

Frank Chapman
Chief Executive

I believe that delivery of outstanding performance and sustaining that delivery over the long-term can only come from an organisation where everyone's behaviour conforms to a set of high standards and sustainable, shared values.

I also believe that sustainable, long-term success for a company must be based on the highest integrity in business relationships, best practice in understanding and managing impacts on the environment and society and on ensuring a consistency of approach by our service providers and contractors. At BG Group we use the term Corporate Responsibility to sum up our approach. For us, Corporate Responsibility (CR) lies at the heart of our business.

For BG Group, 2005 was a year of successful performance, rapid growth and entry into new territories. In parallel with this progress we have advanced our understanding of the nature of the CR challenge and the evolving stakeholder expectations of large corporations.

Central to our approach is our belief in the importance of listening to our stakeholders. The governments and communities where we work have their own values and priorities: our aim is to build businesses which are based on shared values and priorities, and where partnership means shared benefits. BG Group's strategy is one built around the gas industry and in particular the development of complex gas supply chains. When we engage with a resource rich supply country, the emphasis we place is on bringing gas markets to those countries – sometimes developing domestic demand, sometimes access to far-distant markets – enabling the development of their supplies and their economies.

BG Group's growth has taken us – and will continue to take us – into countries with differing economic, social and environmental conditions, where we face new opportunities and risks not found in our more familiar countries of operation. This challenge is mirrored across the industry since the majority of new, large oil and gas fields are located in non-OECD countries. At BG Group we believe we can contribute effectively to sustainable development. This is not easy but we would like to play a role in helping our host countries achieve this goal.

INTEGRATING CORPORATE RESPONSIBILITY INTO THE BUSINESS

Last year we published our Corporate Responsibility Report in this integrated format for the first time: it is intended to be a useful and informative account of our CR positions. This year, we report for the first time on our progress in implementing the ten principles contained in the UN Global Compact – a commitment we made in December 2004 to show our adherence to labour standards, our respect for human rights, our approach to environmentally responsible operations and zero tolerance of corruption.

We have made real progress this year in raising our game with the development of important corporate processes, such as the establishment of the Board CR Committee in February 2005 to reinforce our commitment to getting CR right. As part of its work the CR Committee gave advice to the full Board in its discussion of our prospective investments in Nigeria and Libya: these are both countries where we see significant CR challenges ahead of us.

This report describes the development of our revised Statement of Business Principles. This process included extensive consultation inside and outside the Group

and I was pleased that we were able to derive from it fresh insights into how civil society and our own employees expect a gas company to conduct itself. These ideas are reflected in our new Principles.

The dialogue on our Business Principles is an example of how stakeholder engagement – in which we look for input from all our stakeholders including governments and the voluntary sector, as well as our own employees – helps us frame and define our CR approach and obligations. Our participation in the Extractive Industries Transparency Initiative and in the Voluntary Principles on Security and Human Rights process are further examples.

Our employees are one of our most important stakeholder groups. Their commitment to BG Group's high standards of CR is reflected in an increase in instances of whistleblowing. Improved internal processes led to an increase in fraud investigations and one employment contract was terminated for fraud – a sign of our zero tolerance in this area.

CORPORATE RESPONSIBILITY PERFORMANCE

Safety – both operational and occupational – has always been a high priority. In 2005 the rate of our lost time injuries for employees and contractors was 0.5 per million hours worked. Although this represents a continuing improvement in our performance in safety management, it is with deep regret that I have to report six contractor fatalities in three separate incidents in the course of 2005. Our response to these tragic events was a full review of our safety management throughout the Group and a new commitment to a goal of zero injuries.

We introduced a comprehensive STEP UP safety programme with an emphasis on

behavioural change throughout the Group. This requires all employees to reassess their behaviours and to ensure that safety is reinforced as their highest priority. We have placed safety centre-stage in every aspect of our business – offshore, onshore and in office environments. Everyone is required to take action personally to contribute towards a heightened safety drive across the Group. This work has been supported by significant changes to standards and management systems, and a large number of employees have already participated in behavioural based safety training programmes: more will follow. My firm conviction is that all injuries are preventable.

Occupation illness was reduced in 2005 as a result of focused action by local management teams. BG Group's workforce increased 12% overall. The number of employees working outside their home countries fell. The proportion of non UK/US nationals in our management team is 27% and the proportion of women is 11%. Developing and retaining a diverse workforce is essential to our future success so I am particularly pleased by the diversity of our graduate intake and by the success of our management training programmes.

Another area of particular focus in 2005 was our community relations. As with governments and other stakeholders, our aim is always to listen carefully to the priorities and objectives of the communities among which we work and to build businesses which reflect these priorities and which contribute to sustainable development. Recognising the increasing diversity and challenge of the environments in which we are operating, we identified a requirement to upgrade our capabilities in this area. We therefore commissioned an independent survey of community relations practice and performance across the Group. The results of this survey (you will find more detail on page 17: the report in its entirety is available on our website) provided a baseline from which to strengthen our resources and capability.

Long-term partnerships with communities and governments are fundamental to operating and growing our businesses. In 2005, we transferred responsibility for social investment programmes to country management teams to enable BG businesses to make a positive contribution to sustainable development by taking decisions close to the communities concerned. We have worked hard to improve the quality and the focus of our social investment (total

voluntary contributions £3.6 million in 2005), maintaining the overarching theme of contributing to sustainable development through the provision of skills and opportunities.

The BG Group environmental philosophy of operating beyond compliance with local regulation to meet internationally accepted best practice was reinforced in 2005 through a new Business Principle. As part of this commitment, BG Group's major operated facilities are required to achieve external certification of their environmental management systems to the recently strengthened international standard ISO 14001.

BG Group welcomes the Kyoto Protocol, which came into effect in February 2005, providing an international framework for action on climate change. The efficient use of natural gas is an important contribution to meeting this challenge. As the cleanest of the fossil fuels, gas can help reduce emissions by replacing alternatives with higher carbon content – particularly in developing countries. The Group is assessing business opportunities for the introduction of gas technologies under the Clean Development Mechanism, designed to incentivise emission reduction projects.

BG Group's absolute greenhouse gas emissions increased in 2005 due to business growth and special operating conditions during the year. Operational emissions of sulphur dioxide and nitrogen oxides were lower than in 2004. In the course of the year, we have built a more comprehensive picture of our total emissions profile through the implementation of a new Group-wide environmental emissions database. We have also put in place an enhanced system of greenhouse gas emissions management which we are confident will produce continuing improvements to our environmental performance.

LOOKING AHEAD

As we move ahead, we aim to keep CR at the heart of our business by continuing to develop our thinking, as well as our policies and practice, to keep pace with the new challenges we face and the evolving expectations of society. We will be helped in this by the advice of Lord Holme of Cheltenham, the joint chair of the Business for Sustainable Development Group at the World Summit for Sustainable Development in 2002, who is working with us to extend our thinking on sustainable development.

Our revised Business Principles will be launched in 2006. This will be a good opportunity to reinforce the fact that there is no trade-off between performance and principles. Every employee is required to comply with our Business Principles and will have my support and that of the Group's management, especially where adherence to the Principles causes an impact on the achievement of other near-term performance goals.

I would like to conclude by paying tribute to the employees of BG Group for the commitment and effort they have demonstrated throughout 2005. The Group's success follows from their energy and creativity. But it is also they who turn CR from theory into practice: I hope that this report reflects something about *how* we function as well as what we do.

Finally, I would like to thank shareholders and other readers for showing an interest in this report. Our aim is to report on CR issues fully and informatively. Please send us your feedback by e-mail to cr@bg-group.com or by using the link on our website.

Frank Chapman
Chief Executive



BG Group reporting structure and 2006 targets

This 2005 Corporate Responsibility Report presents policies and performance in four areas of Corporate Responsibility (CR): conduct, our people, society and environment. This section outlines the content of each area and sets targets for 2006.

This report concentrates on our performance in 2005 compared with the targets that we set ourselves. It contains summaries of relevant policies. The 2005 targets (set in our 2004 Corporate Responsibility Report) and our 2005 performance are set out in tables on pages 28 to 30.

This report covers BG Group's main activities – Exploration and Production, Liquefied Natural Gas, Transmission and Distribution, Power Generation and Other businesses – throughout our regions. The data tables for our 2005 performance (pages 32 and 33) set out the basis of the statistical calculations.

Our 2006 targets are based on the revised BG Group Business Principles and set out in a table here. We believe that this approach is more relevant for future performance than the objectives used previously in the tables on page 28. Our revised Business Principles comprise 15 statements of beliefs and behaviours grouped into our four areas of CR. The Conduct section on page 6 describes the consultation process that led up to the Board approving the revised Business Principles in December 2005.



Conduct

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

Our people

Explains our employment practices, training and development programmes and methods for employee engagement. This section describes how we strive to keep our people healthy, safe and secure when they are at work.

Society

Examines how we manage relations with communities near our operations. It sets out our approach to impact assessment, human rights and social investment.

Environment

Explains how we manage our environmental risks and maximise the environmental benefits of natural gas over other fossil fuels. You will find information about climate change, air quality and biodiversity here. You will also be able to learn about other operational issues such as hydrocarbon spills, controlled hydrocarbon discharges, waste management and resource use.

Business Principles		Targets for 2006	p6 ▶
We act with integrity, fairness and transparency		<ul style="list-style-type: none"> • Train employees on our revised Business Principles and supporting documents • Monitor that key contractors comply with our Business Principles and review with key contractors how our Business Principles are cascaded to subcontractors • Review and benchmark our whistleblowing arrangements 	
We comply with legal, regulatory and licence requirements		<ul style="list-style-type: none"> • Report on the process for determining the materiality of disclosure in CR reports 	
We do not tolerate corruption in any form, whether direct or indirect		<ul style="list-style-type: none"> • Issue the Anti-Corruption Standard 	
Our investment criteria take account of economic returns, environmental impacts, social consequences and human rights		<ul style="list-style-type: none"> • Ensure that country entry decisions incorporate contracts and procurement governance 	
High standards of corporate governance are integral to the way we manage our business		<ul style="list-style-type: none"> • Evaluate and report the performance of BG Group's CR Committee • Roll out the updated Business Risk Management Process across the Group, and strengthen the reporting and monitoring of risks at all levels 	

			p11 ▶
We treat people with fairness, respect and decency		<ul style="list-style-type: none"> • Complete a Group-wide employee engagement survey • Roll out a new Group-wide grading structure 'Valuing Our People' which provides greater consistency and transparency • Improve our understanding of workforce diversity 	
We help employees to develop their potential		<ul style="list-style-type: none"> • Increase recruitment on our Graduate Development Programme by 50% • Invest in succession management • Launch the 2006 International Management Programme, and continue the development of the Flexible Management Programme 	
We believe that all injuries are preventable		<ul style="list-style-type: none"> • Train all employees and long-term contractors in safety intervention 	
We provide healthy, safe and secure work environments		<ul style="list-style-type: none"> • Develop a leading performance indicator for health, based on the Health Assurance Framework tool gap analysis • Make employees more aware of information security, personal security and fraud 	

			p17 ▶
We work to ensure that neighbouring communities benefit from our presence on an enduring basis		<ul style="list-style-type: none"> • Pilot and implement new tools to support our increasing focus on local content in contracts • Develop a toolbox of community relations management guidance • Train community relations practitioners at all major operated facilities, and share best practice • Implement a flagship social investment project • Develop key performance indicators for community relations and report performance 	
We listen to neighbouring communities and take account of their interests		<ul style="list-style-type: none"> • Implement a procedure for reporting government and community events 	
We support human rights within our areas of influence		<ul style="list-style-type: none"> • Launch guidance on human rights • Develop criteria to establish when and how the Voluntary Principles for Human Rights and Security should be applied • Deliver a human rights training package to employees working in countries that present particular human rights challenges 	

			p22 ▶
We make a positive contribution to the protection of the environment		<ul style="list-style-type: none"> • Continue to develop co-generation businesses in India and Brazil • Seek to quantify the positive contribution of BG Group's core business towards efforts to reduce greenhouse gas emissions 	
We go beyond compliance with local environmental regulation to meet internationally accepted best practice		<ul style="list-style-type: none"> • Test and roll out EnCompass tool for managing Environmental, Social and Health Impact Assessments (ESHIA) • Incorporate Biodiversity aspects within the EnCompass tool • BG Canada to certify EMS to ISO 14001 	
We reduce to the minimum practicable any adverse effects of our operations on the environment		<ul style="list-style-type: none"> • Ensure that the environmental emissions database reporting meets asset needs and enhances performance monitoring and analysis • Introduce an Enhanced Greenhouse Gas Management programme 	

Year in review

- Established the Board Corporate Responsibility Committee in February
- Formalised the consideration of CR issues in new country entry decisions and applied the process to discussions about Libya and Nigeria
- Revised BG Group Business Principles were approved in December 2005
- Investigated seven whistleblowing cases and six fraud allegations
- Improved our ranking in Goldman Sachs' Environment, Social and Governance Index



Connecting gas to markets – BG Group's core activity – involves working in countries with different economic, social and environmental conditions. A successful business must have solid foundations in a set of sustainable values and standards. Corporate Responsibility (CR) remains central to our decision making.

GUIDING BEHAVIOUR

The Group's reputation for high standards in all our activities contributes to our business success. BG Group's Statement of Business Principles has been in place since 1998 and is reviewed annually. It is the code of ethics for all employees and forms the foundation for CR across the Group.

We conducted a thorough review of our Business Principles in 2005, recognising that BG Group has been transformed from the company of 1998. Today the Group has around 5 400 employees working in over

20 countries. We wanted to make sure that the BG Group Business Principles were appropriate for our operations and society's expectations. Therefore, 2005 saw a change in the structure and tone of our Business Principles.

We drew on the experiences and opinions of a diverse group of employees (made up of 50% non-UK nationals) to create a consultation draft, comprising short statements of principle, focusing on behaviours in our four core CR areas.

In October 2005, we published the consultation draft on our intranet and invited feedback from employees. We received responses from 75% of our operations. The consolidated view from the employee consultation was that the revised Business Principles were appropriate for BG Group today and into the future.

In November 2005, we also consulted external stakeholders to make sure that the revision was consistent with how civil society expects an international gas company to behave. Five non-governmental organisations (NGOs) participated in a discussion led by the Institute of Business Ethics. The independent summary of the discussion is shown on page 7.

We incorporated the consolidated feedback into the proposed Business Principles submitted to the Board CR Committee in December:

- we included an explicit reference to human rights in investment decisions;
- we incorporated specific statements on anti-corruption, employee development and the provision of healthy, safe and secure work environments; and
- we stated our intention to contribute to the protection of the environment, reduce adverse effects of our operations and meet international best practice.

In December 2005, the Board approved the revised Business Principles, comprising 15 statements of beliefs and behaviours. These are shown on page 5.

The revised Business Principles will be supported by two documents, which will be finalised in spring 2006. One is a statement of corporate commitments, which details how BG Group delivers the Business Principles. The second is a code of conduct, which explains to employees how to implement the Business Principles in the business environment and refers to our corporate policies, standards and guidelines. We require every employee to comply with our Business Principles: they have the support of Group management, especially where adherence to the Principles causes a short-term impact on the achievement of other near-term performance goals.

The suite of documents will be translated into the languages of our employees and launched in May 2006. The launch will encourage employees to discuss how to apply the Business Principles and provide an opportunity for our senior managers to emphasise the priority they place on compliance.

Ethics training workshops were held during the last year to guide employees on how to think through ethical concerns. Sixteen employees from BG Group's operations were trained to run the workshops: fifteen workshops were held in America, Trinidad and Tobago and the UK, reaching around 160 employees. Since August 2005, CR has been included in the induction courses attended by UK-based

recruits. There will be a wider roll-out of the revised Business Principles in 2006.

The issues raised by employees during the workshops are documented without attributing them to individuals. These are incorporated into the local risk register and the risk management plan as appropriate. The issues are also analysed to identify Group-wide trends. In 2005, clear trends emerged from the analysis:

- employees are seeking reassurance that they should apply the Business Principles even if there is a short-term impact on performance or profit; and
- employees would also like more guidance on CR, business ethics and local social investment projects.

The 2006 launch of the revised Business Principles will emphasise that the Group can achieve good returns for shareholders and work in accordance with our Business Principles. Guidance will be provided to employees on how to implement CR and business ethics in their business lives.

Anti-corruption

We provided enhanced anti-corruption guidance and training for our businesses that are developing operations in areas with reputations for corruption. The BG Nigeria team developed country-specific guidance, which includes practical advice on how to deal with requests for bribes, and established a system for reporting such requests. This anti-corruption guidance will be rolled out to our Group-wide workforce during 2006.

Whistleblowing

We have had a Whistleblowing policy in place since 2000. In July 2005, we publicised the whistleblowing hotline in our employee magazine, to raise employees' awareness of how they could raise concerns.

In 2005, we investigated seven cases in accordance with our Whistleblowing policy, relating to malpractice (one case), Health, Safety, Security and Environment (HSSE) (three cases) and employee concerns (three cases). We also investigated six allegations of fraud. One employment contract was terminated and two incidents were reported to the police for further investigation. We found evidence of fraud in one case and took remedial action. We found no evidence of fraud in the remaining two cases. None of these 13 cases was material or related to the Group's financial reporting.



Stakeholder discussion on the draft Business Principles

In November 2005, a stakeholder roundtable was held at the Institute of Business Ethics (IBE) to discuss the consultation draft of the Business Principles. Among those present were representatives from Business for Social Responsibility, Transparency International, the Chartered Institute of Personnel & Development and the International Business Leaders' Forum. Philippa Foster Back, Director of the IBE, chaired the discussion. This independent case study produced by the IBE summarises the discussion and was approved for publication by the participants:

'BG Group was congratulated on the revised Business Principles, but it was felt that these needed to be conveyed in a more dynamic way in order to reflect the work which BG Group is doing in these areas.

The Group's support of initiatives such as Publish What You Pay and the Extractive Industries Transparency Initiative are examples of how BG Group is working beyond compliance and its full commitment to higher standards than just obeying the law. Companies often comply by minimising what they have to comply with – BG Group does much more.

Human rights issues should be explicitly included in BG Group's investment criteria to integrate economic, environmental, social and human rights issues throughout the entire life-time of the project process: commercial, engineering and technical. To be a role model, BG Group needs to show it is taking steps to avoid complicity in the human rights violations of others. BG Group could go further to mainstream human rights issues as this is a significant aspect of society and its impact on business.

BG Group needs to show that it is fully appreciative of the context in which the Group is operating by acknowledging that an extractive company's presence in a local community is not always 100% positive. The BG Group collaboration with local businesses, civil society, local and international NGOs needs to be communicated. By doing so, BG Group can take a leadership role and move the debate on the Group's impact beyond the "mothering" role of benefit to the local community into one of "empowering" through the sustainable development of the places in which it operates.

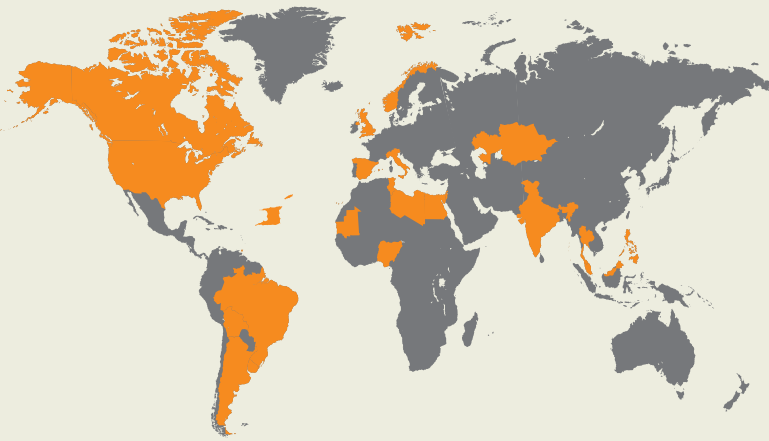
The lack of any mention of climate change is an oversight especially as BG Group acknowledges that, although gas is a fossil fuel, it bridges the gap to renewable energies as it is a less carbon intensive source of energy. BG Group needs to be explicit about its position on this issue, given its industry; otherwise it appears that it is not acknowledging its impact.

The roundtable concluded that BG Group is playing a role beyond that of its peers and providing leadership as a company, which takes courage and needs to be put into words through the Business Principles.'

Philippa Foster Back, Director, IBE



BG Group countries of operation



Country entry process

All entries into new countries require approval by the Board. We consider CR issues in the decision-making process:

- our ability to do business in the country in compliance with our Business Principles;
- the country's record on human rights and community relations; and
- the safety and security of our employees and contractors.

We have developed a composite risk index for countries in our portfolio, based on publicly available data. Our composite risk index covers macro-economic policy, political stability, government effectiveness, and regulatory quality. To get a balanced picture of the operating environment, we also consider rule of law, control of corruption and human rights. We assess any proposed new country investment against our existing portfolio in order to set any new risks in the context of our understanding of countries already in our portfolio.

We supplement this quantitative analysis with qualitative research and analysis of the country's CR environment as part of our Political Risk Assessment and Management Strategy (PRAMS) process for all new investments. The outputs are summarised in a PRAMS paper which is part of the decision-making material for investments and country entry.

During 2005, the CR Committee brought greater focus to the CR risks associated with new country entry. In advance of any new country proposal that raises CR issues, the CR Committee requests a summary of the CR risks and mitigation actions proposed by management's to assure itself that the risks will be managed. The CR Committee Chairman then reports the conclusions of the Committee's discussion to the Board so that they are taken into account during the final decision on country entry.

We have used this process to assess four new countries – including Nigeria and Libya – since the CR Committee was established in February 2005.

At least one business opportunity was not pursued because it raised unacceptable CR risks.

We believe that this increase compared to 2004 (two whistleblowing cases) is at least partly attributable to greater employee awareness of the Whistleblowing policy, the launch of the Fraud Risk Management Directive in October 2004 and the Sarbanes-Oxley compliance processes.

Group Audit reviewed our whistleblowing process in 2005, following concerns that BG Group had low levels of reported actual or suspected fraud in comparison with other companies of a similar size or nature. The audit found that the controls over whistleblowing need improvement and that policy had not been consistently implemented across the Group (partly because of doubts about appropriate implementation within different cultures). In February 2006, we started to review and benchmark our policy with peers. The information from this exercise will contribute to a comprehensive review of the policy and its implementation.

ADDING VALUE TO ECONOMIES

BG Group helps sustain the economies of the countries in which we work through providing energy to grow businesses and paying taxes and royalties. The Group also provides business opportunities for local suppliers, and employment and training as well as social investment (see page 19).

In 2005, around 40 800 employees, contractors and joint venture staff were involved in working for BG Group – thus for every direct employee we provided indirect employment for a further six people.

Gas facilities typically employ large numbers during construction but far fewer when the facility becomes operational. The People section on page 11 describes a recruitment drive at Egyptian LNG (BG Group 35.5%) that resulted in 253 Idku residents joining the Egyptian LNG workforce.

We support the Extractive Industries Transparency Initiative (EITI). The case study on page 9 illustrates our approach.

THE WAY WE GOVERN OURSELVES

BG Group has an established Governance framework that is overseen by the Board of Directors, which is ultimately responsible to BG Group shareholders. The framework is made up of three core elements:

- organisation and structure;
- the internal control framework; and
- independent assurance.

BG Group's full report on corporate governance is set out on page 38 of the 2005 Annual Report and Accounts.

In February 2005, the Board established a CR Committee to provide greater

assurance of CR as the business grows. The CR Committee is chaired by Sir John Coles and the majority of its members are non-executive Directors. The membership is shown on page 42 of the 2005 Annual Report and Accounts, and its terms of reference are published on our website.

The role of the CR Committee is to assist the Board in providing strategic leadership, direction and oversight and policy setting on CR, including HSSE. It also reviews the Group's CR risk exposure and performance to gain assurance that HSSE, community relations, human rights and related risks are managed effectively across the Group.

In 2005, the activities of the CR Committee included:

- assurance that the Group will be able to conduct business in accordance with our Business Principles in new areas of activity;
- review of CR issues in Nigeria and Libya to understand the risks and gain assurance that the Company could manage these risks effectively;
- approval of the revised Business Principles;
- consideration of an independent report on community relations;
- agreement to the Group strategy for managing greenhouse gas emissions; and
- receiving regular reports on HSSE.

RISK MANAGEMENT

Our managers confirm compliance with our Business Principles through our annual Governance Self Assessment (GSA) process. In 2005, the GSA responses indicated that the business was in compliance with our Business Principles.

In 2004, Group Audit reviewed the implementation of our Business Principles in nine assets and found satisfactory adoption of the Business Principles. The audit report highlighted strengths but also identified areas where we could improve compliance processes. These included:

- whistleblowing;
- logging and remedial action for HSSE incidents;
- acceptance and offering of gifts and hospitality; and
- security assessment and awareness.

During 2005, we have taken action to close out all these findings. The Whistleblowing policy was relaunched in July; logging and remedial action for HSSE incidents have been enhanced through the STEP UP programme; the policy on gifts and



Revenue transparency

The Extractive Industries Transparency Initiative (EITI) is a UK Government sponsored initiative that promotes the transparent reporting by governments of the aggregate revenues arising from mineral resource extraction.

BG Group was an original signatory to the EITI. Our statement of support is published on our website. We have no plans to publish revenue payments made to governments at the moment. We prefer to work in co-operation with host governments that have signed the EITI and seek alignment with them on procedures relating to greater transparency.

We are working with the host governments of countries where we operate that are piloting the EITI:

- in Trinidad and Tobago, we tested the EITI reporting template with other energy companies;
- in 2005, BG Group and other energy companies, working in partnership with the Kazakhstan government, agreed to implement this initiative in Kazakhstan. A Memorandum of Understanding has been signed and the National Stakeholder Council of the EITI has been created to move this initiative forward. We are an active participant within this Council;
- we have written to the Mauritanian Government to express our support for their endorsement of the EITI and offered technical assistance based on our experience in Trinidad and Tobago and Nigeria; and
- in Nigeria, BG Group supports the Nigerian Extractive Industries Transparency Initiative (NEITI), created by the Nigerian Government to implement the EITI actively.



For more information, please visit www.eitransparency.org

Conduct continued

hospitality was redrafted and relaunched and security workshops have been held in several assets.

BG Egypt requested an independent organisation, GoodCorporation (offering a CR certification system, with experience in the oil and gas sector) to provide assurance that BG Group's Business Principles are implemented in the asset. The GoodCorporation review was based on interviews with employees, customers, suppliers, local NGOs, partners and shareholders to assess how well each Principle is perceived to be working from their stakeholders' perspectives. In total, 52 indicators were scored as merit, there were 22 observations and seven minor non-compliances. No major non-compliances were identified. BG Egypt's performance was benchmarked against other oil and gas operations that have been subject to GoodCorporation assessment and overall they performed strongly.

INVESTOR DIALOGUE

We have an active programme of engagement on CR issues with major shareholders and analysts. In 2005, this included a CR presentation and discussion session between the Chief Financial Officer and around 20 London based financial analysts and fund managers. We also held a video conference on our 2004 CR performance for six analysts based in Paris. Shareholders may also access reports and presentations on the BG Group website.

The Dow Jones Sustainability Indices (DJSI) identify the top 10% of industry sectors for corporate sustainability. BG Group has qualified for the DJSI every year since the index was created in 1999. In the 2005 review, the scores for the top 10% of the oil and gas sector ranged from 73% to 79%: BG Group scored 75%.

Goldman Sachs' 2005 Environment, Social and Governance index ranks companies in five areas: corporate governance, environmental/social management, social, environment and investment in the future. Goldman Sachs ranks BG Group in the top 10% of the oil and gas sector, third out of 31 companies. This is an improvement from eighth out of 23 companies in 2004.

In October 2005, we published a BG Briefing on BG Group performance in ethical indices on our website.

CHAIRMAN'S AWARDS

BG Group runs an annual programme of Chairman's Awards to celebrate success by rewarding best practice and innovation in CR.

The winning entries for the 2005 Chairman's Awards are published on our website.

In 2005, 92 entries were received from 16 countries. The 2006 submissions were judged in March 2006 and the results will be published on our website.



Our people

Year in review

- 1 053 new recruits joined the Group, increasing the workforce by 12%
- Internal candidates filled 68% of core management vacancies
- The first class graduated from our International Management Programme
- Six contractors died in three separate incidents in two countries
- STEP UP safety initiative launched
- Security plans proved successful



RESOURCING FOR GROWTH

With around 5 400 direct employees in some 20 countries, BG Group has a small workforce for a company whose market capitalisation ranks it among the largest 20 companies in the UK. Business growth in 2005 and projected business growth means that it is essential to have an effective human resource plan in place so that we can develop existing employees and recruit new employees to meet fresh challenges across increasingly diverse projects and countries. Part of our competitive advantage is our expertise in integrating skills across the gas chain. To preserve this it is essential to maintain a flexible culture and encourage networking across the company, so that we share best practice and learn lessons from past experiences.

During 2005, BG Group directly employed an average of 5 363 people of whom around

4 000 worked outside the UK. We recruited 1 053 people worldwide, a 12% increase in our workforce (taking into account business disposals made during the year):

- 79 people joined our specialist technical and commercial teams at our UK headquarters, filling vacancies created through business growth; and
- we recruited 36 graduates on to our two year international graduate development programme and another 34 graduates joined our local graduate programmes.

At the end of 2005, 253 residents from the Idku community were working at Egyptian LNG's plant (34% of the total Egyptian LNG workforce) following a recruitment drive aimed at contractors and sub-contractors. A key issue expressed by the local community in Idku was the hope that the gas facilities would provide jobs

for residents. To address this concern, Egyptian LNG required Bechtel (the main construction contractor building the facility for Egyptian LNG) and its sub-contractors to give priority to Idku residents. Egyptian LNG and its contractors established training and development programmes to overcome poor educational qualifications, a lack of professional and technical skills and no history of formal employment among Idku applicants. Contractors were required to pay reasonable wages and benefits.

Most of the 253 Idku residents recruited onto the workforce previously worked in the informal employment market as fishermen, farmers, mechanics, odd job men or traders. Working at Egyptian LNG represents a significant improvement in their standard of living; salaries have increased by 50% (compared to previous informal employment), wages are paid regularly, training and development is given and benefits provide security in hard times. Wages are also spent in the local community, so indirect benefits are also being achieved.

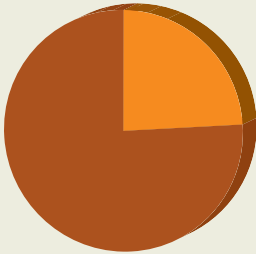
We continue to run resourcing workshops to help managers forecast their people requirements and satisfy these through effective recruitment, retention and succession planning. In 2005, we completed ten of these 'Getting the Best' workshops. We plan to run the workshop periodically in 2006 with the focus on the development of specific skills, such as interviewing.

We encourage our people to develop their careers and enhance their skills inside BG Group:

- internal candidates filled 67 of the 99 vacancies in our core management group (around 280 business critical roles such as positions on our Group Executive, regional and country management teams and managers of corporate functions) and the remaining 32 positions were filled by external recruits;
- we developed a tool to identify the technical skills and competencies required by our production technology specialists worldwide; and
- we created new country entry teams for Nigeria and Libya.

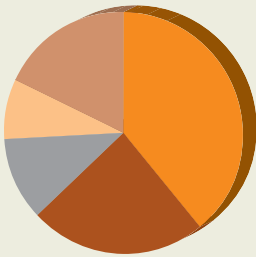
We believe that experience outside an individual's home country serves a valuable purpose in developing people's cross-cultural experience and helping them to share skills and knowledge. In 2005, international opportunities increased by 15%. Around 440 employees took up assignments outside their home country; of these around 60 were of nationalities other than UK/US.

Gender split in global workforce



Women	24%
Men	76%

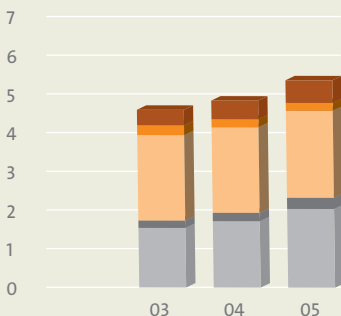
Employees by Region As at 31 December 2005^(a)



South America	39%
Asia Middle East	24%
Mediterranean Basin and Africa	11%
North America and the Caribbean	8%
Europe	18%

(a) As of March 2006, the regions in which the Group manages its operations were reorganised. The information shown is aligned with the way in which the operations were managed in 2005.

Average number of employees by business segment ('000)



E&P
LNG
T&D
Power
Other

DEVELOPING CAPABILITY

BG Group promotes a culture in which individuals understand that they have a significant stake in their own learning and development. We invest in personal development programmes to build technical competences and behavioural skills – since we believe that developing our employees is essential to the Group's continued success – and we believe that individuals learn best through experience. In 2005, BG Group spent an average of £1 288 per employee on development and training.

All BG employees are required to have an Annual Development Review with their manager to discuss their career aspirations and explore the ways in which the Company can help them develop to meet these.

BG Group runs two management programmes: the International Management Programme (IMP) and the Flexible Management Programme (FMP), which are illustrated in the case study on page 13. These management programmes create links between different parts of the Group – geographically and functionally – and the promotion of networking and effective knowledge sharing is integral to their design:

- the IMP is aimed at managers who are considered to have potential within BG Group and also those who have made, or will make, a significant difference to the business. The IMP course focuses on enabling participants to enhance their general management skills in their existing role by acquiring management theory and practical experiences;
- the FMP is aimed at individuals wishing to develop themselves and their management career in BG Group. The FMP aims to provide a developmental framework offering support, direction and opportunities for individuals to pursue their personal career development. The programme is structured to ensure that participants take time out to reflect on experience and learn from it; and
- all of the technical IMP and FMP modules and business simulation games are led by in-house experts.

Our expertise in all disciplines across the gas chain is one of BG Group's competitive advantages. We share knowledge, discuss experiences and strengthen networks using various employee communications:

- our intranet is updated daily with news and information about our business activities and also shows 'Video Links', a regular webcast from the Chief Executive or another Board or Group Executive member, which covers topical issues relating to BG Group's strategic

direction and provides operational news from around the business;

- we publish a magazine 'Links' for all employees and their families four times a year. At asset level this is supported by local newsletters, 'Town Hall' and team meetings;
- we held 13 international conferences last year for key technical disciplines, including Commercial, Exploration, Operations and Finance; and
- at our UK headquarters and some of our businesses, employees run informal sessions at which colleagues can listen and learn about topical issues.

We believe that coaching and feedback are essential skills. Receiving regular supportive feedback and effective coaching are critical components of our Performance and Development Review processes. To build this capability a coaching and feedback skills module was offered as part of the FMP in 2005.

WORKING CULTURE

Our employees comprise many nationalities and share a common drive to improve performance and deliver our business objectives. As a global business we recognise and harness the differences in culture and perspectives of the diverse communities in which we operate:

- within our core management group 27% are nationals other than UK/US and 11% are women;
- 40% of our country management teams are locals;
- graduate recruits in 2005 represented six nationalities and 36% were women; and
- 38% of our workforce is covered by trade union agreements and we are committed to working effectively with trade unions where appropriate.

We recognise that genuinely fostering diversity as a cultural value takes time and understanding. During 2005, we launched a series of regional workshops to help us understand our workforce better. This work will feed into the development of a more detailed equality and diversity policy.

We encourage our people to reflect on ways of working together in our BG Society (the name we give to the working culture we are trying to develop) so that our high performance standards are maintained. The BG Group behaviour framework – Developing; Outperforming; Integrating; Networking; Growing (DOING) – is embedded in the business and is used at all stages of the employment cycle from recruitment through performance and development reviews to succession management.

We continue to have a strong emphasis on rewarding people based on their performance and operate an annual cash bonus scheme for which, subject to the rules, all employees are eligible. All employees and managers are required to meet to review performance as part of our Annual Performance Review process and set targets for the following year.

We sought employee opinions in a variety of ways in 2005, including an employee engagement survey in Egypt and an opinion survey in the UK. We intend to run a Group-wide employee opinion survey in 2006. This will gauge views on a range of issues including leadership, HSSE and working culture. Survey questions will pick up on issues identified in the 2005 surveys.

A SAFE, HEALTHY AND SECURE WORKPLACE

Safety

BG Group's focus on safety – operational and occupational – is core to the way we run our business. Safety performance can be measured in many ways: one key indicator is the lost time injury frequency (LTIF) per million hours worked.

Measured by LTIF, our safety performance has improved significantly since 1998 due to the introduction of safety management systems in the 1990s and behaviour-based safety processes in 2003. Behaviour-based safety stems from understanding what people do in practice and eliminating unsafe behaviours. The rate of lost time injuries for employees and contractors in 2005 was 0.5 per million hours worked, compared to 0.6 in 2004 and a starting position of 6.7 in 1998.

But it is with great regret that the Group reports six contractor fatalities during 2005. The first fatal incident occurred in Kazakhstan in February, when one man died in a road traffic incident in Karachaganak. In early March, one man died following a fall from height incident at the Sapphire development site within the Idku Rashpetco facility. Later that same month, there was a further incident at Idku when a grinder died after being overcome by argon gas in a confined space when working on a pipe weld. A further three people – a scaffolding supervisor, a pipe fitter and another grinder – died as the result of an unsuccessful rescue attempt. All were employed as sub-contractors by Bechtel.

Group response

These fatalities reinforced the focus required on behaviour-based safety across the Group and acted as a trigger for a major review of the way that the Group manages safety. The outcome of this review was a statement of belief by the BG Group Executive that 'all injuries are preventable' and the setting of



BG Group International Management Program Graduation 2005, Ashridge

Developing employees' capabilities

International Management Programme (IMP)

IMP was introduced in 2002 and has continued to be a popular and successful way of building talent. Through the IMP we hope to retain and develop key individuals across the Group and local nationals in particular. The IMP is accredited by the Chartered Management Institute: IMP graduates receive a recognised diploma.

The first 42 students from the class of 2003 graduated in April 2005. This group was made up of ten nationalities and included employees from the Karachaganak joint venture. Feedback from the class of 2003 included:

- "The course gave me the opportunity to learn and experiment with new management techniques"; and
- "The programme served as a catalyst for change in my working life".

As a result of applying learning from the course, a participant from Egypt won a Regional Award from the Chartered Institute of Management for impact in the workplace.

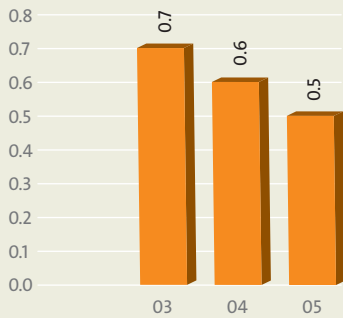
A further 69 people are currently on the programme in the classes of 2003, 2004 and 2005. We have more than 55 nominations for the class of 2006.

Flexible Management Programme (FMP)

Our FMP introduced in 2004 has been similarly successful. We ran 14 modules in 2005 on diverse topics, such as understanding finance or managing business challenges. 172 people across the business attended at least one module.

Building on this success our Mediterranean Basin and Africa Region developed a local FMP scheme in 2005 to offer structured development to more employees in Egypt and Tunisia. Other parts of the business are planning similar initiatives in 2006.

Lost time injury frequency per million hours worked



a Group safety goal of zero injuries. This statement was subsequently incorporated into the revised Business Principles and the revised HSE policy.

A comprehensive programme to further strengthen the safety culture has been launched. The STEP UP programme is encapsulated in a road map designed to:

- develop a safety culture in which all employees and contractors are willing and motivated to look after their safety and that of their colleagues;
- recognise and eliminate hazards and unsafe behaviours to prevent incidents;
- learn lessons from our own mistakes and those of others to ensure they are not repeated; and
- ensure that optimal HSSE management arrangements are in place.

Strong leadership, accountability and behavioural intervention are the key features of this plan.

A revised BG Group HSE policy and inaugural Safety Behaviours and Life Savers standards are part of the STEP UP safety programme. These were issued in October and are available on our STEP UP website. The Safety Behaviours and Life Savers standards clearly set out what behaviours are expected of employees and contractors and provide simple safety rules.

The Chief Executive launched the STEP UP safety initiative in October with a webcast across the Group, when around 6 000 people – employees and contractors – stood down from their normal business day (case study on page 15). They took part in safety workshops that followed the webcast to discuss what the new documents meant to them and to commit to ways in which they could improve the safety of their operations.

Following on from STEP UP we introduced safety intervention training.

Around 900 UK-based employees had been trained by the end of 2005. We plan to train all employees and long-term contractors in safety intervention by mid 2006, giving everyone the skills to contribute to a safer BG Group.

We are pleased that near miss and hazard reports made by employees increased to around 44 000 in 2005 (approximately 28 000 in 2004). Near miss and hazard reports identify the potential for an incident that was avoided and help us reduce the chance of incidents occurring by addressing the potential causes in advance.

To complement the road map new HSSE reporting measures were introduced in January 2006. A balanced scorecard will

help the Group measure how well we are managing safety and target resources to best effect.

BG Egypt response

As part of its commitment to achieve a step change in safety, BG Egypt organised a Safety Day at all of its sites in July. More than 600 employees from BG Egypt and joint ventures (Nile Valley Gas Company, Rashpetco and Burullus) along with partners such as Petronas, Edison, Egyptian Gas Holding Company and Egyptian General Petroleum Corporation attended. Contractors, including Technip, PMS, Petrojet, Enppi and representatives from the Egyptian Environmental Agency also participated.

The day began with video safety messages from the Minister of Petroleum, our Executive Vice President for Mediterranean Basin and Africa and our Group Head of HSSE, which emphasised that safety could not be achieved without the help and co-operation of all parties. The programme continued with hands-on training in first aid, defensive driving and fire fighting, conducted in both Arabic and English.

Concurrently, Safety Day was observed by more than 7 000 employees and contractors who stood down at Egyptian LNG's Idku site and at Rashpetco and Burullus operations where training was held at different locations including rigs and marine vessels. These sessions included a safety harness race, defensive driving, fire fighting and safety precautions on tug boats. In addition, Bechtel hosted sessions on safety involving cranes, electricity and scaffolding.

Keeping people healthy

Occupational Health covers both office and non-office environments. Hence, the issues vary from safe lifting techniques to exposure to chemical and noise pollution.

BG Group has a health assurance framework, with an associated assessment tool, to identify requirements and monitor compliance with the HSE policy. In 2005, all BG Group major operated facilities (such as offshore platforms, power stations, gas distribution networks or onshore production networks controlled by the Group) and offices used this framework assessment tool (80% in 2004). From these responses a gap analysis will be created for each asset to produce improvement targets. The development and population of the health assurance framework has made a significant difference to the understanding of the occupational health provision throughout the Group and the gaps that exist.

We respond to global health issues that may affect our workforce. A pandemic flu

working group gives direction and advice to assets, recognising the potentially serious consequences for the Group. Assets will be assisted in producing contingency plans. For example, Premier Power Limited (Northern Ireland) and Comgas (Brazil) have produced detailed plans for managing potential health impacts taking into account their specific operational risks.

We appreciate the importance of mental as well as physical health. In 2005, we created a working group to identify specific stress problems and solutions, and to address life work balance. Several assets, such as BG Trinidad and Tobago (case study on page 16) and the Nile Valley Gas Company, have initiated employee wellness programmes in recognition of the value of employee fitness and life balance. These moves build on the existing TalkDirect employee assistance programme that provides independent confidential counselling for all Group employees, their partners and children under the age of 21. In 2005, 0.2% of overseas employees and 3% of UK-based employees used this service.

Expansion into new countries brings particular health challenges, such as increased exposure to the risk of malaria and HIV/AIDS. We are developing an improved system of managing international travel medicals, which takes advantage of BG Group's increasingly international character.

Overall sickness absence for 2005 was 0.4 cases per 100 days worked, while reported occupational related illness was 0.1 per million hours worked. Work is underway on improving sickness absence and occupational illness data, with a pilot scheme in progress.

Security

The protection of employees remains the most important security objective for BG Group. An increasing number of our employees are travelling to and working in countries with unfamiliar customs and a differing security threat. These security challenges include high levels of violent crime, kidnapping, illegal detention, fraud and corruption, political instability and the compromise of information. The threat of local and international terrorism remains credible in many countries and is regularly assessed.

Any employee who is posted overseas has access to relevant security information relating to travel, local business operations and working practices and, where necessary, in-country protection.

The screenshot shows the BG Step Up website interface. At the top, there's a navigation bar with the BG logo and 'STEP UP' branding. Below this is a large banner image showing three workers in high-visibility safety gear (yellow and red) working on a site. The main content area is divided into several sections: a 'Welcome to BG Step Up' message, a 'Features' section with icons and text for 'No Harm Policy', 'No Safety Behaviour', 'No Life Savers', 'No Risk Map', and 'No Harmless Talk Safety'; a 'Step Up Regions' section listing various global regions; and a 'Disclaimer' section at the bottom. The website has a clean, professional layout with a color scheme of orange, white, and grey.

STEP UP campaign on safety performance

BG Group is on a journey to transform its safety culture with the launch of STEP UP, a Group-wide campaign designed to support the drive for a step change in safety performance. The campaign started with a worldwide webcast seen live by BG Group employees in which the Chief Executive committed the Group to the goal of zero injuries.

Immediately after the webcast, dozens of workshops were held at our UK headquarters and across the assets. In Trinidad and Tobago some 1 100 people gathered to hear the webcast and followed up with their own safety workshops. Four hundred BG India employees joined in quizzes and competitions to win STEP UP mugs and badges and even tackled a specially written safety crossword. Three hundred people were involved at Gujarat Gas Company Limited and 200 at Mahanagar Gas Limited. In Egypt, joint venture partners participated with BG Egypt colleagues and contractors. In total over 6 000 employees and contractors took part worldwide.

Many teams drew up detailed action plans for their locations and functions. In addition to initiatives aimed at making their work environment safer, many employees focused on skills such as defensive driving as part of a holistic safety approach involving home and family.

Within days of the webcast, intervention training started at our headquarters and is now being rolled out to all locations using 'Train the Trainer' techniques to get rapid delivery through the regions. One of the principal objectives of STEP UP is to engage the individual. Intervention training gives employees the skills and tools to become actively and effectively involved in delivering a safer BG Group.

To maintain this momentum BG Group has launched the STEP UP road map which sets out six key areas the company will be focusing on in its drive to improving safety over the next two years.





Improving health at BG Trinidad and Tobago

During 2005, BG Trinidad and Tobago continued its drive to improving all aspects of health within its workforce. We commissioned a consultant to carry out an intensive health risk assessment programme of offshore and onshore facilities in conjunction with the asset's Occupational Health adviser.

During this health audit, facilities at Central Block, Hibiscus offshore platform, Dolphin offshore platform, Chaguaramas Base and the BG Group office were all examined in accordance with BG Group's Health Risk Assessment Guidance. The consultant also assessed the health support provision, such as emergency medical procedures and systems for dissemination of health-related information.

The results from the health risk assessment demonstrated a high level of commitment by BG Trinidad and Tobago to controlling exposures and preventing occupational illnesses. The assessment identified some hazards that could benefit from further intervention and control measures:

- an increasing use of computer workstations by employees; and
- risks of vehicle accidents as a result of increased road travel on business.

The assessment also recommended that BG Trinidad and Tobago determines the medical competencies required for offshore medics, employs medics with these competencies, standardises the level of medical provision offshore and improves the management of offshore services.

BG Trinidad and Tobago is developing comprehensive control programmes (based on international best practice) to counter these hazards and is addressing the other actions. Health initiatives are organised throughout the year and an employee fitness centre has been opened in Port of Spain, Trinidad.

We have security frameworks in place to help protect the company from fraudulent activity and threats to information security. Activities are planned in 2006 to embed these frameworks further.

We support the Voluntary Principles on Security and Human Rights. More information can be found on this on pages 18 and 20.

Particular challenges in 2005 included the London bombings, political instability in Bolivia and Hurricane Rita approaching Houston:

- in late 2004, we conducted a crisis management exercise around the scenario of multiple bombings in central London. We chose this scenario in response to government warnings of the potential for terrorist attacks in London. We learnt valuable lessons during this exercise in improving personnel tracking and internal communications, and liaising with next of kin. The value of this exercise was fully realised on 7 July when London experienced a multiple bomb attack. We were able to respond more efficiently as a result and we quickly accounted for all our staff in London and visitors from overseas assets;
- during the second quarter of 2005, Bolivia experienced acute political instability. We reviewed and refined contingency and evacuation plans to ensure that our staff and interests were protected during this period of uncertainty; and
- as Hurricane Rita approached Houston, evacuation and business continuity plans were put into action. The BG Houston office was evacuated: key operational and trading staff and IT infrastructure transferred to a pre-determined satellite office north of the city to ensure that time critical business could continue. Meanwhile, remaining staff evacuated Houston and were able to keep in contact through a special hotline.

In 2006, we will build on the lessons learnt in 2005 and introduce programmes to make employees more aware of information security, personal security and fraud.

Year in review

- Independent survey of community relations performance produced reassuring results and important recommendations
- Enhanced community relations capability at operations
- Examined the Group's approach to sustainable development
- Incorporated the Voluntary Principles for Security and Human Rights into the contract for security provision in Nigeria
- Transferred responsibility for social investment programmes to country management teams
- Total voluntary social investment of £3.6 million



GROWING BUSINESS: NEW CHALLENGES

During 2005, BG Group sanctioned entry into four new countries and developed new business prospects in several new locations. All new opportunities bring the Company into relationships with communities and societies with special characteristics, which raise differing management challenges. We brought greater focus to the identification and mitigation of social and community risks in advance of investment decisions, through initial data collection, workshops, briefing material and discussion at the Board CR Committee.

The recognition and assessment of CR risks played a considerable part in the evaluation process that accompanied the decision to pursue investment opportunities in Nigeria, where we are developing a twin track entry. We have

acquired operatorship of an offshore licence block. We are also part of a consortium carrying out a joint feasibility study for an LNG export facility at Olokola, on the borders of Ondo and Ogun states approximately 100 kilometres east of Lagos. Olokola LNG raises challenging community relations issues in a country where relationships between oil and gas companies and local communities have often been poor. We and our partners in the project recognise this, and the case study on page 19 illustrates how we have put the highest priority on getting community relations right from the outset.

Existing BG Group operations seeking new business opportunities may raise new community issues. For example, BG Canada has acquired exploration licence blocks in the North West Territories in a remote area settled by

the First Nation of Sahtu. The Sahtu aboriginal population of around 3 000 people is spread among five communities ranging in size from Colville Lake with 100 people to Norman Wells with 900 people. Before starting exploration activities, introductory meetings were held in the communities to understand residents' concerns and their development aspirations. BG Canada will maintain a level of involvement that complements our activities and allows us to contribute to sustainable development in the area.

COMMUNITY RELATIONS

Partnership with neighbouring communities is key to our success. We listen to our stakeholders: governments and communities where we work have their own priorities. Our aim is to build successful businesses which reflect shared priorities.

With the aim of improving performance, we commissioned Richard Sandbrook (formerly Director of the International Institute for Environment and Development) to conduct a survey to:

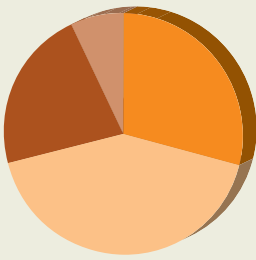
- understand current BG Group performance, capability and risks with respect to the management of community relationships, and the issues and livelihood impacts that arise;
- consider current performance against best practice drawn from external and internal sources, e.g. International Finance Corporation (IFC) and company policy;
- identify good community engagement and risk management processes;
- inform development of Group-wide guidance material and training; and
- enhance Group-wide monitoring and assurance in ways that relate to existing processes.

The survey comprised a desk-based study of Group and asset policies and procedures and field work at six locations.

The field work was conducted by review teams comprising an independent reviewer and a BG Group community relations practitioner, maximising the opportunity to share learning across the company. During the field work, reviewers interviewed internal and external stakeholders including asset general managers, project directors, HSSE managers and those responsible for community relations, as well as local and national government officials, community leaders, suppliers and local groups.

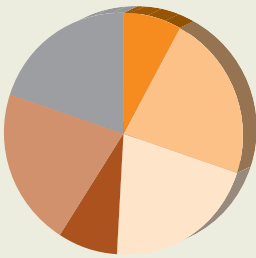
Richard Sandbrook supervised the study and compilation of the report but sadly died in December 2005 before its finalisation. The report stated that, overall,

2005 voluntary social investment by category (%)



Charitable gifts	29%
Community initiatives	42%
Commercial initiatives	22%
Management costs	7%

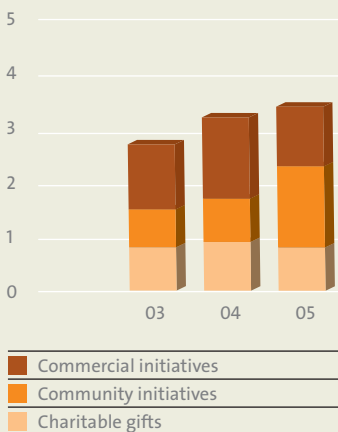
2005 voluntary social investment by region^(a) (%)



Europe	8%
South America	22%
Asia and the Middle East	21%
Mediterranean Basin and Africa	8%
North America and the Caribbean	21%
Corporate	20%

(a) As of March 2006, the regions in which the Group manages its operations were reorganised. The information shown is aligned with the way in which the operations were managed in 2005.

Voluntary social investment 2003-2005 (£m)



the quality of relationships with local communities was found to be good, and there were no examples of activities or procedures that would be considered contrary to international good practice. It concluded that BG Group is implementing its Business Principles as they apply to community relations.

While immediate risks are under control, the report found that there is a need to look to the longer term. In general, activities were found to be reactive rather than proactive and seen as limited to social investment projects, rather than integrated into core business activities. There were examples of good practice throughout the company, but approach and performance varies. In addition, strong commitment demonstrated by BG Group personnel was not always matched by sufficient experience and resources.

We have already made good progress in implementing the key recommendations of the report. The assets reviewed have all prepared implementation plans to improve performance where the survey found scope for enhancements. Group-wide guidance has been distributed to all assets.

The summary report of the survey and our response to its recommendations can be found on our website.

Social impact

We assess social impacts to help us understand and mitigate the potential impacts of proposed activities on local communities. We work to enhance the positive impacts, such as local employment and contracts for local goods and services.

The minimisation of potential negative impacts may involve changing project design, using new technologies or targeting social investment projects. For example, to minimise the impact of construction traffic on the local community at Dragon LNG in Wales, we upgraded a local railway line, developed a traffic management plan and funded traffic calming measures.

The Chinguetti field in Mauritania (BG Group 10.23%) is under development and will be operated by Woodside Petroleum. We have been actively involved in undertaking the project Social Impact Assessment (SIA) to international standards. The Chinguetti field is Mauritania's first oil development project and in recognition of its strategic significance, the SIA scope has gone beyond site impacts to consider non-routine impacts such as emergency

response planning and strategic impacts on the Mauritanian economy and society. The SIA was published in February 2006 for review and comment by national and international stakeholders. It will be finalised during 2006.

SUSTAINABLE DEVELOPMENT

BG Group businesses contribute to the development of societies and communities in which we work through our core business of providing energy for economic activity while paying taxes, using local goods and services and employing local people.

To understand and enhance our contribution, we are examining the Group's approach to sustainable development with the assistance of Lord Holme of Cheltenham (Joint Chair of the Business for Sustainable Development Group at the World Summit on Sustainable Development, Johannesburg 2002).

An important contribution to sustainable development is the use of goods and services provided by local suppliers. In Kazakhstan, Karachaganak Petroleum Organisation (KPO) contributed to increasing the ability of local suppliers to meet local demand by supporting a business incubator project (case study on page 21).

BG Trinidad and Tobago recognises that it is not only important to use local suppliers but it is also necessary to pay promptly. A concerted effort during 2005 has improved the percentage of invoices paid on time to 74% and the business expects to meet the target of 95% within first quarter 2006.

HUMAN RIGHTS

The human rights record of potential new countries of operation is specifically considered by the Board CR Committee in advance of any country entry decision. The Committee seeks assurance that BG Group will be able to conduct business in accordance with our Business Principles to respect international human rights. BG Group applies the principles of the Universal Declaration of Human Rights and the core International Labour Organisation standards within its spheres of influence, in relation to employees, contractors, communities and host governments.

We produced guidance on human rights and will make it available to staff in 2006. We are developing a training package and will deliver it to those employees working in countries that present particular human rights challenges.

BG Group supports the Voluntary Principles on Security and Human Rights, a tripartite initiative of governments, companies and NGOs to guide companies in meeting their needs for safety whilst respecting human rights and fundamental freedoms. The case study on page 20 illustrates our approach to implementation.

SOCIAL INVESTMENT

The Group works directly with local communities that are affected by our operations as well as contributing to appropriate national initiatives.

During 2005, we reviewed the way we manage and select social investment projects. We transferred responsibility for social investment programmes to management teams in our countries of operations in order that decisions be taken in consultation with the communities concerned. This reflects our intention that our businesses should build positive relations with the communities near our operations. It also recognises that achieving good community relations is a core responsibility of local management. To provide coherence to the social investment decisions made by country management, the theme of these investments was updated to reflect a growing focus on projects that add to long-term sustainability through creating opportunity and skills for development. We choose projects which reflect stakeholder concerns and also help BG Group meet our business objectives where practical.

Examples of our social investment in 2005 include:

- the Get into Construction programme focuses on Pembrokeshire and South Wales where the Dragon LNG (BG Group 50% shareholder and operator) gas importation terminal is currently under construction. This initiative, sponsored by Dragon LNG in conjunction with the Prince's Trust (a UK charity that helps young people find work), is designed to help address youth unemployment. Get into Construction also recognises that many young people do not always have the necessary skills and experience for construction work. With funding from Dragon LNG, the Prince's Trust is helping 30 local young people gain the skills necessary to obtain apprenticeships or places on college courses. This programme aims to create real long-term jobs within the local community, thereby increasing opportunity and sustainability;
- BG Tunisia has collaborated with the Tunisian National Engineering School to contribute to a stronger risk management culture among engineers and research students. During 2005, BG Tunisia assisted with a series of



Considering community relations in Nigeria

Assessing the Olokola society and environment

BG Group commissioned Pro-Natura International, an NGO with extensive experience of community relations in Nigeria, to undertake an assessment of the population and social structures in the area as part of their continuing analysis of the Nigerian coast. This information provided an invaluable early overview of the communities the project would impact. We shared the Pro-Natura study with partners and used it later in the Preliminary Environmental and Social Impact Assessment.

The Pro-Natura study was supplemented by an office-based study of environmental and social conditions conducted by an international environmental and social consultancy.

These studies together indicated a rural peaceful environment where the residents are broadly welcoming to development. However they highlighted the fragility of society if community relations in a major project are not well managed.

Acquiring expertise and knowledge

We assembled a panel of experts on government, society, security and business practices in Nigeria for advice. A senior manager also visited Akassa in the Niger Delta where Pro-Natura together with supporting oil companies has pioneered a successful development model.

Workshops and discussions

A senior management workshop was held with the Executive Directors of the Company to examine in detail the CR and political risks associated with country entry. A workshop of operational and management staff with external experts focused on the management of the risks.

The Board CR Committee devoted a full meeting to understanding the risks and gaining assurance that the company could effectively manage those risks. The Chairman of the CR Committee summarised its discussions to the full BG Group Board before the country entry decision was made.



Our approach to implementing the Voluntary Principles on Security and Human Rights

Prior to 2005, security risk to our facilities in countries with a serious record of human rights abuse by public and private security organisations was limited. However, we are now exploring and developing new ventures in countries with a higher security risk profile where incidents of civil unrest are more widespread.

When BG Group entered Nigeria in 2005, we contracted the services of an international security consultancy to assist us in setting up a comprehensive asset security programme that covers both office and field locations. Companies bidding for this work were required to provide evidence of their experience in implementing the Voluntary Principles on Security and Human Rights in Nigeria and other high risk countries.

Our security programme in Nigeria requires the recruitment of a local security company to provide guards for our office and residences in Lagos and Abuja. Compliance with the Voluntary Principles on Security and Human Rights will be included in the service level agreement with the selected contractor. To ensure the contractor is conversant with the Voluntary Principles on Security and Human Rights and that they understand the BG Group requirements for ethical conduct when dealing with the public, we will be providing training sessions for all security guards working at our facilities.

In Bolivia, BG operations were impacted by the political and civil unrest experienced in the country. Military units were deployed to protect critical national infrastructure, including BG Group facilities at La Vertiente (near to the Paraguay/Bolivia border). BG Group personnel met with senior military commanders in Santa Cruz to ensure the military understood our desire that their protection was provided in a manner consistent with the Voluntary Principles on Security and Human Rights. We also received assurance that their Rules of Engagement were consistent with the UN Principles for the Use of Force and Firearms.

We will continue to apply the Voluntary Principles on Security and Human Rights in countries where we judge there is a significant risk of human rights abuse by public and private security providers. This judgement will be based on an assessment of the risk prior to country entry and regular risk reviews to identify if there has been a change to the risk profile.

conferences on risk assessment and its application to disaster and risk management in the oil and gas industry. As part of the project, BG Tunisia organised and sponsored a trip to our Hannibal gas plant (21 km from Sfax) for 50 students from the National Engineering School, to give them a better understanding of natural gas processing activities and management of the associated risks;

- BG India supports a water literacy programme for school children in Mumbai, to address concerns of pollution and depletion of water resources. The programme, which covered 11 to 15 year old students from 13 Mumbai schools, culminated in a grand finale exhibition in January 2006. The exhibition showcased the participants' models, posters, poems and songs. The results of a house-to-house survey, conducted by the children, on habits of Mumbai citizens with respect to water and water conservation practices, was also presented; and
- BG Bolivia supports the economic and social development of the Weenhayek communities, near the La Vertiente gas processing facility. The Weenhayek is a vulnerable, indigenous population living in conditions of extreme poverty. Their livelihood is based on fishing and the production of native handicrafts made with caraguata plant fibres. BG Bolivia maintains direct contact with seven Weenhayek communities and with the remaining population through ORCAWETA (Organization of Weenhayek Communities). BG Bolivia developed a five year Community Relations Plan based on needs identified in consultation with the Weenhayek communities. The objective was to develop and implement sustainable projects and contribute to their social and economic development. Activities executed in 2005 included the provision of training to improve the quality of caraguata-woven handicrafts and the cultivation of caraguata plants; a traditional medicine workshop; and the establishment and support of an annual festival to promote Weenhayek economic, social and cultural development.

In 2005, BG Group contributed £3.6 million on voluntary social investment. This included charitable gifts (£1.1 million), community initiatives (£1.5 million) and commercial initiatives (£0.8 million) and management costs.

Employee involvement

BG Group supports the involvement of employees in local charity and community organisations. This includes donations of time and money.

In 2005, the BG Houston office sponsored the building of a home for a family through Habitat for Humanity, a charity that provides low-cost housing for underprivileged families in over 76 countries and worked in partnership with the YES College Preparatory School (YES), a specialist school for underprivileged first generation immigrant children to share the building experience and pass on skills to the students. The project also provided a good opportunity to develop leadership and teamwork abilities among BG Group staff. Over 40 employees, family members and 50 high school students from YES worked together for the five Saturdays of the build.

The skills that BG Group staff acquired were called on again when we were asked to participate in a special build to replace homes lost in Hurricanes Katrina and Rita. The efforts of BG Group employees helped nine families replace homes lost in the hurricanes.

The relationship with YES continues; BG Group managers have addressed senior students on business issues and we anticipate expanding this partnership into a mentoring programme.

BG Group operates a CareShare matched funding scheme that recognises efforts by employees to raise money for local charities worldwide.

BG Group operations in Egypt, Trinidad and Tobago and the UK also ran BG Group Energy Challenges, fundraising events aimed at teams from the oil and gas industry. Our Energy Challenges raised a combined total of £0.4 million for charity.

Disaster response

During 2005, BG Group made donations to the emergency appeals for three major natural disasters that happened in 2005.

We donated £250 000 to UNICEF in early 2005 following our 2004 donation of £50 000 to the UK Disaster Emergency Committee's tsunami appeal. BG Group assets also contributed to local relief efforts: £70 000 in India, £112 000 in Thailand and £28 000 in Malaysia. The Group matched employee donations to tsunami appeals, in total contributing around £0.5 million. A further £100 000 has been committed to post-tsunami development assistance in coming years in India and £60 000 in Thailand.

BG North America donated around £5 000 to the Hurricane Katrina appeal and BG Group donated £13 000 to South Asia earthquake relief. Both these amounts matched donations by BG Group employees.



Village Councils in Kazakhstan

The operating company, Karachaganak Petroleum Organisation (KPO, BG Group 32.5%), has established Village Councils as public fora where concerns and issues relating to the field can be discussed and addressed. The Village Councils are held in all the rural operations of the District and provide an opportunity to share information and exchange ideas about KPO's involvement in the social, economic and cultural life of the region.

A governance framework was established through the signing of a Memorandum of Understanding between KPO and the District Akim (governor). The Village Councils meet approximately once a month, or as often as requested, and members include representatives of the community, such as teachers or doctors, as well as the representatives of the District Council (Maslikhat) and KPO.

Village Councils, together with KPO, are working to establish social investment priorities that deliver the greatest benefit to the villages and reflect actual community needs. KPO is keen to ensure that the local communities share the responsibility for the success of the social investment resource in their communities.

One issue for the communities has been concerns that emissions from the facility may have a negative impact on their health. The publication of independent and company monitoring confirming the absence of negative impacts has not allayed these fears. The Village Councils are beginning to contribute to the design of the monitoring programme in order to build public understanding of and trust in the emissions monitoring.

Incubating businesses

The Business Incubator Centre supported by KPO provides training on business management for entrepreneurs and farmers, facilitates access to loans and offers various free services to start-up businesses, such as marketing, legal advice and access to office equipment. The Centre also provides training to disadvantaged groups, for example orphans are given IT training.

As the new businesses become profitable over time, they should generate a rental income for the Centre and make it financially self-sufficient.

The Centre is linked to KPO business needs, for example the IT skills are in demand by the company and one of the new businesses is developing KPO's intranet site at commercial rates. Part of the Centre's success is based on the on-going and supportive relationship with KPO, whose involvement extends beyond simply providing finance.

Year in review

- Co-generation business expands to India after a successful launch in Brazil
- Net reduction of carbon dioxide emissions facilitated by Comgas exceeded 1.5 million tonnes per year
- 60% of assets have been successfully certified to the revised ISO 14001 standards
- Greenhouse gas emissions from BG Group operated assets rose by 23% to 6.5 million tonnes mainly due to increased flaring at Karachaganak,
- higher demand from Ballylumford and improved reporting from Hannibal
- Greenhouse gas emissions per unit of throughput from BG Group operated assets rose by 8%
- Emissions of sulphur dioxide and nitrogen oxides fell by 30% and 1% respectively



OUR APPROACH

Moving into new countries and business growth introduce environmental challenges. Country entry brings the requirement to understand new environments and new legal regimes. Business growth also brings an inevitable increase in our overall environmental 'footprint' and with that, the challenge of how we assess the significance of, and manage the rate of growth in, that footprint.

Before entering a new country we screen issues associated with the environment in which we expect to do business, policies of host governments towards environmental protection and associated regulations. This analysis helps us to take a view on whether such factors are supportive to our business in the country. For example, a strong desire on the

government's part to reduce emissions might create market opportunities for our core product, natural gas. Where the natural environment is different to those we have operated in to date, this early screening helps us to identify the challenges that operating in that environment might bring and hence helps to plan our resources accordingly.

New countries bring with them a different legislative regime and standards. Our Business Principle that we 'go beyond compliance with local environmental regulation to meet internationally accepted best practice' reduces the burden of differing regimes. This principle is embedded in our HSE policy and implemented through local management systems as prescribed by our corporate health, safety, security and environmental management system (HSEMS) and also

by certifying the management systems of our major operated facilities to the international standard ISO 14001. We require new operations to certify their environmental management systems to ISO 14001 within two years of acquisition or start-up of a new facility. We expect our operations in Canada (acquired in 2004) and onshore operations in Trinidad and Tobago (new development in 2006) to be certified in 2006 and 2007 respectively.

For our operating facilities, the ISO 14001 environmental management system continues to be the fundamental framework within which we manage our environmental risks. At the end of 2004, the International Standards Organisation introduced an updated version of the standard, ISO 14001:2004. This update sought enhancements in certain aspects of the management system, and all organisations with existing certified systems are required to strengthen them to conform to the new standard by May 2006. By the end of 2005, 60% of BG Group's assets had upgraded their systems and achieved certification to the new standard. The remainder plan to do so before the 2006 deadline.

As we grow, the need to strengthen internal management processes to ensure a consistent approach within our business increases. In 2005, we developed two major tools to assist in strengthening our environmental management:

- EnCompass is a tool within the business management framework that defines the requirement for environmental, community and community health management for each stage of the opportunity lifecycle. The emphasis of this tool is on identifying risks early within the lifecycle, allowing us to identify options to reduce those risks and enhance benefits. We expect to complete EnCompass and introduce it formally within the business in 2006; and
- an enhanced, Group-wide environmental data management system containing at its core a database compatible with the SAP databases that handle our main business data. The system is designed to eliminate double handling of data and allows multi-user access (see case study on page 24).

ENVIRONMENTAL ISSUES AND OUR PERFORMANCE

This narrative on environmental performance analyses aspects of the environmental data presented on page 32 of this report and is structured in four sections. The first three – climate change, air quality and biodiversity – address environmental issues that we consider key

in terms of international developments that have the potential to influence our business, both positively and negatively. The operational issues covered in the fourth section are consistent with issues that industry groups, investors and rating agencies consider as performance indicators in the oil and gas industry. We have expanded the data table on page 32 to provide more clarity on hydrocarbon spills, oil in produced water and oil on cuttings.

CLIMATE CHANGE

Society faces the global challenge of meeting growing energy needs whilst at the same time stabilising atmospheric carbon at tolerable levels. Although the technology exists today to balance these demands it is clear that there is no single panacea. Concerns about security of supply, economics and other environmental constraints demand that strategies to meet climate change will necessarily require a mix of technological solutions. One of these solutions is the efficient use of gas, the fossil fuel with the lowest carbon content.

BG Group's core business is enabling the use of gas as an energy source. 73% of our proved reserves are gas. We specialise in putting together the components of the gas chain that enable gas to be brought from remote locations to markets. We develop and promote technologies that enable gas to be used in substitution for higher carbon content fuels, with much greater energy efficiency. Introducing these technologies to the markets we supply has a consequent effect of helping to control carbon dioxide emissions in those markets.

As an example, Comgas (BG Group, 60.1%) Brazil's largest gas distribution business, located in São Paulo, develops its distribution network to allow businesses access to natural gas in replacement of diesel powered generation. Each time a business selects gas in favour of higher carbon content fuels, there is a net reduction in its carbon dioxide emissions. The total effect of the fuel substitution facilitated by Comgas since 2000 is estimated to exceed 1.5 million tonnes of carbon dioxide per year.

Our growing business offers opportunities for us to further contribute to reductions in greenhouse gas emissions. For example, in 2005, we commissioned a number of co-generation projects in India and Brazil. Co-generation technology not only reduces emissions through fuel substitution, it also introduces a step change in energy efficiency: these two combine to reduce carbon dioxide emissions by around 0.5 tonne/MWh, depending on the mix of generation fuel replaced (see case study on page 26).

International policy developments

There were significant international developments in climate change in 2005. The EU Emissions Trading Scheme (ETS) started on 1 January and the Kyoto Protocol came into force in February. The EU ETS establishes defined limits on emissions of carbon dioxide from BG Group facilities in the UK and Italy for the period 2005 to 2007. The Kyoto Protocol provides greater certainty in the area of policy regarding restricting carbon emissions and also – through the Clean Development Mechanism (CDM) – provides developing countries with the opportunity and incentive to control their own growth in emissions.

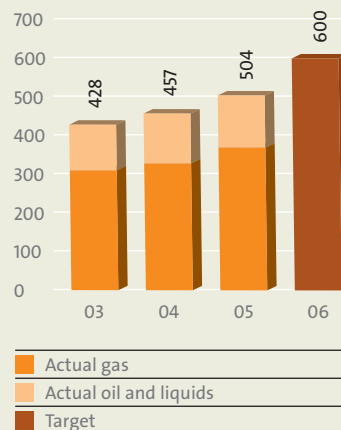
For BG Group, there are two immediate impacts for our operational business. Firstly, for business developments in the EU, we take a view on carbon costs in the economic evaluation of projects. Secondly, we are looking at the most efficient way to manage our business in relation to the emission limits set under the EU ETS. This will be by reducing our own emissions, trading or a combination of the two. We are also evaluating CDM opportunities as a potentially cost effective source of emission credits or as an additional revenue stream that may be helpful in further facilitating the use of gas as a clean fuel.

Emission reduction technology developments

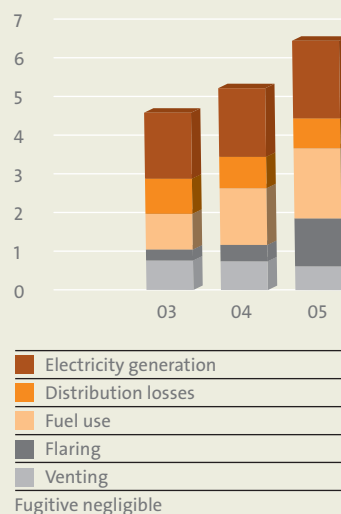
As well as these international policy developments, a notable feature of 2005 was an increased focus on the role of technology to tackle climate change. The USA, Australia, China, Korea and Japan signed an agreement in July to facilitate technology development and transfer between their countries. Carbon capture and storage is one of the technologies being promoted that is receiving significant focus. Carbon dioxide produced as a result of burning fossil fuels is separated from the flue gases and injected underground into a horizon of rock that is able to trap the carbon dioxide. This technology offers a significant advantage in the long term of being able to continue to utilise energy from fossil fuels whilst at the same time minimising carbon emissions. There are a few projects around the world that are already injecting carbon dioxide underground, usually for enhanced oil recovery but also, exceptionally, for disposal. Nevertheless, there are a number of hurdles – technological, economic, regulatory and public perception – that need to be overcome before carbon capture and storage becomes a commonplace emission management tool. The International Energy Agency's Greenhouse Gas Programme promotes

Production ('000 boed)

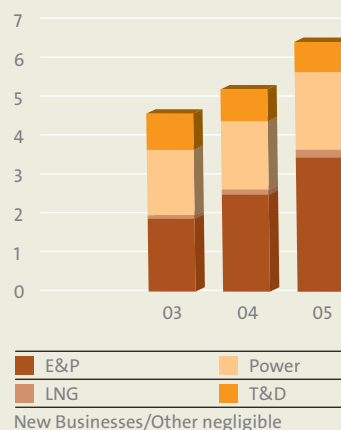
Production volumes have grown at a compound average growth rate of 9% between 2003 and 2005



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



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



New Businesses/Other negligible



Environmental emissions database

Forthcoming changes to legal reporting requirements and participation in schemes such as the EU ETS mean that we need robust systems and processes for tracking emissions and reporting performance in order to maintain compliance, minimise costs and maximise benefits. In recognition of this, we successfully implemented an environmental emissions database for all of our operated assets.

The database is designed to capture emissions to air, land and water. It provides aggregated Group-level data and offers assets a robust system to better monitor, analyse and report their environmental performance, as well as to benchmark themselves against other BG Group assets.

We have aligned our approach to the Guidelines published by the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API) to ensure that our reporting methods are consistent with industry good practice. The database will also make it easier to incorporate changes in good practice, as and when they arise.

The database has improved the integrity of our data. The system performs data completeness and validity checks and queries potential anomalies with users. It also incorporates a formal 'sign-off' process. This reduces the risk of data error. In addition, the tracking within the system offers an improved audit trail.

Web-based reports are generated via the BG Group 'data warehouse' (SAP BW). This means that users – for example, assets, Group HSSE, Finance and EU ETS traders – have easy access to relevant and timely information.

BG Group is amongst the leaders within the oil and gas industry in implementing such a system to meet the demands of a growing business and to satisfy external and internal reporting requirements.

objective review work to help to identify and tackle some of these hurdles. In 2005, we joined this programme to help contribute to this work and we will use the programme to inform our thinking. We are conducting further research into the overlay between carbon capture and storage and BG Group's business interests.

BG Group supports and promotes the use of technologies available to reduce carbon dioxide emissions. In addition to co-generation (see case study on page 26), our development of micro combined heat and power is ongoing. Under the management of Microgen Energy Limited, the home system converts the energy in natural gas to heat, hot water and electricity, which can reduce carbon dioxide by up to 1.5 tonnes per household each year. In January 2006, Microgen announced a design and development agreement with a major European manufacturer. Production of the appliance is scheduled to start in 2007 followed by commercial launch in the UK, The Netherlands and Germany.

2005 performance

In 2005, operations under BG Group's control emitted 6.5 million tonnes of carbon dioxide equivalent (comprising carbon dioxide and methane), an increase of 23% compared to 2004. Emissions per unit of throughput rose by 8%, the lesser increase reflecting the growth of the business in 2005. The increase was associated with higher than forecast gas flaring from the Karachaganak facility, a rise in the electricity exported from the Ballylumford power station (Premier Power Limited), increased energy demand to support gas production, and improved reporting figures from the Hannibal plant in Tunisia.

The increased flaring at Karachaganak was due to three events:

- equipment failure in January 2005 led to closure of the export route for the process gas: excess gas was flared while the failures were being resolved and the compressor was fully operational;
- in summer 2005, the facility started its first full scheduled shutdown. Gas was flared as the plant was depressurised for maintenance work to take place. In the subsequent restart of plant operations, the gas was flared until the gas stream met the quality requirements for export and injection; and
- in October 2005, the facility inaugurated the domestic gas supply to the town of Aksai. KPO had to ensure that the gas quality met the strict local requirements



for domestic gas utilisation before starting the domestic supply. In order to demonstrate this, the gas plant had to operate at 100% throughput for 16 days. This gas could not be utilised to full capacity during this period and excess gas had to be flared.

The upsurge in demand at Ballylumford was coupled with an increased use in fuel oil, which added to the carbon dioxide figures. In March 2005, the power station switched to fuel oil due to a contractual agreement that interrupted their gas supply for 28 days. This agreement came into effect when gas prices rose to a certain level.

In Tunisia, Hannibal's data reliability improved in 2005 as compared to 2004. Gaps in reporting closed and figures were more representative for acid gas (venting). Also, gas composition data was updated for 2005. The gas streams were sampled for laboratory analysis, which produced more accurate data than the estimates used in 2004.

Equity share emissions from our operated and non-operated activities rose by 23% to 10.8 million tonnes of carbon dioxide equivalent. The main reasons for the rise were increased electricity demand in the Philippines, LNG business growth in Trinidad and Tobago and Egypt, as well as the reasons given above for operated emissions.

Total equity share emissions per unit of throughput rose by 3% as the rise in emissions exceeded the rise in energy throughput.

Since 2003, our greenhouse gas emissions have risen by 41% to 6.5 million tonnes and our emissions per unit of throughput have risen by 8%. This rise in absolute emissions (driven predominately by the growth in our business) hides a reduction of 1 million tonnes of carbon dioxide equivalent (compared to a business as usual case) since the demerger in 2000.

We are continuing to seek emission reductions. In 2005, we completed our analysis of techniques for managing greenhouse gas emissions. As a result of this analysis we have set internal targets for all operational assets in 2006 to stimulate investigation of emission reduction options. Our operated emissions are forecast to rise by over 40% to 2010, as a result of energy demand associated with new business development. Both absolute and unit emission indicators are influenced strongly by changes to our asset portfolio, to the extent that adopting an externally quoted target could drive perverse business decisions, such as passing up the opportunity to develop an efficient combined cycle gas

turbine power station. We feel it is inappropriate therefore to set external absolute or unit emission targets at this stage of our development. We are looking at how best to quantify and report the significant emission benefits that result from our supply of gas and efficient gas burning technologies and also to quantify and report on measures we are taking to reduce our emissions compared to a 'no action' situation.

AIR QUALITY

Emissions from burning gas are low in particulates and sulphur and substituting gas for coal and oil based fuels helps to improve air quality. This quality is pertinent to new country entry where business opportunities may be driven strongly by a political desire to reduce air pollution. We reported last year on our investment in Compressed Natural gas (CNG) stations in Mumbai, India: CNG enables vehicles to run on gas rather than diesel and, by the end of 2005, Mahanagar Gas Limited had increased its number of operational CNG stations from 96 to 115. For non-mobile sources, our Cogen business in Gujarat state, India will also benefit air quality as well as the climate change benefits mentioned above.

For our own emissions, the total emissions of sulphur dioxide from our operations totalled 17 913 in 2005, a decrease of 30% compared to 2004. Total emissions per unit of throughput declined by 39% between 2004 and 2005, primarily due to less sulphur within the gas being flared at Karachaganak.

During 2005, 11 685 tonnes of nitrogen oxides were emitted, a decrease of 1% compared to 2004.

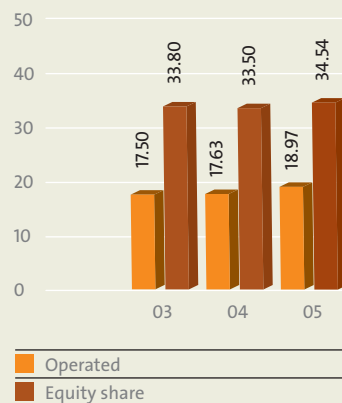
BIODIVERSITY

Efforts to further conserve biodiversity are being seen around the world as governments identify conservation priorities and introduce measures to protect their natural resources. In looking at new business opportunities we seek to identify these priorities and the measures that are being taken, such as area protection or restrictions on certain activities. We use this information to evaluate risks to the business opportunity as well as identifying if there are benefits that our investment can bring.

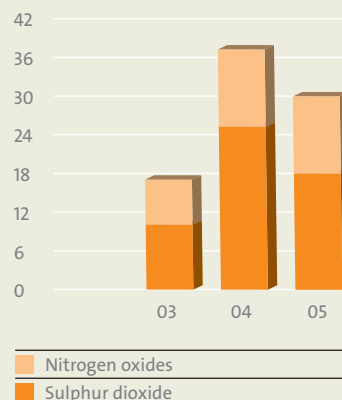
We recognise the value of incorporating information about biodiversity early in the project planning process. We assess the biological value of the ecosystem to people in the vicinity and factor this analysis into site selection and management plans for any new developments.

We are incorporating biodiversity issues into the EnCompass tool mentioned on

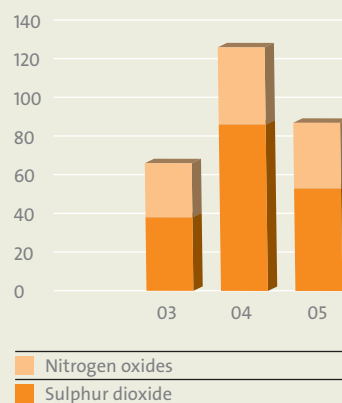
BG Group greenhouse gas emissions: by unit of throughput ('000 tonnes/mmboe)



BG Group atmospheric emissions ('000 tonnes)^(a)



BG Group atmospheric emissions (tonnes/mmboe)^(a)



(a) Refer to data table on page 32.



Co-generation: Brazil/India

Co-generation is the simultaneous production of heat and power at a lower cost than producing these separately. It provides environmental benefits due to its higher efficiency and the use of natural gas as a fuel. It can also provide additional security of supply for the customer.

Co-generation uses a gas engine or gas turbine to generate electricity on a host customer site. Heat produced in the process is used for space or process heating, or to produce cooling in an absorption chiller. These compact units are fuelled by natural gas. Co-generation technology achieves efficiency levels of 80-85%, compared to 45-60% from combined cycle gas turbine power stations and 30% from conventional coal-fired generators.

A co-generation business was launched in Gujarat, India in 2005, following our successful launch of a co-generation business in Brazil to meet the growing demand for electricity supply in São Paulo. The issues of unreliable grid power supply and the problems of pollution are making both businesses attractive to customers and local authorities.

By the end of 2005, customers under contract in Brazil and India included hotels, shopping centres, supermarkets and industrial operations. These customers receive a more secure supply of electricity, heat and (in some cases) cooling at a discount on their power costs.

In Brazil, Iqara Energy Services (BG Group 100%) has strong project development opportunities: we successfully commissioned nine co-generation projects in São Paulo – where Comgas (BG Group 60.1%) is the gas supplier – and brought these into commercial operation. In Gujarat, the latest BG Group co-generation business has successfully brought its first two projects into commercial operation and is working closely with Gujarat Gas Company Limited (BG Group 65.12%).

page 22. EnCompass will draw from, and provide direction to, the latest tools from the international oil and gas industry and the Energy and Biodiversity Initiative, an industry/NGO partnership. We continue to contribute to this collaborative work as an active member of the IPIECA/OGP biodiversity workgroup.

For our own operations, we reported last year on operations in Trinidad and Tobago and Kazakhstan that interact with particular biological sensitivities in the form of protected areas or threatened species. We are progressing Central Block, onshore Trinidad and Tobago, towards development of the entire field. We will update the environmental and social data describing the field's current conditions and conduct a full environmental and social impact assessment. Biodiversity elements of the planned assessment shall build on the initial assessment made for the three exploration wells to be drilled in 2006.

OPERATIONAL IMPACTS

Hydrocarbon spills

There were 27 incidents of uncontrolled releases of hydrocarbons to the environment in 2005. Of these reported incidents, nine resulted in spills to sea and totalled 9.4 tonnes of oil. These spills caused no significant damage to the environment.

The largest spill was 6.4 tonnes as a result of a pinhole leak from a subsea tree hose. Upon discovery of the sheen, the incident was promptly investigated and controlled.

Controlled hydrocarbon discharges to water

Discharges of oil in produced water are a significant environmental aspect for all offshore operators.

In last year's report, we published details of the work done on the Miskar facility in Tunisia (our only facility discharging condensate in produced water above the 40 mg/l international standard in 2004) as part of our commitment to improving its performance. In 2005, our trials on Miskar to reduce the condensate level were successful. The full-scale technological solution to resolve the performance problem will be installed in the facility during 2006.

Oil in produced water is one of the main environmental hazards for oil and gas companies. The primary aim in regulating the controlled discharge of oil in produced water is to reduce the environmental risk to a tolerable level. In the UK, the Department of Trade and Industry (DTI) introduced legislation that is designed to encourage operators in the UK North Sea to reduce the quantity of oil discharged during the course of offshore operations.

In conjunction with other companies, we are working with the DTI to identify the best approach to meet the new legislation.

Waste

All of our activities produce waste, which is an unwanted by-product. At BG Group, wherever we operate, we seek ways of managing and minimising waste in order to reduce volumes and to use responsible disposal methods. In Tunisia, there are plans to remove the sulphur generated by the Hannibal plant by identifying a potential buyer. This could remove onshore disposal issues and maximise recovery, and reuses the unwanted by-product.

In establishing the new environmental database we have altered our waste accounting. We now categorise waste as operational (generating waste regularly) or one-time (generating waste for a short period of time and for a specific activity, e.g. drilling, construction). This distinction should allow for better analysis of trends within assets and also benchmarking between assets and operations. Such data may help to further identify and facilitate sharing of best practice.

Resource use (energy and freshwater)

The impact of energy and freshwater use is dependent on location conditions. In some assets, resource use has little impact, while in others, water consumption – for example, for onshore facilities – can be an issue due to seasonal changes (e.g. dry season). Depending on its significance, assets have incorporated energy and freshwater use in the environmental management system as an effective way of managing the associated environmental risks and impacts to operations and projects.



Reducing the environmental impacts from drilling operations: UK

In 2000, the UK Government introduced regulations limiting the oil content of discharged drill cuttings to 1%. The equipment available at the time did not meet this level, and any drilling with oily drilling fluids required that the cuttings were contained on the rig, then shipped ashore for processing and disposal. Applying the approach 'Reduce, Reuse, Recover', UK Upstream sourced the equipment to process, exceed the regulations and discharge cuttings at the rigsite.

The trial was conducted on a small bore sidetrack of the Maria appraisal well, since this section incorporated a system to contain drill cuttings and store them onsite. The trial proved that drill cuttings could be processed at 7.2 tonnes/hour, which meant that the process could be used in the larger bore section.

The recovered base oil was found suitable for blending into the main drilling fluid system and the processor produced cuttings with an average oil content of 0.019%, far exceeding the legal requirement of 1%. The discharged solids were extremely fine and the dispersion calculated within a large area found an average pile depth of 1mm, which was negligible. The onshore liability resulting from the need to send processed solids to landfill was removed.

The value of the recovered base oil, at 18% of the mud cost for the section, was a significant saving for the operation. Actual trials on the oil mud sections produced an estimated saving of £30 000 for the well. The trial costs (equipment rental etc) were comparable with costs for the standard containment and onshore processing system.

This process won the Environment category in the 2005 Chairman's Awards.

Summary of performance against 2005 targets

Set in the BG Group 2004 Corporate Responsibility Report

Conduct

What we said we'd do in 2005

What we've done in 2005

CR management

- Gain approval for and implement the Group Policy on Social and Economic Development
- Build on corporate processes for consolidating social and environmental data to increase asset level HSE and social data assurance

- ✗ The new Business Principles alter the context for a Group Policy on Social and Economic Development
- ~ We introduced an environmental emissions database (see case study on page 24). We will work on improving the social investment data collation in 2006

Raise awareness of CR

- Work to improve CR reporting
- Review intranet and other communication mechanisms to ensure key information continues to be relevant and easily accessible
- Produce a booklet that sets out the ways our people are expected to behave in order to deliver our Business Principles
- Provide a clearer lead from management on the values of the organisation

- ~ Internal reporting improved through the Board CR Committee
- ✓ We have set a new target for reporting in 2006
- ✓ An employee survey conducted in September 2005 concluded that 'there was a high level of use of the corporate communications networks'
- ✓ The BG 'Principles into Practice' was prepared for launch in 2006. We will use the launch to reinforce the importance that the Group Executive places on our Business Principles

Benchmark performance

- Conduct a thorough review of the Business Principles in 2005, incorporating employee consultation
- Relaunch the Whistleblowing policy in March 2005

- ✓ The Board approved the revised BG Group Business Principles, which reflect comments received from stakeholder consultation
- ✓ The July edition of our employee magazine publicised whistleblowing

Enhance CR risk management

- Review the mechanisms to prioritise and manage Group and asset risks, to assess how the current approach could be strengthened
- Build on compliance reviews carried out by Internal Audit on social and environmental risk management to evaluate the appropriateness of risk assessments and mitigation strategies reported by assets

- ✓ We incorporated best practice into our Business Risk Management Process and piloted the revised process at three regional risk workshops and a number of risk workshops for assets and functions. We improved and updated the process for escalating risks from Regions to Group level using risk maps and registers
- ✓ We updated the Internal Control Process

LEGEND

- ✓ Signifies completed. We worked on this target during 2005 and have now completed all the associated tasks.
- ~ Signifies ongoing. We made some progress on this target in 2005 but have not completed all the associated tasks.
- ✗ Signifies uncompleted. This may be due to changed circumstances which mean that the 2005 target ceased to be relevant.

Our people

What we said we'd do in 2005

What we've done in 2005

Continue to build a skilled and international workforce to support business growth

- Ensure the Flexible Management Programme (FMP) is used effectively throughout the organisation
 - Ensure succession plans remain current and manage succession proactively
 - Increase investment to further develop our technical and commercial capabilities
- ✓ FMP has been developed further to include a foundation module and 41 people have completed this
 - ✓ Succession plans reviewed periodically, updated to reflect business changes and modified as we learn more about people
 - ✓ Developed capability frameworks for key disciplines, such as Production Technology. Increased investment to develop further our technical and commercial capabilities

Develop leadership in the business

- Launch third wave of the International Management Programme (IMP)
 - Continue to hold Learning and Discovery events and skills programmes to enable change
- ✓ Sixty nine people are currently participating in the second and third waves of the IMP. More than 55 people have been nominated for 25 places in the 2006 programme
 - ✓ Learning and skills development programme on-going

Maintain high performance within a supportive working environment

- Incorporate relevant survey feedback into 2005 Total Reward Statement
 - Increase employee understanding of the link between performance and reward
 - Hold half year and full year employee surveys, incorporating relevant feedback from the 2004 Sunday Times' '100 Best Companies to Work For' survey
- ✓ The UK Total Reward Statement was accompanied by a simple Total Reward booklet describing all share and incentive schemes to help increase employee understanding of the link between performance and reward
 - ✓ We conducted a number of formal employee surveys (see page 13) in addition to informal employee engagement activities

Establishment of health assurance framework

- Develop implementation plans based on findings
- ✓ Health assessment tool completed by all BG assets and gap analysis produced for 75% of assets

Maintain improvement in safety performance

- Continue implementation of behaviour-based safety (BBS)
 - Update the 14 point assurance tool to include best practice from assets
- ✓ All major operated facilities have BBS processes in place. Around 60 people attended our BBS asset conference in June 2005. We recruited a BBS coordinator for our Group HSSE team
 - ✗ The 14 point assurance tool was not updated. However, the STEP UP safety initiative was launched in October 2005 (page 14) that spelled out our goal of zero injury and laid out the road map for improving safety over the next two years. We will update the 14 point assurance tool using experiences gained over these two years

Maintain improvement in security performance

- Develop and introduce guidance on 'Implementing Asset Security' to assets
 - Introduce a scenario-based security review methodology to confirm readiness of assets to prevent major risks to their business
- ✓ We distributed a booklet 'Implementing Asset Security' to the security representatives in BG assets and discussed implementation at our Group Security workshop in November. This booklet included a scenario-based security review methodology

Society

What we said we'd do in 2005

What we've done in 2005

Understand and manage the social impacts of our business

- Integrate environment, social and health impact assessments (ESHIA) into one tool and cascade through assets ~ We integrated ESHIAs into the EnCompass tool (see page 22)
- Produce guidance on implementing results of ESHIA and Social Impact Assessment (SIA) screening tools ✓ EnCompass includes guidance on implementing the results of ESHIAs and SIAs. EnCompass will be finalised and cascaded in 2006
- Undertake independent community relations baseline survey ✓ Report presented to the Board CR Committee in December 2005 containing the results of the survey conducted by Richard Sandbrook (see page 17)
- Produce internal guidance on human rights ~ Draft human rights guidance produced. This will be distributed in 2006

Environment

What we said we'd do in 2005

What we've done in 2005

Ensure a consistent and structured approach to environment management

- Develop and implement database and data management process for our environmental data ✓ Database and process completed (see case study on page 24)

Enhance biodiversity performance

- Integrate biodiversity aspects within ESHIA tool (see above) ~ 80% complete. This will be finalised in 2006 to account for new IPIECA tools

Contribute to improvements in local air quality

- Continue to expand NGV fuelling network in Mumbai and São Paulo ✓ Mumbai: NGV stations increased from 88 to 115
São Paulo: NGV stations increased from 42 to 66
New NGV business: Rio de Janeiro City two NGV stations



UN Global Compact Ten Principles

In December 2004, we signed up to the UN Global Compact to reaffirm our commitments to respect labour standards and human rights, to operate in an environmentally responsible manner and to zero toleration of corruption.

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption are derived from:

- The Universal Declaration of Human Rights;

- The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work;
- The Rio Declaration on Environment and Development; and
- The United Nations Convention Against Corruption.

The following table shows where this report contains information on the implementation of the Global Compact principles.

The Ten Principles	Cross-reference to these principles	Page no.
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;	<ul style="list-style-type: none"> • Revised Business Principles on human rights • Draft guidance on human rights 	5 18
Principle 2: and make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> • Approach to implementing the Voluntary Principles on Security and Human Rights 	20
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"> • Revised Business Principles on human rights • Application of core ILO Standards 	5 18
Principle 4: the elimination of all forms of forced and compulsory labour;	<ul style="list-style-type: none"> • Revised Business Principles on human rights • Application of core ILO Standards 	5 18
Principle 5: the effective abolition of child labour;	<ul style="list-style-type: none"> • Revised Business Principles on treating people with fairness, respect and decency 	5
Principle 6: and the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> • Revised Business Principles on treating people with fairness, respect and decency 	5
Principle 7: Businesses should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> • Environment: our approach 	22
Principle 8: undertake initiatives to promote greater environmental responsibility; and	<ul style="list-style-type: none"> • Reducing the environmental impacts from drilling operations: UK 	27
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> • Microgen business • Co-generation: Brazil/India 	24 26
Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.	<ul style="list-style-type: none"> • Anti-corruption • Revised Business Principles on corruption 	7 5

LONDON BENCHMARKING GROUP ASSURANCE STATEMENT

We have been asked to assess BG Group's use of the London Benchmarking Group (LBG) model to measure and report on corporate community involvement activity and its voluntary and contractual contributions to social projects, as presented in the Society section on page 18.

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

The LBG model helps businesses to improve the management, measurement and reporting of their corporate community involvement programmes. It moves beyond charitable donations to include the full range of contributions (in time, in kind and in cash) made to community causes and assesses the actual results for the community and for the business.

As manager of the LBG, we have worked with BG Group to review its understanding of the model and its application to the wide range of community programmes. Our aim has been to ensure that the evaluation principles are correctly and consistently applied. We are satisfied this has been achieved. Our work has not extended to an independent audit of the data presented in this report.

Last year we commented that a key challenge for BG Group is to ensure that the management and measurement of its contributions to social projects becomes standard practice in its operating units. BG Group is currently devolving the management of community investment budgets to local operations to enable decisions to be taken closer to the area of operation, as well as to integrate its community activities more closely with everyday business practice. We commend this approach and look forward to seeing its effect on future data capture and reporting.

In evaluating its community involvement activities, BG Group continues to distinguish between purely voluntary contributions and those that are mandatory (i.e. included in contractual agreements). We believe this aids comprehension about the true scale of contributions made to social projects and commend BG Group's clear and consistent presentation of trend data over multiple years.



The Corporate Citizenship Company
London, 23 March 2006

Environment

ENVIRONMENT

These represent 100% of the direct emissions, discharges and wastes from the activities shown (see right) and 50% from our joint operated venture in Kazakhstan:

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

Emissions (tonnes)

	Venting	Fugitive	Flaring	Fuel use	Electricity generation	Distribution losses
Carbon dioxide	513 083	2	1 111 643	1 795 637	1 982 482	1 271
Carbon monoxide	0	0	3 475	32 623	3 233	0
Nitrogen oxides	0	0	781	8 382	2 522	0
Sulphur dioxide	0	0	11 498	4 915	1 500	0
Methane	4 931	842	5 460	270	255	36 669
Volatile organic compounds	5 521	156	1 429	204	70	3 087
Greenhouse gases (carbon dioxide equivalent)	616 633	17 680	1 238 417	1 816 798	2 007 435	771 312

Discharges to aqueous environments (tonnes)

	Oil in process water	Oil on cuttings	Oil spills	Process water	Drill cuttings
	202	567	9.4	3 738 986	27 855

Waste for disposal (tonnes)

	Metal	General	Hazardous	Recycled	Drill cuttings
	1 838	3 666	3 709	964	12 294

Energy use (MWhrs)

	Gas	Electricity	Oil
	7 514 539	37 497	1 130 244

Our people

PEOPLE

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

	2005	2004	2003
Employees worldwide (g)	5 363	5 175	4 596
Employees based outside UK (g)	4 000	3 912	3 551
Employees working away from home country	440	452	316
Women in management	11%	12%	11.7%

HEALTH AND SAFETY

The health and safety statistics represent 100% of the data from the aforementioned operations plus the operations at Egyptian LNG and Nile Valley Gas Company, Egypt, in which BG Group holds an interest of less than 50% but BG employees hold senior management positions.

	2005	2004	2003
Lost time injury frequency (LTIF)	0.5	0.6	0.7
Total recordable case frequency (TRCF)	2.4	2.5	1.9
Sickness absence	0.4	0.5	0.6
Occupational related illness frequency (ORIF)	0.1	0.2	0.3

Emissions (tonnes)

Total 2005	Total 2004	Total 2003	t/mmboe 2005	t/mmboe 2004	t/mmboe 2003
5 404 117	4 162 328(c)	3 507 970	15 854	14 002	13 321
39 331	10 356	5 047	115	35	19
11 685	11 767(a)	7 497	34	40(a)	28
17 913	25 513(a)	10 056	53	86(a)	38
48 427	47 139(b)	52 056(b)	142	159(b)	198(b)
10 467	9 636	7 906	31	32	30
6 468 275(d)	5 242 001(b)	4 601 150(b)	18 976	17 631(b)	17 495(b)

Discharges to aqueous environments (tonnes)

Total 2005	Total 2004(e)	Total 2003
3 767 619	3 068 125	2 704 480

Waste for disposal (tonnes)

Total 2005	Total 2004(f)	Total 2003
21 508	43 159	33 907

Energy use (MWhrs)

Total 2005	Total 2004	Total 2003
8 682 281	5 634 718	3 841 183

Conduct

	2005	2004	2003
Investigations of fraud allegations	6	–	–
Whistleblowing cases	7	2	0

Society**SOCIAL INVESTMENT**

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

	2005	2004	2003
Charitable gifts	1 064 441	855 432	848 985
Community investment	1 508 691	843 804	738 759
Commercial initiatives	808 014	1 530 500	1 197 254
Management costs	260 357	264 978	248 757
Sub-total voluntary contributions	3 641 503	3 494 714	3 033 755
Contractual	3 503 761	5 661 765	3 086 196
Total voluntary and contractual contributions	7 145 264	9 156 479	6 119 951

(a) Amended from 2004 CR Report to include fourth quarter figures from Ballylumford

(b) Reflecting reassessment of methane leakage from MetroGAS distribution system

(c) Reassessment of CO₂ loss from MetroGAS, reduced by 500 tonnes

(d) Based on revised data not available at the time of production of the BG Group 2005 Annual Report and Accounts, which quoted 6.4 million tonnes per annum

(e) Recalculated to include cuttings figure of 1 592 tonnes from BG Trinidad and Tobago

(f) Recalculated to exclude 32 033 tonnes of reinjected water misreported by KPO

(g) Average numbers throughout 2005

Independent assurance

Learning from our independent assurance process

We engaged Ernst & Young (E&Y) to carry out an independent review of our 2005 Corporate Responsibility Report. The review focused on the processes we have in place over the management and reporting of social and environmental risks, the progress we have made in Corporate Responsibility (CR) in 2005, and our corporate aggregation of HSSE, community and employee data. E&Y's report is found on page 35. E&Y identified particular strengths in our processes and plans:

- improved governance over CR matters through the introduction of the Corporate Responsibility Committee;
- further development of tools to support the consistent consideration of environmental and social risks in project-based decision making;
- completion of an independent baseline review of community investment, the results of which have been used by the Group Executive to define community investment priorities and key improvement actions at asset and Group level;
- leadership of cross industry networks on human rights and biodiversity, the outcomes of which are being used to inform BG Group positions in these areas;
- the further refinement of our Business Principles through broad-based consultation with employees and selected stakeholder groups;
- the development of a formal process for examining the risks associated with new country entry and governance over new country entry decision making; and

- the development of an environmental reporting database that has been designed to reduce transcription errors and improve consistency of the data reporting at an asset level.

E&Y identified areas for improvement in the evolving process of implementing CR. Over the coming year we will be working on the areas shown below, which are also incorporated into our targets on page 5, where appropriate:

- reporting on how we determine materiality of disclosure for CR reporting;
- mechanisms to track the roll out of the revised Business Principles (and underpinning 'Principles into Practice') and the new human rights guidance and to test understanding amongst our employees;
- criteria to establish when and how the Voluntary Principles for Security and Human Rights should be applied; and
- review and benchmark the whistleblowing telephone line to ensure it can be used for any suspected breach of policy, not just fraud.

KPMG identified five areas for improvement in their review last year (see page 29 of our 2004 Corporate Responsibility Report). This 2005 Corporate Responsibility Report describes how we addressed these five areas and the table below summarises our progress.

Areas for improvement identified in the 2004 assurance process

Our progress in 2005

Achieve greater clarity in how we report on CR performance in relation to operations that are under BG Group's control, influenced by us, or for whose performance we are in some way accountable

~ Ongoing. We have set a target for this work in 2006 (see page 5)

Build on the strong corporate processes for consolidating our social and environmental data to increase asset level HSSE and social data assurance, through asset peer review checks and independent assessments

- ✓ Implemented an environmental emissions database in our operated assets (see case study on page 24)
- ✓ In 2005, we devolved the 2006 social investment budget to the assets and provided guidance on how to identify potential projects. Future social investment expenditure will be monitored through our Group-wide financial reporting system

Review the mechanisms through which Group and asset risks are prioritised and managed to assess the extent to which we could strengthen the current approach: a top down process for Group risks to be filtered down to assets and a bottom up process for asset issues to be raised to Group

- ✓ There is an ongoing process in place for identifying, evaluating and managing the significant risks to the achievement of the Group's strategic objectives
- ✓ During 2005, the process has been strengthened and accords with the Enterprise Risk Management (ERM) principles and the Turnbull Guidance. There has been an increased focus on greater ownership and accountability for risk management in line management
- ✓ The risk management process has been made more robust at the Regional and Asset levels. Regional teams identify and assess significant risks that will prevent them achieving the Region's objectives
- ✓ The key risks are cascaded upwards to the Group level on a regular basis. Risk capture and recording have been incorporated into standard risk maps and registers

Build on the existing strong process compliance reviews carried out by Internal Audit on social and environmental risk management to evaluate the appropriateness of risk assessments and mitigation strategies reported by the assets

- ✓ During 2005 the processes for identification and assessment of social and environmental risks continued to be strengthened within the assets
- ✓ The evaluation of mitigation strategies reported by assets is ongoing and with the new sub-committee structure, will be further strengthened in 2006

Review our global intranet and other communication mechanisms to ensure key information continues to be relevant and easily accessible

- ✓ During 2005, work has continued to improve the content, the look and feel and distribution of Links magazine, Video Links and the Group-wide intranet
- ✓ An employee survey conducted in September 2005 following the BG SPIRIT sponsorship in the Global Challenge ocean race concluded that "there was a high level of use of the corporate communications networks"

Independent assurance report to BG Group plc on its 2005 Corporate Responsibility Report

BG Group plc's (BG Group) 2005 Corporate Responsibility Report (the Report) has been prepared by the management of BG Group, who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BG Group management's instructions, is to carry out a limited assurance engagement on the whole Report as outlined below in order to provide conclusions in relation to materiality, completeness and responsiveness.

Our responsibility in performing this work is to the management of BG Group only and was performed in accordance with procedures agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on this statement is entirely at its own risk.

WHAT WE DID TO FORM OUR CONCLUSIONS

Our assurance engagement has been planned and performed in accordance with the Institute of Social and Ethical Accountability's AA1000 assurance standard and the International Federation of Accountants' *International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE3000). The AA1000 Assurance Principles of Materiality, Completeness and Responsiveness have been used as criteria against which to evaluate the content of the Report.

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

1. Interviews with a selection of BG Group executives and senior managers to understand the current status of corporate responsibility activities and progress made during the reporting period.
2. Visit to the Comgas asset in Brazil to review the systems and processes in place for managing and reporting on corporate responsibility activities at asset level and to review evidence in support of claims made in the Report regarding BG Group's corporate responsibility performance.
3. Review of selected documents providing guidance and briefings to BG Group's management on corporate responsibility. Documents reviewed included minutes of Corporate Responsibility Committee meetings, BG Group's Business Principles, guidance on health, safety and environmental reporting, and the outputs of the recent community relations baseline survey. The purpose of this review was to assess the Report's content against those issues considered significant by BG Group's management and their plans for corporate responsibility activities.
4. Review of documents from stakeholder engagement activities, covering documents summarising engagement with the socially responsible investment community and engagement undertaken in relation to BG Group's Business Principles. The purpose of this review was to understand the issues raised in these activities and assess the coverage of these issues within the Report.
5. Review of social investment, employee and health, safety and environmental (HSE) data samples and processes to assess whether they have been collected, consolidated and reported appropriately at corporate level and at the asset visited.
6. Test the consistency of the claims made in the Report regarding BG Group's corporate responsibility performance against the evidence obtained through our work.

7. Review of BG Group's assertions in relation to the ten Principles of the United Nations Global Compact to test consistency with the policies in place within BG Group.

LEVEL OF ASSURANCE

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

THE LIMITATIONS OF OUR REVIEW

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

OUR CONCLUSIONS

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

Materiality

Has BG Group provided a balanced representation of material issues concerning BG Group's corporate responsibility performance?

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

Completeness

Does BG Group have complete information on which to base a judgement of what is material for inclusion in the Report?

- We are not aware of any material issues excluded from the information on which BG Group have made judgements in respect of the content of the Report.
- We are not aware of any misstatements in the assertions made by BG Group management within the Report regarding corporate responsibility activities.

HSE, Social Investment and Employee Data

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

Responsiveness

Has BG Group responded to stakeholder concerns?

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

Independent assurance continued

SELECTED OBSERVATIONS ON PARTICULAR ASPECTS OF OUR ENGAGEMENT

Our observations and areas for improvement will be raised in a report to BG Group's management. Selected areas for improvement have been included in the 'Learning from our independent assurance process' section on page 34 of the Report.

In addition, we have been asked to provide observations on selected matters discussed in the Report. These observations are set out below. Our observations do not affect our conclusions on the BG Group Report set out above.

- UN Global Compact: We have reviewed BG Group's Business Principles, relevant policies and selected practices against the ten Principles of the UN Global Compact to examine coverage of the Principles across BG Group's Principles and policies. Based on this review nothing has come to our attention that would lead us to believe that BG Group management are not committed to the application of the UN Global Compact Principles.
- Community Relations Baseline Survey: We reviewed the outputs of the community relations baseline survey undertaken in 2005 and discussed the mechanisms at Group level for defining and tracking actions in relation to the findings. We have seen evidence that the findings from the review received senior executive visibility and that key actions have been identified and tracking mechanisms established.
- Stakeholder engagement: We have seen evidence of BG Group engaging with stakeholders as a basis for informing policy and practice in certain aspects of corporate responsibility at Group and at the asset visited. For example we reviewed the outputs of the external stakeholder and employee consultation on BG Group's Business Principles and discussed with management how the outputs of these discussions were used in the refinement of the Business Principles.

OUR INDEPENDENCE

This is the first year Ernst & Young LLP has provided independent assurance services in relation to BG Group's corporate responsibility reporting. With the exception of this work we have provided no other services relating to BG Group's approach to corporate responsibility or any of the business processes relating to the management of the issues discussed in the Report.

OUR ASSURANCE TEAM

Our assurance team has been drawn from our Global Environment and Sustainability Services practice. All members of the team are experienced in social, ethical and environmental assurance having worked on similar engagements for a number of significant UK and international businesses.

Ernst & Young LLP

London, 23 March 2006

Definitions

For the purpose of this report the following definitions apply:

'BG' or 'BG Group'	BG Group plc and/or any of its subsidiary undertakings, joint ventures or associated undertakings	'ISO 14001'	International Standard for Environmental Management
'Biodiversity'	The variety of organisms found within a specified geographic region	'km'	Kilometres
'boed'	Barrels of oil equivalent per day	'KPO'	Karachaganak Petroleum Organisation
'CareShare'	Matched funding scheme for BG employees	'Kyoto Protocol'	An international agreement by nations attending the Third Conference of the Parties to the United Nations Framework Convention on Climate Change (1997) to reduce worldwide emissions of greenhouse gases
'Climate change'	A significant change from one climatic condition to another	'LBG'	London Benchmarking Group
'Carbon dioxide equivalent'	Carbon dioxide, methane and nitrous oxide aggregated in proportion to greenhouse warming potential – methane's greenhouse warming potential is 21 times that of carbon dioxide and nitrous oxide's is 310 times that of carbon dioxide	'LNG'	Liquefied Natural Gas
'CNG'	Compressed Natural Gas	'LTIF'	Lost Time Injury Frequency, expressed as injury frequency per million hours worked
'Co-generation'	Co-generation is the simultaneous production of heat and power	'mg/l'	Milligram per litre – measure of concentration of oil in water
'Company'	BG Group plc	'mmboe'	Million barrels of oil equivalent
'Core management group'	Business critical roles such as positions on the Group Executive Committee, Regional and country management teams and managers of corporate functions	'MW'	Megawatt
'CR'	Corporate Responsibility	'MWhrs'	Megawatt hours
'DOING'	BG Group's behaviour framework for people management – Delivering, Outperforming, Integrating, Networking and Growing	'NGO'	Non-governmental organisation
'EITI'	Extractive Industries Transparency Initiative	'NGV'	Natural gas vehicle
'EMS'	Environmental Management System	'OGP'	International Association of Oil and Gas Producers
'E&P'	Exploration and Production	'ORIF'	Occupational Related Illness Frequency, expressed as illness frequency per million hours worked
'ETS'	Emissions Trading Scheme	'Particulate'	Minute matter such as dust produced by combustion engines
'EU'	European Union	'PRAMS'	Political risk assessment and management strategy
'Flaring'	Disposing of waste gas by burning	'Process water'	Water resulting from the production or use of any raw material, intermediate product, by-product or waste product
'Footprint'	Physical amount of land occupied by operations	'Rashpetco'	Joint Venture Company to develop Rosetta Gas Field, Egypt
'Fugitive emissions'	Continuous low rate losses from system elements	'SRI'	Socially Responsible Investment
'General waste'	Solid and liquid non-toxic or non-hazardous waste	'Stakeholder'	Anyone with a share or legitimate interest in the Group
'Greenhouse gas'	Gas that contributes to the formation of an insulating blanket around the earth by trapping heat from infra-red radiation	'Sustainable Development'	Meeting the needs of the present without compromising the ability of future generations to meet their needs
'Group'	BG Group plc and/or any of its subsidiary undertakings, joint ventures or associated undertakings	't'	Tonnes (metric)
'GSA'	Governance Self-Assessment	'T&D'	Transmission and Distribution
'Hazardous waste'	Solid and liquid toxic or hazardous waste	'TRCF'	Total Recordable Case Frequency, expressed as injury frequency per million hours worked
'HSE'	Health, Safety and Environment, including security in relation to management systems	'UN'	United Nations
'HSSE'	Health, Safety, Security and Environment	'Venting'	Intentional, passive release of gas to the atmosphere
'IPIECA'	International Petroleum Industry Environmental Conservation Association	'Voluntary Principles'	Voluntary Principles on Security and Human Rights developed by US and UK Governments, mining and energy companies and human rights organisations

CAUTIONARY NOTE

Steps have been taken to verify the information contained in this Corporate Responsibility Report, which is believed to be accurate as at 23 March 2006. However, neither BG Group plc, nor any of its subsidiary undertakings, joint ventures or associated undertakings or their respective directors, partners, employees or agents make any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of the information in this document. Nothing in this document constitutes or shall be taken to constitute an offer, invitation or inducement to any person to invest in the BG Group and no reliance should be placed on the information in it in connection with any investment decision.

This Corporate Responsibility Report includes "forward looking information" within the meaning of Section 27A of the US Securities Act of 1933, as amended and Section 21E of the US Securities Exchange Act 1934 as amended. This information may include statements preceded by "believed", "expected", "likely to", "scheduled", "intended" or "planned". Although BG Group believes that the expectations reflected in such forward looking information are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly results could differ materially from those set out in the forward looking statements as a result of certain factors, including the Risk Factors included in BG Group plc's Annual Report and Accounts 2005. BG Group undertakes no obligation to update any forward looking statements.

