



Working responsibly

**BG Group
Corporate Responsibility
Report 2006**

Our vision

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

Cover: Improved Lost Time Injury Frequency (LTIF) and Behaviour-Based Safety (BBS) observations reporting in 2006

LTIF and BBS performance



Legend:
■ LTIF
■ BBS

As part of STEP UP (see pages 18 and 19) we have achieved an increased level of BBS observations. This allows remedial action to take place before an injury occurs, contributing to our improved LTIF performance.

Conduct



Our people



Society



Environment



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“Companies that prosper economically over the long term are companies that work responsibly”

Key events in 2006

- Revised Business Principles launched
- The first Group-wide employee survey carried out
- Community Relations Toolbox published
- Enhanced Greenhouse Gas Management Programme launched
- BG Group ranked oil and gas industry leader in environmental, social and governance performance. (Goldman Sachs)

DEAR SHAREHOLDER

I have pleasure in welcoming you to BG Group's 2006 Corporate Responsibility Report.

Corporate Responsibility (CR) is central to how we do business and is embedded in our decision making: it is the way we work. In today's competitive markets, we believe that implementing and maintaining the highest standards of CR are key to sustaining outstanding performance over the long term.

For us, CR is the practical application of our Business Principles. These Principles set out the core beliefs, values and behaviours that guide all areas of our business. The Principles cover four broad aspects of responsibility: conduct, our people, society and the environment. They are embedded in our activities from our management processes and training programmes to the way we develop and run our assets around the world. This report describes our CR performance and the challenges we face in applying our Principles.

With our goal of zero injuries, safety is one of our highest priorities right across the Company. During 2006 STEP UP, a Group-wide programme driving a step change in safety culture and performance, was rolled out across the Company. This is discussed in more detail on page 18. The year saw a 29% improvement in our Lost Time Injury Frequency, which now stands at 0.36 per million hours worked: this represents a record Group performance. We have also assembled a working group to examine the findings of the Baker Panel investigation into the Texas City Refinery explosions of 2005.

This year marks BG Group's tenth year of industry-leading growth. For me, working to the very highest standards as reflected in our Business Principles is an essential part of building another decade of growth. Business expansion brings opportunities for environmental improvement as well as challenges from managing environmental impact. The use of gas, rather than higher carbon fuels such as coal or oil, helps to reduce net greenhouse gas (GHG) emissions and improves air quality, advantages that offer particular benefits in the developing world. We contribute directly to efforts to reduce GHG emissions through two technological 'wedges' of energy efficiency and fuel substitution, a concept discussed further on page 27. Internally, improving energy efficiency is key to reducing to a practical minimum the emissions growth that comes with the growth of our business. In 2006, we launched an Enhanced Greenhouse Gas Management Programme and completed formal energy assessment reviews in our major emitting assets. This programme extends into 2007 and beyond as we implement the measures identified and seek further efficiencies in new development projects.

We recognise that building a positive relationship with local communities is key both for our reputation and for our

commercial success. We place emphasis on listening to our neighbouring communities and believe they should benefit from our presence in their area on an enduring basis. During 2006, we strengthened our community relations capability with a newly developed Community Relations Toolbox and increased our voluntary social investment by 17% to £4.2m.

You may be aware of an investigation announced by Italian authorities in February 2007 into allegations of improper conduct during the period October 1999 to March 2003 associated with the authorisation process for the planned Liquefied Natural Gas (LNG) regasification terminal at Brindisi, Italy. Such allegations are unprecedented for BG Group. We do not tolerate corruption in any form. We therefore take these allegations extremely seriously and are taking action to investigate. There is further information about this on page 14.

I would like to pay tribute to the employees of BG Group. It is their energy and creativity which have been the foundation for our success in 2006. It is they who put our CR policies into practice.

Thank you for your interest in this report. Our aim is to report fully and clearly on our CR performance and on the challenges we face as our business grows. I hope that this report reflects something about how we function and who we are, as well as about what we do.

If you have any comments, please do e-mail feedback to us at cr@bg-group.com or via the link on our website.

Frank Chapman
Chief Executive

2 Group overview

Our Group

BG Group is a rapidly growing energy business with operations in over 25 countries and across five continents.

BG Group is engaged in the exploration, development, production, transmission, distribution and supply of natural gas and gas-fired generation to industrialised countries and developing markets around the world.

Gas discoveries often require complex chains of physical infrastructure and commercial agreements to deliver the gas to markets, and BG Group has proven skills and experience in creating value from these chains.



Exploration and Production

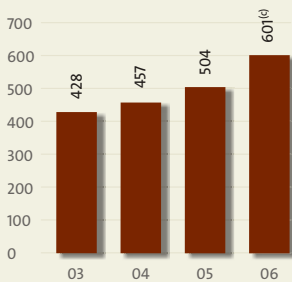
Principal operations

BG Group explores for, develops, produces and markets gas and oil around the world. Around 76% of 2006 production was gas. The Group uses its technical, commercial and gas chain skills to deliver projects at industry-leading cost levels, whilst maximising the sales value of its hydrocarbons.

BG Group's high performing Exploration and Production (E&P) business remains the centre of gravity for the Group. Production volumes increased by 19.3% in 2006. BG Group's E&P activities are expected to have achieved top quartile performance in finding and development costs and operating costs compared to its industry peers in 2006.

Performance highlights

Production ('000 boed)



Total operating profit^(a) Business Performance^(b)

£2 457m

Total Results^(b)

£2 794m

Total production up 19%

601 000 boed

504 000 boed in 2005



Liquefied Natural Gas

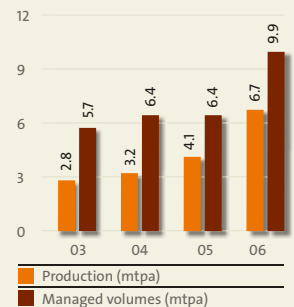
Principal operations

BG Group is a producer and marketer of Liquefied Natural Gas (LNG). It has a highly flexible portfolio of LNG and via diversions was able to access demand in 12 countries in 2006 and substantially increase profitability.

BG Group has the skills and assets to deliver low cost LNG into high value markets around the world.

Performance highlights

Production and managed volumes (mtpa)



Total operating profit^(a) Business Performance^(b)

£352m

Total Results^(b)

£283m

(a) Including share of pre-tax operating results from joint ventures and associates.

(b) See page 1 of the 2006 Annual Report and Accounts for a description of Business Performance and Total Results.

(c) 2006 includes 12 000 boed of fuel gas.



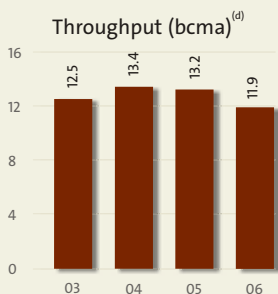
Transmission and Distribution

Principal operations

BG Group's Transmission and Distribution (T&D) activities develop markets for natural gas and provide them with supply from its own and others' production through transmission and distribution networks.

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

Performance highlights



Total operating profit^(d)
Business Performance^(b)

£231m

Total Results^(b)

£232m



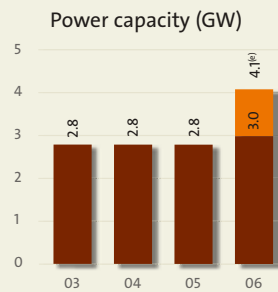
Power

Principal operations

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

BG Group has a 4.1 GW^(e) portfolio of modern efficient combined cycle generating turbines.

Performance highlights



Total operating profit^(d)
Business Performance^(b)

£106m

Total Results^(b)

£106m

Key regions

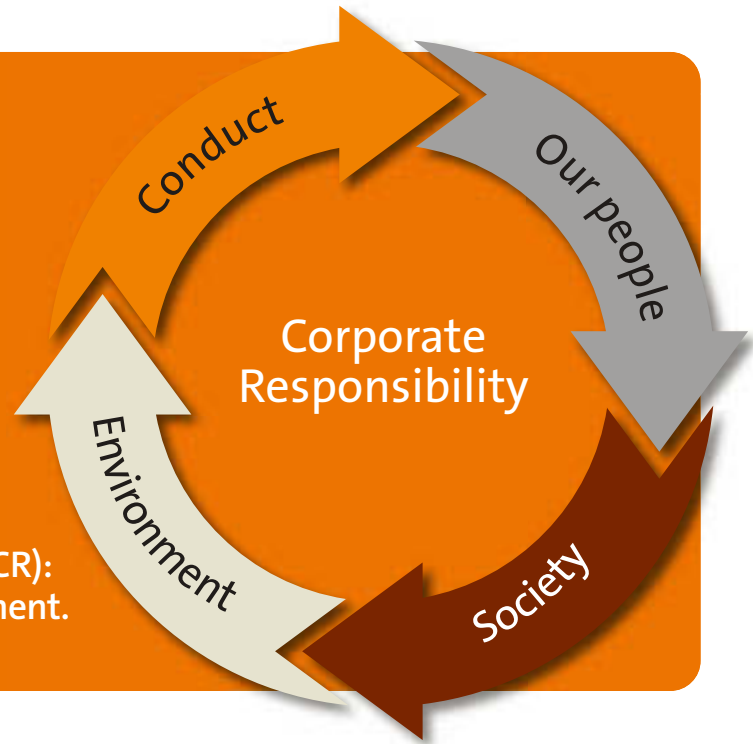
- 1 North America and the Caribbean**
 Our activities in this region consist of LNG import and gas marketing in the USA, and LNG export and domestic supply in Trinidad and Tobago. We also have E&P businesses in Canada, Trinidad and Tobago and the USA, and have a power generation business in the USA.
- 2 South America**
 We have a controlling stake in the largest natural gas distribution company in Brazil. We sell gas in Brazil and Bolivia, and supply the liquids market in Bolivia. We also hold interests in 14 exploration blocks both on- and offshore Brazil and have interests in transmission pipelines.
- 3 Mediterranean Basin and Africa**
 Production in this region is principally from Egypt and Tunisia, with exploration acreage in Algeria, Israel and areas of Palestinian Authority, Libya, Madagascar and Nigeria. LNG exports from Egyptian LNG commenced in the second quarter 2005. We also have contracts to buy LNG from Egypt, Equatorial Guinea and Nigeria to supply our markets in the USA and EU.
- 4 Europe and Central Asia**
 We have a significant offshore E&P business in the UK. Other UK activities include power generation, gas transmission, gas marketing and the development of a LNG import facility. We have exploration acreage in Norway. In Italy, in addition to existing power generation activities, we are also developing a LNG import facility. In Kazakhstan, the giant Karachaganak oil and gas condensate field accounted for 16% of BG Group's production in 2006.
- 5 Asia Pacific**
 In the expanding Indian gas market, we have a growing E&P business and interests in two gas distribution companies. We also have power generation businesses in Malaysia and the Philippines and have gas and condensate production in Thailand, and exploration acreage in China and in Oman.

(d) See page 24 of the 2006 Annual Report and Accounts for a full explanation of this chart.

(e) Includes 1.1 GW agreed to acquire in 2006, which completed in the first quarter 2007.

Our approach to reporting

This 2006 Corporate Responsibility Report presents policies and performance in four areas of Corporate Responsibility (CR): conduct, our people, society and environment.



Conduct

p10 ▶

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 in this section.



Our people

p15 ▶

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.



For more information, please visit www.bg-group.com/cr

BG GROUP APPROACH TO REPORTING

This section outlines the content of each area. Targets for 2007, together with the 2006 targets and results, are set out in a table on pages 8 and 9. These targets are based on the BG Group Business Principles, which comprise 15 statements of belief and behaviours grouped into our four areas of CR.

This report concentrates on our performance in 2006 compared with the targets we set ourselves. It also contains summaries of relevant policies and standards.

The report covers BG Group's main activities – Exploration and Production (E&P), Liquefied Natural Gas (LNG), Transmission and Distribution (T&D), Power Generation and Other businesses – throughout our regions. The data tables for our 2006 performance on pages 32 and 33 set out the basis of the statistical calculations.

Within each of the four central sections of this report – conduct, our people, society and

environment – we give our management approach to the section followed by our performance in the year, grouped under each of the Business Principles.

We have set out below an overview of each of the four sections, showing where in this report particular areas are covered. In each section we have also included one or more specific questions from one of our stakeholders.

BG Group is a signatory to the UN Global Compact (UNGC). We refer to the ten principles of the UNGC throughout this report, and on page 34 you will find a table that gives cross-references for all ten principles.

Each year, this report is subjected to an independent assurance review. The results of this can be found on pages 35 and 36. The major points identified in the review of the 2005 report can be found on page 35 together with our responses to them.

A message from Ernst & Young

We have reviewed the contents of the BG Group Corporate Responsibility Report 2006. This work has involved interviewing BG Group management, testing relevant management information, reviewing external media sources and visits to BG Group's operations in Italy and Trinidad and Tobago. Specific observations from our assurance activities are highlighted in this Report. Our conclusions, which can be found on page 36, have been prepared against the main principles of the AA1000 Assurance Standard: Materiality, Completeness and Responsiveness.

Society

p21 ▶

Examines how we manage relations with communities near our operations. It sets out our approach to checking the effect of our presence on local communities, human rights and social investment.

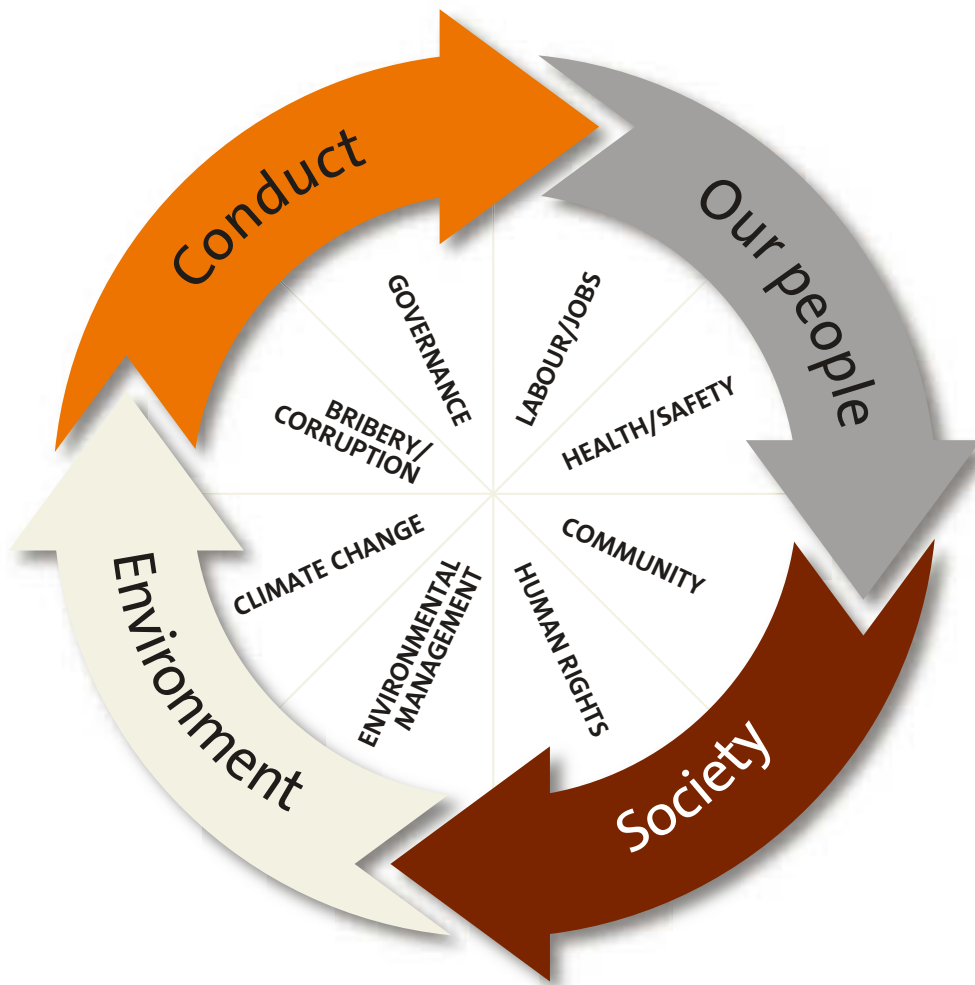
**Environment**

p26 ▶

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.



6 Materiality and scope



The following section describes the process used to decide what areas are covered in this report. Corporate Responsibility (CR) is an extremely broad area, and we inevitably have to narrow our focus when producing a report on our performance. We use the process described below to concentrate on the areas that are material to our stakeholders.

This report describes CR policies and performance related to BG Group's material economic, social and environmental impacts and risks and to substantial interests of internal and external stakeholders. The materiality of impacts and risks is determined by internal processes that reflect both broad society concerns and particular BG Group circumstances.

Our standard business risk process, used for identifying risks in the Group, is applied to CR risks. Assets and projects review and register their key risks quarterly, while high-impact risks are aggregated on a regional and Group basis to ensure that risks are managed at the appropriate level. This bottom-up approach is supplemented by functional risk assessments by specialists within the Group to identify risks occurring

in more than one location, which may indicate a systemic failure, and to define and manage non location-specific risks.

Potential risks are assessed on the basis of likelihood and potential impact. Of the risk factors covered in the 2006 Annual Report and Accounts (ARA), four are related to the issues covered in this report:

- HSSE risk – defined as a major incident which could result in injury or loss of life, damage to the environment or destruction of facilities which could have a material impact on BG Group. While low probability such an event has a potential high impact. Stakeholders, including employees, investors, governments, civil society groups, non-governmental organisations and communities affected by BG Group operations have legitimate interests in our business.
- CR risk – the risk that BG Group reputation and/or share price could suffer due to inappropriate or inadequate engagement. CR risk occurs if any part of the business fails to implement our Business Principles.
- People resources risk – recognising that our performance and ability to mitigate risks

depends on the skills and efforts of employees and management teams. Failure to attract or retain employees with the right capabilities and experience could have a material effect on the group's businesses and operations.

- Governance risk – BG Group is governed internally by our Governance framework, which includes the Internal Control Framework (covered in the ARA). Failure of the Governance framework is a potential risk, but is rated as low probability.

Policies and procedures described in this report apply to BG Group and our wholly owned subsidiaries. We work actively to encourage joint ventures and non-operated businesses in which we have an interest to adopt equivalent policies. Performance data cover operations over which we have effective management control. In the case of greenhouse gas emissions we also report BG Group equity share from operations in which we have a financial interest (see page 32 and 33).

The diagrams opposite illustrate the results of our stakeholder engagement. Stakeholder engagement informs our decision making generally, and helps us to reflect more accurately the interests and needs of our stakeholders in this report.

Key to diagrams opposite

High



Medium



Low



Governments

This shows our understanding of the importance of different issues to our host governments and local regulators. The grading attached to each category reflects the assessment of our local asset management teams based on their engagement with governments and officials.



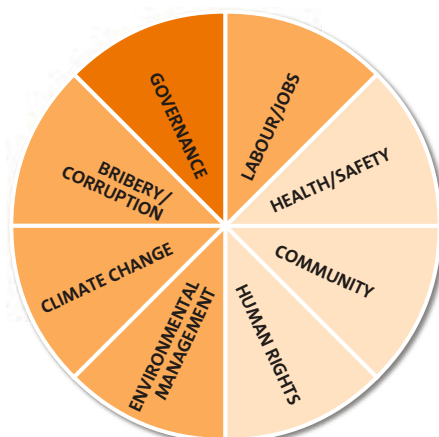
Communities

This shows the perceived importance of different issues to our local communities and the press in our countries of operation. The grading attached to each category reflects the volume of feedback received by our local asset management teams and their analysis of press reporting of the issues.



Investors

This shows the level of focus on different issues by the SRI community. The grading attached to each category reflects the volume of questions asked and feedback received by our Investor Relations team.



Public opinion

This shows the perceived importance of different issues to visitors to our website, www.bg-group.com. The grading attached to each category reflects the volume of feedback received on this website.



8 BG Group summary of performance

	Business Principles	What we said we would do in 2006
Conduct	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
Our people	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 (IMP), and continue the development of the Flexible Management Programme (FMP)
	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
Society	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 (KPIs) 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
Environment	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 (GHG) 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

Key to symbols used above:

✓ Signifies completed. We worked on this target during 2006 and have now completed all the associated tasks

What we have done in 2006

- ~ Ran more than 45 Business Principles workshops, reaching over 750 employees, and two training courses for 14 local trainers in our assets
- ~ BG Group's expectations with regard to Business Principles were included in key contracts in 2006
- ✓ Whistleblowing arrangements reviewed and benchmarked
- ✓ Materiality determined through risk management process and stakeholder engagement – see pages 6 and 7
- ✓ Issued in June with awareness raising campaign
- ✓ Country entry decisions explicitly consider the business environment, and incorporate contracts and procurement guidance
- ✓ Evaluation completed and reported on page 13
- ~ The roll out of the updated Business Risk Management Process, including reporting and monitoring activities, is currently ongoing

What we plan to do in 2007

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

- ✓ Survey carried out during May/June 2006
- ✓ Valuing Our People rolled out to the majority of employees in July 2006 with an individual letter and briefings
- ✓ Diversity survey completed by headquarters-based staff
- ✓ Recruited 58 graduate trainees, an increase of 61% on 2005
- ✓ Corporate succession plan created
- ✓ The 2006 IMP was launched with 27 participants. The FMP continued, with 274 employees attending at least one module
- ✓ Over 95% of employees and long-term contractors trained in safety intervention. LTIF improved to 0.36, the Group's best ever figure
- ✓ Leading performance indicator for health developed and in use.
- ~ Fraud training conducted for key staff, personal security awareness training conducted in Trinidad. Further training and information security training to be carried out in 2007

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

- ✓ First phase tools developed in Community Relations Toolbox
- ✓ Toolbox launched in third quarter 2006 (see case study on page 22)
- ~ Two training courses completed in 2006
- ~ Project developed, to be implemented in 2007
- ✓ KPIs have been developed and are being used to report performance internally

- Update Community Relations Toolbox in response to feedback and to include additional tools
- Continue training for all community relations staff at operated facilities
- Use Toolbox to develop community relations plans at all operated assets
- Integrate sustainable development criteria into business processes

- ✓ Quarterly reporting from assets to Group on government and community events

- Establish formal community grievance procedures at all assets.
- Establish community stakeholder engagement plans as part of asset/operation community relation plans

- ✓ Guidance launched, communicated to all assets and on intranet site
- ~ Informal guidance provided, formal criteria awaiting greater consensus amongst stakeholders on corporate human rights responsibilities
- ~ Training package developed and available

- Revise guidance on basis of UN Human Rights Council decision on Human Rights and Transnational Corporations
- Roll out human rights training across the Group

- ✓ Business expanded by 517% in 2006
- ✓ Methodology for quantifying the positive contribution completed and quantification of benefits started

- Continue quantification of positive contributions of the core business to reducing GHG emissions

- ✓ EnCompass tool rolled out in December 2006
- ✓ Biodiversity aspects incorporated within EnCompass
- ✗ The intended sale of Canadian assets has meant that this target is no longer relevant

- Embed EnCompass tool within business through training and awareness
- BG Trinidad and Tobago (onshore) to certify EMS to ISO 14001

- ✓ Database used successfully for internal and external reporting of environmental performance indicators
- ✓ Programme introduced – energy loss audits completed on all major GHG emitting installations

- Further embed Enhanced GHG Management programme into the business

- ~ Signifies ongoing. We made some progress on this target during 2006 but have not completed all the associated tasks

- ✗ Signifies not completed. This may be due to changed circumstances that mean that the 2006 target ceased to be relevant



2006 – Year in summary

- Revised Business Principles launched in April with a wide ranging communications campaign.
- 93% of employees responding to the inaugural Group-wide survey fully support our Business Principles.
- Goldman Sachs ranked BG Group as the oil and gas industry leader in environmental, social and governance management.

Conduct

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



MANAGEMENT APPROACH

BG Group has had a statement of principles in place since 1998 and reviews it annually. Today, our Business Principles consist of 15 statements of core beliefs and behaviours, produced following a comprehensive review in 2005. The Business Principles, which are mandatory for all employees, are supported by two documents that together comprise the expression of BG Group's Principles. *Corporate Commitments* describes how the Group will deliver the Business Principles. *Principles into Practice* provides assistance for employees on implementing the Business Principles in their business lives by providing a guide to the elements of our internal control framework that apply to everyone at all times.

PRINCIPLE: WE ACT WITH INTEGRITY, FAIRNESS AND TRANSPARENCY

Business Principles

The revised Business Principles were launched in April 2006 accompanied by articles in the Links employee magazine, a video interview with the Chief Executive, employee workshops and web publication. The Business Principles, *Corporate Commitments* and *Principles into Practice* are available in 10 languages and are available on the internet. The Business Principles and the supporting documents in English were distributed to all sites in the second quarter of 2006, followed by other languages as these became available. Additional supporting documents were published including revised mandatory standards and additional employee guidance. These include the Anti-Corruption standard, Human Rights guidance and the Community Relations Toolbox.

We have been running employee workshops on the Business Principles since 2003. Trainer courses for regional businesses equip local employees to run the workshops. Both the North America and Caribbean region and the South America region made workshops mandatory for all staff.

The Business Principles workshop is included as a module in our Flexible Management Programme, Business Discovery Programme and new starter induction courses, and is built into the syllabus of the International Management Programme. During 2006 we completed over 45 workshops, reaching more than 750 employees, and two training courses for 14 local trainers in our assets.

In May 2006, we conducted our first Group-wide employee survey. The survey indicated that employees are aware of and support the Business Principles:

- 84% of respondents to the Group-wide employee survey believe that BG Group maintains high ethical standards;

- 81% believe that BG Group operates with integrity in its external dealings;
- 84% believe that BG Group is socially responsible in the community; and
- 82% believe that BG Group is environmentally responsible.

Working with third parties

We have worked to cascade our Business Principles down our supply chain to our contractors and sub-contractors. In 2006, BG Group's expectations with regard to our Business Principles were included in key contracts: a pilot monitoring process is planned for 2007. We also participated in the early piloting of a joint industry solution for monitoring the CR compliance of the supply chain.

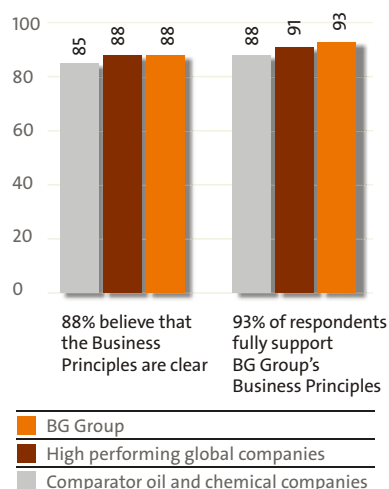
Extractive Industries Transparency Initiative

BG Group will continue to support the Extractive Industries Transparency Initiative (EITI) as it becomes the international standard for revenue management within the extractive industry. We continue to work in cooperation with host governments which have signed the EITI and seek alignment with them on procedures relating to greater transparency. Commercial confidentiality constrains our ability to disclose our payments to sovereign governments.

PRINCIPLE: WE COMPLY WITH LEGAL, REGULATORY AND LICENCE REQUIREMENTS

Our business activities are conducted in many different countries and we are subject

BG Group Business Principles survey results (%)



Source: BG Group-wide employee survey May 2006
ISR global high performing companies norm
ISR global oil and chemical companies norm

to a broad range of legislative and regulatory requirements, including competition law. We are also required to comply with conditions attached to licences which govern our operations and we may be required to obtain and comply with regulatory authorisations and exemptions. Many of the countries in which we operate may have only recently developed, or may be in the process of developing, new regulatory and legal structures. In other more mature markets regulatory frameworks continue to evolve.

Case Study

Business Discovery workshops



BG Group launched a business simulation development programme in April 2006 to introduce managers to the complexity of decisions necessary to grow the business. During the four-day programme, four teams compete against one another, running a business through decision rounds simulating 18 years of trading. Teams choose between opportunities in neighbouring countries with different environmental and social risks.

Governance and business ethics are integral to the simulation and high level CR managers were involved in the game design. The initial

country entry options include assessment of CR issues such as corruption and environmental sensitivity. The winning team is determined by scores for financial value, gas reserves in place, reputation and also by a score for HSSE. Inclusion of CR into the blue ribbon BG Group business training course reflects the central role it plays in the Group.

During 2006, over 190 people from 14 BG Group countries attended courses in the UK and India.

“How is BG Group assessing that employees across its operations understand and are committed to BG Group’s anti-bribery policy and have the requisite skills to counter bribery?”

Peter Wilkinson,
Transparency International



BG Group’s Business Principles state, “We do not tolerate corruption in any form, whether direct or indirect”. We have carried out a number of measures to assist our employees with this Principle and to counter bribery.

To ensure understanding, we have provided additional guidance within our *Principles into Practice* and *Corporate Commitments* documents, which are available to all staff. We have also provided additional training for staff in high risk countries, and produced an online anti-corruption tool for our Nigeria asset, which can be accessed across the Group.

In 2006 we launched a Group-wide Anti-Corruption standard. This provides further guidance and clarity (for example, a firm prohibition on the payment or acceptance of bribes or facilitation payments, except where this would endanger safety), and also contains six ‘Golden Rules’; practical guidance intended to help employees to counter bribery – see our anti-corruption Business Principle for these rules.

Feedback from training and whistleblowing cases help us to assess how well employees understand and are committed to BG Group’s Anti-Corruption standard.

Our whistleblowing line provides one of the channels for employees to report actual or potential infringements of the Business Principles. The total number of whistleblowing and fraud cases during 2006 was 31 (24 whistleblowing, 7 fraud), compared to 13 in 2005 (7 whistleblowing, 6 fraud), indicating an increased level of awareness. We found evidence of fraud in six cases and four employees were dismissed.



For more information please visit:
www.bg-group.com/crquestions

Information on our assurance process in respect of compliance with the Business Principles is set out in the Compliance section below and in the Corporate Governance section of the 2006 Annual Report and Accounts.

A new standard on Political Donations was issued in November. The standard implements BG Group’s policy, stated in our *Corporate Commitments*, that we do not make donations to political parties, other political organisations or politicians. It is intended to ensure that BG Group complies with UK legislation on political contributions. In addition to stating the prohibitions, the standard includes practical guidance in identifying and avoiding political donations.

PRINCIPLE: WE DO NOT TOLERATE CORRUPTION IN ANY FORM, WHETHER DIRECT OR INDIRECT

Principle 10 of the UN Global Compact states: “Businesses should work against corruption in all its forms, including extortion and bribery”. A Group-wide Anti-Corruption standard was launched in June. The standard was drafted on the basis of lessons learned from the experience of BG Nigeria, which trialled the standard in 2005. It states a firm prohibition on the payment or acceptance of bribes and facilitation payments. It includes six ‘Golden Rules’ intended to help employees avoid or deal with difficult situations:

- be familiar with BG Group’s Business Principles;
- refuse all requests for bribes or facilitation payments;
- do so with courtesy and good humour wherever possible;
- report and record all incidents of requests for bribes;
- if refusal to pay would endanger your own or anyone else’s safety, pay the bribe or facilitation payment, but report it immediately; and
- think ahead. Find ways to avoid situations where you may have to make the choice between corruption and danger.

The standard also requires all of our businesses to maintain a register of offers and demands for illegal payments, and any payments made under duress. This allows management to understand the business environment in which colleagues work and to put in place management tools if necessary. Training on the standard is included in the wider Business Principles courses. This has been supplemented in Nigeria with online training for new recruits and workshops for asset staff based in Lagos and the UK.

The Gifts and Hospitality standard was revised during 2006 to cover gifts and hospitality offered as well as received. The revision is consistent with the Anti-Corruption standard and the Political Donations standard. No gifts or hospitality may be given or received if they may create a real or perceived conflict of interest. There is a requirement to register and report gifts and hospitality given or accepted above specific values. These values may vary, and are set at an appropriate level dependent on location and role.

Our Conflict of Interest policy gives guidance to employees on how to identify potential conflicts between personal activities or relationships and the business of BG Group. The policy requires individuals to disclose potential and actual conflicts and, where necessary, to absent themselves from relevant decisions.

PRINCIPLE: OUR INVESTMENT CRITERIA TAKE ACCOUNT OF ECONOMIC RETURNS, ENVIRONMENTAL IMPACTS, SOCIAL CONSEQUENCES AND HUMAN RIGHTS

BG Group is prepared to reject business opportunities where it is not possible to do business in accordance with our Business Principles.

We have a formal Group-wide process, known as the Value Assurance Framework (VAF), which improves and informs our decision making as business opportunities move from one phase to the next. This is being revised in 2007, and will include questions around the potential to build sustainable development outcomes into the development of business opportunities.

Environmental, Social and Health Impact Assessment

In considering any investment decision, the risks to the local community and the environment are assessed as part of our standard business processes. This ensures that the impact of these risks – including any financial implications – is understood and is part of the business decision making process.

For new exploration and development activities we carry out an environmental risk assessment as part of our risk management practices. This risk assessment seeks to identify and assess potential environmental, social and community health impacts resulting from proposed activities. Once impacts are identified, mitigation measures are put in place that are designed to reduce the impact to a practicable minimum.

Where an investment requires BG Group to enter a country for the first time, the risks posed by this entry are assessed and our ability to do business in the country in compliance with our Business Principles is considered before any proposal is sanctioned.

PRINCIPLE: HIGH STANDARDS OF CORPORATE GOVERNANCE ARE INTEGRAL TO THE WAY WE MANAGE OUR BUSINESS

In 2006, the principal activities of the Corporate Responsibility Committee included:

- a review of BG Group's Business Principles;
- assurance that the Group would be able to conduct its business in accordance with those Business Principles in new areas of activity;
- a review of CR issues in Algeria, Egypt, Nigeria and Madagascar to understand the risks and gain assurance that the Group is managing these effectively;
- a review of community relations;
- consideration of an independent report on sustainable development;
- a review of the Group strategy for managing greenhouse gas emissions; and
- receiving regular reports on HSSE.

A comprehensive and rigorous evaluation of the performance of the Committee was conducted during the year. The evaluation was led by the Chairman of the Committee and supported by the Company Secretary and comprised a series of one-to-one interviews between the Chairman and the Committee members. The interviews were based upon a number of key areas including CR policy and practice, and Committee size and composition. The results of the interviews were then collated and considered at a Committee meeting.

This process led to a number of enhancements covering the frequency of meetings, information sessions and employee communications which will be implemented during the course of 2007. Following this review, the Committee concluded that it was operating effectively.

An exercise was begun in 2006 to review the effectiveness and completeness of the governance assurance process in BG Group. The conclusions of this exercise are due in 2007.

Compliance

Since March 2006, compliance with the Business Principles has been overseen by the Governance and Risk Committee (GRC), a sub-committee of the Group Executive. The GRC reviews and monitors compliance with a number of policies which are relevant to this activity, including the Whistleblowing policy and the Fraud Risk Management Directive.

During 2006, the Group's Whistleblowing policy was the subject of a comprehensive review that included a comparison with peer organisations. As a result, changes to ownership, oversight and structure of the policy and supporting processes were



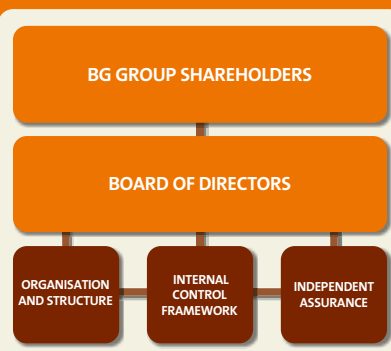
“At Board level, more and more attention is being paid to how we implement Corporate Responsibility.”

Sir John Coles,
Chairman, Corporate
Responsibility Committee

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

BG Group has an established Governance framework that is overseen by the Board of Directors, who are ultimately responsible to the Company's shareholders. The framework is made up of three elements:

- Organisation and Structure
- Internal Control Framework; and
- Independent Assurance Procedure.



The full report on corporate governance, which describes the Governance framework in more detail, is set out on page 45 of BG Group's 2006 Annual Report and Accounts.

The Board of BG Group established a Corporate Responsibility Committee to assist in providing strategic leadership, direction and oversight, and policy setting on all Corporate Responsibility issues including Health, Safety, Security and Environment (HSSE), community relations, human rights, Business Principles and sustainable development. The Committee

also reviews the Group's Corporate Responsibility risk exposure and performance, to gain assurance that HSSE, community relations, human rights and related risks are managed effectively across the Group.

The Chairman of the Committee is Sir John Coles and the majority of its members are non-executive Directors. The membership of the committee is shown on page 48 of the 2006 Annual Report and Accounts, and its terms of reference are published on the BG Group website.

implemented during 2006, and awareness of the policy has been raised. Responsibility for investigating whistleblowing reports, allegations of fraud and other potential breaches of Business Principles, and for ensuring that an appropriate response is taken, including disciplinary action when required, was brought together under the control of the General Counsel, who reports to the GRC on such matters.

During the year, advanced fraud training was provided to asset fraud officers at a two-day fraud workshop held in the UK. This training was provided by KPMG and Control Risks Group.

The total number of whistleblowing and fraud cases during 2006 was 31 (24 whistleblowing, 7 fraud). We found evidence of fraud in six cases and four employees were dismissed. None of the reported fraud cases

were material – the amounts involved ranged from £116 to £3 300. None of the whistleblowing or fraud cases constituted significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting, and they did not involve management or employees who had a significant role in the Group's internal controls over financial reporting.

Every year, our high level managers review their internal control environments by completing the Governance Self Assessment questionnaire. This continues to be the main mechanism that provides assurance over the generic application of the Business Principles.

In February 2007, the site of the planned Liquefied Natural Gas (LNG) regasification terminal at Brindisi, Italy was seized in

connection with a criminal investigation by Italian authorities into allegations of improper conduct during the period October 1999 to March 2003 associated with the authorisation process.

We do not tolerate corruption in any form. We therefore take these allegations extremely seriously and, although no charges have been brought, BG Group instigated an independent internal investigation by Debevoise & Plimpton LLP, a New York law firm, reporting to the Audit Committee.

BG Group is continuing to investigate whether there was any improper conduct by any employee or agent of the Group's Italian subsidiaries in connection with the Brindisi LNG project.

Further details of the criminal investigation and BG Group's own internal investigation are contained in the Directors' report in the Annual Report and Accounts.

Investor dialogues

The 2006 BG Group presentation and discussion session with the Socially Responsible Investor community was led by an Executive Vice President, the Regional Managing Director for our Mediterranean Basin and Africa region. Areas of focus were transparency and entry into new countries.

Shareholders and analysts can access reports and presentations on the BG Group website. In addition, the Group maintains an active programme of engagement with major shareholders on CR issues, including face-to-face meetings with analysts and written responses to surveys.

BG Group continues to be well placed in ethical indices. BG Group has continued membership of the Dow Jones Sustainability Indices and FTSE4Good index, and BG Group was ranked in first place by Goldman Sachs in its environmental, social and governance (ESG) framework report. This report, "Global Energy: Enhanced energy ESG framework", was published in October 2006 and showed BG Group leading the industry in ESG. This first place ranking was an improvement from 3rd place in August 2005 and 8th place in February 2004. Goldman Sachs' research integrates ESG performance with analysis and valuation. They find a strong overlap between ESG winners and companies with access to the industry's new legacy assets.

Risk management

In 2006, the identification, prioritisation and reporting of regional and asset risks moved from a category approach to an approach where specific risks to the business plan objectives and strategies are identified. The reporting of risks was also changed to give a three dimensional view showing Likelihood, Impact and Effectiveness of Controls.

During the year a number of risk workshops were held at regional, country and group level. In order to identify significant risks facing BG Group and to identify key areas of focus for 2007, two additional corporate risk workshops were held in early November. Due to the broader approach taken by the functional heads in identifying Group exposures, an additional four risks were defined and included as Group level risks. Each of the Group risks was allocated a functional owner

Ernst & Young remarks



In both Trinidad and Tobago and Italy we saw evidence that the revised BG Group Business Principles were being communicated to employees. We saw that posters were placed in high profile areas around offices and sites. In BG Italy the documents explaining the BG Group Business Principles were available in Italian and English. In Trinidad and Tobago all staff were required to attend CR workshops, which cover the Business Principles and the policies and standards that underpin them. Our interviews with staff indicated that these workshops had been well received.

(to develop appropriate mitigation actions) under the overall responsibility of the Group Executive Committee.

A number of exercises were carried out in 2006 relating to risk management, for example on pandemic flu and the risk of terrorist attack. Further information on these is available in the Our People section of this report.

Case Study

Keeping the gas on in Gujarat State, India



GGCL was the only public utility service to continue operations during the flood, providing a vital service that enabled city residents to boil water for cooking and hygiene needs.

Over a space of seven days in August, Surat city in Gujarat state experienced severe flooding when the Tapti river burst its banks and engulfed 90% of the city. Parts of the city were submerged in 22 feet of water.

Gujarat Gas Company Ltd (GGCL), in which BG Group owns a 65.12% controlling stake, is the major natural gas distributor in Gujarat. With flooding levels reaching 15 feet at GGCL's offices, GGCL engineers continued to attend to the numerous gas leaks caused by the force of the water during the flooding.

"The people, trade and industry and the members of the Chamber join me in congratulating you on the outstanding performance of your staff and officers during the unprecedented and devastating floods that shook the backbone of the industrial hub of Gujarat."

The Southern Gujarat Chamber of Commerce and Industry





2006 – Year in summary

- Average employee numbers increased on a like-for-like basis to 4 665.
- STEP UP safety initiative continues to improve safety performance.
- One contractor fatality in Kazakhstan.
- First Group-wide employee survey carried out.

Our people

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



MANAGEMENT APPROACH

BG Group's Business Principles lay out the Group's approach to its people – how we treat our staff and help them to develop their potential, and how we strive to keep our people healthy, safe and secure at work. Our Business Principles are supported by our Human Resources and HSSE policies, procedures and guidance designed to drive continuous improvement in performance.

STEP UP, a Group-wide programme designed to support the drive for a step change in safety culture and performance, was launched by the Chief Executive in October 2005, following a major review of the way the Group manages safety. The programme is based on the Group's belief that all injuries are preventable and will support the journey to the Group's ultimate safety goal of zero injuries.

Our annual Chairman's Awards programme encourages innovation and continuous improvement in CR, and stimulates the sharing of best practice. In 2006, 58 entries were received from 14 countries for the Safety and Health categories. The winning entries are published on our website.

We have 4 665 direct employees, in over 25 countries. Our workforce possesses expertise across the gas chain, enabling flexibility in reaching new markets, securing resources

and building projects. Flexibility allows us to operate in diverse locations, master different skills and work well in multi-cultural teams.

PRINCIPLE: WE TREAT PEOPLE WITH FAIRNESS, RESPECT AND DECENCY

We base our employee relations on respect for the individual and fair, equitable treatment for all. BG Group fully supports the rights and opportunities of all people to seek, obtain and maintain employment without discrimination – we have a Group-wide Human Resource policy, Equality and Diversity statement and a Harassment policy in place as part of our commitment to creating an environment where employees are able to conduct business without discrimination and free from harassment of any kind.

BG Group recognises that our people want to balance the demands of their working lives with other responsibilities, interests and aspirations. Flexible working patterns can assist in achieving that balance, and also bring benefits to BG Group as an employer; they can positively impact employee commitment and motivation, and support the retention of skilled and experienced staff. In 2006, 76 BG Group employees in the UK had formal flexible working arrangements in place.

BG Group's people come from many different cultures and backgrounds. We recognise and harness these differences:

- within our core management team, 17% are nationals other than UK/US, and 9% are women;
- 48% of our asset management teams are local; and
- 22% of our workforce is covered by trade union agreements and we are committed to working effectively with trade unions where appropriate.

In 2005, we committed to carrying out our first Group-wide employee survey. A summary of the results from this survey is given below.

BG Group performed well against the benchmark group in a number of areas, particularly safety, engagement and culture. Areas where BG Group ratings were less satisfactory were performance management, clarity on individual accountability, and concerns over stress and workload. In the case of stress and workload, no benchmark comparison is available. We are investigating the issues around this, and devising practical responses and solutions.

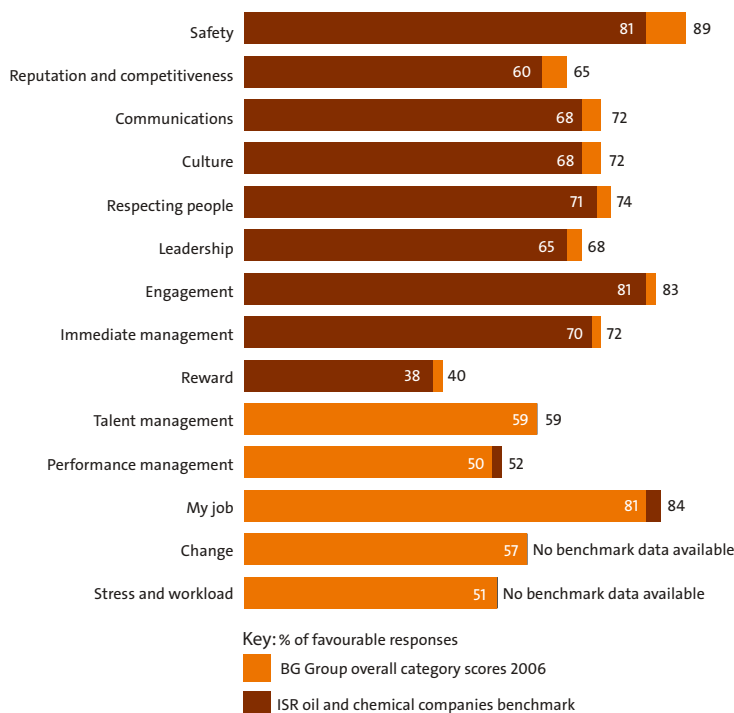
Although in line with the industry benchmark, responses in relation to reward and performance management need further

Case Study

Group-wide employee survey results

In 2005, we committed to carrying out our first Group-wide employee survey. This was designed to gauge views on a range of issues including leadership, HSSE, levels of reward, personal development and working culture, and was carried out in the first half of 2006. In order to guarantee anonymity and compare ourselves with other organisations we engaged an independent company, ISR, to run the survey on our behalf. A summary of the findings is given opposite.

BG Group-wide employee survey results



exploration. A remuneration review is being carried out to investigate more fully how our employees understand and value the various elements of their reward package.

We are taking an employee-led approach to the results of this survey by encouraging staff to discuss the results for their area and team, suggest ideas for making improvements and help to devise action plans to resolve the issues identified.

Following the introduction of new age discrimination legislation in the UK, in the latter half of the year we provided refresher briefings for the majority of UK-based employees on equality and diversity including the avoidance of discrimination on grounds such as gender, race, disability, religion or belief, sexual orientation or age. We also carried out a full review of all policies and processes in the UK to ensure that no inadvertent age discrimination exists. In 2007, we will be rolling out these equality and diversity briefings worldwide.

PRINCIPLE: WE HELP EMPLOYEES DEVELOP THEIR POTENTIAL

We aim to provide our employees with the tools and opportunities to develop their potential. At the end of 2006, 529 BG Group employees (11% of our workforce) worked away from their home country. The number of international assignees who do not have the UK or USA as their home country has risen by 47% in 2006 from 57 to 85; this is in line with our aim of developing our local staff. Our innovative development programmes enable knowledge of the industry to be gained quickly, reducing the time taken for individuals to become fully effective. 70% of management vacancies (in executive, regional and country management teams plus specialists in our corporate headquarters) were filled by internal candidates during the year.

Career development is key to continued success for BG Group, and was underlined in the employee survey. Our approach is that development is a joint responsibility for the individual and the Group, and that individuals learn best through experience. To support this, all employees are provided with the opportunity to take part in an annual development review – a wide-ranging discussion that is deliberately set apart from the performance review and explores ways in which BG Group can help with their development.

Other highlights in 2006 included:

- 58 graduates taken onto the international graduate scheme, the Company's largest ever intake, representing ten nationalities. These graduates have been recruited into six different countries, and each graduate trainee has a placement away from their home country as part of their development;

- launch of our Business Discovery Programme, an innovative business simulation programme addressing strategic and commercial issues and requiring cross-functional teamwork to achieve success (see case study on page 11). This four-day programme is open to employees from all functions and locations and benefits from a cross-section of experience and expertise;

- the provision of the new Performance Through People tool, which gives managers practical tools and techniques to better equip them to manage and develop individuals. We have also run sessions on a variety of management responsibilities including performance management, sickness absence management and conducting performance reviews;

- the introduction of the Parenting Process, with the appointment of Parenting Managers. This process ensures that people know the level they have reached in their career and what they need to do to progress to the next level; and

- in Kazakhstan, we have initiated a pilot programme to deliver a locally-based management and leadership diploma with international recognition. The programme was developed for BG Kazakhstan by a local training provider, with BG Group line managers providing input to ensure it met BG Group business needs. The course is delivered in both Russian and English and the assignments are tailored around business specific scenarios; in addition, tutors visit and coach the attendees in their workplace. Following the success of the pilot programme, a full international management diploma will run in 2007.

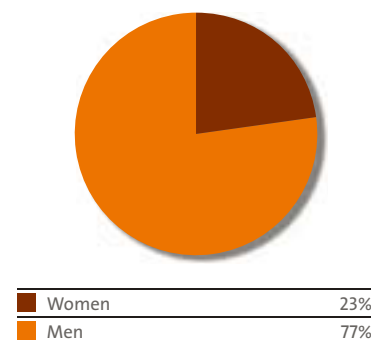
In 2006, we introduced a new grading and accountability framework. This project utilises a consistent accountability and related grading framework across the organisation, giving increased fairness and transparency. This provides:

- a more transparent grading system;
- a natural framework for delegation and control and an optimum management structure; and
- space for the growth of individual creativity and development in line with organisational needs.

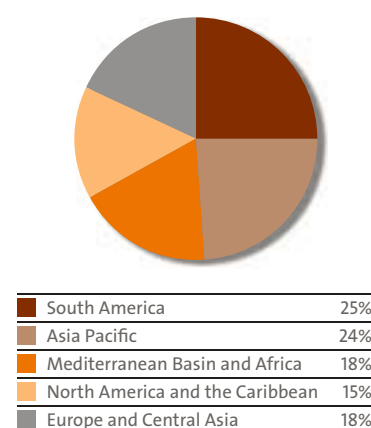
PRINCIPLE: WE BELIEVE THAT ALL INJURIES ARE PREVENTABLE

Operational and occupational safety is absolutely core to the way we run our business – we have an ultimate safety goal of zero injuries. Two measures of our safety performance are Lost Time Injury Frequency (LTIF) and Total Recordable Case Frequency (TRCF) per million hours worked.

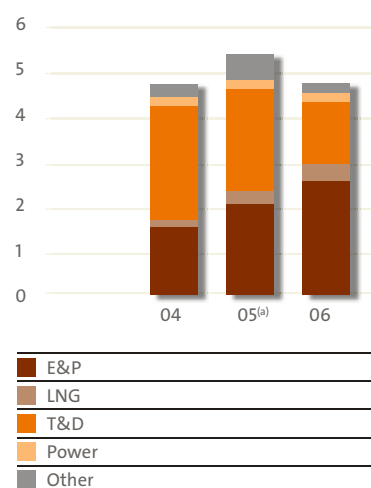
Gender split in global workforce



Employees by region As at 31 December 2006

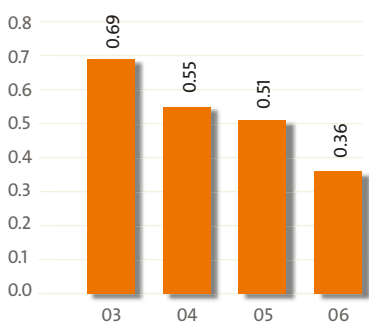


Average number of employees by business segment ('000)

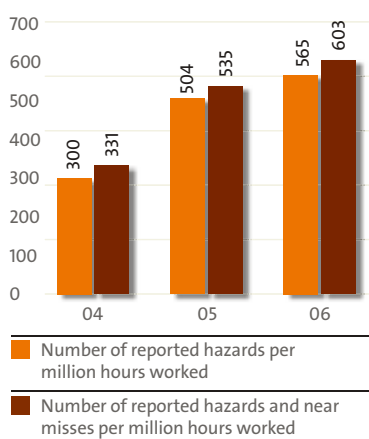


(a) Included in this figure are an average of 1 009 employees of MetroGAS S.A. This company was deconsolidated at the end of 2005. On a like-for-like basis average employee numbers increased from 4 354 to 4 665.

Lost time injury frequency (per million hours worked)



BG Group hazard reporting (per million hours worked)



Key to our safety improvement has been the increased involvement of our staff in monitoring safety in the workplace. This has resulted in increased risk awareness and hazard reporting. As part of STEP UP, we have had an increase in the volume of hazard and near miss reports and Behaviour-Based Safety observations, which has allowed remedial action to take place before an injury occurs, thus contributing to our improved LTIF and TRCF performance.

In 2006, our LTIF improved by 29%, from 0.51 in 2005 to 0.36 in 2006. This is a record figure for BG Group, and compares well with industry benchmarks: the International Association of Oil and Gas Producers (OGP) comparator; figures for 2005 are 0.97.

Our improvement has been equally significant measured by TRCF, with a 31% improvement from 2.39 in 2005 to 1.66 in 2006. Additionally, recordable injury cases reduced from 195 in 2005 to 116 in 2006.

However, there has been one fatality in the year. The fatal incident involved a firefighter in Kazakhstan. It occurred when a reversing fire engine trapped the firefighter against a steel door, following a response to a local village fire. Although full compliance with existing rules would have prevented the incident, the Group has further strengthened the safeguards by segregating operational areas from cleaning and rest areas. In addition, there is now a mandatory requirement for a reversing marshal for all

heavy vehicles. All assets were contacted with details of this incident and required to assess whether the circumstances of this incident could occur elsewhere. The resulting global review showed that remedial action has been taken where necessary.

STEP UP

The STEP UP programme has had a clear impact across the Group. By the end of 2006, over 95% of employees and long-term contractors had been trained in safety intervention, raising their safety awareness and engagement and giving them the skills and tools to intervene every time they see an unsafe action.

STEP UP has communicated a clear vision, has been successful in engaging employees in safety, and has encouraged them to make a personal commitment to delivering a step change in safety performance, as evidenced by the answers to the safety perception questions included in the BG Group employee survey:

- 97% said they understand what is required from them with respect to “My contribution to a safe working environment”;
- 94% said they believe the Company cares about their safety; and
- an 89% positive response was received to the questions aimed at judging employees’ perception of the Company’s approach to managing safety.

Case Study

Successfully implementing STEP UP across the Group



Following the launch of the STEP UP campaign, joint venture partners participated with BG Egypt colleagues and contractors in safety workshops as the teams drew up action plans to improve safety for local locations and functions.

BG Egypt has improved driving safety, raising awareness of the risks and mitigation methods. This campaign has significantly improved the quality of driving amongst BG Group employees in Egypt. Driving represents the company’s highest risk to the individual – there are approximately 13 times more fatalities on Egyptian roads than on UK roads per 10,000 motor vehicles.

Source: ‘Estimating global road fatalities’, 2000 Transport Research Laboratory

Egypt LNG pursued a 24/7 approach to improve safety both in the work place and in the home (the location of most accidents). This approach has helped embed a positive safety culture and supports BG Group’s drive for a step change in safety performance.

Delivery of the 24/7 message was achieved through support for home safety initiatives including:

- employee safety gifts such as high-visibility book bags;
- defensive driving courses for local school bus drivers; and
- first aid training for families.



STEP UP branding has been used effectively across the Group and many assets are using the brand for their own initiatives. A number of best practices from the assets have been highlighted for use elsewhere in the Group:

- BG India assets' approach of focusing on Life Savers (simple, mandatory rules which govern the most hazardous activities in our business) during safety tours and other initiatives to embed familiarity with the Life Savers, including developing supplemental Life Savers related specifically to key risks in their operation;
- Mahanagar Gas's initiatives in mobile learning and in the use of pictorial safety posters to get safety messages across with their migrant workers;
- Egyptian LNG and our North America and Caribbean's 24/7 approach to safety to ensure that "safety is something we take home with us" as a way of demonstrating caring leadership through support for home safety initiatives; and
- BG Egypt's initiatives to promote safe driving have significantly improved the quality of driving amongst BG Group employees. In addition, BG Group is a key player, with other oil companies, in a nationwide campaign to improve the overall quality of driving by the general public in Egypt.

PRINCIPLE: WE PROVIDE HEALTHY, SAFE AND SECURE WORK ENVIRONMENTS

Health

BG Group work environments include both operational and office environments. Occupational health thus covers a wide range of issues, from display screen equipment to manual handling and noise pollution.

A BG Group corporate plan to deal with a possible flu pandemic was developed during 2006. The plan was reviewed by the external organisation Control Risks Group who commented "BG Group has achieved a level of preparedness which is at the leading edge when compared to similar organisations. The planning process employed has established best practice and the outcomes will enable BG Group to prepare and respond effectively to a pandemic".

All assets produced pandemic contingency plans based on the corporate generic plan, taking account of local considerations. These plans have all been reviewed and upgraded as required. The Group has also purchased a stock of anti-viral medication.

During 2006, we continued to address the challenge of HIV/AIDS. Our operations in Nigeria are addressing HIV/AIDS issues based on Group policy and guidance, although

there is no evidence of a significant problem in the BG Group workforce. Non-discrimination, no pre-employment HIV testing and a balanced support programme for infected employees will form the backbone of the asset programme. A wellness programme has been instituted to educate the workforce about the nature of HIV and the means of prevention. Employees, their spouses and up to four children will be eligible for voluntary counselling, HIV testing (upon subject request), specialist referral, paid anti-retrovirals and psychological support.

Work-life balance and stress questions were asked in the 2006 Employee Survey. The issues raised will be further investigated in 2007 and findings, including management training in stress risk assessment, will be implemented where appropriate. Once piloted, training will be delivered across the Group. Individual assets, such as Premier Power, have also produced their own schemes for managing stress issues.

Examples of country-led programmes include:

- in BG Kazakhstan a coach has been engaged to implement a wellness programme focusing on one-to-one personal training, team activities and change management – 62% of staff engaged in the initiative; and
- in the Philippines, a comprehensive Employee Wellness Programme including health education, wellness assessment and fitness programmes produced significant changes in employee cholesterol levels and obesity.

Safety

BG Group recognises that it is good business to ensure a safe working environment for all of its employees, contractors and subcontractors, and to comply with all applicable legislation in this area. The Group takes a risk management approach to ensuring the safety of its working environments. This approach can be applied equally to all working environments, from an office to an onshore LNG facility or an offshore gas platform.

It is a Group requirement that all operating assets have an operational safety case – a document that demonstrates to our staff and other stakeholders that the risks associated with the operation are as low as reasonably practical. A review will be carried out to ensure that all of these are up to date by the end of 2007. The operational safety case is designed to be a live document, updated as required as part of our hazard management process.

Twelve BG Group assets completed our Asset Integrity Baseline Assessment (AIBA) in 2006. All operational upstream, T&D and Power assets now have updated baseline assessments, with the exception of Egyptian LNG and LNG Shipping, which are scheduled for assessment in 2007.

The asset integrity programme is designed to reduce the risk of a major accident occurring as identified improvement actions are completed. Actions identified from the AIBA are assessed, prioritised and actioned. Of the 2 200 actions identified, over 1 500 were reported as closed during the year.

Case Study

Improving occupational health in Northern Ireland



PREMIER POWER, NORTHERN IRELAND

In Northern Ireland, Premier Power has undergone marked changes in recent years, including reductions in employee numbers. Sickness absence figures and poor health profiles suggested that morale may have suffered. An intensive programme was developed targeting the prevention of ill health and promotion of wellness. Remedial programmes were initiated for those identified with raised cholesterol, blood pressure, body mass index and stress.

Results were remarkable, with:

- a reduction in sickness absence from 5.5% to 1.9% between 2002 and 2005 (and a cost saving of some £200 000);
- over 82% of employees attending the health promotion programme in 2004 – 2005; and
- a significant fall in the numbers of employees who smoke.

“How is BG Group ensuring excellence in process safety in the wake of the Baker Report, and what leading and lagging indicators is the Group using to monitor internally and communicate externally?”

Nick Robins, Head of SRI Funds, Henderson Global Investors



BG Group views the management of asset integrity (process safety) as a fundamental requirement. Our AIBA programme benchmarks asset integrity, and is one of a number of activities that aim to improve asset integrity at BG Group; others include minimum engineering and operations standards, leading integrity indicators reporting and improved audit processes and competency systems.

We have reviewed the Baker Report and have recently set up a working group to assess how its findings may apply within BG Group. In February 2007, in the light of the Baker Report, we carried out an exercise to assess existing integrity improvement plans to establish:

- potential amendments or alterations;
- new activities to be initiated;
- how to best ensure the intent behind the Baker Report findings is achieved; and
- how these activities will be communicated and monitored.

BG Group reports both leading and lagging asset integrity indicators (backlogs in maintenance, alarm rates, number of unclosed modifications etc) internally as part of our ongoing monitoring of asset integrity. This is done to identify worsening risks and areas for improvement. The data is reviewed at asset level, submitted for analysis and collation at Group level, and reported to BG Group’s HSSE Committee.

We do not externally report leading or lagging indicators, except for those published within this report.

The improvement of asset integrity management is an ongoing program. Raising awareness of integrity risks is essential to ensuring that asset integrity systems and processes are being consistently applied and improved across the Group.



More information: www.bg-group.com/crquestions

2006 saw the introduction of formal asset integrity leading indicators. Leading indicators are those that warn of potential integrity issues before they occur (as opposed to lagging indicators such as hydrocarbon releases and lost time incidents). The Group has identified a series of such leading indicators and a full reporting system is planned for 2007.

BG Group is generating and rolling out mandatory minimum standards for engineering, operations and HSSE, and is establishing technical authorities for these standards. There will be a requirement for high-level sign-off on any deviation from these mandatory standards. In 2006, the Asset Integrity Management Standard was made available along with the associated guideline documents. Training and awareness material, based on these documents, is currently being prepared to assist with further implementation during 2007.

Security

2006 has seen a significant number of new projects and entry into countries with complex security challenges. Our employees travel to and work in countries with unfamiliar customs and differing levels of security threat. Regular security briefings are compulsory for all employees who travel internationally. In countries considered to be high risk, travel security plans are put in place. Security threats can include high levels of violent crime, civil unrest, illegal detention, fraud or corruption, the compromise of information, terrorism, civil unrest and natural disasters.

Group Security is involved in the due diligence and planning stage of new projects. A country security risk assessment is conducted prior to the deployment of any staff on the ground. In 2006, the need for practical security awareness training for all staff and their families was identified, in some locations due to the high level of crime risk. Training has been conducted initially in Trinidad and Tobago and is planned to be further rolled out in Bolivia and Brazil in 2007.

Three crisis management simulation training sessions were conducted in the year, as follows:

- illegal detention/kidnap response training was provided for the Nigeria and TVP crisis management teams;
- Group-level pandemic flu crisis management training was provided; and
- Group-level live exercise was carried out involving the impact of a terrorist attack.

We also dealt with a number of specific challenges in 2006:

- in Brazil, a newly joined expatriate employee went missing within two days of arriving in Rio de Janeiro – a city with high levels of violent crime and kidnap. The local incident management team coordinated the search effort with police and local hospitals. After extensive efforts to locate him, his body was found in one of the city’s morgues. He had died of natural causes whilst out jogging and had not been carrying any ID; and
- following the December coup in Thailand, the Country Manager worked with Group Security to activate contingency plans and provide advice to in country employees.

Ernst & Young remarks



We saw evidence that the company was communicating the results and developing activities in response to the first employee survey at both an asset and at Group level. Asset level results were communicated against the BG Group benchmark and variances were explored in greater detail. We observed that plans were being developed to address areas receiving the lowest scores.



2006 – Year in summary

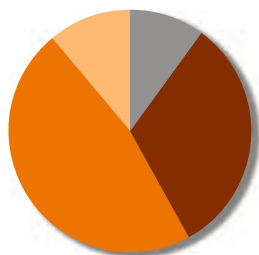
- Production of Community Relations Toolbox.
- Quarterly community relations incident and Key Performance Indicator reporting.
- Total voluntary social investment of £4.2 million.
- Human rights guidance issued.

Society

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



2006 voluntary social investment by category (%)



Charitable donations	10%
Community investment	32%
Commercial initiatives	47%
Management costs	11%

MANAGEMENT APPROACH

BG Group’s commitment to society is set out in our Business Principles. We undertake to work to generate benefits for neighbouring communities, listen to their concerns and protect human rights. These Business Principles are supported by guidance material to assist BG Group businesses and joint ventures in complying with the Principles. These include our revised Human Rights Policy and Guidance and the Community Relations Toolbox (see case study), both of which were launched in 2006.

During the year we introduced key performance indicators (KPIs). All operations are required to report performance quarterly against the KPIs; performance is aggregated at Group level and is reviewed by the Executive Group Performance Committee.

Our annual Chairman’s Awards programme encourages innovation and continuous improvement in CR, and stimulates the sharing of best practice. In 2006, 20 entries were received from 12 countries for the Social Development category. The winning entries are published on our website.

Integrating community relations within project and operations management has been a focus of 2006. This was approached in conjunction with the launch of the revised Business Principles and related policies and guidelines, and included working with project managers to incorporate community issues on technical and commercial risk

registers. The Community Relations Toolbox has helped us develop a common language for this amongst staff from all functions around the world.

Managing growth

2006 has seen entry to four new countries, development of new projects in areas where we have existing operations, and assessment of further opportunities in new locations around the world. This growth has expanded the number and scope of relationships we have with our stakeholders. New and different challenges deepen our knowledge and experience of how to manage these relationships. Our focus in 2006 has been on consolidating our management approach in existing areas and applying our growing experience in new countries. We have improved our systems for assessing risk associated with potential new developments.

In Tunisia, the Hasdrubal development was approved by the Tunisian government in June 2006. This development will see the construction of a new Hasdrubal gas processing plant. BG Tunisia has expanded its community relations team to manage new issues arising from this development, including the resettlement of ten families living nearby. A new community liaison office was opened in a village next to the plant in order to be closer to the community and better able to listen to their needs, particularly when dealing with local grievances and identification of social projects. The team is also implementing an engagement plan and targeted social investment projects to address the development and communication needs of the community.

The Central Block, onshore Trinidad and Tobago, brought new challenges in 2006 with the commencement of construction of a new gas plant and preparation for an exploration programme in 2007. A Community Relations Plan in accordance with the Toolbox has guided engagement with the community. The primary interest expressed is for people to have access to local employment opportunities.

Last year, we reported on BG Canada’s exploration activities in the North West Territories in an area settled by the Sahtu aboriginal population. In 2006, we continued active engagement with the local community as we approach seismic and drilling activities.

BG Libya has developed a Community Relations Plan to reflect the extent of our activities during the early stages of the exploration programme in our Sirt basin concession. We have already carried out extensive stakeholder identification and engagement activities, and developed a social investment strategy through consultation with other partners and

Case Study

Community Relations Toolbox



In response to recommendations made in the 2005 Community Relations Baseline Survey, we drafted a Toolbox setting out BG Group’s expectations of community performance and guidance to meet these expectations. Two training workshops on the Toolbox were held in 2006: one for local community relations staff and one for high level local and regional managers with responsibility for managing Corporate Responsibility.

The Toolbox provides practitioners with practical advice for managing our interactions with local stakeholders, including how to develop and implement community relations plans, tailor social

investment to local development needs and monitor performance over time. As well as developing awareness and providing practical training in how to use the Toolbox, the training workshops provided an opportunity to share experience and knowledge across the Group, which strengthened our internal network of community relations staff.

In 2007, the Toolbox will be updated to reflect input and feedback since the draft was launched in July 2006. It will be regularly revised to incorporate further guidance and good practice examples emerging from BG Group and industry experience.

Tripoli-based stakeholders. A similar approach is underway in Oman and Algeria, where BG Group entered into exploration and production licences in April and August respectively.

We have made further improvements in the way we identify and assess community relations risks relevant to possible investments in countries new to BG Group. In Papua New Guinea we have commenced detailed social and environmental due diligence studies in connection with a potential LNG plant development. In Chile, BG Group's South America team is carrying out stakeholder identification and community relations planning alongside detailed design for a regasification plant in Quintero Bay, near Santiago. The CR Committee reviewed briefing material relating to four new countries in 2006, ensuring that these issues received due consideration at the highest level alongside technical and commercial factors.

PRINCIPLE: WE WORK TO ENSURE THAT NEIGHBOURING COMMUNITIES BENEFIT FROM OUR PRESENCE ON AN ENDURING BASIS

The Community Relations Toolbox sets out a systematic approach to gathering baseline information, engaging with stakeholders and understanding how to manage impacts and opportunities that arise from our activities. The Toolbox contains guidance on enhancing local employment and economic benefits, in addition to aligning our social investment to local development needs.

Sustainable development

BG Group's main contribution to our host economies and societies is through the way we do business. We seek to align our core business with the developmental needs of the societies in which we operate. We are long-term investors in some emerging economies; our Business Principles commit us to conducting our business in ways that leave positive and sustainable outcomes.

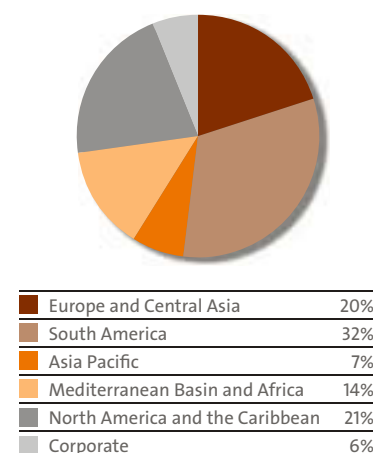
In 2006, as part of our approach to sustainable development, we moved to a more integrated and in-depth approach to assessing our true value to local economies. As an investor in these economies, we pay taxes, place contracts with local suppliers and create jobs, but we are aware that our impact is more complex and far-reaching than this. We have contracted two independent institutes – one in India and the other in Egypt – to carry out research on our behalf to gain a better understanding of the direct, indirect and induced economic impacts of our operations. Where appropriate, we aim to integrate the lessons learnt into how we manage our business to minimise any negative impacts and maximise our contribution to sustainable development.

Our Mahanagar Gas Limited (MGL) T&D business is a good example of this integrated approach to sustainable development. Supplying compressed natural gas (CNG) to a cross-section of domestic, commercial, transportation and industrial customers not only boosts socio-economic growth but has environmental benefits through the reduction of pollutants (see case study). In Kazakhstan, as joint operator of Karachaganak Petroleum Operating Company (KPO), BG Group is providing good practice guidance to develop the local supplier capability needed to support this world-class field and the Kazakh oil and gas industry. In 2007, we will examine every part of our businesses to understand their sustainable development contribution and to build capacity within our project/asset teams to deliver needs-based local development programmes in partnership with local organisations.

Social investment

BG Group social investment programmes arise from our local community engagement process, and follow the group theme of opportunity and skills for development. BG Group focuses on long-term sustainability combined with meeting the Group's business objectives.

2006 voluntary social investment by region (%)



Case Study

Gas powered rickshaws fuelling sustainable development



MGL (BG Group 49.75%), based in Mumbai, is India's largest gas company. Since 1995, it has been supplying CNG to filling points for vehicles. Over 178 000 vehicles have been converted to run on CNG since the programme began. 123 stations provide continuous CNG supply, across the length and breadth of Mumbai city and its outskirts.

Among the vehicles converted to run on CNG are 123 724 rickshaws, representing approximately 99% of the rickshaws in the city. Conversion requires specialist training and BG Group has provided technical and safety training to technicians who undertake the conversions. Many rickshaw drivers do not have savings to pay for conversion and MGL stepped in to offer micro-credit facilities (in partnership with a number of banks). In 2006, the Company also recognised that the financial burden of insurance can be too high for drivers and launched the 'Mahasuraksha Yojna' (Group Accident Insurance Scheme) for CNG taxi and

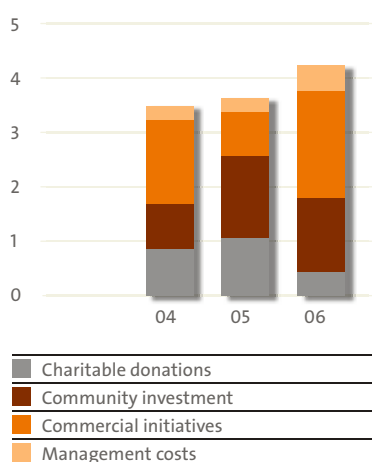
auto operators. Currently, around 250 000 CNG taxi and auto operators are covered under this insurance scheme.

CNG is cheaper than diesel, saving drivers around 75% on fuel costs, savings which increase the income of drivers and allow them to pay back the loan for the conversion.

The conversion has had measurable impacts on air quality in the city, the CNG used emits 715 tonnes less particulates and other pollutants per day than diesel. The health benefits of improved air quality are supplemented by a programme to distribute masks to traffic police and free eye check-up camps for the taxi operators who are MGL's customers.

The integrated nature of the CNG fuel business and related programmes support the economic, environmental and health improvements in Mumbai.

Voluntary social investment 2004-2006 (£m)



In 2006, we provided additional guidance and training to local staff to select projects that better reflect local, regional and national sustainable development priorities, while also aligning with BG Group's business objectives. This follows the transfer of responsibility for social investment programmes from Group to country offices in 2005.

Projects carried out in 2006 include:

- in the North Coast Marine Area (NCMA) of Trinidad and Tobago, we have entered into partnership with the Caribbean Fisheries Training and Development Institute and village councils to deliver much-needed training to the fishing community in basic seamanship, such as survival at sea, fire-fighting, rope mending and the use of Global Positioning Systems (GPS). Elsewhere in Trinidad and Tobago we have continued education and skills training programmes in local communities surrounding our operations. In the Central Block, some 150 people have received industry-based training, in many cases leading to employment with contractors on job sites operated by BG Trinidad and Tobago, and 200 young people have benefited from computer literacy and construction training;
- in BG Bolivia, we developed an initiative to allow access to our health facilities at the La Vertiente plant to local inhabitants who otherwise would have no adequate primary health care. In addition, 16 ambulance evacuations were undertaken on behalf of the local community, of which at least three were life-saving. This scheme has markedly enhanced our community relations locally and greatly improved regional stakeholder perceptions of BG Bolivia;
- in Thailand, we are delivering long-term livelihood restoration projects in four tsunami-affected villages in partnership

with Population and Community Development Association (PDA), an NGO. During 2006, PDA concentrated on community empowerment and participation aimed at increasing community ownership and thus sustainability of the projects. Work has also commenced on education and livelihood support, with BG Thailand staff providing training in book-keeping to help communities manage micro-credit schemes; and

- in Tunisia, we are implementing a phased road development programme in the area surrounding the Hannibal plant. Consultation revealed that improving local road access to schools and other services is a key concern and a priority need for local communities, particularly during the winter. This tied in with BG Tunisia's business need to change the access route to the Hannibal and Hasdrubal plant in connection with the Hasdrubal development, and the road building programme has been expanded to meet the needs of the community.

In 2006, BG Group spent a total of £4.2m on voluntary social investment (2005 £3.6m), according to the London Benchmarking Group model. This included charitable gifts, community initiatives, commercial initiatives and management costs.

PRINCIPLE: WE LISTEN TO NEIGHBOURING COMMUNITIES AND TAKE ACCOUNT OF THEIR INTERESTS

Listening to our neighbouring communities and understanding their culture, viewpoints and priorities is fundamental to effective engagement, and thus to managing our community relationships. Guidance in the Toolbox enables us to define locally suitable communication techniques that ensure that we properly understand the concerns and interests of our neighbours and respond appropriately. This is necessary when we design a social investment programme with their participation, when our neighbours have grievances they wish to communicate, and when we need to pass on information about our activities. Examples of this in 2006 include:

- last year we reported the establishment of village councils set up by KPO (BG Group 32.5%) to allow local communities to discuss KPO project developments and social issues with the Company. Since January 2006, over 12 meetings have been held and ten development projects have been established as a result. These include micro-credit schemes and infrastructure upgrades;
- in Bolivia, BG Group works together with the Weenhayek indigenous people to decide with them which social investment projects should be jointly developed. In addition to

monthly meetings with the head of the Weenhayek indigenous people's council in San Antonio, La Vertiente region, BG Group representatives regularly travel to some of the smaller villages closer to our operations. Our community relations staff spend time with different groups, including village leaders, young people and women, listening to their concerns and providing information about our activities; and

- in Nigeria, BG Group is working with joint venture partners towards the construction of the Olokola LNG (OKLNG) export terminal. During extensive consultation, the communities have expressed hopes and concerns about the project, which have ranged from employment and other economic opportunities to security and the desire for the Company to invest in local infrastructure and services. Operating within the formal hierarchy of chiefs and elders, consultation techniques have included formal public meetings, informal meetings, in-depth interviews with key stakeholders and focus group discussions with particular groups such as traditional healers, youths, business cooperatives and religious groups. Particular attention has been paid to the inclusion of vulnerable groups such as the elderly and women. As part of the environmental, social and health impact assessment, OKLNG will work to agree with stakeholders appropriate mitigation measures for these issues. The construction of OKLNG will also require the resettlement of several hundred people, and the project is working closely with the communities to agree the details of the design of the new resettlement village and livelihood restoration packages. In addition to the consultation techniques above, community representatives volunteered to participate in five resettlement working groups, each of which considered a particular aspect of the resettlement, such as house design, in detail before feeding back to the wider community.

PRINCIPLE: WE SUPPORT HUMAN RIGHTS WITHIN OUR AREAS OF INFLUENCE

BG Group's support for human rights is based on recognition of the principles in the Universal Declaration of Human Rights and core International Labour Organisation conventions on equality, freedom of association and abolition of forced and child labour. As a signatory of the UN Global Compact (UNGC) we fully support the ten UNGC Principles, of which Principles one to six relate to this section.

Our ability to safeguard human rights is related to the degree of control we are able to exert. Within our operations, we protect the human rights of our employees through policies on equal opportunity and

non-discriminatory treatment, security and labour standards (more information on our application of these policies can be found in the Our People section of this report, and on our website). In 2006, BG Group's expectation that contractors will operate to BG Group or equivalent Business Principles, including the commitment to human rights, has been included in key contracts. In 2007, we will be running a pilot project on Business Principles compliance with contractors and sub-contractors.

During 2006, our policy on Human Rights was revised and re-issued. Guidance on implementation of the policy was made available to all BG Group businesses. Human rights training was provided to appropriate managers from businesses across the Group and is available to managers operating in high-risk environments.

Security and human rights

We continue to focus on ensuring that security of our facilities does not compromise the human rights of those living in neighbouring communities. The Voluntary Principles on Human Rights and Security provides the basis for managing security operations and engaging state security forces. BG Group remains committed to the Voluntary Principles.

“How is BG Group assessing the potential social and human impacts of its global operations, including the impact of security arrangements, on surrounding communities around the world?”

Robert Davies,
CEO, International Business
Leaders Forum (IBLF)



BG Group has an assessment process to understand how we interact with local communities for all of our operations, with a view to avoiding negative impacts and enhancing economic and social development opportunities. We do this prior to making investment decisions in new countries and as part of formal environmental and social impact assessments for new projects. In addition, we regularly review assessments of our ongoing operations to reflect changes in our activities and also in the socio-economic context of the areas in which we operate. We use BG Group's Community Relations Toolbox, and we are currently providing training to relevant staff in all countries in which we operate to implement this guidance to best effect.

We seek to apply the Voluntary Principles on Security and Human Rights within our areas of influence. Potential impacts of security arrangements are included in the assessment processes and relevant guidance is contained in the Community Relations Toolbox. To date, however, BG Group has not conducted a stand-alone human rights impact assessment, but will do so when appropriate. As with other aspects of the community, best practice in this area is constantly evolving and we seek to use new and effective approaches. As such, we participate in a number of industry and multi-sector initiatives aimed at deepening the understanding of security and human rights, and finding ways to address them.



More information:
www.bg-group.com/crquestions

Case Study

Listening to our neighbouring communities



In 2006, we recognised that our social investment programme in Idku, the neighbouring town to both our upstream operations and the Egyptian LNG plant, was not effectively targeting the fishing community, which had been identified as a vulnerable group in the project's environmental impact assessment. Following engagement with this group, we commissioned a development expert to carry out a socio-economic study and participatory needs assessment. This development tool is used to improve communications, mitigate risk and counter negative images in the media or with government agencies.

The study, finalised in November 2006, showed that the majority of the fishing

community resides in one particular village within the Idku district and that the people living there were largely unaware of the community development programme being implemented in the town. It also provided detailed information about other aspects of the community's lives, such as the variety of livelihood activities pursued by family members.

The assessment is currently being developed into a strategic development plan, in consultation with the community. The agreed projects will be implemented through a locally-based organisation to ensure community ownership and enhance the sustainability of the overall programme.

Ernst & Young remarks



In Italy, we discussed the community engagement activities that had been undertaken at Brindisi to address specific community concerns about the construction of an LNG terminal near the town. We saw evidence that a number of mechanisms were in place to provide information to the local community and to provide forums for dialogue and discussion. While it is clear that political challenges remain in this region, our discussions with staff highlighted the efforts that are being made to demonstrate a commitment to the area.



2006 – Year in summary

- Corporate Health, Safety, Security and Environment (HSSE) management system and standards updated to support Business Principles introduced in 2005.
- 83% of operated assets certified to ISO 14001: 2004 standard.
- Enhanced Greenhouse Gas Management programme launched.
- Greenhouse Gas (GHG) emissions from operations under BG Group's control fell by 6% to 6 million tonnes.
- GHG emissions per unit of throughput from operations under BG Group's control fell by 5%.
- Emissions of sulphur dioxide and nitrogen oxides fell by 45% and rose by 15% respectively.

Environment

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



MANAGEMENT APPROACH

Our business growth brings opportunities for environmental improvement as well as challenges for our environmental management. Where our primary product, gas, is used as an energy source instead of coal and oil it results in net benefits in terms of greenhouse gas (GHG) emissions and air quality. Our management systems require us to understand the environmental risks and opportunities that new businesses present in order to inform investment decisions. Risks associated with new business are understood through processes such as our environmental risk assessment, whilst at operations management systems certified to ISO 14001 manage the environmental aspects of our activities. Our business growth necessarily results in a year-on-year increase in our overall environmental 'footprint'. Our challenge therefore is to manage the rate of growth of that footprint, seeking to go beyond 'business as usual' both in new investments and in the operation of existing facilities whilst at the same time ensuring that investment in performance improvement is well directed and complements our business aspirations.

Our annual Chairman's Awards programme encourages innovation and continuous improvement in CR, and stimulates the sharing of best practice. In 2006, 14 entries were received from ten countries for the Environmental Initiatives category. The winning entries are published on our website.

Our environmental Business Principles are supportive of sustained business growth. They set out the values and beliefs by which we conduct our business, not only in an environmentally responsible manner but also recognising that we have a positive role to play in environmental protection.

PRINCIPLE: WE MAKE A POSITIVE CONTRIBUTION TO THE PROTECTION OF THE ENVIRONMENT

We contribute to the protection of the environment in a number of ways, through:

- the supply of gas, the cleanest fossil fuel;
- the adoption of consistent standards and practices across our business;
- contributing to and implementing specific environmental improvement projects; and
- active involvement with others in projects designed to identify, develop and promote best practice in environmental management.

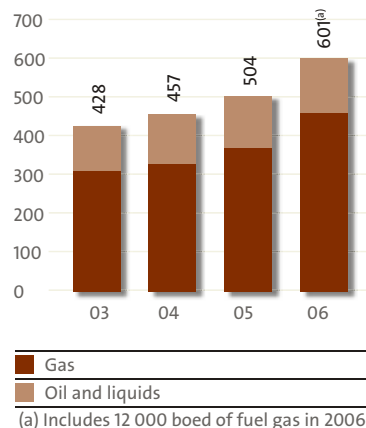
Efficient execution of our core business, providing access to gas as an energy source, is our most important contribution. The environmental benefits of gas over other

fossil fuels are well known and can play a significant role in tackling environmental issues such as poor air quality or climate change. These benefits are most obvious in cities such as Mumbai and São Paulo where our distribution businesses are growing. We estimate that expansion of these businesses since 2000 has displaced over 3 million tonnes of liquid hydrocarbon fuel against a business as usual case, reducing direct emissions of nitrogen oxide, sulphur dioxide, particulates and carbon dioxide (see case study on Mahanagar gas on page 23). Our continued supply of gas into more mature markets such as the UK and USA sustains benefits that were most apparent when gas was first introduced.

Gas produces significantly less GHG emissions than coal and liquid fossil fuels. Its lower carbon content and its usability in more energy efficient applications both contribute to this advantage. Gas has a role to play in society's efforts to tackle climate change. To reduce emissions by 2050 to a level that will stabilise atmospheric carbon dioxide concentrations, a variety of technologies/techniques will have to be used, many of which are available today (see case study below). The supply of gas as a primary fuel is an immediately practical way to reduce emissions through fuel substitution and

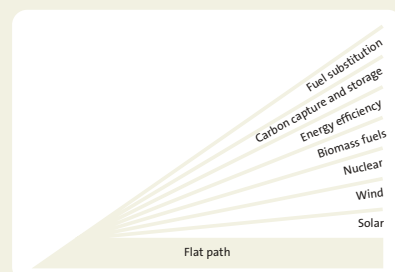
Production ('000 boed)

Production volumes have grown at a compound average growth rate of 12% between 2003 and 2006



Case Study

Implementing an Enhanced Greenhouse Gas Management Programme



PACALA AND SOCOLOW STABILISATION WEDGES^(b)

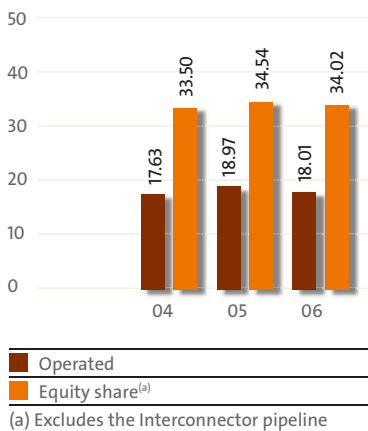
The atmospheric carbon dioxide emissions saving 'stabilisation wedge' concept, as developed by Pacala and Socolow (2004), illustrates the possibility of meeting the world's energy needs over the next 50 years whilst limiting atmospheric carbon dioxide levels. By 2054, the world needs to save an estimated 7 billion tonnes of carbon dioxide equivalent emissions compared to a business as usual case. Pacala and Socolow highlight 15 separate ways to reduce emissions, each by 1 billion tonnes, using proven technologies and techniques. For illustrative purposes, 7 'wedges' of savings of 1 billion tonnes would achieve the savings required to stabilise atmospheric carbon dioxide concentrations.

BG GROUP'S RESPONSE

BG Group's business contributes to two of these 'stabilisation wedges', fuel switching and energy efficiency. Our contribution is both in managing our own emissions growth as well as in the supply of gas as a fuel source. BG Group saves an estimated 5.5 million tonnes of carbon dioxide emissions annually when compared to a business as usual case since 2000. This has been achieved by a combination of BG Group-facilitated fuel substitution (where natural gas replaces other, higher carbon, fuels) and energy efficiency initiatives, half of which have been achieved in BG Group operated facilities. Our Enhanced Greenhouse Gas Management Programme is focused on maximising our contribution to the energy efficiency wedge through further improvement in our own emissions performance.

(b) Pacala, S., and R. Socolow, 2004. "Stabilization wedges: Solving the climate problem for the next 50 years with current technologies." Science 305: 968-972

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



increased energy efficiency. BG Group is contributing today to these reductions by creating gas chains and developing and commercialising technologies that enable access to gas, in line with UN Global Compact Principle Nine. In 2006, we expanded our embryonic co-generation businesses in Brazil and India by 517%. We also developed a methodology for accounting for net emission reductions that result from the use of gas. We tested this methodology on operations at Comgas in Brazil and at First Gas Holdings in the Philippines in 2006 and will roll it out further in 2007.

We also make a positive contribution through partnering and supporting the work of conservation NGOs, in line with UN Global Compact Principle Eight. In 2006, for the third year running, we sponsored the Whale and Dolphin Watch organised by Seawatch Foundation. We also partnered with Conservation International, launching the Conservation through Photography Alliance. This partnership has the aim of building awareness of the importance of our natural world and demonstrating how photography can be used as a tool to conserve it. Work will focus on the key areas of training field conservationists in photography, enhancing coverage of undocumented places and species, building a library of conservation photography and disseminating the conservation message through international photo exhibitions. To learn more about the work of Conservation International visit: www.conservation.org/xp/CIWEB/

PRINCIPLE: WE GO BEYOND LOCAL REGULATION TO MEET INTERNATIONAL BEST PRACTICE

This principle is designed to reduce to a practicable minimum the environmental impacts associated with our activities. It also reduces the burden on our business of operating in many different countries with differing legislative regimes and standards. It is embedded into our HSE policy and is implemented through our local management systems as prescribed by our corporate HSSE Management System.

The best practices that we identify and implement often exceed those required by local legislation. Through sharing our experience with other businesses and government, we also help in raising general standards of environmental management. An example of this is our early adoption of the ISO 14001 environmental management standard in our business. In Tunisia and Trinidad and Tobago, where we were the first oil and gas exploration and production company to gain certification, others have now followed our lead.

We take account of the specific environment in which we are working. In Kazakhstan, BG Group is joint operator of Karachaganak Petroleum Operating Company (KPO). The operating field is located in western Kazakhstan in a semi-arid environment, meaning that any increase in water demand from our operations could increase the pressure on public water supplies and natural water bodies. We have put in place

Case Study

Using dual fuel LNG ships to reduce our environmental impact



During 2006, as part of the business evaluation for the expansion of our LNG fleet, we looked at alternative propulsion sources to conventional turbine systems. Following this review, BG Group ordered two 170 000 cubic metre ships powered by Dual Fuel Diesel Electric systems (DFDE), which can run on either gas or liquid fuel.

The propulsion plant in DFDE systems has a higher overall thermal efficiency than steam systems – 43% as opposed to 30%. This gives significant fuel savings. Additionally, a DFDE system allows a 3% to 5% increase in overall cargo carrying capacity compared to a steam powered ship of the same dimensions due to a reduced engine size.

Reduced emissions

We estimate that emissions of carbon dioxide and sulphur dioxide will be reduced by a minimum of 30% on like-for-like journeys as a result of this new technology.



a water management programme that has meant that collected rainwater, and treated and re-used water, are used in place of fresh water for the firewater systems to allow maximum recycling of water to take place. Pumping stations now provide around 500 000 cubic metres of water per annum for technical use, which reduces requirements from the public supply system. A rigorous process to minimise overall water loss from the surface environment is in place as part of the water management programme.

Our operation in Kazakhstan (KPO) has also carried out a biodiversity management study, which we believe to be the first study to be undertaken by any organisation within this area of operations in Kazakhstan. The land area covers over 450 square kilometres with the vast majority being steppe, which forms a habitat for a wide range of animal and plant life. The research identified six rare plant species and 11 rare and endangered species of birds. We have developed a monitoring programme and a series of procedures for operations in areas where populations of rare species are concentrated, and we held briefings for personnel to raise awareness and understanding of the protection that is necessary for this type of wildlife. This information will also inform the Environmental Impact Assessment of any future expansions of the field.

To develop and communicate best practice, we work in partnership with third parties to understand better the environment, our environmental impacts and our mitigation measures. BG Group sits on and participates in industry and joint industry/government committees and work groups with the above aims.

The mechanism for embedding best practice within our business is through standards and guidelines within the HSSE Management System. In 2006, we reviewed and restructured this system to make it consistent with a revised structure of the Business Management System. Standards on air and water quality, GHG management, noise, biodiversity and resource management were updated.

In order to support a consistent approach to environmental and social management in our global business, we have developed EnCompass, a tool used within the business management framework to define the requirement for environmental, community and community health management at each stage in a project life cycle. Using this tool, issues are identified early in order to allow the timely selection and analysis of options to reduce risks and enhance benefits. The tool incorporates guidance developed in conjunction with OGP and IPIECA on environmental, community health and social issues management in general and biodiversity in particular.

Assurance of performance in this area is provided through internal reporting mechanisms, audits and reviews within the internal value assurance framework. External certification of the local environmental management systems to the ISO 14001 (2004) standard provides a third party perspective on the robustness of the management systems.

In 2006, our existing assets completed recertification to the new standard introduced in 2004 with the result that 83% of our operations are certified to the new standard.

PRINCIPLE: WE REDUCE TO THE MINIMUM PRACTICABLE ANY ADVERSE EFFECTS OF OUR OPERATIONS ON THE ENVIRONMENT

Any operation necessarily has environmental impacts associated with it. Our aim is to reduce to a practicable minimum any adverse effects that may result from those impacts.

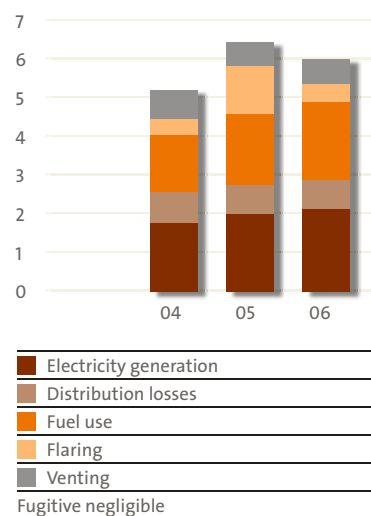
We achieve this by providing a system of processes, standards and guidance that require risk assessments, identification and implementation of risk control, and mitigation measures and contingency arrangements should incidents occur. This HSSE Management System, with associated standards and guidance, was improved in 2006 and is designed to ensure consistency of approach and application of best practice across the business.

In new exploration and development activities we conduct environmental risk assessments as part of a set of risk management practices, which is part of our commitment to supporting UN Global Compact Principle Seven. These risk assessments seek to identify and assess potential impacts upon environmental, social and community health receptors resulting from project activities. Once impacts are identified, mitigation measures are put in place to minimise the impacts to a practicable minimum. The final output from the risk assessment process is an environmental management plan that summarises the actions to be taken by the project personnel to actively manage environmental, social and community health issues.

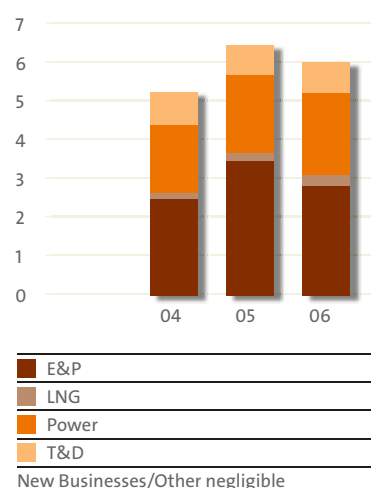
BG Group takes very seriously the danger of environmental damage from an incident at one of our facilities. We have robust systems and procedures in place to deal with potential incidents, including personnel training and liaising with local emergency services. Exercises are undertaken to refresh training and to test equipment, systems and procedures.

At an operating asset level, BG India has used its environmental management systems to drive continuous performance improvement.

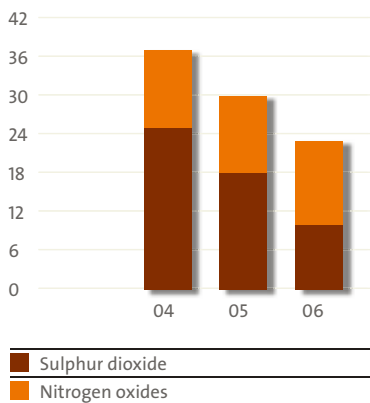
BG Group GHG emissions: by source (million tonnes carbon dioxide equivalent)



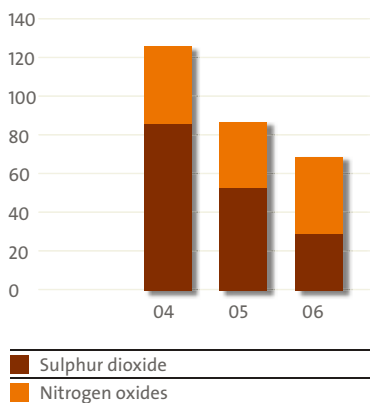
BG Group GHG emissions: by business (million tonnes carbon dioxide equivalent)



BG Group atmospheric emissions ('000 tonnes)



BG Group atmospheric emissions (tonnes/mmboe)



Since 2005, BG India has reduced potable water use by 12 tonnes per day, dramatically reduced emissions of ozone depleting substances and improved waste management practices. BG India has also implemented projects that have reduced GHG emissions by an estimated 23 000 tonnes per annum against business as usual emissions levels through decreasing levels of venting and flaring from normal operations and reduced fuel consumption from marine vessel movements.

During the year we introduced a Group-wide Enhanced Greenhouse Gas Management Programme. This programme is designed to reduce to a practicable minimum the GHG emissions from our existing operations over time, and provides the tools and expertise to do the same in new project design. We conducted formal emission reviews at our major emitting assets with the assistance of industry-leading consultants to establish the potential for emission reduction. From the end of 2006 we have taken the results of these reviews and are starting to implement emission reduction measures. We shall report on the reductions achieved in future reports.

To support our decision making we have developed a GHG management standard that specifies processes for emission reduction in both existing operations and, in particular, in new projects. This is underpinned by investment criteria that guide appropriate investment in emissions reduction to identify good opportunities to improve on emission performance in new projects.

BG Group continues to investigate ways that carbon capture and storage (CCS) could be applied to our business. The Group is studying the implications of new technology options for our future developments. One of the regulatory barriers to the implementation of such technologies was removed during 2006, when the 28th meeting of the London Dumping Convention agreed to allow carbon dioxide sequestration in seabed geological formations within its remit. This precedent is being taken to the Oslo/Paris Commission to obtain the same allowance within the region of the North East Atlantic covered by the Oslo/Paris Convention.

Greenhouse gas emissions

In 2006, operations under BG Group's control emitted 6.0 million tonnes of carbon dioxide equivalent (comprising carbon dioxide and methane), a decrease of 6% compared to 2005. Emissions per unit of throughput decreased by 5%. The decrease in both resulted primarily from reduced drilling activity in Egypt and a reduction in flaring in Kazakhstan.

Equity share emissions from our operated and non-operated activities rose by 8% to 11.7 million tonnes of carbon dioxide equivalent. The main reason for the increase was the growth of our LNG business in Trinidad and Tobago and in Egypt.

Despite this increase in absolute emissions, total equity share emissions per unit of throughput decreased by 1% in 2006.

On an absolute basis, BG Group GHG emissions are forecast to rise between 2006 and 2010 due to the growth in our business.

Case Study

Successful contingency planning in Brazil



During 2006, BG Brazil drilled two exploration wells in the Santos Basin, offshore Brazil – our first wells drilled in Brazil. Our consultation and contingency planning programme focused on potential environmental risks, key industries and communities that could be affected by an incident. We created a database of community groups, boats, fishing areas and local animal and plant species, as well as animal migration routes. Drilling details and contingency plans were communicated to communities and other stakeholders who could potentially be affected if an incident were to occur.

POSITIVE OUTCOME

This contingency planning and consultation work contributed to BG Brazil obtaining the environmental permit for their drilling operations in record time and also helped gain local community support.

INFORMATION MATERIAL

Over 900 information packs were distributed during presentations to local groups. A further 160 packs were delivered by mail with a letter from the BG Brazil General Manager, and information was also broadcast on local radio stations. A waste management awareness campaign was also rolled out.



Air quality

The emissions of sulphur dioxide from operations under our control totalled 9 815 tonnes in 2006, a decrease of 45% compared to 2005. Total emissions per unit of throughput declined by 44% between 2005 and 2006. This fall was due to a reduction in sour gas flaring at our assets in Kazakhstan.

During 2006, 13 474 tonnes of nitrogen oxides were emitted, an increase of 15% compared to 2005. This was largely due to the increased usage of gas compression turbines at our Miskar facility in Tunisia.

Hydrocarbon spills

There were 37 incidents of uncontrolled releases of hydrocarbons to the environment in 2006. Of these reported incidents, five resulted in spills to sea and totalled 0.1 tonnes of oil. These spills caused no significant damage to the environment.

Of our total spills, the largest was 10.68 tonnes in India as a result of a vehicle carrying oil-based mud overturning and spilling its load into a field. The incident response was managed in concert with the transportation company and the drilling mud contractor. Additional journey management procedures have now been implemented and all drivers have been briefed on emergency actions.

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 being undertaken at the Miskar facility in Tunisia as part of our commitment to improving its performance. The full-scale technological solution to resolve the performance problem is a high efficiency separation process, which has been designed and engineered in 2006. Structural changes to accommodate the new unit are currently being undertaken, with commissioning expected in the second quarter of 2007.

The oil in produced water at our Dolphin platform, offshore Trinidad and Tobago, has also risen. A project to analyse the cause of this rise is in progress. We have engaged industry experts and are implementing actions to bring levels back in line with industry good practice. In parallel, we are evaluating options to install equipment during 2008 to deliver sustained improved performance.

Waste

Wherever we operate we seek ways of managing and minimising waste and to use responsible disposal methods. In Tunisia, we are developing plans to recycle the sulphur generated by the Hannibal plant by identifying a potential buyer. This initiative, if successful, will solve onshore disposal issues whilst maximising recovery and reuse of the unwanted by-product. The sulphur is currently being removed from the production site and stored at a safe location.

“How much energy is consumed in the LNG process? How does the energy intensity compare with that required to send gas through pipelines?”

Mike Tyrrell,
Sustainability Analyst, Citigroup



Energy consumption across the LNG chain is influenced by a large number of factors including the quality of the source gas, technological choices, the climate along the chain, and the transport and distances to market. The highest energy consumption requirements in the LNG chain, other than the end use of the gas, are found in the liquefaction and shipping stages, which can typically use somewhere between 10% and 20% of the total energy delivered by the chain. Regasifying LNG uses comparatively little energy, particularly in circumstances where ambient air or sea temperature is used as the energy source for the regasification process.

The energy intensity of transporting gas through a pipeline is also dependent on a number of factors, not least the length of the pipeline. At short pipeline lengths the energy demand is typically lower than that of LNG processing and transportation. However, as the pipeline gets longer the closer the energy intensity gets to that of a LNG chain, due to factors such as booster compression. Our first order analysis indicates that the cross-over point, where the pipeline chain becomes more energy intensive than the LNG chain, lies at a transport distance of between 3 000 kilometres and 4 000 kilometres.

Ernst & Young remarks



We reviewed progress in implementing BG Group's Enhanced Greenhouse Gas Management Programme. We saw evidence that GHG baselines have been established and internal reduction targets set.



More information:
www.bg-group.com/crquestions

Environment

ENVIRONMENT

These figures 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	526 175	2	427 465	1 989 336	2 105 507	1 262
Carbon monoxide	0	0	1 554	3 741	3 346	0
Nitrogen oxides	0	0	419	10 615	2 440	0
Sulphur dioxide	0	0	4 642	3 798	1 375	0
Methane	5 555	849	1 371	352	227	36 469
Volatile organic compounds	6 640	158	585	209	76	2 950
Greenhouse gases (carbon dioxide equivalent)	642 840	17 819	461 880	2 013 665	2 128 594	767 107

Discharges to aqueous environments (tonnes)

	Oil in process water	Oil on cuttings	Oil spills	Process water	Drill cuttings
	207	124	0.1	4 356 505	25 698

Waste for disposal (tonnes)

	Metal	General	Hazardous	Recycled	Drill cuttings
	1 511	24 112	28 523	34 569	13 803

Energy use (MWhrs)

	Gas	Electricity	Oil
	8 167 437	43 020	1 239 859

Our people

PEOPLE

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

	2006	2005	2004
Employees worldwide ^(a)	4 665	5 363 ^(a)	5 175
Employees based outside UK ^(a)	3 030	4 000 ^(a)	3 912
Employees working away from home country	529	440	452
Women in management	9%	11%	12%

HEALTH AND SAFETY

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

	2006	2005	2004
Lost time injury frequency (LTIF)	0.36	0.51	0.55
Total recordable case frequency (TRCF)	1.66	2.39	2.49
Sickness absence	0.4	0.4	0.5
Reported occupational related illness frequency (ORIF)	0.1	0.1	0.2

Emissions (tonnes)

Total 2006	Total 2005	Total 2004	t/mmboe 2006	t/mmboe 2005	t/mmboe 2004
5 049 747	5 404 117	4 162 328	15 081	15 854	14 002
8 641	39 331	10 356	26	115	35
13 474	11 685	11 767	40	34	40
9 815	17 913	25 513	29	53	86
44 823	48 427	47 139	134	142	159
10 618	10 467	9 636	32	31	32
6 031 905	6 468 275	5 242 001	18 014	18 976	17 631

Discharges to aqueous environments (tonnes)

Total 2006	Total 2005	Total 2004
4 382 534	3 867 907 ^(a)	3 068 125

Waste for disposal (tonnes)

Total 2006	Total 2005	Total 2004
67 949	23 534 ^(b)	43 159

Energy use (MWhrs)

Total 2006	Total 2005	Total 2004
9 450 316	8 682 281	5 634 718

Conduct

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

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.

	2006	2005	2004
Charitable donations	426 663	1 064 441	855 432
Community investment	1 364 205	1 508 691	843 804
Commercial initiatives	1 978 555	808 014	1 530 500
Management costs	470 966	260 357	264 978
Sub-total voluntary contributions	4 240 389	3 641 503	3 494 714
Contractual	1 352 053	3 503 761	5 661 765
Total voluntary and contractual contributions	5 592 442	7 145 264	9 156 479

(a) Amended from 2005 CR Report to include KPO data not available at the time of the 2005 Report

(b) Amended from 2005 CR Report to include drilling waste data not available at the time of the 2005 Report

(c) Average numbers throughout 2005 and 2006

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

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 have 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 relevant to our commitment to 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"> • Policy on human rights revised and re-issued • Guidance on implementing the policy made available to all BG Group businesses 	25 25
Principle 2: and make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> • Human rights training provided • Approach to implementing the Voluntary Principles on Security and Human Rights 	25 25
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"> • Application of core ILO standards • BG Group is committed to working effectively with trade unions where appropriate 	24 16
Principle 4: the elimination of all forms of forced and compulsory labour;	<ul style="list-style-type: none"> • Application of core ILO standards • Communication of Business Principles to key contractors 	24 11
Principle 5: the effective abolition of child labour;	<ul style="list-style-type: none"> • Business Principle on treating people with fairness, respect and decency • Communication of Business Principles to contractors 	16 11
Principle 6: and the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> • Business Principle on treating people with fairness, respect and decency • Communication of Business Principles to contractors 	16 11
Principle 7: Businesses should support a precautionary approach to environmental challenges;	<ul style="list-style-type: none"> • Environment: our approach • Environmental risk assessments 	27 29
Principle 8: undertake initiatives to promote greater environmental responsibility;	<ul style="list-style-type: none"> • EnCompass tool • Partnerships with NGOs 	29 28
Principle 9: and encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> • Increase in Cogeneration business: Brazil/India • Supported conversions to CNG in India 	28 23
Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.	<ul style="list-style-type: none"> • Business Principle on anti-corruption • Group-wide Anti-Corruption standard 	12 12

LONDON BENCHMARKING GROUP ASSURANCE STATEMENT

We have been asked to assess BG Group's use of the London Benchmarking Group (LBG) model to measure and report on its corporate community involvement activity during 2006.

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

The LBG model helps businesses to improve the management, measurement and reporting of their corporate community involvement programmes. It moves beyond charitable donations to include the full range of contributions (in time, in kind and in cash) made to community causes, and assesses the actual results for the community and for the business. (See www.lbg-online.net for more information) As manager of the LBG, we have worked with BG Group to review its understanding

of the LBG model and its application to the wide range of community programmes. Our aim has been to ensure that the evaluation principles are correctly and consistently applied. We are satisfied this has been achieved. Our work has not extended to an independent audit of the data presented in this report.

BG Group continues to make commendable progress in calculating the costs of its community investment. In 2006, it adopted a standard data collection template to improve the comparability and consistency of the data reported by its operations around the world. This has largely been a successful development resulting in a good read across of activities and contributions between locations.

There are certain areas of activity, such as support for sport and arts projects, where caution needs to be exercised in differentiating costs that are of benefit to the community (e.g. using sport as a means to benefit disadvantaged groups) from those that are more strictly commercial in nature (e.g. professional sports sponsorship). BG Group is aware of these and is keen to employ best practice.

In 2006 BG Group devolved 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. The impact of this change is already being reflected in the data as there is a distinct shift among operations away from reactive cash donations towards more strategic investment in the community.

Looking forward, a challenge for BG Group is to quantify the achievements of its contributions in terms of additional resources attracted (leverage), community benefits and the business case (outputs and impacts), so that a clear assessment of the impact of its community programme as whole can be made.



The Corporate Citizenship Company
London, 31 March 2007

Independent assurance

Learning from our independent assurance process

We engaged Ernst & Young (E&Y) to carry out an independent review of our 2006 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 2006, and our corporate aggregation of HSSE, community and employee data. E&Y's report is found on page 36. E&Y identified particular strengths in our processes and plans:

- Good safety awareness through leadership from the Executive. Evidence was seen that assets visited were implementing safety briefings and actively promoting the STEP UP safety campaign; of particular interest was the use of BEARS cards (Behaviour Eliminating At Risk Situations) in Trinidad and Tobago in which the best monthly card received a prize. While there was high visibility of safety issues in the assets, the BG Group Life Savers appeared to have a lower profile in the assets that were visited.
- The development and roll out of the Community Relations Toolbox which provides guidance and tools for community relations risk assessment, engagement and management and provides key performance indicators for reporting progress.
- The consideration of CR risks in the new country entry process has been strengthened and formalised to include sign off from the CR Committee prior to investment.
- The refinement of the materiality process for CR reporting which involves more formal consideration of the outputs of stakeholder consultation.
- The development of core controls and standards including Gifts & Hospitality, Anti-Corruption, Conflicts of Interest and Political Donations, to support the Business Principles, provide clarity on BG Group expectations and introduce management processes for monitoring and reporting compliance with the Business Principles.

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 9, where appropriate:

- While good progress has been made on developing and communicating the core controls and standards to the assets, consideration should be given to appropriate assurance over the roll out of these core controls and standards. This may include the commissioning of specific audits on these topics or some form of internal reporting and challenge.
- Ensure people with responsibilities for implementing the new or revised core controls and standards, e.g. Fraud Officers, are given timely training on their new responsibilities.
- Further refine the application of the Voluntary Principles for Security and Human Rights through establishing clear criteria of when and how they will be applied.
- Define the extent to which BG Group should exert and report externally on the influence over partners and joint ventures in relation to achieving performance and behaviours which are consistent with BG Group's Business Principles.
- Provide guidance to help assets set expectations and monitor performance against Business Principles for third party contractor relationships.
- While good progress has been made in developing a climate change strategy, BG Group should set clear, credible targets against which their progress in reducing their climate change impacts can be measured.
- Greater clarity could be provided to assets with regard to community investment. The current overarching theme for community investment is 'opportunities and skills for development'. E&Y observed that this theme tends to be loosely applied and that a significant proportion of community investment falls outside this theme: one example of this is the BG Energy Challenge.

E&Y identified four areas for improvement in their review last year (see page 34 of our 2005 Corporate Responsibility Report). This 2006 Corporate Responsibility Report describes how we addressed these four areas and the table below summarises our progress.

Areas for improvement identified in the 2005 assurance process	Our progress in 2006
Achieve greater clarity in reporting on how we determine materiality of disclosure for CR reporting	✓ We have included full reporting in 2006 on our materiality process (see pages 6 and 7)
Report on the mechanisms used to track the roll out of revised Business Principles (and underpinning documents) and the human rights guidance and to test understanding amongst our employees	<ul style="list-style-type: none"> ✓ The Group-wide employee survey conducted in May/June 2006 included questions on the Business Principles. Responses indicated a strong understanding and acceptance of our Business Principles and associated documents ✓ Human rights guidance launched and available on intranet. Training provided to key managers, to be rolled out across the group in 2007
Develop criteria to establish when and how the Voluntary Principles for Security and Human Rights should be applied	~ Informal guidance provided, formal criteria awaiting greater consensus amongst stakeholders on corporate human rights responsibilities
Review and benchmark the whistleblowing telephone line to ensure it can be used for any suspected breach of policy, not just fraud	✓ Whistleblowing arrangements reviewed and benchmarked. The whistleblowing line can now be used for any suspected breach of policy; increased call numbers in 2006 demonstrate employee awareness of this

36 Independent assurance

Independent assurance report to BG Group plc on its 2006 Corporate Responsibility Report

BG Group plc's (BG Group) 2006 Corporate Responsibility Report (the Report) has been prepared by the management of BG Group, who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BG Group management's instructions, is to carry out a limited assurance engagement on the Report in order to provide conclusions in relation to the AA1000AS⁽¹⁾ Principles of Materiality, Completeness and Responsiveness. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

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 35 of the Report. In addition, we have been asked to provide specific observations on selected matters discussed in the Report. These observations are spread throughout the Report. Our observations do not affect our conclusions on the Report set out below.

WHAT WE DID TO FORM OUR CONCLUSIONS

Our assurance engagement has been planned and performed in accordance with the AA1000AS and ISAE3000⁽²⁾ Standards. The AA1000 assurance principles have been used as the criteria against which to evaluate the Report.

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

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

LEVEL OF ASSURANCE

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

THE LIMITATIONS OF OUR REVIEW

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

OUR CONCLUSIONS

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

Materiality

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

Completeness

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

HSE, Social Investment and Employee Data

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

Responsiveness

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

OUR INDEPENDENCE

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

OUR ASSURANCE TEAM

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

Ernst & Young LLP

London

4 April 2007

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

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

Definitions

For the purpose of this report the following definitions apply:

'Acid gas'	Gas mixture which contains significant amounts of acidic gases such as carbon dioxide (CO ₂)	'IPIECA'	International Petroleum Industry Environmental Conservation Association
'AIBA'	Asset Integrity Baseline Assessment	'ISO 14001'	International Standard for Environmental Management
'ARA'	Annual Report and Accounts	'km'	Kilometres
'BG Group'	BG Group plc and/or any of its subsidiary undertakings, joint ventures or associated undertakings	'KPIs'	Key performance indicators
'Biodiversity'	The variety of organisms found within a specified geographic region	'KPO'	Karachaganak Petroleum Organisation
'boed'	Barrels of oil equivalent per day	'LBG'	London Benchmarking Group
'Climate change'	A significant change from one climatic condition to another	'LNG'	Liquefied Natural Gas
'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	'LTIF'	Lost Time Injury Frequency, expressed as injury frequency per million hours worked
'CNG'	Compressed Natural Gas	'mg/l'	Milligram per litre – measure of concentration of oil in water
'Co-generation'	Co-generation is the simultaneous production of heat and power	'mboe'	Million barrels of oil equivalent
'Company'	BG Group plc	'mtpa'	Million tonnes per annum
'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
'EITI'	Extractive Industries Transparency Initiative	'NGO'	Non-governmental organisation
'EMS'	Environmental Management System	'NGV'	Natural gas vehicle
'E&P'	Exploration and Production	'OGP'	International Association of Oil and Gas Producers
'Equity share emissions'	Emissions aggregated on an ownership basis from both operated and non-operated assets	'ORIF'	Occupational Related Illness Frequency, expressed as illness frequency per million hours worked
'EU'	European Union	'Particulate'	Minute matter such as dust produced by combustion engines
'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	'Sour gas'	Gas mixture which contains significant amounts of hydrogen sulphide (H ₂ S)
'Fugitive emissions'	Continuous low rate losses from system elements	'SRI'	Socially Responsible Investment
'General waste'	Solid and liquid non-toxic or non-hazardous waste	'Stakeholder'	Anyone with a share or legitimate interest in the Group
'Greenhouse gas'	Gas that contributes to the formation of an insulating blanket around the earth by trapping heat from infra-red radiation	'Sustainable Development'	Meeting the needs of the present without compromising the ability of future generations to meet their needs
'GHG'		't'	Tonnes (metric)
'Group'	BG Group plc and/or any of its subsidiary undertakings, joint ventures or associated undertakings	'T&D'	Transmission and Distribution
'GW'	Gigawatt	'TRCF'	Total Recordable Case Frequency, expressed as injury frequency per million hours worked
'Hazardous waste'	Solid and liquid toxic or hazardous waste	'UN'	United Nations
'HSE'	Health, Safety and Environment, including security in relation to management systems	'UNGC'	United Nations Global Compact
'HSSE'	Health, Safety, Security and Environment	'Venting'	Intentional, passive release of gas to the atmosphere
'ILO'	International Labour Organization	'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 31 March 2007. 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 2006. BG Group undertakes no obligation to update any forward looking statements.

