

Gaz de France and the UN Global Compact

Communication on progress 2004

**DIRECTION
DEVELOPPEMENT DURABLE**

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Purpose of this document

Within the framework of membership of the Global Compact, this report presents the actions carried on by Gaz de France and indicates how their implementation serves to fulfil the objectives inherent to the ten principles defined by the United Nations. Each principle has been illustrated by a major action, with other actions being merely mentioned.

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Document perimeter

The perimeter of this report is that of the parent company and of the subsidiaries of the Group held at over 50% or for which the Group holds sole operational control.

Editorial comment by the Chairman

By definition, the stakes involved in sustainable development are global. Where the contribution of Nation-States to the implementation of development methods compatible with the long term ecological and social balance of the planet is primordial, that of businesses is no less vital. This belief is the foundation of the commitment made by Gaz de France to the UN Global Compact.

We signed the charter in 2003 because we are convinced that an energy provider has a role to play in building a world that respects both its inhabitants and the Earth. Gaz de France is determined to contribute to the implementation of ethical principles.

Our strategy has always been one of sustainable development, it is the logical extension of the public service mission ethos to which Gaz de France has always had a firm commitment. In 2004 we made this formal through a Sustainable Development Action Plan (SDAP) that forms the core of the Group development strategy.

Gaz de France accounts for its actions in a sustainable development report that has been published annually since 2001. We have now decided to renew our commitment to the principles of the Global Compact in public.

This report throws new light on the way in which Gaz de France expresses its ambition to be a responsible and efficient company; it shows how, in our particular sphere of influence, our actions and initiatives are developing the principles of the Global Compact.

Jean-François Cirelli
Chairman and CEO,
Gaz de France

The sustainable development approach of Gaz de France

Gaz de France is committed to sustainable development. For a Group such as Gaz de France, this is the only long-term possibility for a responsible energy provider that must preserve the ecological and social equilibriums of the regions it supplies.

The Gaz de France Agenda 21 company approach launched in 2000 led to the definition of the sustainable development policy (2004) and to a sustainable development action plan (SDAP 2004-2006).

The action plan defines five priority orientations corresponding to the main challenges Gaz de France faces.

Meeting tomorrow's energy needs

The impact of production and consumption on climate change constitutes one of the major energy challenges. Gaz de France strives to anticipate consumption trends and promotes the rational use of energy with a view to controlling demand, and, particularly, the development of the use of gas within a perspective of reducing the impact on the environment, develops research and the implementation of new energy solutions - it is clearly a player in the fight against the greenhouse effect.

Exerting full social and environmental responsibility

Gaz de France is working to limit the impact of its activities. Within the framework of an integrated management system (safety, health, environment and quality), each subsidiary has a policy ensuring the safety of its facilities together with the reduction of emissions related to industrial activities. The Group monitors this continual improvement approach. Results are taken into account in business unit performance reviews. Furthermore, through its procurement policy, the Group encourages its partners to adopt action principles compatible with sustainable development.

Ensuring Gaz de France growth in the European market

In a context of open markets and wider competition, it is the ambition of Gaz de France to optimise its economic performance within a sustainable development perspective. This requirement goes hand in hand with ensuring supply safety through diversification of sources and the development of own resources. It also implies the satisfaction of Group customers: to this end, each Group Division formalises a customer relations policy in which measurement of satisfaction holds an important position.

Developing a human resources policy at the Group level.

The Gaz de France development objective implies the mobilisation of all the Group associates while also enabling each participant to benefit. Gaz de France human resources policy aims to build a podium of practices that ensures the motivation of all personnel, reinforces their skills thereby allowing them to grow with their activity. Due attention to health and safety policies is an important part of the perspective of a socially responsible group. At the same time, commitment to sustainable development represents a lever in favour of the social and corporate identity of the Group.

Participating actively in regional development

Gaz de France corporate culture is related to the presence of the Group in the regions and to implementing missions for the good of the public, with solidarity uppermost. In its policy and action plan, Gaz de France clearly states its intent to improve its contribution to society and boost dialogue in the context of its activities. Intensifying the gas network is an important objective in local development terms.

The issues and principles defined within the framework of the Global Compact take into account the main challenges facing humanity, be it respect for human rights or for the environment. In this line, various principles determine absolute requirements: in some parts of the world these have already been implemented, in others they have yet to become current. In view of the countries in which Gaz de France is established, principles 2, 4, 5 and 10 of the Global Compact have been presented together, using a single approach. This is because the Group is not directly confronted with the problems to which these principles refer and their application is satisfactorily assured.

Gaz de France responses to stakeholders' expectations

This table presents stakeholders' expectations in the form of issues and identifies the policies and actions that fulfil them. Those that relate to commitments made by the Group within the framework of the UN Global Compact are identified by the following pictogram

	Challenges	Gaz de France initiatives		
		Group policies	Focus of SDAP	Examples of initiatives
 <p>Economic Society-related</p>	• Dialogue with stakeholders		Focus 2	• Scientific Council (see page 13)
	• Corporate governance		Focus 2	• Employee representatives on the Board • Publication of the Sustainable Development Report
	• Group's competitiveness in a deregulated market		Focus 3	
	• Company's risk control and quality of service		Focus 2	• Integrated QSE approach, mapping of risks (see page 16)
	• Diversified offers, customer service		Focus 3	• Solidarity and Foundation • PLATO Program (see page 44)
	• Solidarity		Focus 5	
• Regional development / Agendas 21		Focus 1		
• Market access for small and medium-sized businesses and disadvantaged groups				
• Access to energy for underprivileged customers				
• Development of natural gas resources				
 <p>Social</p>	• Labor relations		Focus 4	• Equal employment opportunity agreement (see pages 39-40)
	• Non-discrimination, equal employment opportunity, cultural diversity			
	• Training / employee skills			
	• Performance appraisal and compensation (parent company)			
	• Construction of a Group		Focus 4	• Human resources guidelines (see page 39)
	• Information on Group activities			
	• Responsible restructuring			
• Respect of workers' rights				
• Supplier involvement		Focus 2	• Procurement policy, "sustainable" procurement, • Long-term procurement agreements (see page 33)	
• Ethics: natural gas procurement, industrial facilities in sensitive countries				
• Safety and health				
• Procurement guarantees for natural gas suppliers				
• Personal safety and health		Focus 3	• Monitoring the quality of installation pipework (see page 32)	
 <p>Environmental</p>	• Efforts to reduce the greenhouse effect		Focus 1	• Partnerships with Ademe and WWF France (page 26) • Research program 2005-2007 (page 18) • AERES agreement
	• Conservation of resources – control of energy consumption			
	• Promotion of renewable energies			
	• Reduction of the ecological footprint of the Group's activities		Focus 2	• Reduction of local impacts (landscape, noise, etc.) • Protocol with FNTP to reduce worksite waste • Rehabilitation of former gas plant sites
• Recycling of former industrial sites				
• Safety of facilities		Focus 2	• Replacement of grey cast iron mains (see page 31) • Quality Safety Environment (QSE) approach	

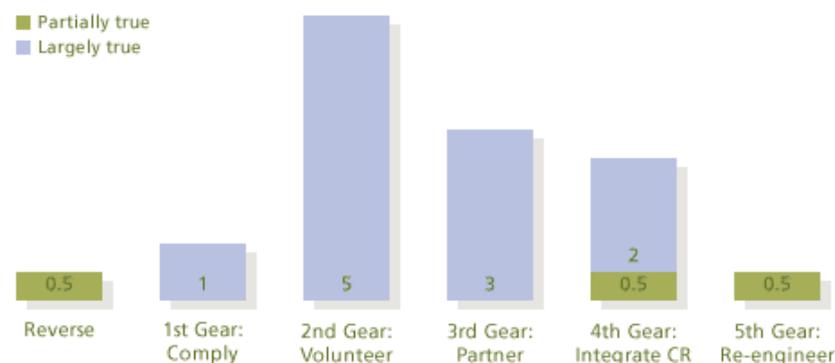
-  Policies introduced or updated
-  Code of business ethics (2002)
-  Environmental Commitments (2002)
-  Environmental protection policy (2004)
-  Industrial safety policy (2004)
-  Solidarity policy (2003)
-  Quality policy (2002)
-  Sustainable development policy (2004)
-  By-laws of the Board
-  Occupational safety and health policy (2004)
-  Performance appraisal and compensation system
-  Industrial development strategy (2004)
-  Public service agreement
-  Note Territoire 21

Assessment of performance within the framework of the Global Compact

By signing the UN Global Compact, Gaz de France is committed to applying the 10 principles relating to human rights, labour law and the environment. Aware of the importance of measuring the progress of its approach, Gaz de France has put into practice the self-assessment tool proposed by SustainAbility. This tool uses the analogy of a gear box to illustrate the pace at which the company is assuming its responsibility. In 1st gear, it merely ensures the required minimum. In 5th gear, it redefines its responsibility beyond its products and services. In reverse, its approach backslides.

Results of Gaz de France self-assessment

At what pace is social responsibility integrated as concerns Gaz de France ?



For Gaz de France, the answer is mainly based on a voluntarist attitude and on working in partnership (2nd and 3rd gear). Three facts explain this:

- the issues at stake in sustainable development (risk management, protection of the environment, taking the human dimension into account) have been thoroughly integrated by the Business Units and Divisions that sometimes have a head-start over Group orientations;
- in its relations with stakeholders, Gaz de France takes pains to ensure transparency, information and dialogue; the Group relies on partnerships, while working to integrate stakeholders' expectations and those of non-governmental organisations, in particular, in its actions;
- the company is well-aware of the fact that energy efficiency and risk management are key elements for creating value and generating development and products are beginning to show the effect of this.
- relations with Nation-States have a dual perspective, they can be one of the strong points but may turn into a weakness when it is a question of reconciling competing imperatives.

Fourth gear (integration of RSE) has already been partly taken into account owing to the importance sustainable development and its stakes have progressively acquired throughout Gaz de France Business Units.

Overall, the positive trends ensue from the sustainable development culture established in the Business Units, from the partnerships and the management tools.

	Reverse	1st Gear: Comply	2nd Gear: Volunteer	3rd Gear: Partner	4th Gear: Integrate	5th Gear: Re-engineer
Who is engaged in the RSE approach within the company?		PR and legal departments often play a major, defensive role.	Managing direct operational impacts – though primarily for PR benefit.	CR experts take centre stage, with CEOs 'wheeled out' for major events	Top management and boards are actively involved.	
What is the approach focused on?		Compliance Companies operating in first gear do not generally recognize any responsibility to stakeholders beyond making a profit.	Measuring and managing direct operational impacts		The focus is on embedding CR goals in all business processes.	CR moves beyond products or services to re-examine business models.
What are the relationship with stakeholders and peers?		Stakeholder engagement is seen primarily as philanthropy.	'Communicating to' rather than 'engaging with' stakeholders. Participating in the development and trialling of voluntary industry standards	Stakeholder engagement evolves into a two-way dialog with wider society. □ CR is increasingly something that companies can only do well in partnership with other actors such as NGOs, suppliers, customers and industry peers.	The company engages civil society and governments in 'progressive alliances' working towards common objectives.	New players come to the table, including 'change agents' like inventors, entrepreneurs, venture capitalists and investment bankers. □ Progressive alliances target system change, focusing on governance and markets.
What are the relationship with governments ?	Public policy lobbying in 'reverse' – hampering progress on key social and environmental issues and preventing the development of the levels of trust necessary to develop genuinely shared solutions.	Relations with government are seen as primarily a compliance issue		There are close relationships with governments, for example through tri-sector or public-private partnerships.	The company engages civil society and governments in 'progressive alliances' working towards common objectives.	Progressive alliances target system change, focusing on governance and markets.
How do we understand the business case?		No business case is perceived for going beyond compliance.	PR benefits, risk management and eco-efficiency as key elements of the business case.	The business case focuses on proactive risk management and reputation building.	The business case is strategic as businesses begin to connect long-term corporate objectives with wider societal challenges.	The business case maybe negative with a 'first mover disadvantage' in the short term.
What are the main drivers?		Key drivers are NGOs, the media and government.	Responding to peer pressure as a key driver.	Key drivers are NGOs, some parts of government and leading businesses, with much of the media (because there is less drama) beginning to lose interest.	The drivers are many and various, including from the financial sector, but companies pushing the envelope still often find that the drivers are inadequate in key areas.	There are many drivers of change, including growing financial sector activity, but governments and governance systems once again must play a central role.

Caption:
Mostly true
True to a certain extent

Presentation of Global Compact principles and of Gaz de France major policies and actions that complied with these in 2004.

First principle: «Within their sphere of influence, businesses should support and respect the protection of internationally proclaimed human rights».

From the outset, Gaz de France has systematically upheld values such as respect and solidarity. This heritage is extended through the spread of these values within the regions where the Group is present.

Ethical commitments undertaken by Gaz de France fully integrate the principle of respect of human rights, the Group subscribes to an overall approach where health and safety are concerned in harmony with its sphere of influence: according to the Global Compact, protecting the safety of associates is a component in the fulfilment of the first principle.

An overall approach to health and safety

The Gaz de France health and safety policy is an overall one, it applies not just to its employees but also to all its stakeholders. Convinced that success lies in the correct application of a joint “industrial safety” and «health & safety at work» strategy, the Gaz de France Group is committed to ensuring all its workforce enjoy working conditions that safeguard their health and safety and to promoting all initiatives that aim to ensure better protection of all the stakeholders.

Health and safety, a permanent preoccupation

Within the Group, taking account of the stakes related to safety goes back a long time. It applies to the parent company and to its subsidiaries. In subsidiaries where Gaz de France has a minority share, it befalls on Group administrators to ensure that Group orientations are taken into account in their Board decisions.

In 2002, an approach was launched to assess the risks run by associates in each Business Unit and define means to reduce them; and in 2004 industrial safety and health & safety policies were formalised. The following priorities have been selected:

- in the field of safety, specific gas risks, road risks, and handling risks,
- in the field of health, chemical risks, psycho-social risks, risks entailed by addictive behaviour, prevention of repetitive strain injury and backache.

Ambitious objectives

Where industrial accident prevention is concerned, Gaz de France S.A. has a double objective: «reduction of accident frequency» and «zero gas-specific industrial accident» for its employees. The development of a safety culture, related to the implementation of the health and safety policy whose orientations shall be gradually imposed on the Group, shall favour harmonisation and improvement of results among the Group entities.

A dedicated organisation

Gaz de France has a Safety Advisor and, where the parent company is concerned, a specific Health and Safety network covering health at work, environmental health, medical advisory service and safety appraisal. Through its activities the network ensures improved monitoring of the health capital of the personnel. Its main missions are: analysis of employee health, epidemiological studies, public health actions, etc.

A continual improvement approach

Developed together with the Business Units and Entities, the industrial health and safety at work policies ensure a common background for all the Business Units in the Group. They define the main orientations that ensure the company follows a continual improvement approach. Thus, the whole management category is mobilised to apply these orientations, particularly in the following fields:

- knowledge of facilities and of related risks,
- suitability of the programmes monitoring these risks and any changes,
- physical protection of the facilities,
- respect of regulations,
- analysis of all types of incidents in order to deploy actions designed to prevent their re-occurrence,
- control of emergency situations,
- satisfactory matching of employee skills with the activities to be realised
- more generally the implementation of an organisation in which the roles and responsibilities of each are clearly defined thereby making it possible to ensure the satisfactory fulfilment of the previous points by means of appropriate internal control.

Every year, a comprehensive report on industrial safety is submitted to the Board.

An approach implemented with Group stakeholders

Formalisation of safety policies also aims to ensure the safety of Group stakeholders. They are associated with the development of policies built up within the framework of relations maintained with the Group:

- People living in the vicinity of the facilities during their construction (annual barometer) or during maintenance operations (e.g.: monitoring the gas pipelines on foot),
- Local authorities through discussions on risks related to the facilities and their being taken into account in town planning documents,
- Service providers through their selection, and then the information given to them on risks related to the facilities,
- Professionals in the gas sector through designations PGN (natural gas professional) and PMG (gas maintenance professional),
- Associations, through exchanges concentrating on their concerns,
- The administration through discussions on the changes in regulations.

Thus, following an accident involving a pipe, Gaz de France speeded up the programme to eliminate grey cast iron mains and increased the number of checks carried out each year on residual networks. By the end of 2007 they will have been entirely replaced. The Group also suggested the Ministry of Industry should undertake an action together with all the stakeholders with a view to reinforcing the safety device for customer domestic facilities (boilers, connecting hoses, etc.).

Other actions

- Training the associates in safety-reinforced practices: courses in safe driving (some 200 people), training modules on same level accidents (40 training courses), training of floor assistants on the 25 new Commercial Division sites.
- Set up of an environmental management system for improved control of the impact of the activity on the environment and ISO 14001 certification of all the distribution sites in 2004. Certification of all the French Seveso facilities planned in 2007.

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

Gaz de France long ago decided to marry economic efficiency and social progress. This desire for social cohesion relies on effective social dialogue. Thus, the Group encourages the expression and participation of its employees and their representatives and has made a commitment to inform them and to consult them in due time on a full range of subjects of major importance for its future (Gaz de France ethical commitments). Currently, over 50% of HR policies are the subject of negotiation and of agreements between management and labour.

Formalised social dialogue procedures

Dialogue with employee representatives has been formalised and effective since 2001:

- at the professional branch level, the negotiation programme is concerned with themes such as pensions and remuneration policy;
- at the level of the Group with the European Works Committee.

The Works Committee was set up at the end of 2001 and held its first meetings on the Gaz de France Group social and industrial project, how it should be organised and the development strategy for each of the Business Units;

- at the level of the parent company through introducing the “Vous et votre entreprise” (“You and your company”) barometer that takes into account the opinion and preoccupations of the associates (excluding subsidiaries) in order to orient Group strategy.
- at the level of the companies making up the Group, including the parent company, with the personnel representative institutions specific to the country concerned.

Emphasizing dialogue with employees

Management and the employees discuss Group strategic changes. Dialogue relies in particular on internal communication operations such as the “Regional Encounters” that were held from 1998 to 2001, “Le Groupe en marche” (The Way Forward) in the first semester of 2002 that enabled more than 15, 000 employees to exchange views and ideas with Group leaders, on the development of the Business Units and professional realities, «Ecoute & Dialogue» in 2003 and 2004 that was centred on the social and industrial project and on employee reactions.

At the Group level, the «Grandir ensemble» (Growing together) approach accompanied the component of salaried shareholders in 2005 planned within the framework of bringing in new Gaz de France shareholders.

A major agreement to anchor social progress within the Group

Signature by the employers and the five French trade union federations of the «declaration of common intent» on 14th June 2004 illustrates the will of Gaz de France to improve the social dialogue. This declaration is part of the industrial and social project of the Group. It comprises the following principles:

- the approach shall be directed by associating the various management levels with the social partners,
- for the subjects within its competence the European Works Committee will be consulted throughout,
- a Europe-wide agreement will be set up outlining social management and human resource principles.

Work achieved so far has enabled furthering the draft Group HR practice baseline. A multicultural working group that is representative of the Group has been set up bringing together British, Dutch, German, Hungarian and French subsidiaries. This group has identified work items for implementing our commitments, such as no discrimination, dialogue, skill management, conversion, remuneration, working conditions, prevention & safety, etc.

Other actions

- Company negotiations: examples of agreements signed in 2004 and 2005
 - Professional equality between men and women: company-wide agreement signed on 13th July 2004;
 - 2005 agreement relating to disabled people, signed in February for one year;
 - Gaz de France skills observatory: signature of the agreement is due in September following consultation of the authorities involved in the management and labour dialogue.
- Dialogue, a human resource constant
 - Currently, over 50 % of Gaz de France human resource policies are the subject of negotiation and a subsequent agreement between the stakeholders, as exemplified by:
 - management, who are associated from the start of the dialogue,
 - union organisations, co-responsible for agreements negotiated with the Divisions,
 - personnel, consulted by its representatives within the framework of statutory discussion and by the union organisations prior to the signature of the agreements.

Sixth principle: "elimination of discrimination in respect of employment and occupation"

Gaz de France takes care to ensure all its employees have equal opportunities throughout their professional life. Within this perspective, Gaz de France has undertaken not to discriminate, whether on grounds of age, sex, religion, ethnic and social origin or political and union opinions (Gaz de France ethical commitments).

Encouraging diversity

In overall terms, the «Diversity» worksite presents the issue of acceptance and integration of differences in an environment where high standards of performance and excellence are current. The issue of discrimination is wide-ranging and topical; it has a degree of relevance wherever subjects such as recruitment policy, male-female parity in managerial teams, the acceptability of having disabled workers in the company, the employability of 'senior citizens', integration of employees from abroad and from underprivileged backgrounds are discussed. Encouraging the struggle for equality between men and women is part of this policy aiming to eliminate professional discrimination; nowadays the difference in men and women's salaries does not exceed 5%.

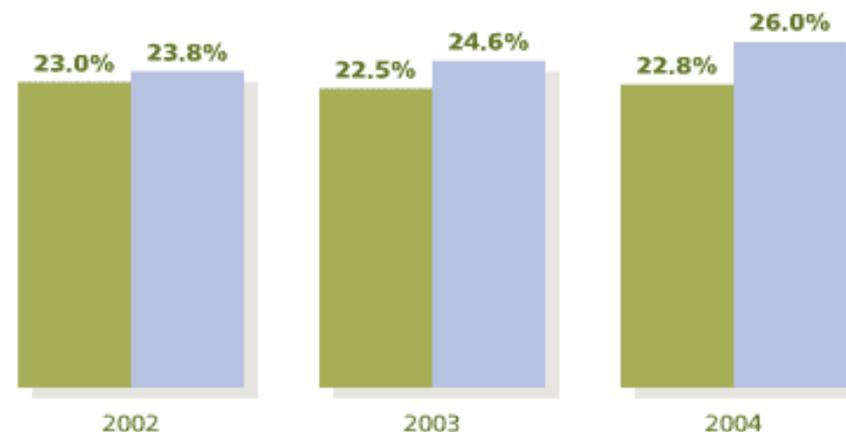
An innovative agreement on professional equality

On 13th July 2004, the Chairman and CEO of Gaz de France and the representatives of all the French trade union federations signed a joint agreement on professional equality between men and women applicable within the parent company perimeter. Described as innovative and a historical achievement by both labour and management, and recognised as such in good practice censuses such as that of ORSE¹, this agreement plans for catch-up salary increases and easier access to training courses for women together with more egalitarian recruitment as potential employees leave the school system. Within the application of this policy, women accounted for 56% of the executives recruited in 2004. A parity committee has been set up to ensure follow-up to the agreement.

¹ ORSE: Observatoire de la Responsabilité Sociétale des Entreprises/Company Social Responsibility Observatory

Gaz de France S.A.

■ Percentage of female executives (Group)
 ■ Percentage of female executives (Gaz de France S.A.)



Action plans at the national level

1) EQUAL PAY

Individual increases of main remuneration take into account a policy allowing for women's salaries to catch-up their discrepancy.

Annual increases granted to agents (mostly women) having opted to work flexi-time, are monitored yearly at the national level in order to ensure they are comparable to those of agents working full time.

2) MALE-FEMALE EMPLOYMENT PARITY

When a discrepancy is noted in career progress between men and women, corrective measures are applied, in particular, making use of experience acquired. Specific monitoring is ensured where access of women to managerial functions is concerned.

3) CAREERS

Throughout their professional life, employees are accompanied and presented with opportunities for promotion.

4) PROFESSIONAL TRAINING

The objective of general training orientations is to narrow the discrepancy in the number of training hours attended by men and women during training courses. With this aim in mind, shorter training sessions are set up, training venues have been decentralised, etc.

5) TIME AND WORKING CONDITIONS

In general, schedules are planned sufficiently in advance to allow men and women to get organised, meetings are held during working hours and work loads fairly apportioned.

Where maternity leave implies difficulties for the remaining team members, the possibility of a temporary replacement is envisaged.

6) CHANGE IN MENTALITY

Professional equality and changes in mentality both imply communication. Managers and Heads of HR are aware of the professional equality challenge within the framework of professionalising the Divisions. Taking into account of professional equality in management methods shall join other manager assessment criteria.

A «professional equality» contact is appointed within the management of each unit and his mission involves promoting communication actions relating to professional equality.

Furthermore, introducing equal representation of the sexes in delegations, working groups, negotiation groups and personnel representation organisations will stimulate mentalities to move forward.

7) AGREEMENT IMPLEMENTATION AND FOLLOW-UP

A commission has been set up to ensure the implementation and follow-up of the agreement and there is a table monitoring the level of fulfilment of the objectives over a three-year period.

Other action

Facilitate employment of disabled workers

Since 1989, Gaz de France has signed agreements with union organisations relating to the employment and recognition of disabled workers.

The agreement signed in 2002 planned for an average of two disabled workers to be recruited per entity and a close partnership with training organisations to ensure disabled people are given suitable training.

The 2005 agreement was signed in February for one year.

Main results:

- Over 1,200 disabled workers have been recruited since 1989,
- More than 2,500 disabled people have been trained thanks to the assistance provided by Gaz de France to specialised training organisations,
- some 400 people are sure of regular work thanks to purchase orders placed with companies in the protected sector.

Seventh principle: «Businesses should support a precautionary approach to environmental challenges»

Gaz de France commitment to sustainable development concurs with values and principles to which the Group subscribes. A player in the energy sector, the Group is aware of the particular responsibilities that befall it in matters of environmental protection. Concerned to limit the impact of its activities on the natural environment and keen to promote the environmental qualities specific to natural gas, it undertakes to direct its research in ways that systematically take sustainable development requirements into account.

The role of research & development

With markets opening up and in a context of continual reinforcement of environmental constraints, the Group devotes 46% of Research Division expenditure to the environment, safety and new technologies. It is the aim of the research programme both to enlighten the Group on sustainable development (63% of the research budget contributes to the sustainable development policy of the Group) and to build up the competitive advantages that maintain the Gaz de France Group firmly among the European leaders of energy. The Group has the first gas research centre in Europe comprising 589 assistants with a budget of 80.8 million euros.

2005-2007 Research/Development Contract

Built according to a pro-active approach, the 2005 - 2007 research contract is the result of close collaboration between Research Division and the other Group Divisions. It plans for business development studies and for research projects on themes relating to climate change, renewable energies and new energy vectors (such as hydrogen), control of energy demand and new uses (such as cogeneration or VNG).

Research orientations

All the new contract research programmes contribute to sustainable development through taking into account the following objectives:

- Reduction of environmental impacts related to gas activity (storage, compression, distribution, etc.)
- Development of the rational use of energy (energy efficiency in buildings and in industry generally, cogeneration, VNG, etc.)
- Research on long term energy solutions (hydrogen, biogas, renewable energies, CO2 sequestration, etc.)
- Reinforcement of the safety of Group and customers' equipment (structures and facilities)

From risk control to the application of the precautionary principle

The qualification and legitimacy of the Group as an operator in various production fields are thus directly related to its capacity to control risks, be it in the North Sea, the Netherlands, Norway or in the U.K. through its subsidiaries GDF Production Nederland, Gaz de France Norge and GDF Britain. All the elements vital to effective risk control are assessed through study of the files (personnel training, maintenance and continual improvement actions, detailed analysis of incidents and accidents, etc.) and during inspections in the field. The same standards apply to the subcontractors and suppliers that the operator is bound to inspect. This commitment in favour of the environment may lead the Group to refuse to operate, in application of the precautionary principle. Thus, in 2004, the Group turned down an opportunity to exploit a production field in an area that is particularly ecologically vulnerable.

Other actions

1) Evaluating the environmental impact of natural gas

In 2002, Gaz de France updated its natural gas life cycle analysis (ACV) highlighting the main environmental impacts of the gas chain, from the production stage through to distribution to the customer. Identified impacts relate mostly to use. This finding means that both Gaz de France research and its offers have become consumer-oriented. Furthermore, this ecobalance has enabled identifying various axes for improvement, in particular relating to the LNG transport chain (methane carriers), and the Group has implemented changes accordingly. Finally, within the Eurogas-Marcogaz framework, Gaz de France is leading gas company seminars with the aim of harmonising a natural gas ACV based on national facility characteristics.

2) Castor Project Participation: European experimental project relating to CO₂ capture.

European experimental project in which Gaz de France is a major partner, Castor (CO₂ from Capture to Storage) is concerned both with CO₂ capture from combustion smoke and with its geological storage.

3) «Bâtiment Energie» Foundation: the fight to control construction sector greenhouse gas emissions

The construction sector is a key field for sustainable development in the perspective of reducing climate change since it accounts for 46% of national energy consumption and 25% of CO₂ emissions.

Gaz de France has contributed to the set up of the Research Foundation; its aim is to have cut down the emissions generated by buildings, new or old, by one quarter by 2050.

4) Gaz de France Scientific Council

The Gaz de France Scientific Council has a consultative role in R&D activities, economic forecasting and Group strategy.

Chaired by a highly respected scientist, the Council has 12 members appointed for three years. Its role is to break new ground but also to draw attention to problems inherent to the gas industry.

5) Fuel cells

Since November 2002, Dunkerque (Pas-de-Calais) has been testing 3rd generation fuel cells. Town Hall offices (light and heating) and town traffic lights are powered by two fuel cells that operate with natural gas. The trials and experiments carried out will enable Gaz de France to collect a set of data on the operation of its prototypes under actual conditions. This stage is vital in order to ensure the new generation fuel cells are operational and proceed to the next stage: equipping individual and collective dwellings with appropriate fuel cells, i.e. lower in power.

6) Search for solutions together with the Glass sector

For the glass industry Gaz de France Research Division has set up means and skills that are vital to the development of new products and their subsequent improvement. Similarly, in view of the weight of energy in the cost price structure of paper pulp, Gaz de France is helping paper pulp industrialists to replace coal and fuel-oil progressively with natural gas.

Eighth principle: “Undertake initiatives to promote greater environmental responsibility”

Gaz de France plays an active role in promoting sustainable development within society, at the national, European and international levels. A signatory to the Sustainable Development Business Charter, the Group participates in the work carried out by international associations such as the GRI (Global Reporting Initiative) or national associations such as «Orée», the «21 Committee» or «EpE» («Businesses in favour of the Environment») and contributes to negotiations and debates on global warming. Finally, both at the European level, with Eurogas and Marcogaz, and at the world level, with the International Gas Union, Gaz de France is involved in professional gas decision-making.

Gaz de France actions target various sections of the public:

Information of associates

Numerous awareness-raising actions are carried out (in the form of articles, dispatches or interviews) in the internal communication media: GDF Infos, GazComFlash, InfoPlus Directeurs, on Managers and Gaznet Intranet sites (set up of a regular “sustainable development” column), not forgetting the radio «Fréquence Gaz de France». Internal communication events are also developed for the benefit of Central Service employees (interactive exhibition on the eco-citizen approach, lecture forum on the partnership with WWF France), in particular within the framework of Group partnerships with Ademe and WWF France.

Information of suppliers

Within the framework of the sustainable development policy, the Group proposes suppliers so-inclined should implement Global Compact principles. These initiatives give rise to partnerships based on a common commitment.

Information of customers

Gaz de France develops awareness-raising actions in favour of environmental protection, involving for instance, didactic communication (description of daily actions that contribute tangibly to sustainable development, exhibitions: such as «Climax» in partnership with the Cité des Sciences et de l’Industrie at La Villette in Paris) and essentially recommends the rational use of energy through the use of appropriate services. These services are developed within the 4 flagship brands (Gaz de France EnergyY®, Provalys®, Energies Communes® and DolceVita®).

Information of associations

A partnership was signed in 2003 with the WWF. It has three main axes: the fight against global warming, reduction of the ecological footprint, awareness-raising in favour of rational use of energy. These axes are then exploited in order to make people aware of the issues at stake (through books such as «Planète attitude», brochures such as «Agir pour Demain» (Acting today for tomorrow) and various events). Employees are targeted through internal information campaigns, etc.

Local authorities

The Group places its methodology at the disposal of local authorities within the framework of accompanying the Agenda 21 approach (awareness-raising, pre-diagnostic and drawing up of specifications). Gaz de France assists local authorities to establish a healthy balance in which energy consumption goes hand in hand with respect for the environment.

Other actions:

- **Management: drafting and follow-up of a Sustainable Development Action Plan**

As part of the application of its sustainable development policy the Group implements a three-year action plan (2004-2006); its objectives are distributed among the Divisions of Gaz de France and integrated in their management plan. Drafting of a Group code of conduct (action in progress). The Group is working on its ethical approach in order to deploy it in its Divisions and subsidiaries. In 2005, the approach is due to give rise to a code of conduct. Backed by the Chairman and CEO, it is monitored by the Sustainable Development and Ethics Committee.

Ninth principle: "Encourage the development and diffusion of environmentally friendly technologies."

Keen to promote and ensure respect of the environment, the commitment made by the Group relates essentially to: transport, energy and waste processing.

Natural Gas for vehicles, a clean solution for tomorrow's mobility:

The transport sector is the main source of greenhouse gas emissions (26% in 2003 in France). The sector is heavily petrol-dependent (97%). Work carried out with the assistance of the Group to make the natural gas fuel sector more reliable, both at the regulatory level and as concerns equipment and facilities, has made it possible to develop a reliable alternative to gas oil and petrol in France. Comparative analysis of light vehicle life cycle has shown it is well-suited to natural gas:

- 20% reduction in carbon dioxide emissions in relation to petrol;
- noticeable decrease in sulphur oxide, lead and particulate emissions. Currently, some 2,000 heavy vehicles (buses and garbage collection vehicles) and 5,500 light vehicles in local authority and company fleets run on natural gas - France is foremost among European countries in the use of natural gas fuel for heavy vehicles.

Signature of the 3rd ADEME– GDF 2004-2006 framework agreement

On 25th June 2004, Gaz de France and ADEME signed their third framework agreement. This agreement reinforces the collaboration of the two signatories in favour of Sustainable Development. Strategic axes have been selected for distributing environmentally-friendly technologies: reinforcement of energy efficiency and fight against the greenhouse effect; development of renewable energies through exploiting solutions that couple natural gas and renewable energies, contribution to clean transport through use of vehicles that run on Vehicle Natural Gas (VNG); reclamation of waste, assistance with research, cooperation in European programmes or in international operations to fight against climate change.

«Thermolysis of waste» a lever for development

«THIDE Environnement» – a company specialised in the design, construction and operation of processing plants – a lever for the development of «Waste thermolysis» for the Gaz de France Group. The thermolysis process developed by THIDE Environment is technologically advanced and particularly original: its technical characteristics ensure it has both operating and environmental flexibility, with low-dioxin production, reduced smoke and high reclamation of by-products. With medium-sized facilities with a capacity of from 15,000 to 100,000 tons its market positioning makes it a particularly attractive proposition. Following a technological development period of several years Thide Environnement set up a first plant in Japan before selling its licence for the set up of a further two plants using this original process.

This alternative to incineration for waste reclamation, recycling raw materials and producing energy ensures improved environmental protection:

- Less dioxin than with other heat processes
- 50% less smoke than with incineration
- Atmospheric emissions considerably below current regulatory standards
- Minimal need for burial of waste products
- On-site solution.

An initial facility is in the process of being commissioned in Arras.

Initiative to reduce greenhouse gas emission at Chalon-sur-Saône

At the end of 2002, the town of Chalon sur Saône (50,000 inhabitants in Burgundy) joined a PRIVILEGES programme (town initiative project to reduce greenhouse gases) aiming to reduce emissions from the town and its suburbs significantly over a three-year period.

Gaz de France is a stakeholder in this action through a number of operations, in particular, through the production of energy using a natural gas cogeneration turbine that provides the heating required for the collective dwelling network and supplies electricity in parallel.

Second, fourth, fifth and tenth principles

Second principle: **“Businesses should make sure they are not complicit in human rights abuses”**

Fourth principle: **“elimination of all forms of forced and compulsory labour”**

Fifth principle: **“effective abolition of child labour”**

Tenth principle: **“Businesses should work against corruption in all its forms, including extortion and bribery”**

At a crucial point in its development, both in view of the opening up of energy markets and considering its ambition to grow within Europe, Gaz de France is leading an approach to express its ethics and formalise the values and action principles at the core of its Group identity. These shared values are entirely humanist and have their origin in the Universal Declaration of Human Rights of 1948 and in the ILO.

This humanist background lends itself naturally to the sustainable development perspective, fulfils the principles of the Global Compact and revolves around three priorities: respecting and promoting social rights; acting at all times as a responsible business at all times; maintaining relations of trust with Group partners.

Respect of human dignity

Apart from its health and safety actions, the Group refuses to have recourse, either directly or indirectly, to child labour and forced labour in any form. This principle is systematically included in the charters of commitment signed with suppliers.

Relations with our partners are based on trust

The Group is firmly against any form of corruption, and makes it a point of pride to be loyal and open with each and every one of its partners: with its customers, who have the right to enjoy fully-detailed information on the services and tariffs they are offered; with its financial partners who have the right to access accurate documentation; with its suppliers and subcontractors who have the right to expect it to fulfil its commitments; with its employees, who, within the framework of a process based on dialogue, have the right to be clearly and regularly informed of the objectives assigned to them and of the assessment made of their work. Currently, within the framework of «take or pay» natural gas procurement contracts, in view of the fact that markets are «organised» risks are relatively under control.

Operators enjoy recognition and, in most cases, are committed to a sustainable development approach. On markets that are less «organised», the Group analyses the level of financial resistance, together with the technical and ethical credibility of its possible new partners, nor does it neglect their reputation. In this way, purchase propositions have already been turned down because they did not stand up to analysis under these criteria.

Major Gaz de France actions as concerns the «Millennium Development Objectives» and «OECD Principles» baselines

Main actions

Fight against exclusion: «Solidarity – Energy» agreements and solidarity policy

The Group looks on solidarity as an advantage and finalised its policy in January 2004. In particular, it covers relations with destitute customers, town policy, employment of young people. Furthermore, the Gaz de France Foundation has a policy of sponsorship within a perspective of solidarity. In 2004, the Group signed a partnership agreement with the «SAMU Social» (mobile emergency medical service).

1) Local actions in favour of job creation

Gaz de France supports the PLATO programme, a tool for promoting SME/SMLs within the regional economic fabric, that has been deployed in seven regions of France.

2) Optimisation of skills

In 2004, a Group skill optimisation device was set up to map the skills available per major field with a view to managing key skills vital to the life and results of the company. Within the framework of this device, dialogue will be set up together with the «Observatoire des métiers» to favour skill management in an economic forecasting perspective.

3) Fondation Agir Pour l'Emploi (FAPE) Foundation that is dedicated to creating jobs

Set up in February 1995, the FAPE is a player in favour of a socially-oriented economy. Financed by grants from associates topped up by the company, it has already supported over 1,100 projects, ensuring the creation or continued existence of some 7,000 jobs.

GRI indicators cross-referenced with the Global Compact grid

Gaz de France publishes the GRI indicators presented in the table below both in its Sustainable Development Report and on its website: www.gazdefrance.com.

Consult the 2004 Sustainable Development Report for a quantitative indication of progress achieved.

ENVIRONMENTAL PERFORMANCE INDICATORS

GC8 Amount of steel used

GC8 Amount of polyethylene used

GC8 Amount of waste used from external sources

GC8 Indirect energy use

GC8 Facilities or worksites in biodiversity-rich habitats

GC8 Industrial water use (excluding commercial activities)

GC8 Total recycling and reuse of water

GC8 Significant discharges to water

GC8 Significant spills of chemicals, oils and fuels

GC8 Total energy use at industrial facilities (excluding commercial activities)

GC8 Percentage of electric energy used

GC8 Percentage of gas energy used

GC8 Percentage of fuel oil energy used

GC8 Greenhouse gas emissions by business unit (Exploration and Production)

GC8 Greenhouse gas emissions by business unit (Transmission)

GC8 Greenhouse gas emissions by business unit (Distribution)

GC8 Greenhouse gas emissions by business unit (Services)

GC8 Greenhouse gas emissions from industrial activities (excluding commercial activities)

GC8 Emission of ozone-depleting substances

GC8 NOX emissions from industrial activities

GC8 NOX emissions by business unit (Exploration and Production)

GC8 NOX emissions by business unit (Transmission)

GC8 NOX emissions by business unit (Services)

GC8 SOX emissions from industrial activities

GC8 Total amount of waste produced

GC8 Total amount of waste recycled

SOCIAL PERFORMANCE INDICATORS

GC3 Net employments creation

GC3 Percentage of employees covered by collective bargaining agreements

GC6 Percentage of female managers