

GAZ DE FRANCE AND THE UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS 2006

COMMUNICATION ON PROGRESS

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

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

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GAZ DE FRANCE COMMITS TO THE UNITED NATIONS GLOBAL COMPACT

“From the point of view of risks and opportunities, we analyze what it takes to ensure development that respects people and the environment, and we implement this approach in all our business lines and management systems.”

Jean-François Cirelli

Chairman and Chief Executive Officer



Gaz de France has committed to sustainable development and the United Nations Global Compact, convinced that the contribution of companies to the implementation of modes of development compatible with the planet's long-term ecological and social balances is of primary importance, to the same degree as that of States. The United Nations Global Compact, of which the Gaz de France Group has been a member since 2003 provides a frame of reference that is particularly adapted to the integration of issues concerning human rights, labor standards, the environment and the fight against corruption.

For the Gaz de France Group, which increasingly operates outside of Europe, where these rights and principles have been accepted policy for many years, the Global Compact takes on a new dimension. Guided by our principles and a broader-based contribution from stakeholders, we strengthened our commitment in 2006. For the third year, as a complement to the Sustainable Development Report it has published annually since 2001, Gaz de France here presents a specific document, a Communication on Progress, which in addition to policies and initiatives also presents the way corporate processes integrate the Global Compact's ten principles.

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

*Françoise Guichard, Vice President,
Sustainable Development division*

GAZ DE FRANCE, PORTRAIT OF A MAJOR ENERGY UTILITY

Present at all the stages in the energy industry, the Gaz de France Group identifies the sustainable development challenges it faces and works to control the impact of its activities.

Exploration

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

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

Production

The Gaz de France Group produces natural gas and electricity.

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

Procurement

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

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

Regasification

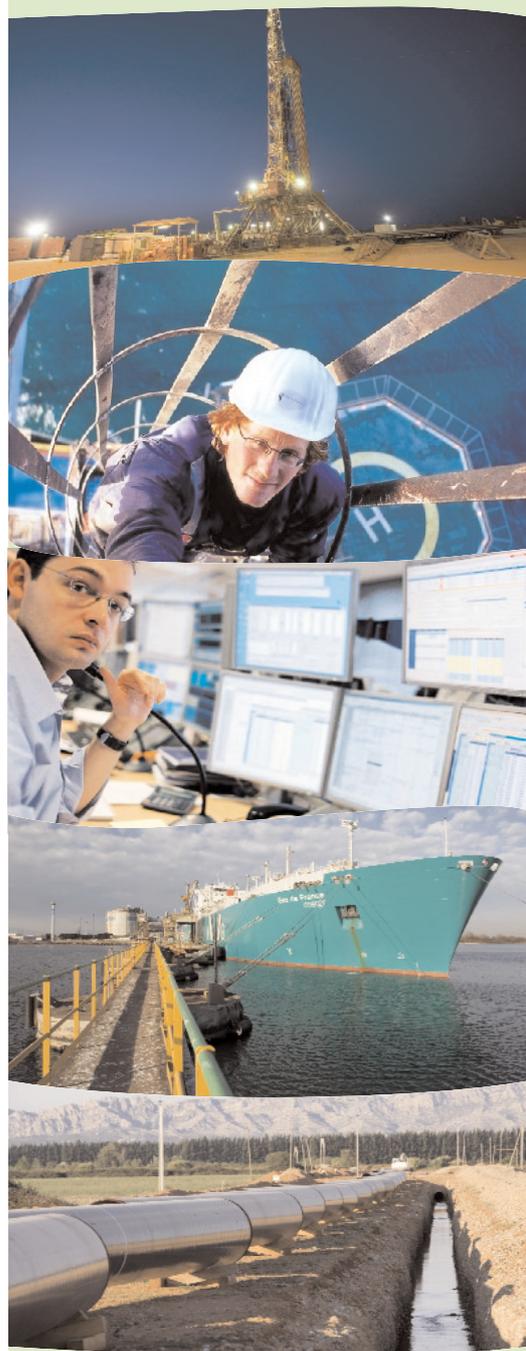
In the liquid state, natural gas takes up 600 times less space. It is in the form of liquefied natural gas that is transported by LNG tankers from distant production areas to consumer regions. When it arrives at French LNG terminals, the natural gas is stored and then regasified prior to distribution.

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

Transmission

GRTgaz, a Gaz de France company, transports natural gas throughout France via its 31,610 kilometers of high-pressure pipelines. It has the longest transmission system in Europe, which is open to all European shippers.

Challenge : to ensure that major infrastructures are integrated into the landscape, provide transparent and non-discriminatory access to the transmission system for all natural gas shippers and guarantee safety and security.



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GAZ DE FRANCE, PORTRAIT OF A MAJOR ENERGY UTILITY

» continued from page 5

Storage

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

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

Distribution

Natural gas is carried to customers by 185,000 kilometers of mains. It is the largest distribution network in Europe, and is open to all natural gas suppliers.

Challenge : to provide transparent and non-discriminatory access to the distribution network for all natural gas suppliers, ensure market infill, accompany the development of the communities it serves, and guarantee safety and security for the whole population.

Marketing and Sales

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

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

Services

The Gaz de France Group complements its combined natural gas + electricity offerings with energy services.

Challenge : to ensure safety and promote energy efficiency.

And internationally

- to promote the positive economic, social and environmental impact of the Group's activities wherever it operates;
- to promote human rights and combat corruption;
- to make Group employees and managers more aware of their social responsibility.



A EUROPEAN GROUP OPEN TO THE WORLD

> **50,244 employees**

32% internationally

> **27,642 million euros**

Net sales, (up 21% from 2005)

39% internationally

> **2,298 million euros**

Consolidated net income, Group share

(up 29% from 2005)

> **4 billion euros**

Investments

INFRASTRUCTURES

Transmission storage, LNG terminals, distribution

> **31,610 km of pipelines in France**

The longest transmission system in Europe

> **185,000 km of mains in France**

The largest distribution network in Europe

> **12 storage facilities**

> **2 LNG terminals in France**

ENERGY SUPPLY AND SERVICES

Exploration and production, energy procurement and sales, services

> **685.3 million boe reserves**

> **45.5 million boe produced**

> **11.1 million customers in France**

and 2.8 million internationally

> **762 billion kWh of natural gas sold in Europe**

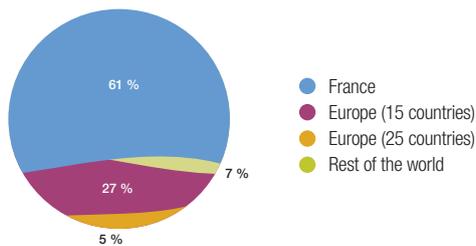
> **3.3 billion kWh of electricity marketed in France**



Workforce
 Procurement (including proprietary resources) (billions of kWh)

Geographic Breakdown

Net sales (%)



THE SUSTAINABLE DEVELOPMENT APPROACH OF GAZ DE FRANCE

The sustainable development approach of the Gaz de France Group is energized by almost 15 years of commitment, growing and adapting as sustainable development challenges evolve.

> From strategy to action

Gaz de France defines its strategy and priorities on the basis of its business challenges, stakeholder expectations and a constantly changing environment (see diagram).

> Specific risks and opportunities

Gaz de France has a specific position in Europe as an integrated energy utility present at every stage of the energy industry from exploration to regular services. The Group shares certain challenges of the oil and gas sector for its upstream activities, and even more so those of the utilities sector for its downstream activities.

> Ranking and implementing

To define its sustainable development policy in the most efficient manner, Gaz de France formulates and reviews its multi-year or annual priorities in order to adapt to its regulatory, contractual and commercial environment by targeting a limited number of upgraded objectives. At the same time, the sustainable development approach initiated by the Group in 1992 covers all the challenges the Company faces.

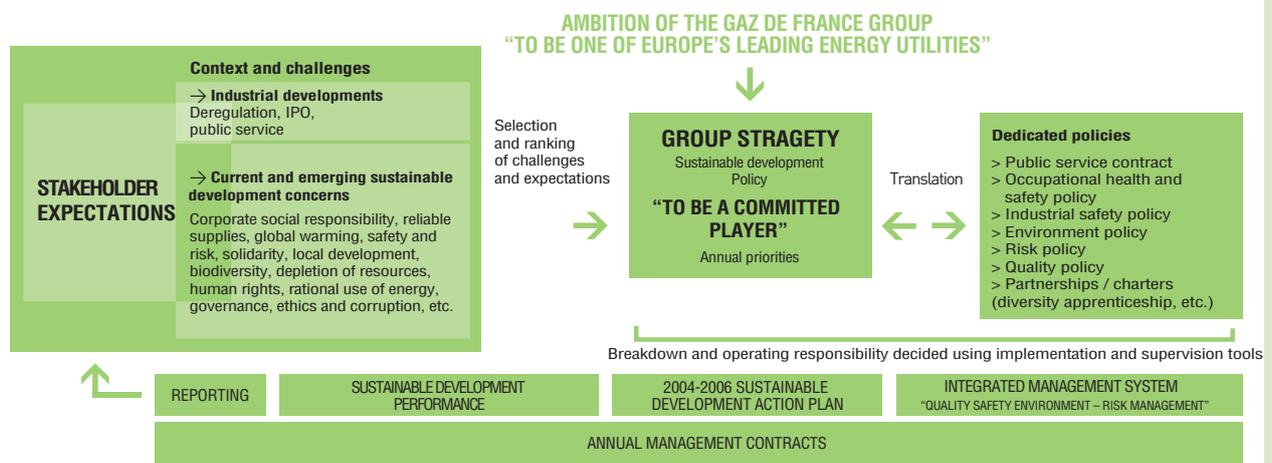
> Increasing awareness, overseeing and monitoring results

Gaz de France has built an implementation and oversight system that operates at all Group levels. It is piloted by the Sustainable Development division, the Sustainable Development and Business Ethics Committee, a network of 40 sustainable development correspondents who work throughout the Company, and the other cross-division networks also under the aegis of the Sustainable Development division that deal with issues of diversity, quality, ethics, solidarity, etc. At the same time, major initiatives increase public awareness, while Gaz de France responsibly lobbies public authorities to heighten awareness and promote discussion of certain topics, such as energy conservation in particular.

The sustainable development reporting policy applied by Gaz de France since 2001 now uses the same information system as for financial reporting purposes. As with financial reporting, sustainable development data is verified by the Group's auditors. By the end of 2005, for certain non-financial indicators, Gaz de France reached the stage of "reasonable assurance", which corresponds to the same level of requirements as for financial information.

Gaz de France chose the Balanced Scorecard method to select a limited number of indicators for its annual sustainable development performance review and quarterly Quality Safety Environment reports, which are monitored by the Group's executive management.

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



PERFORMANCE IN 2006 AND OUTLOOK

Results of the 2004-2006 Sustainable Development Action Plan

Ninety percent of the objectives of the 2004-2006 Sustainable Development Action Plan were accomplished by the end of the year 2006: formalization of policies (renewable energy, industrial safety, occupational health and safety), incorporation of demand-side management into all offerings, fulfillment

of commitments to control the Company's own greenhouse gas emissions, launch of a business ethics approach, performance of sustainable development reporting, strengthened partnerships with and responsiveness to stakeholders, and the signing of a diversity charter.

Dialoguing and acting with stakeholders

To meet the expectations of stakeholders, the Gaz de France Group bases its relations on the nature of each of them, be they customers (satisfaction surveys, meetings between the mediator and non-profit groups) or local players (interviews, relations at the regional level, community consultation when new facilities are planned). These relations also include structured

partnerships with Ademe, WWF-France and Emmaüs-France on issues of energy or solidarity, to put these sustainable development priorities into action. Lastly, every 18 months, a broad-based discussion is organized with a panel of stakeholders to evaluate the progress made on sustainable development issues.

Assessing performance to ensure progress

To improve the visibility of its progress and future priorities, Gaz de France participates in two types of evaluation:

→ external evaluation by rating agencies such as Vigeo, SAM or Eiris; Gaz de France is now in the ASPI Eurozone® index, introduced by Vigeo to list the 120 best companies in eurozone stock markets on the basis of

social and environmental responsibility;

→ self-evaluation, by adopting external references like the human rights matrix developed by BLIHR to evaluate the impact of its exploration and production activities in Algeria, and the Business Principles for Countering Bribery developed by Transparency International to combat corruption.

2007, how to ensure further progress

Without waiting for a new Sustainable Development Action Plan to be implemented, in December 2006, Gaz de France approved the priority initiatives for 2007 based on energy challenges and social responsibility issues. The objective is to continue to move for-

ward, in particular as regards energy efficiency, renewable energy, control of CO₂ emissions, promotion of solidarity, development of diversity in the Company, commitment to the cause of human rights and the fight against corruption.



In the name of Gaz de France, Jean-François Cirelli received the 2006 trophy awarded by certified management accountants for the quality of the environmental and social information presented in its 2005 sustainable development report.

→ 55/100: this was how SustainAbility rated Gaz de France's 2005 Sustainable Development Report. This score ranked the Group at the same level as Lafarge, the first French company that was 29th out of the world's top 50 companies selected by the London-based organization in its 2006 Global Reporters survey.

Discussion leads to action

At the end of 2005, a first expanded meeting of stakeholders enabled representatives of 12 organizations, NGOs, institutional entities and socially responsible investors to express, confront and exchange their expectations vis-à-vis Gaz de France on subjects as varied as the Group's attitude in resource countries, employee representation on the Board, the increase in the price of natural gas, access to energy and the role of women in management. Results came fast. In 2006, Group choices were confirmed in areas already explored (responsible procurement,

codes of business ethics, diversity, renewable energy) and fully integrated into corporate policy. New options were taken, thereby responding to certain suggestions made, such as Gaz de France's membership in EDH, the French branch of the Business Leaders Initiative on Human Rights (BLIHR), and in the Extractive Industries Transparency Initiative (EITI). When it met for the second time on February 5, 2007, the panel of shareholders underlined the progress that had been made in a year, particularly in renewable energy, the formalization of codes of business ethics and regional development.

**PRESENTATION
OF THE PRINCIPLES
OF THE GLOBAL
COMPACT AND THE
POLICIES AND
CORRESPONDING
INITIATIVES OF
GAZ DE FRANCE
IN 2006**

PRINCIPLE 1

"Businesses should support and respect the protection of internationally proclaimed human rights"

The Gaz de France Group is committed to offering its employees satisfactory working conditions and ensuring their safety, especially in its industrial activities. At the same time, in its development, which now involves politically sensitive issues, Gaz de France is also determined to promote respect for fundamental rights and support local community initiatives.

Gaz de France's approach and policy

Industrial safety and occupational health and safety

The industrial safety and occupational health and safety policies the Group adopted in 2005 illustrate its commitment and vigilance in protecting those who live near its industrial facilities, as well as its employees, suppliers, contractors and customers. Feedback from these different populations has enabled the Group to develop appropriate solutions on a regular basis. Every segment has a management system in which safety is a prime objective.

Gaz de France is committed to enable all employees to benefit from working conditions that protect their health and safety, and to promote initiatives targeting better prevention in these fields. A basic tenet of industrial safety is employee participation in the effort to detect malfunctions and potentially hazardous situations. The Group is also convinced that well-being in the workplace is a key factor in improving employee safety, professional expertise and enhanced performance. Annual or multi-year commitments incorporate progress objectives for the divisions and subsidiaries, in particular at the level of accidentology and the control of risks characterized by long-term effects.

Promoting fundamental human rights and solidarity

For the underprivileged, Gaz de France implements an approach based especially on:

- an annual contribution of 3 million euros to the Housing Solidarity Fund, which is managed by French general councils for the underprivileged;
- the creation of the Gaz de France Energy Solidarity Fund, an unprecedented initiative to assist the underprivileged, which has been endowed with 10 million euros;
- efforts to help the underprivileged be more aware of safety issues through the Isigaz program, which relies on mediators in local non-profit organizations;
- and at the international level, partnerships with non-profit groups and NGOs like Codegaz and Emmaüs.



Mediators from the non-profit organization *Médiance 13* in Marseille

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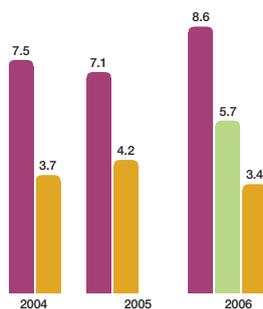
PRINCIPLE 1

"Businesses should support and respect the protection of internationally proclaimed human rights"

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Key initiatives and performance in 2006

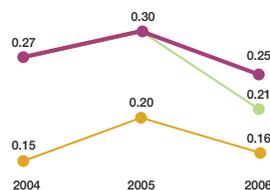
Accident frequency and accident severity rates



ACCIDENT FREQUENCY RATE
(number of accidents/million hours)

● Group 2006
● Group 2006 (on constant 2005 basis)
● GDF S.A. + GRTgaz 2006

The consolidation of a services subsidiary impacted the accident frequency rate. On a constant basis, the Group frequency rate improved notably, with a significant drop in accident, viz. 299 work accidents with lost days in 2006, down from 367 accidents in 2005. This trend is characteristic of all the Group's businesses, as can be seen in the trend in the frequency rate at Gaz de France S.A. and GRTgaz.



ACCIDENT SEVERITY RATE
(number of work days lost/thousand hours)

● Group 2006
● Group 2006 (on constant 2005 basis)
● GDF S.A. + GRTgaz 2006

Accident severity declined with regard to both the number of lost days and the average. In 2006, no accidental death of a Gaz de France employee was reported (Gaz de France S.A. and fully consolidated subsidiaries).

Industrial safety and occupational health and safety

In addition to the initiatives taken for Group employees, the improvement of safety at service provider companies is also an important issue for Gaz de France. Thus, at the site of the future LNG terminal at Fos Cavaou in the south of France, a partnership between Gaz de France and service providers led to a 66% reduction in the number of occupational accidents with lost days between 2005 and 2006.

In addition, two exploration and production subsidiaries (ProNed and PEG) launched a program to review management approaches or human behavior in the field of occupational safety, requiring the active participation of management in Group entities to design initiatives. These efforts have already led to a decline in the number of accidents and incidents through better organization of the decision-making process, the application of work procedures, and sharing practices among teams

Promoting fundamental human rights and solidarity

In 2006, the Gaz de France Group became a member of *Entreprises pour les Droits de l'Homme* (EDH), the French branch of the Business Leaders Initiative on Human Rights (BLIHR). The Exploration and Production division launched a study to assess risks linked to human rights based on BLIHR principles in order to determine the monitoring procedures that should be set up to improve its responsibility in this field.

In order to verify compliance with protection standards defined by the World Labor Organization, visits are organized to worksites run by contractors who are Group partners to monitor their employees' working conditions.

In addition, since 2005, Gaz de France has conducted a self-evaluation of its initiatives to promote human rights in the form of questionnaires distributed to its stakeholders.

By signing a partnership with Emmaüs France on September 26, 2006, the Group expanded and reinforced its commitment to assist the underprivileged and its employees' involvement in solidarity initiatives by:

- allowing vulnerable families to remain in their homes and increasing awareness of the importance of energy conservation;
- providing jobs and professional integration, through some 100 assisted contracts and internships to discover employment opportunities in the natural gas industry;
- encouraging the commitment of Gaz de France employees and their families;
- supporting solidarity sponsorship initiatives.

PRINCIPLE 2

"Businesses should make sure that they are not complicit in human rights abuses"

Even though Gaz de France mainly operates in European countries in which basic human rights are generally accepted and applied, the Group remains vigilant, especially in its exploration and production activities, honoring its ethical commitments.

Gaz de France's approach and policy

Gaz de France published its ethical commitments in 2002. Inspired by the Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union and the agreements signed within the framework of the World Labor Organization, these commitments apply to the Company's relations with its employees and partners (employee representatives, customers, shareholders, suppliers, industrial or financial enterprises and public authorities).

They promote

- respect for human dignity,
- social dialogue,
- non-discrimination,
- political neutrality,
- social solidarity,
- and environmental protection.



On LNG tankers, safety is a priority. Crew safety is defined in many international conventions. The specific clauses in the agreements proposed by Gaz de France for the chartering of LNG tankers provide maximum protection.

Key initiatives and performance in 2006

Gaz de France bolstered its corporate social responsibility (CSR) approach at the beginning of 2006. This initiative has three complementary aspects, including defining a code of conduct to rally all Gaz de France employees around shared values. This social solidarity approach becomes fully operational when the Company undergoes profound change. In 2006, the business ethics program was grounded in meetings with employees and management, as well as in internal and external surveys of Group stakeholders. More than 2,000 people participated in defining key values. The objective is to draw up a code of conduct, broken down into action principles, which in turn set business codes for certain entities, i.e. transmission, distribution, finance, audit, procurement and trading, for example. A piloting and monitoring system will ensure program efficiency.

PRINCIPLE 3

"Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining"

Gaz de France has made labor negotiations a means to guarantee the Group's social fabric and success by recognizing their importance. This is evidenced in an agreement that gives a preponderant role to collective bargaining in Group management. Gaz de France also encourages free expression on the part of employees and facilitates their participation in the most important decisions through their representatives in corporate governance bodies.

Gaz de France's approach and policy

In large measure, the Group's success is based on the quality of labor relations. On September 6, 2006, Gaz de France and the company's labor organizations reaffirmed their commitment to dialogue by signing an agreement that established a schedule for negotiations in 2006-2007. Gaz de France decided to organize collective bargaining negotiations whenever restructuring is planned. In 2006, **a bonus was created as an incentive to encourage functional mobility** in the event of reorganization. This new system has already been applied within the framework of the reorganization of customer relations and logistics at the EDF Gaz de France Distribution Operations division and the restructuring of the Company's training services.

Key initiatives and performance in 2006

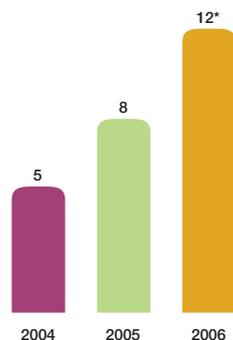
European works council

Eight countries are represented by 32 members on Gaz de France's European works council, a body that informs and consults employee representatives. In 2006, the council met three times in plenary sessions for the presentation of the Group's consolidated financial statements, research policy, corporate social responsibility approach, marketing and sales policy, as well as for the review of the 2004-2006 Sustainable Development Action Plan. The council was also consulted on the projected merger of Égáz and Dégáz in Hungary. Four special meetings were also devoted to the proposed merger of Gaz de France and Suez.

Keeping pace with change

On May 31, 2006, an agreement was signed after eight months of negotiations with all the labor organizations to define a framework for change, in particular the full deregulation of the natural gas market. On July 1, 2007, after the commercial and industrial sectors, residential customers will be able to choose their energy supplier. For several months already, 10,000 Group employees have focused on reorganizing marketing and sales, which are now separated from distribution activities. To enable the Company to keep pace with changes, almost 10,000 interviews were conducted, 150,000 hours of training were organized, and customer services were transferred to new customer relations centers as of January 1, 2007.

Number of company agreements or amendments signed with labor organizations at Gaz de France.



These figures are evidence of frank and open discussions. In 2006, 12 agreements and amendments were signed on priority subjects like training throughout one's career, integration of the disabled, savings plans (the company and the Group) and apprenticeships.

*3 for Gaz de France S.A., 8 for Gaz de France S.A. and GRTgaz, and 1 for the Group.

PRINCIPLES 4&5

"The elimination of all forms of forced and compulsory labor"

"The effective abolition of child labor"

In procurement, Gaz de France exercises major leverage to promote compliance with WLO principles, and in particular the fight against forced labor and child labor. By formalizing a code of conduct in procurement and sustainable development charters, Gaz de France ensures that its subsidiaries and suppliers respect principles 4 and 5 of the Global Compact.

Gaz de France's approach and policy

Ethical behavior and energy procurement

Gaz de France's trading activities require the Group to ensure responsible procurement practices. The Group needs to make sure that its suppliers respect basic sustainable development principles, and particularly human rights. Gaz de France has signed a long-term procurement contract with a clause stipulating compliance with law and business principles. In addition, the Group checks the guarantees proffered by counterparties as to their financial base, shareholding structure, country of registration, etc. – the equivalent of the Know your customers principle applied by banks to fight against money laundering.

Procurement and corporate social responsibility

Procurement concentrates a great number of sustainable development issues, and must be well organized since, by its very nature, it addresses suppliers outside of the Group. How can the Company be sure that its suppliers respect the same basic principles as Gaz de France? How can it assure them of fair treatment? Whenever suppliers are consulted or selected, the buyers follow the procurement code of conduct to check compliance with the following labor criteria:

- absence of child labor and forced labor;
- compliance with labor regulations governing employment;
- respect for social and tax obligations;
- safety assessment.



The Trading division helps secure energy supplies.

Key initiatives and performance in 2006

Sustainable development charters with suppliers

By the end of 2005, Gaz de France S.A. had signed ten sustainable development charters with suppliers, representing a significant procurement volume for some of them: Guilbert France (office supplies), Vedioorbis (temporary employment), Onet and Sita (industrial and maintenance services). These charters include mutual commitments and their implementation in 2006 was subject to close analysis. For example, a social assessment all the way back to China of the supply chain that provides the mechanical protection gloves used by Gaz de France.

PRINCIPLE 6

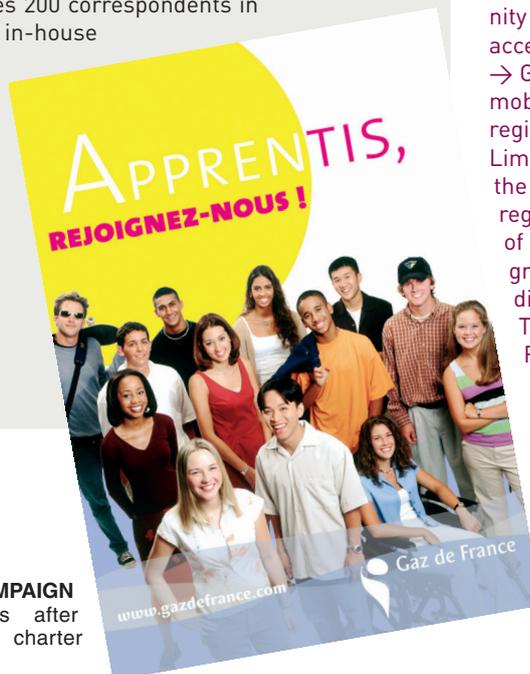
"The elimination of discrimination in respect of employment and occupation"

Gaz de France has a workforce of more than 50,000 and considers the differences each individual contributes as a source of enrichment for the Group. There are five priority focuses in this area: nationality and culture, equal employment opportunity for men and women, national and racial background, age, and the integration of the disabled in all business units. The goal is to promote diversity in the Group and fight against discrimination.

Gaz de France's approach and policy

The Group's diversity approach reaffirms the principle of equal opportunity with two objectives: (1) to reflect the society in which the Company operates to better meet customer expectations, and (2) to attract and ensure the loyalty of all the talents the Group needs for its development. Since the first initiatives in 1990 to promote the integration of the disabled, the Group has formalized its commitment by launching a diversity project, signing agreements on equal employment opportunity and professional training, adopting the corporate diversity charter in 2005 and, then, in December 2006, the corporate charter on equal opportunity in education

The diversity project, which is piloted by the Sustainable Development division, defines, monitors and coordinates this approach. Specific indicators measure progress in terms of both hiring and access to professional training and managerial positions in line with continuous improvement priorities. Awareness campaigns are conducted both inside and outside of the Company, i.e. through the Nénuphar network, which mobilizes 200 correspondents in different Group entities, a dedicated in-house newspaper and intranet site, and efforts to increase the awareness of executive management and of external employment agencies.



GAZ DE FRANCE'S 2006 CAMPAIGN to recruit 200 apprentices after it signed the apprenticeship charter in 2005.

Key initiatives and performance in 2006

Many concrete advances demonstrate the progress of the diversity approach at Gaz de France S.A. in 2006:

- a new recruitment policy for managers incorporating diversity was adopted in July 2006;
- to improve professional gender equality on the basis of the corporate agreement signed in 2004, additional funds were budgeted to promote female employees in order to reduce the 5% salary gap; the gender balance at the end of education was respected in hiring (35% women); and an inter-company childcare center was developed in the Paris suburbs;
- recruitment was extended to critical urban areas; a partnership was formed with the *Institut d'Etudes Politiques de Paris* and four high schools in the Paris suburbs to promote equal opportunity in the preparation for and access to higher education;
- Group entities continued to mobilize their strengths: with regional projects in Nantes, Nancy, Limoges and Lille, the signing of the corporate diversity charter by regional divisions, and the forging of partnerships with grass-roots groups that support diversity; a diversity action plan in the Trading division; and a People Review project in the International branch to promote mobility/diversity in the Group.

PRINCIPLE 7

"Businesses should support a precautionary approach to environmental challenges"

As an industrial group, Gaz de France must identify and control all the environmental risks associated with its activities in order to limit their impact on the natural environment on both a global and a local level.

Gaz de France's approach and policy

First codified in 1993, the environment policy was updated in 2004. It reaffirms the importance of incorporating environmental considerations into Group activities, and strives to respond to the expectations of external stakeholders by focusing on the risk of climate change and fostering the development of renewable energy. In order to ensure application, Gaz de France conducts an annual evaluation of how well the policy is understood.

Key initiatives and performance in 2006

Controlling greenhouse gas emissions

Gaz de France has been a member of AERES (*Association des Entreprises pour la Réduction de l'Effet de Serre*) since 2003, and has voluntarily committed to control the following emissions by upgrading its French facilities:

→ direct emissions of carbon dioxide and methane from terminals, storage facilities and compressor stations;

→ direct emissions of methane from the transmission and distribution systems.

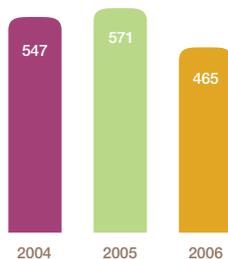
The objective targeted for the end of 2007 is a 10% reduction compared with 1990, whereas sales and transportation will increase by 60% to 70%. With emissions of 2.5 million metric tons of CO₂e in France in 2006, the Gaz de France Group respects the average annual AERES commitment for 2005-2007.

Life-cycle analysis has been studied since the 1990s by Gaz de France's Research and Development division. This tool makes it possible to measure and locate any environmental impacts. The life-cycle analysis for greenhouse gases shows that the phase during which natural gas is used accounts for 84% of the greenhouse gases in the gas chain.

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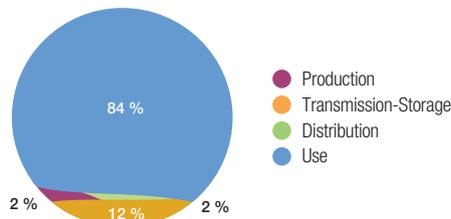
REDUCTION IN EMISSIONS FROM GRTGAZ FACILITIES

The program to upgrade compressors in booster stations, which is scheduled to end in 2001, will enable GRTgaz to reduce NO_x emissions by 80%, methane emissions by almost 50%, and CO₂ emissions by almost 15%. In 2006, GRTgaz emitted 20% less CO₂ than its quotas.



Thousands of metric tons

CO₂ EMISSIONS BY GRTGAZ
CO₂ allowance trading quotas in 2005-2006 for 22 compressor stations totalled 586,000 metric tons/year.



LIFE-CYCLE ANALYSIS has been carried out since the 1990s by Gaz de France Research and Development Division. This tool makes it possible to measure and locate all environmental impacts. The life-cycle analysis for greenhouse gases shows that the phase during which natural gas is used accounts for 84% of the greenhouse gases in the gas chain.

PRINCIPLE 7

"Businesses should support a precautionary approach to environmental challenges"

» continued from page 17

Key initiatives and performance in 2006

Reducing the ecological footprint

Verified by the Company's auditors, the consumption of energy, industrial emissions of greenhouse gases and NO_x, the consumption of water and the production of waste are the five indicators that determine the Group's ecological footprint, which is measured and monitored every year to enhance the Company's control of its impact (and reported to the Chairman and Chief Executive Officer).

Protecting biodiversity

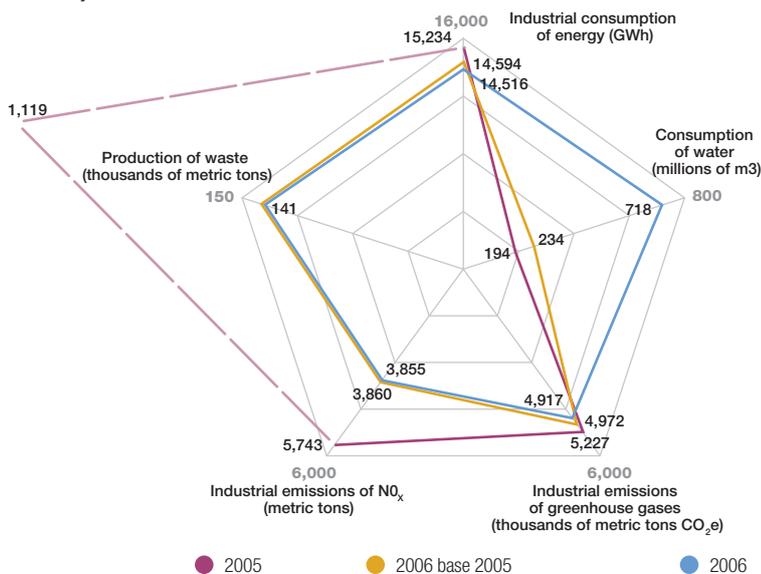
Within the framework of its partnership with WWF France (development of a natural park in the Camargue wetlands at *Les Marais du Vigueirat*) and during the construction of new infrastructures, the Gaz de France Group expresses its commitment to biodiversity. Specific studies on biodiversity are commissioned from specialists during the preliminary stages of public hearings and environmental impact assessments linked to future facilities.

Rehabilitating former gas plant sites

From the beginning of the 1990s, the Gaz de France Group has committed to provide voluntary support for the organized and coordinated rehabilitation of former gas plant sites beyond the strict application of legal and regulatory requirements.

At term, on April 26, 2006, at the end of the protocol agreement signed in 1996, Gaz de France had respected all its commitments to rehabilitate former facilities. A total of 467 sites had been audited and rehabilitated, and 834 acres of land had been vetted for urban development. Gaz de France invested 155 million euros over ten years in the rehabilitation of former gas plant sites in France. In Germany, EEG pursued its program to rehabilitate land polluted by its former activities (gas facilities and exploration and production sites). The program is carried out in liaison with the relevant authorities of the German states concerned, which finance 90% of such expenditures.

ECOLOGICAL FOOTPRINT. The significant change between 2005 and 2006 concerns NO_x emissions. The decrease was due, in part, to the upgrading of compressors at storage facilities and in the transmission system.



Limited impact at this pipe insertion worksite in Toulon

PRINCIPLE 8

"Undertake initiatives to promote greater environmental responsibility"

Backed by its corporate culture of sharing and dialogue, Gaz de France seeks to communicate its convictions and commitment in favor of sustainable development and environmental responsibility. Initiatives include building energy conservation into offerings, heightening customer awareness, taking public positions on these topics, etc.

Gaz de France's approach and policy

As for principle 7, Gaz de France relies on its environment policy in order to honor this principle (see page 17). In addition, the Group launched initiatives to promote energy efficiency and heighten the awareness of different players.

Promoting energy conservation

Gaz de France puts energy conservation at the heart of its marketing strategy. The Company's offerings – Gaz de France DolceVita®, Gaz de France Provalys®, Gaz de France Énergies Communes® and Gaz de France energyY® – incorporated the objective of energy conservation from the start. Today, this policy finds new impetus in the introduction of French energy conservation certificates, by which energy producers and distributors take initiatives that result in reduced energy consumption on the part of their customers.

Launched on July 1, 2006, the innovative system of energy conservation certificates obliges suppliers of electricity, natural gas, heating and air conditioning, LPG and fuel oil to achieve and justify the energy conservation objectives that were set by decree on the basis of their sales volume. Altogether, the overall energy conservation objectives totaled 54 billion kWh cumac* in

the 2006-2009 test period. The system of energy conservation certificates, which primarily targets residential and commercial markets, measures and ensures compliance with this requirement. For Gaz de France, the bar is set at 13,457 million kWh cumac*, to be collected between 2006 and 2009, representing 25% of the national objective.

*1 kWh cumac corresponds to ultimate energy conservation of 1 kWh, the result of the accumulation of annual savings over the life of the facility that allows energy to be conserved. This value also includes an annual discounting rate of 4%, to account for the immediate delivery of certificates corresponding to the energy savings capitalized on the basis of the facility's whole life..

An awareness campaign to inform residential customers of the importance of energy conservation was launched by the Gaz de France Group in Hungary and Romania.

Key initiatives and performance in 2006

Promoting energy conservation

To ensure the rational use of energy, residential customers may benefit from Gaz de France's services at every important moment in their lives: for moving, building, renovating, re-equipping, etc. These services range from advice on energy conservation to offerings incorporating renewable energy (for example, low-temperature or condensing boilers and individual solar energy hot water heaters) to reduced-rate loans (rate of 1.9% in 2006) for efficient equipment. In addition, the Gaz de France Group expresses its solidarity with its underprivileged customers by heightening their awareness of the need to control energy consumption.

Gaz de France's service subsidiary, Cofathec, offers its commercial and industrial customers both regular gas supplies and related services. It is not a question of selling more, but of selling better by reducing customer consumption and improving energy efficiency through energy audits, improved production and distribution output, etc. In addition, results-based contracts help reduce energy consumption. Contract performance is measured by technical management teams. Any divergence in consumption is the financial responsibility of the service operator.



PRINCIPLE 8

"Undertake initiatives to promote greater environmental responsibility"

continued from page 19

Increasing awareness and taking positions

Since June 2006, a CD-ROM enables managers to better understand and explain to their teams the Group's sustainable development priorities and commitments. It was designed as a pedagogical tool to illustrate the Group's sustainable development approach in the field both inside and outside of the Company.

In order to prompt respect for the environment and suggest simple gestures to reduce the ecological footprint, Gaz de France renewed its partnership with WWF France on October 23, 2006. Overall, the agreement aims to fight against global warming, develop renewable energy sources and promote the rational use of energy. Likewise, Gaz de France and ADEME work together on more than fifty projects with a common goal – to consume energy better by enabling the general public to access the most economical solutions.

The sustainable development charters Gaz de France S.A. signed with suppliers include mutual commitments and their implementation is subject to close analysis. For example, awareness of the need to collect and recycle obsolete electric and electronic office equipment.

In public discussions, Gaz de France contributes its ability to propose solutions, in particular on topics such as energy conservation and environmental protection (see diagram).

Heightening awareness of the ecological footprint with



At the core of the partnership forged in 2003 between Gaz de France and WWF France, the ecological footprint is a tool designed to increase environmental awareness. It evaluates the area an individual, a city or a country needs to produce the resources consumed and to absorb the waste produced. The ecological footprint is the basis for three concomitant programs:

- calculation of the ecological footprint of Gaz de France's workforce (support functions in 2004, distribution activities in the Greater Toulouse area, and Market Development and Sales in Bordeaux in 2006);
- a local government awareness campaign;
- application of the ecological footprint approach at a commercial pilot location and comparison with the methodology used in life cycle analysis by Gaz de France's Research and Development division.

EXAMPLES OF GAZ DE FRANCE'S PUBLIC POSITIONS	INSTANCES/LEVEL OF DIALOGUE	RELEVANT LEGISLATION
- In favor of service to the underprivileged by introducing a specific social category of natural gas rates	French legislature / Prime Minister / local governments	Law of December 7, 2006, on the energy sector
- In favor of introducing energy conservation certificates	Europe	Law of July 13, 2005, on objectives of French energy policy / decrees of application published in 2006
- In favor of introducing a tax rebate for combined cycle natural gas power generation (recognized for environmental quality in the semi-base load production of electricity)	French legislature / Prime Minister	Revised law of finances for 2005
- In favor of introducing a tax credit for condensing rather than low-temperature boilers (greater energy efficiency)	French legislature / Prime Minister / Labor organizations concerned	No legislation

PRINCIPLE 9

"Encourage the development and diffusion of environmentally friendly technologies"

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

Gaz de France's approach and policy

The renewable energy strategy defined in July 2005 is an integral part of the Gaz de France Group's energy policy, and is based on the skills its businesses master. The Group develops a complementarity between system-delivered forms of energy, particularly natural gas, and renewable energy in heating and power generation:

→ heating by relying on the complementarity of natural gas and solar energy or biomass;

→ electricity as of 2012, with an objective of 10% of its power generating assets from renewable sources, in particular wind power and wood-biomass.

The impetus launched by this combination aims to guarantee a sure, long-term supply of energy that is efficient in terms of natural resources, environmental resources and economic resources.

Key initiatives and performance in 2006

Developing renewable energy sources

In the field of heating, the offerings proposed by Gaz de France DolceVita® include solar panels for hot water heaters and household heating systems. For local governments, the Group works with Gaz de France Energies Communes® to develop offerings on renewable heating sources (geothermal, wood and biomass) for the commercial sector and district heating networks. Cofathec Coriance operates geothermal units around Paris at Meaux, Chelles, Blanc Mesnil and Ris Orangis, which provide 43% of district heating needs and keep 26,000 dwellings warm. In Germany, the Group is studying projects based on biogas. Via its subsidiary EMB, Gasag is currently negotiating an equity interest in a biogas production and injection company in the Land of Brandenburg.

Cofathec confirmed its commitment to develop biomass in France by signing a framework agreement in 2006 to supply district heating networks with wood energy in cooperation with French forestry services for government-owned land. Work continued to determine the best projects for the combined production of electricity and heat by biomass-powered facilities. Several projects using straw or wood are already in the final stages and will be submitted within the framework of the tender issued by the French energy regulatory commission.

In the field of electricity, the objective of the Gaz de France Group is to have of 10% of its power generating assets from renewable energy sources. The use of wind power is a step in this direction, as demonstrated in 2006 with the creation of Maïa Eolis.



Maïa Eolis

POWER GENERATION FROM RENEWABLE ENERGY provided by Maïa Eolis, a Gaz de France Company.



PRINCIPLE 9

"Encourage the development and diffusion of environmentally friendly technologies"

continued from page 21

Other European initiatives confirm the Group's commitment to wind power. At Earlsburn, in Scotland, Gaz de France will acquire all the wind energy produced by Falk Renewables (35 MW) as of 2006, in a country in which renewable energy is to supply 5.5% of electricity. In Belgium, Spepco, a subsidiary of SPE, is developing the Dinant (six 2 MW windmills) and Wanze (addition to an existing wind power facility) projects, which benefit from green certificates introduced by the government to promote renewable energy.

Research and innovation

LIMITING CO₂ EMISSIONS

With more than 70% of its budget dedicated to sustainable development, the Research and Development division innovates for the Group and its customers. It has invested in several research projects that aim to limit CO₂ emissions. Gaz de France is thus a partner in two projects:

→ SoCECO₂, on the economic and sociological aspects (perception and acceptability) of the sequestration of CO₂, coordinated by the CNRS and in which Gaz de France is a partner with Total, IFP, Alstom, Ineris, etc.;

→ Tacoma, on high-tech combustion that facilitates the capture of CO₂ at large combustion sites, a project directed by Gaz de France in partnership with IFP, Total and the CNRS.

In addition, after Gaz de France launched the experimental injection of CO₂ into the K12B deposit operated by ProNed in the Dutch North Sea sector in 2004, the Group is a partner in the project to inject CO₂ into a salt aquifer stratum at Snøhvit in Norway and is studying a storage project in the Altmark region of Germany.

MOVING TOWARD A HYDROGEN ECONOMY

Hydrogen is a new energy vector that is also the subject of intense research. Gaz de France participates by launching several research programs by itself or with partners, and actively contributing to the European technological platform on hydrogen and fuel cells and to the national hydrogen action plan. Research primarily studies scenarios for the transition to a hydrogen economy from traditional energy utility activities such as the transmission of hydrogen mixed with natural gas and R&D on stationary fuel cells that run on natural gas. Gaz de France R&D also investigates sustainable solutions in anticipation of an energy system that includes hydrogen, such as moving pure hydrogen via dedicated mains, producing hydrogen by gasification of biomass, and optimizing the coupling of the production of hydrogen from natural gas with the sequestration of CO₂.

NATURAL GAS FOR VEHICLES

Following the launch of the natural gas for vehicles (NGV) offering for home filling of private cars in Toulouse in 2005, the program is now operational in several other French cities in the west (Nantes, Angers, La-Roche-sur-Yon) and the southeast (Lyon, Valence, Grenoble, Saint-Etienne). Gaz de France relies on partnerships with automobile manufacturers (Fiat, Citroën, Volvo, etc.) and, with Total (oil) and Carrefour (retailing), the Company is studying the possibility to equip mass-market distributors with NGV stations. In addition, since 1998, Gaz de France has made an offer available through its subsidiary GNVert to power corporate and local government vehicle fleets (buses, waste collection vehicles, delivery vans, automobiles) throughout France. Almost

sixty corporate entities and local governments are now equipped with NGV vehicles.

INDUSTRIAL ECOLOGY ON A REGIONAL SCALE

After DK6 in Dunkerque, a combined cycle power generation plant in northern France that recycles almost 4 billion m³ of blast-furnace gas from the nearby Arcelor steelworks to produce electricity, the Gaz de France Group has promoted regional ecology in Lille as an Agenda 21 partner since the agreement was signed in June 2000. The project is piloted by Gaz de France's Research and Development division and Auxilia. It involves mobilizing local players to analyze consumption in the region, understand the results and introduce more responsible use of energy resources and raw materials.



With natural gas vehicles, there is a reduction of 25% to 30% in CO₂ emissions compared with a gasoline powered vehicle.

PRINCIPLE 10

"Businesses should work against corruption in all its forms, including extortion and bribery"

The majority (72%) of the Gaz de France Group's net sales are reported in countries in which the risk of corruption is average, according to Transparency International. Nevertheless, Gaz de France considers this risk in its reflection on ethical behavior. Specific charters and codes of conduct spell out principles and commitments in the fight against corruption in trading and procurement activities. Indeed, current Group development in new regions could increase risk exposure.

Gaz de France's approach and policy

Governing in transparency and independence

Transparency and independence guide the governance of Gaz de France and its development, in 2005 with the IPO, and in 2006 to adapt to the expectations of stakeholders, the financial markets and promoters of socially responsible investment, in particular. "Avoid abusive exercise of control by the majority shareholder." In these terms, Gaz de France confirms its commitment with regard to independence in the Board member's code of conduct. The Board relies on the Audit and Accounting Committee and the Strategy and Investment Committee. In addition, the internal control procedures implemented by the Board and the Audit and Accounting Committee, by the Audit and Risk Management division and by Group management help control risks and achieve objectives at every hierarchical and functional level.

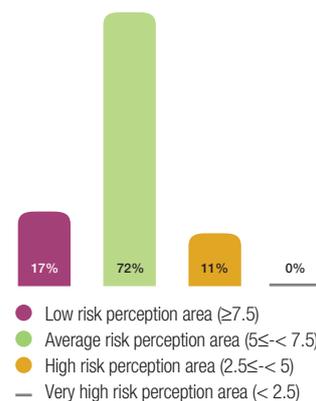
Fighting against corruption

An investment services subsidiary, Gaselys is committed to fighting against corruption, money laundering and the funding of terrorist activities. The code of business ethics drawn up in 2005 formalizes and strengthens best practices in this field by relying on current legislation.

Key initiatives and performance in 2006

In April 2006, Gaz de France joined the Extractive Industries Transparency Initiative. EITI is a voluntary initiative on the part of local governments and companies that promotes transparency with regard to the payments and revenues of extractive industries in resource-rich countries. In the fight against corruption, the specialized consultants who assist the Group in the preparation of requests for exploration and production licenses are selected on the basis of criteria that include the absence of any conflict of interest.

NET SALES by country according to Transparency International's Corruption Perceptions Index (%)



Most of Gaz de France's net sales are in average risk countries (like France). The Group's current expansion in new areas may increase its exposure to this risk.

MAINSTREAMING THE 10 PRINCIPLES OF THE GLOBAL COMPACT INTO PROCESSES

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

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

PRINCIPLES OF THE GLOBAL COMPACT	POLICY / PROCESS / AGREEMENT	OVERSIGHT (UNIT AND TOOL)	EXAMPLES OF OVER-SIGHT PERFORMANCE INDICATORS
1- Businesses should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> > Health and Safety Policy > Industrial Safety Policy > Public Service Contract > Group Code of Conduct (currently being defined) > Solidarity policy (2004) > Membership in EDH (BLHIR) 	<ul style="list-style-type: none"> > Process review > Group executive management Quality Safety Environment - Risk Management review > Sustainable Development and Business Ethics Committee > Solidarity Board 	<ul style="list-style-type: none"> > Accident frequency rate > Accident severity rate
2- Make sure that they are not complicit in human rights abuses	<ul style="list-style-type: none"> > Group Code of Conduct (currently being defined) with alert system > Membership in EDH (BLHIR) 	<ul style="list-style-type: none"> > Sustainable Development and Business Ethics Committee 	<ul style="list-style-type: none"> > Business ethics indicators currently being defined
3- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none"> 2004 procedural agreement 	<ul style="list-style-type: none"> > Works councils > European works council > Sustainable Development and Business Ethics Committee 	<ul style="list-style-type: none"> > Percentage of employees covered by a collective bargaining agreement > Number of collective bargaining agreements negotiated and signed
4- The elimination of all forms of forced and compulsory labor	<ul style="list-style-type: none"> > Sustainable development criteria integrated into procurement process > Procurement charter with suppliers > Procurement code of conduct 	<ul style="list-style-type: none"> > Process review > Group executive management Quality Safety Environment - Risk Management review 	<ul style="list-style-type: none"> > Number of supplier commitment charters
5- The effective abolition of child labor	<ul style="list-style-type: none"> > Sustainable development criteria integrated into procurement process > Procurement charter with suppliers > Procurement code of conduct 	<ul style="list-style-type: none"> > Process review > Group executive management Quality Safety Environment - Risk Management review 	<ul style="list-style-type: none"> > Number of supplier commitment charters

Unilateral - Agreement with stakeholders

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APPENDIX

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PRINCIPLES OF THE GLOBAL COMPACT	POLICY / PROCESS / AGREEMENT	OVERSIGHT (UNIT AND TOOL)	EXAMPLES OF OVER-SIGHT PERFORMANCE INDICATORS
6- Eliminate discrimination in respect of employment and occupation	<ul style="list-style-type: none"> > Human resources section of the sustainable development policy > Diversity policy > Charter for corporate diversity > Equal employment opportunity agreement > Agreements on the occupational integration of the disabled 	<ul style="list-style-type: none"> - Career Development Committee - PROMAP managerial benchmark 	<ul style="list-style-type: none"> - Equal employment opportunity index (men and women) - Rate of recruitment of disabled employees
7- Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none"> > Environment policy > Policy on former gas plants > Protocol on former gas plants 	<ul style="list-style-type: none"> - Group executive management Quality Safety Environment - Risk Management review - Sustainable Development and Business Ethics Committee - Health Safety Environment management system 	<ul style="list-style-type: none"> - 14001 certifications maintained and developed - Group's ecological footprint - CO₂ emissions
8- Undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> > Environmental policy > Energy conservation certificates > Partnerships (Ademe, WWF) and corresponding communication/ awareness 	<ul style="list-style-type: none"> - Process review - Group executive management Quality Safety Environment - Risk Management review - Marketing support with development of sustainable development offerings 	<ul style="list-style-type: none"> - Group objectives of the European works council achieved - Net sales reported on offerings with sustainable development content - Number of individuals targeted by awareness-heightening initiatives
9- Encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> > Environmental policy > Renewable energy policy > R&D policy > Protocol agreement with wood suppliers 	<ul style="list-style-type: none"> - Process review - Group executive management Quality Safety Environment - Risk Management review 	<ul style="list-style-type: none"> - Percentage of R&D budget earmarked for environmental protection - Composition of the energy mix
10- Businesses should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> > Group code of conduct planned > Group procurement policy, sustainable development benchmark, supplier charters > Group acquisition policy > EITI > Long-term supply contracts > Cofathec Servizi code of conduct > Gaselys code of conduct > Gaselys memorandum on the fight against money laundering 	<ul style="list-style-type: none"> - Process review - Group executive management Quality Safety Environment - Risk Management review 	<ul style="list-style-type: none"> - Group business ethics indicators currently being defined - Number of files studied on the basis of acquisition criteria

Unilateral - Agreement with stakeholders

The following documents can be consulted
and downloaded at www.gazdefrance.com

- > Annual Report 2006
- > Sustainable Development Report 2006
- > Sustainable Development Brochure 2006



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GAZ DE FRANCE

Sustainable Development
23, rue Philibert Delorme
75840 Paris cedex 17
tel + 33 1 47 54 20 20
fax + 33 1 47 54 38 14

www.gazdefrance.com