

BG GROUP



# Principles into practice



Sustainability Report  
2008

# Welcome to the BG Group Sustainability Report 2008

## Our Business Principles

<b>Environment</b> 10 <ul style="list-style-type: none"> <li>• We make a positive contribution to the protection of the environment</li> <li>• We go beyond compliance with local environmental regulation to meet internationally accepted best practice</li> <li>• We reduce to the minimum practicable any adverse effects of our operations on the environment</li> </ul>	<b>Society</b> 16 <ul style="list-style-type: none"> <li>• We work to ensure that neighbouring communities benefit from our presence on an enduring basis</li> <li>• We listen to neighbouring communities and take account of their interests</li> <li>• We support human rights within our areas of influence</li> </ul>
<b>Our People</b> 20 <ul style="list-style-type: none"> <li>• We treat people with fairness, respect and decency</li> <li>• We help employees develop their potential</li> <li>• We believe that all injuries are preventable</li> <li>• We provide healthy, safe and secure work environments</li> </ul>	<b>Conduct</b> 24 <ul style="list-style-type: none"> <li>• We act with integrity, fairness and transparency</li> <li>• We comply with legal, regulatory and licence requirements</li> <li>• We do not tolerate corruption in any form, whether direct or indirect</li> <li>• Our investment criteria take account of economic returns, environmental impacts, social consequences and human rights</li> <li>• High standards of corporate governance are integral to the way we manage our business</li> </ul>

## In this document

This report is aimed primarily at employees, investors, governments, non-governmental organisations and the media. Those with a more specific interest in sustainability matters should visit:

[www.bg-group.com/sr](http://www.bg-group.com/sr)

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# Principles into practice



## How we operate is as important as what we do or the assets we own.

### Welcome to BG Group's Sustainability Report 2008 – Principles into practice.

BG Group's aim is to create outstanding and durable value for its shareholders. The Group's Statement of Business Principles sets out the core values and behaviours that we believe are essential elements of sustainable value creation.

Our commitment is that we should operate to the highest ethical standards; that safety should be of paramount importance in the way we manage our business; that our employees should feel that they have an opportunity to realise their full potential; and that through our businesses we should make a positive contribution to economic, social and environmental development in the countries in which we operate. We believe that, taken together, these commitments deliver the firm foundation of stakeholder support for our operations that is key to sustainability.

For BG Group, these commitments are an essential part of the continuing delivery of long-term shareholder value. Our undertaking is that we strive to work to the standards set out in our Business Principles. Where we fall short, we aim to work transparently and with determination to bring our operations up to the standards to which we aspire.

#### Stakeholder support

Hydrocarbons investments are predicated on being able to secure returns over many years.

We believe that corporate performance will not be sustainable over an extended period unless it is founded on enduring and positive relationships with all who have an interest in the Group's activities. This includes governments, customers, host communities and our own employees as well as shareholders. Our many stakeholder groups have their own perspectives and priorities. Our aim is to shape our objectives based on a deep understanding of those perspectives, and to build and operate our businesses in a manner that ensures stakeholders see their priorities are being addressed. It will not always be possible to be fully aligned with our stakeholders as their priorities may vary. However, we believe that our commitment to working to the highest technical, employment and ethical standards will lead to durable stakeholder support for our activities, as will our focus on delivering positive and enduring economic, environmental and social benefits in our host countries.

#### This report

In this report you will find a summary review of our work during 2008 to put our Business Principles into practice. We set out our performance against the specific targets we published last year, and then look in more detail at environmental, societal, people and conduct issues. Our aim is transparency: you will find here accounts of success but also of where we believe we have fallen short of the

standards we have set ourselves. You can also find additional environmental, social and financial data in our online reporting, accessible through the BG Group website.

#### A broader perspective on corporate reporting

For the first time, this Report has been published on the same day as the BG Group Annual Report and Accounts 2008. The two publications are designed to be read in conjunction with one another. I would refer you in particular to the Chairman's and my Statements in the Annual Report at [www.bg-group.com/ara](http://www.bg-group.com/ara). I hope the move to simultaneous publication of both Reports will assist shareholders in making any analysis of the Group's financial performance in the context of how we have put our Business Principles into practice.

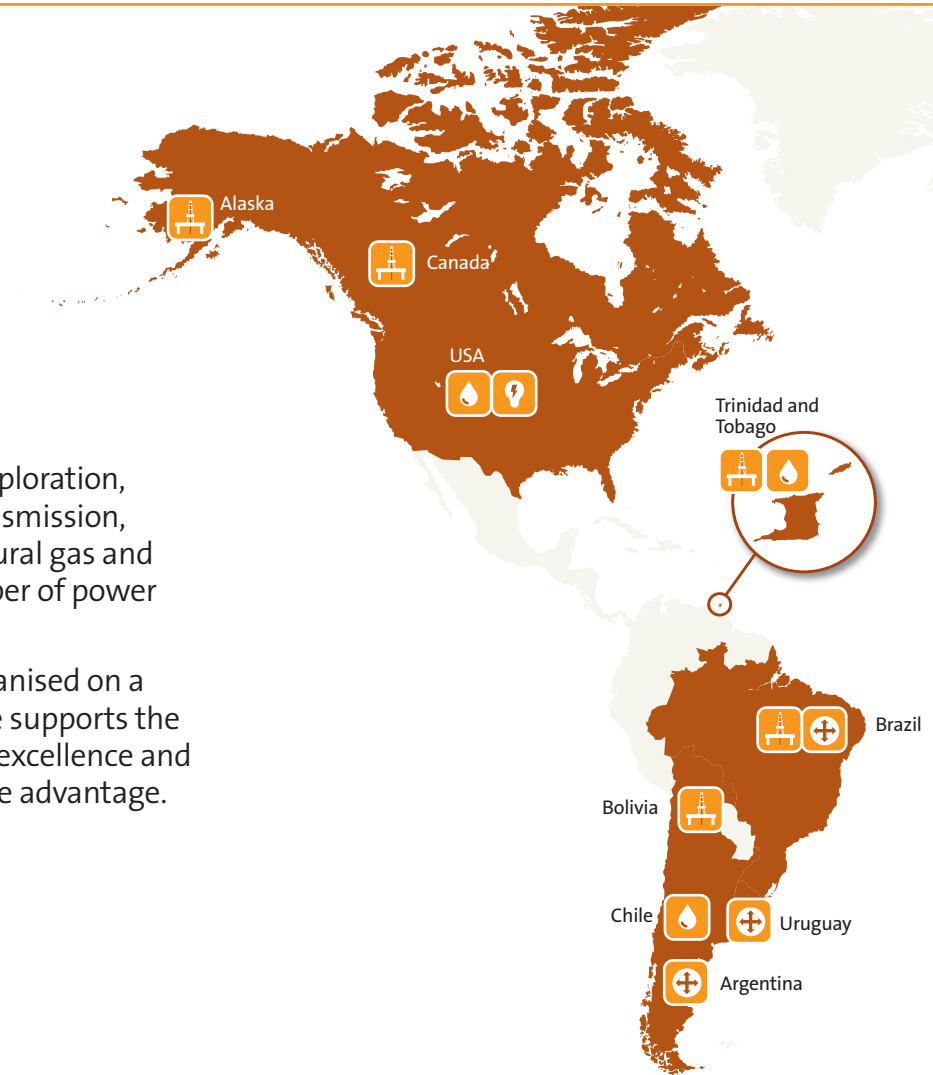
Finally, I would like to thank the people of BG Group for their continuing support for the Group's commitment to its Business Principles. It is a shared endeavour, which depends on engagement and focus throughout BG Group. I am proud of the commitment to sustainability which is reflected in this Report.

Frank Chapman  
Chief Executive

# Our business

BG Group is engaged in the exploration, development, production, transmission, distribution and supply of natural gas and oil. The Group also has a number of power generation interests.

BG Group's operations are organised on a regional basis and BG Advance supports the regions in achieving technical excellence and building long-term competitive advantage.



## Exploration and Production (E&P)

BG Group explores for, develops, produces and markets gas and oil around the world. The Group uses its technical, commercial and gas chain skills to deliver projects at competitive cost and to maximise the sales value of its hydrocarbons.

Total operating profit  
**£3 512m** 2008  
 £2 387m 2007



## Liquefied Natural Gas (LNG)

BG Group's LNG activities combine liquefaction and regasification facilities with the purchasing, shipping, marketing and sale of LNG.

Total operating profit  
**£1 585m** 2008  
 £521m 2007



## Transmission and Distribution (T&D)

BG Group's T&D activities are focused in fast-growing markets, developing both markets and infrastructure for the delivery of gas.

Total operating profit  
**£160m** 2008  
 £247m 2007



## Power Generation (Power)

BG Group develops, owns and operates gas-fired power generation plants.

Total operating profit  
**£118m** 2008  
 £130m 2007

## Americas and Global LNG

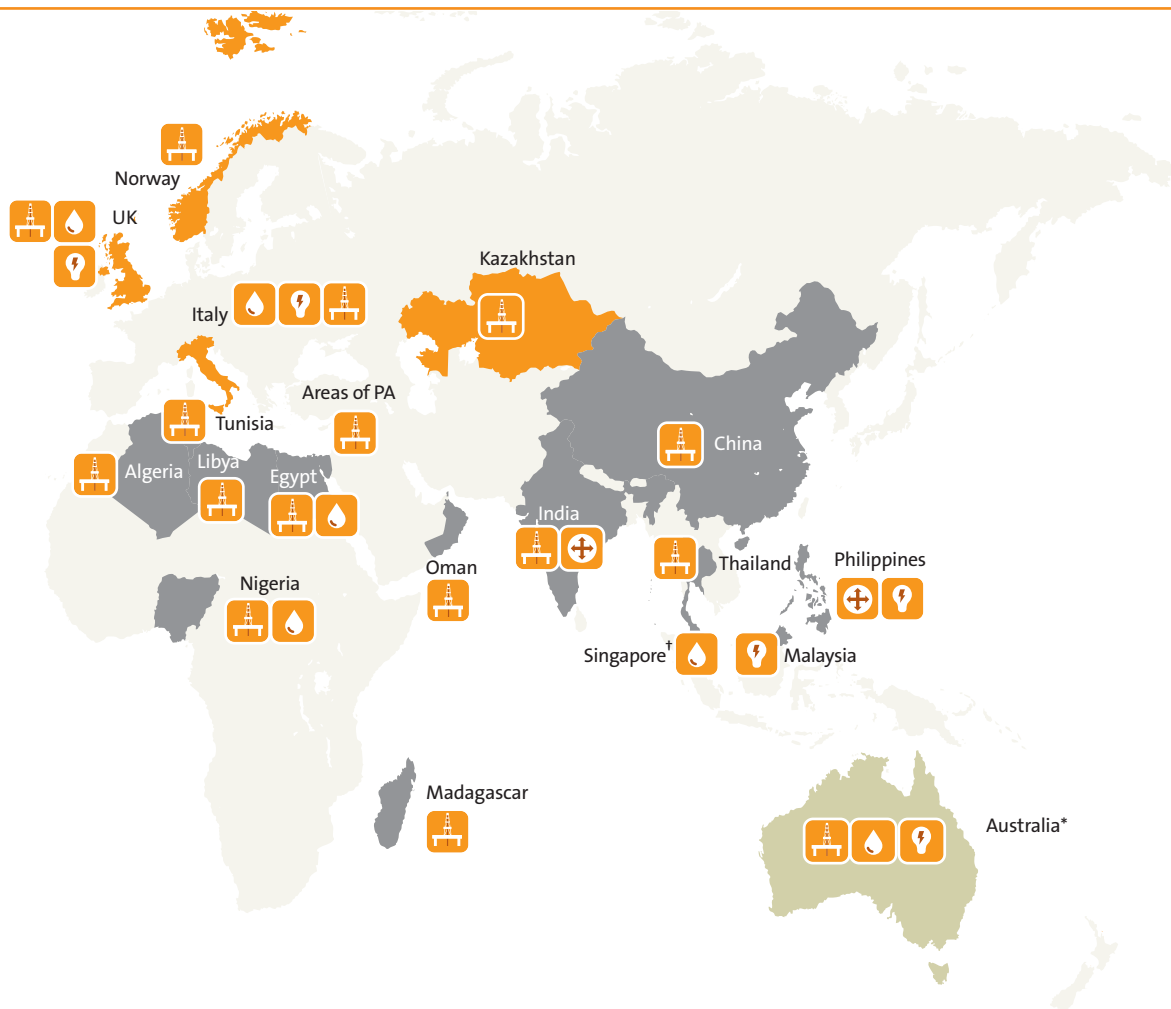
### Key activities

- Gas producer in Trinidad and Tobago, supplying both the domestic market and exporting gas as LNG
- Appraising major oil discoveries and continuing exploration activity in Brazil
- Exploration assets in Alaska and Canada
- Regasification capacity in the USA
- Developing regasification capacity in Chile
- Major global LNG marketer
- Control of Comgás, Brazil's largest gas distribution company

## BG Advance

### Key activities

- Group technical functions: Exploration, Petroleum Engineering and Developments, Engineering Projects, Operations and Well Engineering, Commercial and Assurance, Strategy and Portfolio Development, IT and Technology
- Promoting health, safety, security and environment (HSSE), and asset integrity across the Group
- Co-ordination and development of BG Group strategy
- Longer-term planning and development of technical and commercial capabilities
- Managing the Group's technical assurance processes
- Optimising deployment of people across the Group



## Europe and Central Asia

### Key activities

- Interests in more than 20 UK Continental Shelf fields
- Joint operator of the super-giant Karachaganak oil and gas condensate field in Kazakhstan
- Exploration portfolio in Norway of 20 licences; 15 as operator
- Power generation interests in the UK and Italy
- Developing regasification terminals in the UK and Italy
- Gas marketing and pipeline capacity in the UK

## Africa, Middle East and Asia

### Key activities









- Major gas supplier to the Egyptian and Tunisian markets
- Exporting gas as LNG from Egypt
- Gas production in India and Thailand
- Exploration acreage and/or discovered reserves located in Algeria, Areas of Palestinian Authority, China, Egypt, Libya, Madagascar, Nigeria, Oman, Thailand and Tunisia
- Interests in two Indian gas distribution companies
- Power generation activities in Malaysia and the Philippines

## Australia\*

### Key activities

- Queensland Gas Company Limited (QGC), a leading coal seam gas company
- Total reserves and resources of more than 11 tcf
- Developing two-train 7.4 mtpa LNG project on Curtis Island, near Gladstone (QCLNG), with potential for third train
- Gas supplier to the domestic market
- Offer made for Pure Energy Resources Limited and material shareholding acquired

### Key

	Exploration and Production		Europe and Central Asia
	Liquefied Natural Gas		Americas and Global LNG
	Transmission and Distribution		Africa, Middle East and Asia
	Power Generation		Australia

\* Region from 2009.

† Exclusive right to supply only.

# Our approach to reporting

The contents of our Sustainability Report are determined by the needs of our stakeholders. In this report we have sought to reflect the concerns that are important to them, and to provide an insight into what we are doing to address those concerns.

This Sustainability Report summarises key aspects of BG Group's implementation of its Business Principles. It also provides an overview of our response to the most significant issues identified through our engagement with external stakeholders and our internal risk management process.

## Materiality

Breaches of the BG Group Business Principles have the potential to cause material harm to the Group. We therefore seek to address Business Principles risks using the same management process that we apply to operational or financial risks. Under that process, Business Principles risks are identified and assessed at both country and Group-wide levels. Management teams in assets, projects and Group technical and professional functions are required to review and register their key Business Principles risks every quarter. Those assessments are designed to capture and manage risks that may be systemic which may occur at more than one location, as well as risks that are specific to one location.

The materiality of each risk is assessed on the basis of the probability that it will occur, combined with its potential adversely to affect the Group, our stakeholders, or both. In 2008, the key risk areas we identified related to:

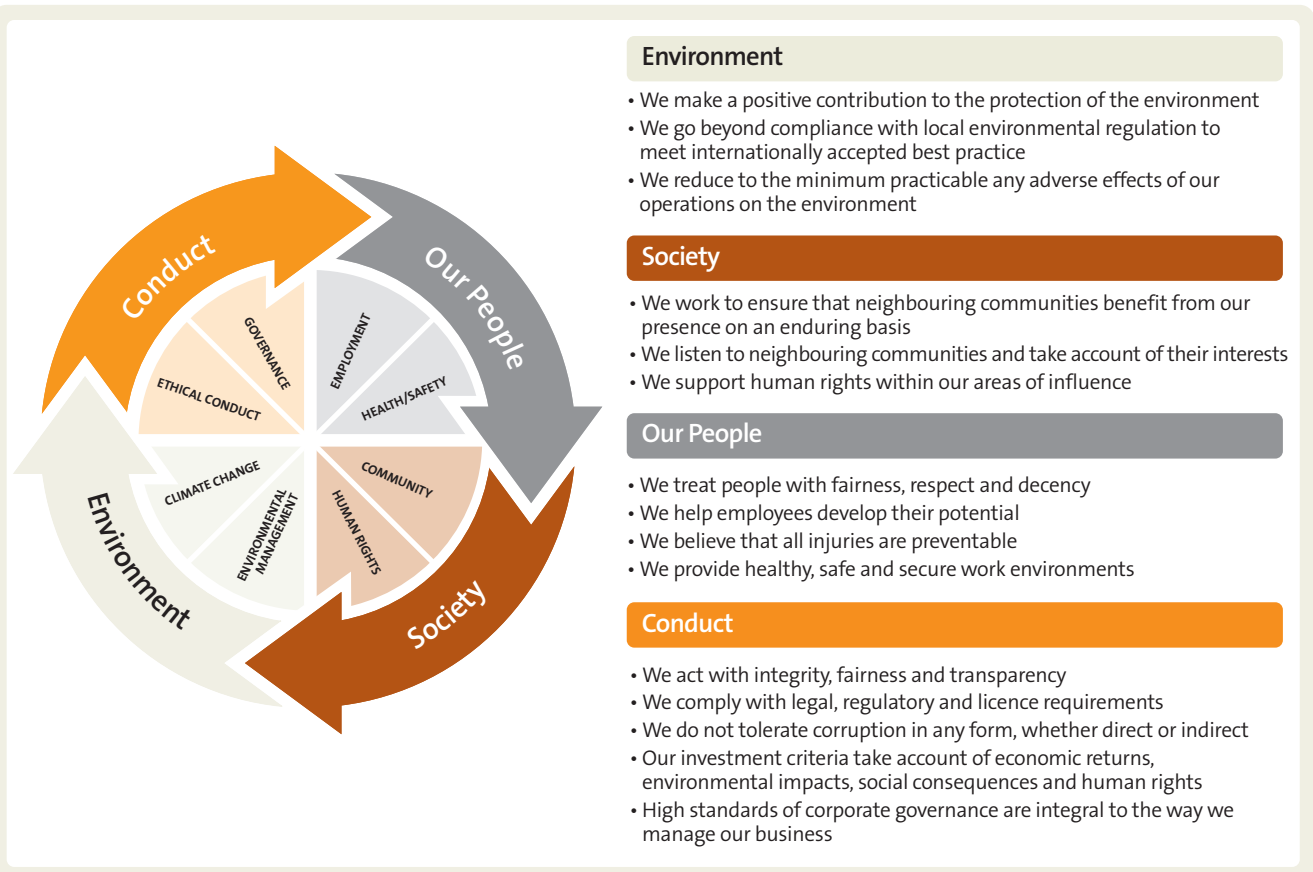
- asset integrity;
- climate change;
- ethical compliance;
- governance;
- health, safety, security and environment;
- human resources; and
- social performance.

Our assessment of the materiality of the risks in these areas has revealed that many of our stakeholders worldwide are increasingly focused on environmental issues. We have revised this Report to reflect this, increasing the prominence of – and detail within – the chapter setting out our approach to climate change and environmental protection.

## Scope and boundary-setting

This Sustainability Report primarily focuses on the business interests over which we have

## Our Business Principles



direct control or where we carry significant influence. These include assets where we are the operator, the undertakings of our subsidiaries, joint venture partnerships, and where we believe there have been materially significant incidents in our supply chain involving our contractors and suppliers. Our aim is to provide the most comprehensive overview of our greenhouse gas (GHG) emissions practicable. We include emissions from non-operated facilities in which we have an interest, calculated on an equity-share basis, as well as emissions from facilities that we operate.

#### Sustainability reporting – best practice

We seek to follow best practice on sustainability reporting. The hard copy of our Sustainability Report 2008 is supplemented by additional data available online at [www.bg-group.com/sr](http://www.bg-group.com/sr). Online information includes an index to our disclosures under the Global Reporting Initiative (GRI), the International Petroleum Industry Environmental Conservation Association and the United Nations Global Compact.

The hard copy report, supplemented by our online reporting, meets the requirements of the GRI A+ reporting level.

#### Performance targets

**Every year we set ourselves targets which we publish in this Report. We also report on our progress against the targets we had set ourselves, and published, the previous year.**

Last year, the BG Group Chief Executive's Business Principles targets were focused on areas that presented particular challenges and which required a long-term approach to be implemented consistently across the whole of the Group.

Those targets were then adopted by the Group Executive Committee (GEC) – the Group's senior executive management team – where individuals took on responsibility to guide the delivery of specific objectives.

In turn, our project and operations leadership teams and the leadership of our technical and professional functions assumed responsibility for implementation of the one-year targets set out on pages 6 and 7 of this Report.

Details of our progress against other targets not listed in the hard copy of this Report can be found online at [www.bg-group.com/sr](http://www.bg-group.com/sr).

## Strategy into targets

### Our strategy

We focus on specific, high-value markets, and secure competitively priced resources to connect to those markets. Further details of our strategy can be found in the BG Group Annual Report and Accounts 2008, available online at [www.bg-group.com/ara](http://www.bg-group.com/ara)

### Sustainable value creation

We are committed to operating to the highest ethical and technical standards and aim to make a positive contribution to economic, social and environmental development in the communities in which we operate

### The way we work

Our Statement of Business Principles sets out the core values and behaviours that we believe are essential elements of sustainable value creation

### CEO targets

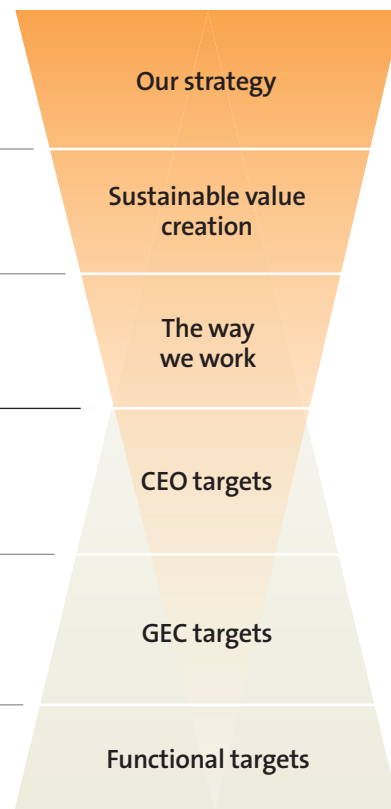
The Chief Executive's agenda sets objectives to meet the aspirations set out in our Business Principles. Members of the Group Executive Committee are accountable for individual objectives, shown below

### GEC targets

- Local content
- Business Principles in the supply chain
- Succession management
- People development
- Social performance
- Greenhouse gas emissions reduction target

### Functional targets

Targets for the leadership teams in projects, operations and technical and professional functions



# Our performance in 2008

## Environment

### Our targets in 2008

Update biodiversity strategy

Complete methodology for quantifying effects of gas supply to distributed markets

Implement Environmental Competency Framework and identify practitioner skill gaps

Achieve additional greenhouse gas (GHG) emissions reductions of 244 000 tonnes as part of our 2012 target (see page 14), and ensure that the 2007 GHG emissions reductions are maintained

Develop detailed plan to achieve 2012 target of one million tonnes of sustainable GHG emissions reduction

### Actions taken in 2008

✓ Updated strategy approved in November

✓ Methodology completed

~ Framework launched. Practitioners to complete skills gap assessments in 2009

✓ Projects implemented with total annualised GHG reductions of approximately 244 000 tonnes, compared to a 'no-action' base case

✓ Emissions reductions from 2007 projects sustained

~ Detailed plan completed in January 2009

### Our targets for 2009

- Achieve additional GHG emissions reductions of 270 000 tonnes as part of our 2012 target
- Quantify and report on status of performance towards our 2012 GHG targets
- Launch Biodiversity Standard and develop implementation strategy with assets in three priority countries
- Produce environmental practitioner training and development strategy

## Society

### Our targets in 2008

Launch Social Performance Governance Framework (see page 16) for priority assets, including implementation plans for compliance with the Social Performance Standard

Develop Social Performance metrics and carry out a pilot programme

Carry out Group-wide assessment of social investment practice and develop revised Social Investment Guidelines

Complete human rights risk assessments in high-risk countries of operation

Implement the new Guidelines on the Voluntary Principles on Security and Human Rights (VPSHR) in high-risk countries of operation

### Actions taken in 2008

✓ Social Performance Governance Framework and Standard launched in four high-priority assets in 2008 with others following in early 2009. Implementation plans in place

✓ Social Performance metrics developed and piloted in four countries in 2008

✓ Social investment review carried out across the Group and revised guidance included in the Social Performance Guidelines

✗ Elements of human rights risks have been assessed as part of the Voluntary Principles implementation process; however, no stand-alone assessments have been produced (see page 19)

~ Guidelines implemented in four countries

### Our targets for 2009

- Update socio-economic baseline and impact assessments in assets in six high-priority countries
- Complete Social Performance metrics in assets in seven high-priority countries
- Develop two global partnerships with recognised independent agencies to understand and address specific social issues
- Integrate human rights risk assessment process into existing social and environmental impact management processes
- Prepare local content strategies for priority assets (see page 27 for local content definition)
- Establish local supplier development initiatives through contracting process for priority developments

## Our People

### Our targets in 2008

Achieve response rate for 2008 Group-wide employee survey of above 60%



79% response rate achieved

Pilot individual profiling to identify succession candidates



Profiles of over 90 succession candidates produced

Build development course options for technical departments



Suite of courses developed in some technical areas; to be extended during 2009

Strengthen incident investigation process to improve root cause analysis and consolidation and dissemination of lessons learnt



Completed launch of new incident investigation tool in selected assets. Lessons learnt disseminated for 98% of incidents

Develop safety leadership competency across the organisation through a structured programme of engagement and training



Thirteen 'Leading with Safety' courses were undertaken across the Group in 2008. Further programmes are planned for 2009

Ensure assets develop and maintain an operational safety case to demonstrate that the risks are As Low As Reasonably Practicable (ALARP)



All BG Group-operated assets now have an operational safety case

### Our targets for 2009

- Reduce Total Recordable Case Frequency per million hours worked for 2009 to 1.35
- Launch global asset integrity campaign
- Strengthen succession management
- Improve performance management capabilities: focus on target-setting and performance reviews
- Provide our management teams with information, training and tools to improve communication throughout the Group
- Improve personal capability development: focus on technical and managerial competence

## Conduct

### Our targets in 2008

Carry out a structured programme of internal audits focusing on Business Principles



Audits carried out in 11 BG Group and joint venture locations

Hold four contractor workshops with 30 or more of our top-tier contractors on compliance with our Business Principles



Four workshops held with more than 40 top-tier contractors; three in the UK and one in Nigeria

Launch revised Whistleblowing Policy



Speak Up Policy launched in April 2008

Review the Standards that contribute to the management of conduct issues, including the Anti-Corruption Standard



New Ethical Conduct Policy launched and associated Standards revised to reflect changing environment

Establish Standards and Guidelines for local content development (see page 27 for local content definition)



Standard and Guidelines prepared and used to develop local content strategies in selected assets

Carry out initiatives to develop local contractor capability in two key assets



Strategies prepared in three assets and detailed plans prepared for two new developments

### Our targets for 2009

- Strengthen processes to assure compliance with Business Principles
- Inform key contractors at all assets of BG Group Business Principles and our plans to assess the risks arising from potential non-compliance with the Business Principles
- Design system of assurance to manage risks of non-compliance with BG Group's Business Principles in the supply chain
- Launch Business Principles training for third-party contractors working on BG Group facilities
- Carry out internal audits focusing on Business Principles in an increased sample of assets

**Signifies completed**  
 We worked on this target during 2008 and completed all the associated tasks

**Signifies ongoing**  
 We made some progress on this target during 2008 but did not complete all the associated tasks

**Signifies not completed**  
 To be built into 2009 targets

# Our commitments in action

## Business Principles into practice

BG Group is committed to putting our Business Principles into practice. Here are some examples in 2008.

### Sulphur reduction

The gas produced from BG Group's offshore fields in Tunisia contains a high percentage of hydrogen sulphide. This is removed from the gas during processing at the Group's Hannibal onshore facility near the city of Sfax. However, the sulphur produced must then be disposed. As part of its plans for the expansion of the Hannibal facility, the Group used Best Available Techniques criteria to review options for the most effective

treatment of produced sulphur. In future, hydrogen sulphide will be treated using the Sulfox process, a licensed technology that converts hydrogen sulphide into sulphuric acid which the Group will then sell to industrial users. The new expansion facility is due to commence operations by the middle of 2009. When operating at full capacity, waste sulphur production will be reduced to almost zero.



# 94%

of staff trained in our Business Principles

### Speak Up reporting

BG Group's whistleblowing facility – allowing employees, contractors and other third parties to report concerns in confidence – was relaunched in 2008 as Speak Up. Speak Up includes a new duty on employees to report activities that they believe to be against the Group's Business Principles, or may constitute any other form of misconduct. The enhancements led to an increase in the number of cases reported. See page 27 for further information on Speak Up.

Whistleblowing cases increased by

# 75%



### Local content

Goods and services procured from within host communities or nations can play an important role in sustainable development. In Trinidad and Tobago, BG Group and partners used a local contractor to construct, install and hook up the 4 200 tonnes topsides required for the Poinsettia Project. 91% of the contract value was for services and goods of domestic origin and almost all of the 1.1 million hours worked on the contract were undertaken by Trinidadian nationals, half of whom lived within five kilometres of the site. The topsides were the largest ever built in Trinidad and Tobago and were completed on time and on budget. The contract award contributed to the local contractor's decision to make new capital investments and to improve its internal HSE processes, strengthening the firm's long-term competitiveness.

Approximately

# 123 000

tonnes of annualised  
GHG emission reductions  
achieved at KPO against  
our 2012 target

#### Reducing greenhouse gas emissions

Greenhouse gas (GHG) emissions reductions achieved in the year included over 40 000 tonnes against a 'no-action' base case from a project at the BG Group Karachaganak Petroleum Operating BV (KPO) joint venture facility in Kazakhstan. The reduction was achieved through use of the MegaFlow

well-testing separator, which captures all hydrocarbons produced during a well test and directs them to the processing facility. This reduced GHG emissions by an average of 5 000 tonnes per well tested. Previously, these hydrocarbons were burned in a flare pit.



#### Community involvement to ensure reduced environmental impact

Our recent seismic data acquisition programme in the remote Settlement Area of Canada's Northwest Territories provides an example of our commitment to go beyond compliance and work closely with the people and organisations who have an interest in our activities.

Our team involved local communities in every aspect of the programme's planning and execution, including seasonal timing to reduce the impact of our work on the local habitat. The project team used community feedback at every stage of the project to drive improvement, involving the community in measuring compliance with protocols designed to protect the land and wildlife.

No vehicles were allowed in the survey area, so virtually no trace of the survey was visible from the air. Natural clearings were used whenever possible, and narrow-cut seismic lines were used which could wind through the trees to minimise felling.

Operations under BG Group's control emitted 8.8 million tonnes of carbon dioxide equivalent, a decrease of

# 6%

 from 2007

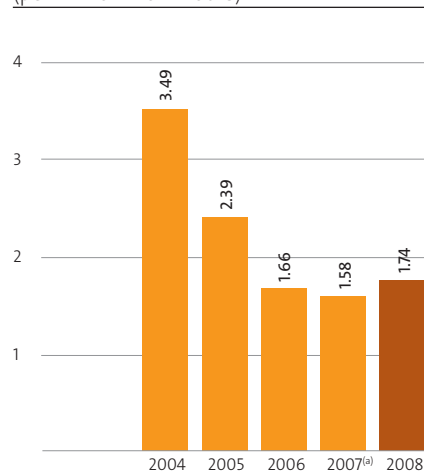
#### Safety performance at KPO

Karachaganak is a remote and challenging working environment. Temperatures range from -40 degrees Celsius in winter to +40 in summer; produced hydrocarbons contain a high percentage of highly toxic hydrogen sulphide; and reservoir re-injection pressures reach 550 bar. Despite this, in 2008, KPO employees and contractors passed a significant milestone of more than 20 million hours worked without a single lost-time injury (LTI). The asset also won an industry-recognised DuPont Award for Improved Performance.

#### BG Group safety performance

Total Recordable Case Frequency (TRCF) is a key measure of safety performance. After several years of steady decline, BG Group's TRCF metric rose during 2008. This is a source of serious concern. Contractors were involved in nearly 90% of the injuries recorded by the Group in 2008. In 2009, we will strengthen our efforts to ensure contractors and sub-contractors develop and assure appropriate levels of safety competency.

#### Total recordable case frequency (per million work hours)



(a) Amended from 2007 Report to include two additional cases not available at time of publication.

# 20 million

hours worked in KPO  
without a single LTI

# Environment

## Our Business Principles



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

### Year in summary

- Greenhouse gas (GHG) emissions from operations under BG Group's control fell by 0.5 million tonnes
- 244 000 tonnes of annualised GHG emission reductions achieved against our 2012 target
- Verified 2007 GHG emissions reductions sustained
- GHG emissions per unit of throughput from operations under BG Group's control fell by 13%
- 92% of BG Group-operated assets certified to ISO 14001
- Emissions of sulphur dioxide rose by 25%; nitrogen oxide emissions fell by 1%

Every business activity has an impact on the environment. Our Business Principles set out BG Group's approach to reducing our impact on the environment to the lowest level practicable.

The Group works to develop and deploy leading environmental measures to enhance protection. In 2008, we introduced our Resource Use and Waste Management Standard to assist BG Group-operated assets in focusing appropriately on the conservation of limited resources. The Standard requires us to use Best Available Techniques for Environmental Protection to minimise the use of resources, including fresh water, energy and materials, and the subsequent generation of waste.

**Principle: We make a positive contribution to the protection of the environment**

Natural gas offers a number of critical advantages when compared to competing hydrocarbon fuels such as coal. Advantages include significantly lower carbon dioxide and other GHG emissions and cleaner air quality. As a result, natural gas is widely viewed as an energy source with a positive role to play in climate change mitigation strategies. The Intergovernmental Panel on Climate Change (IPCC) identified gas utilisation as an important short and medium-term technology in its Fourth Assessment Report on climate change.

However, the processes by which natural gas is discovered, produced and delivered to market have an unavoidable impact on the environment, including the emission of GHGs in the journey from reservoir to burner tip. BG Group fully acknowledges its responsibility to do all it can to address this challenge.

In our core business activities, we support measures to enhance scientific understanding of the impact of industrial activity on local habitats and are focused on the development and deployment of best practice environmental protection measures. We have developed a Best Available Techniques for Environmental Protection which requires design teams to explore options for reducing emissions and other environmental impacts. We apply that Standard to all of our operations, even where immediate environmental risk factors are relatively low. We also support the environmental protection work of third parties through partnerships and voluntary donations.

#### Contributing to scientific understanding

As part of our normal business activities, we regularly conduct baseline environmental surveys to assess the extent to which our operations may have an impact on a particular habitat. Those surveys frequently produce some of the most detailed environmental information available for those areas, which

are offered for the benefit of a wide range of external stakeholders.

BG Group funds original research to provide precise guidance on mitigating the potential environmental impact of our operations where existing data sources are insufficiently detailed or not available. An example of this is our membership of the Sound and Marine Life Joint Industry Project (JIP), which aims to improve understanding of the impact on marine life of noise from the offshore exploration and production industry. The JIP is currently funding an independent research programme to assess whether man-made sound harms marine mammals, either directly or by interfering with their ability to communicate.

The JIP's membership comprises 13 leading exploration and production companies and the industry organisation for geophysical contractors. By the end of its second year, the JIP had provided over US\$16 million to fund 57 separate projects by independent researchers. One of its main achievements in 2008 was the completion of fieldwork in the Gulf of Mexico on defining the three-dimensional nature of the sound produced by a compressed-air underwater seismic array. This provides a more accurate assessment of the spread, distance and frequency range of noise effects arising from seismic surveys offshore. Further projects include assessing concerns surrounding the acquisition of seismic data in low-visibility conditions and the impact of upstream oil and gas industry noise on animal behaviour. Details of this program can be found at [www.soundandmarinelife.org](http://www.soundandmarinelife.org).

**Principle: We go beyond compliance with local environmental regulation to meet internationally accepted best practice**

In 2008, we took further steps towards meeting international best practice in environmental protection in our operations.

#### ISO 14001 certification

We continued to work towards full ISO 14001 International Environmental Management Standard certification at the major assets operated by BG Group.

At the end of 2008, 92% of our major operated assets had been certified, compared to 77% in 2007.

Individual assets that showed particular progress during 2008 include:

- Kazakhstan, where the Karachaganak Petroleum Operating BV joint venture was granted ISO 14001 certification in September 2008;
- The Armada platform in the UK North Sea, which was granted ISO 14001 certification in November 2008; and
- The Group's asset in Trinidad and Tobago, which passed its audit for ISO 14001 certification for Central Block in December 2008.

BG Group's newly acquired Queensland Gas Company Limited (QGC) business in Australia has not yet attained ISO 14001 certification, nor has the Dragon Liquefied Natural Gas (LNG) regasification plant in the UK. We therefore expect the proportion of major BG Group-operated assets with ISO 14001 certification to reduce to 80% during 2009. However, we expect our North American power generation assets to gain certification during the year. We have now set ourselves a target of 87% ISO 14001 coverage by the end of 2009. In 2008, we undertook a review to assess the consistency of implementation of ISO 14001-certified environmental management systems. We also looked to identify examples of good practice that could be applied across the Group. We aim to implement the findings from the review in 2009.

During 2008, we provided further guidance on the management of environmental risk at a country level, set out within new supplementary Environmental Guidelines under the BG Group HSE Risk Management Standard.

**Principle: We reduce to the minimum practicable any adverse effects of our operations on the environment**

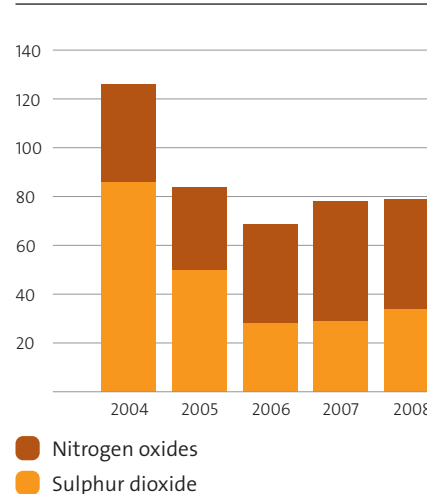
BG Group takes a structured approach to environmental risk management, adopting strategies to minimise, and manage the impact of, waste products throughout our operations. When planning a new project, we undertake Environmental Impact Assessments (EIAs) in parallel with environmental engineering processes. The EIA provides important information for the project team regarding specific environmental sensitivities that should be taken into account at the design phase. The environmental engineering process follows the Group's Best Available Techniques for Environmental Protection to identify the optimum strategies to reduce environmental hazards at source.

For example, if a new development has the potential adversely to affect air quality, we will carry out an EIA during the project planning and design phase to investigate the likely emissions impact. This might include the collation of baseline air quality data together with detailed predictive emissions modelling.

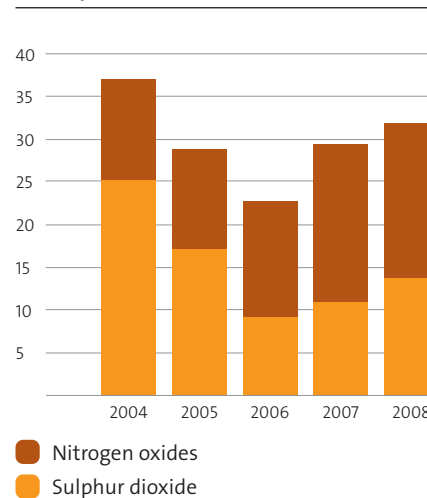
In parallel, our environmental engineering processes would focus on identifying and designing an appropriate solution with the lowest practicable environmental impact. This work would be conducted under the terms of the BG Group Air Quality Standard, which is based on World Health Organisation, EU and US standards.

Finally, should there be any community, regulatory, or BG Group concerns about a facility's impact on air quality, we would establish monitoring systems.

Atmospheric emissions (tonnes/mmboe)



Atmospheric emissions ('000 tonnes)



## Sustainability in focus

### Best practice in lower-risk environments

Our commitment to reducing environmental impacts to the lowest level practicable extends to all aspects of our operations, including those at the lower end of the environmental risk spectrum. Office buildings have a lower potential impact on the local habitat than a major industrial plant. However, where practicable, we apply our Best Available Techniques for Environmental Protection

to maximise efficiency in meeting the energy, water and waste-disposal requirements in our offices and other accommodation.

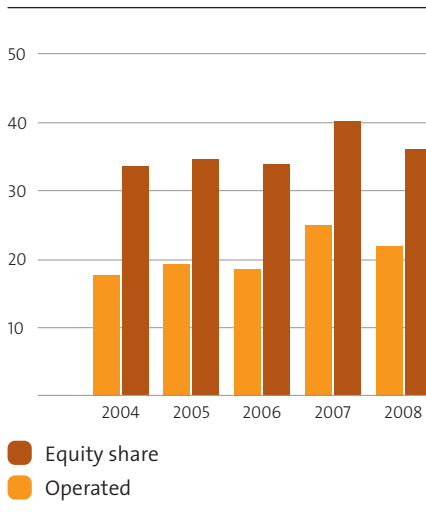
Our new offices in Mumbai in India were designed to maximise energy efficiency, minimise water usage and use no ozone-depleting substances. The offices also offer good access to public transport. The building was the first in Mumbai to

achieve the Leadership in Energy and Environmental Design (LEED) Platinum Standard. In 2008, the Group's Brazilian gas distribution subsidiary, Comgás, completed the refurbishment of its operations centre, installing a water recycling system, gas-fired heat and power co-generation, biological sewage treatment and a gas-fired air-conditioning system.

### Ernst & Young comment

“During our site visit to Egypt we discussed the plans in place and progress achieved in reducing the GHG emissions in accordance with the Group targets. In 2008, GHG targets had not been achieved at the BG Group joint venture, however, we were told that significant additional reduction opportunities had been identified for GHG reductions through to 2012.”

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



### Best Available Techniques identification

Design has a fundamental role to play in minimising environmental hazards. Our Best Available Techniques for Environmental Protection requires design teams to explore options for reducing emissions at source.

The expansion of our LNG shipping fleet provides an example of how we apply this Standard to achieve greater efficiency in our energy use. Four new dual-fuel diesel-electric (DFDE) LNG vessels are currently being constructed for BG Group at the Samsung Heavy Industries shipyard in South Korea, ready for delivery in 2010.

DFDE LNG ships balance the use of diesel or fuel oil with the use of a small proportion of the available natural gas from within the LNG cargo system. The introduction of these more energy-efficient ships into the BG Group fleet lowers overall shipping fuel consumption, which in turn reduces overall carbon dioxide emissions.

The Group's LNG trading model calls for significant flexibility in ship operations. Changes in the loading and discharge dates specified by our global suppliers and customers can lead to a high degree of variability in journey duration and distance. Under some circumstances, this can mean that the natural gas available for use from the ship's cargo system could exceed the requirements for the journey. We are fitting re-liquefaction systems to our new DFDE ships which will enable us to return this surplus gas to the cargo tanks in liquid form, further reducing GHG emissions.

### Performance in 2008

#### Air quality

The emissions of sulphur dioxide from operations under our control totalled 13 727 tonnes in 2008. This was an increase of 25% compared to 2007. Total emissions per unit of throughput (i.e. the amount of sulphur dioxide emitted in the course of producing one million barrels of oil equivalent) rose by 16% between 2007 and 2008. This rise was primarily caused by an increase in marine

diesel use by the BG Group-operated LNG fleet and an increase in exploration drilling activity. The number of LNG ships owned and operated by BG Group grew from six to eight from 2007 to 2008. LNG vessels use marine diesel for a proportion of their fuel requirements, and drilling rigs use diesel when propelled from one location to another under their own power and when undertaking drilling operations.

During 2008, 18 155 tonnes of nitrogen oxide were emitted, a decrease of 1% compared to 2007. Total nitrogen oxide emissions per unit of throughput fell by 8% between 2007 and 2008.

### Hydrocarbon spills

There were 32 incidents of uncontrolled releases of hydrocarbons to the environment in 2008. Of these reported incidents, 18 resulted in spills to sea, amounting to around 0.8 tonnes of oil.

The largest incident occurred in Canada. A contractor spilled five tonnes of oil-based mud (the lubricant used in drilling operations) whilst loading a tank near a land drilling rig. All liquids from the incident were contained. We removed all contaminated soil to a registered disposal site, and there was no environmental damage from the spill to the surrounding area. As a result of this incident, we have worked with the contractor to review procedures to ensure that proper hose-locking equipment is available and deployed, and that drivers monitor connections closely during transfer operations.

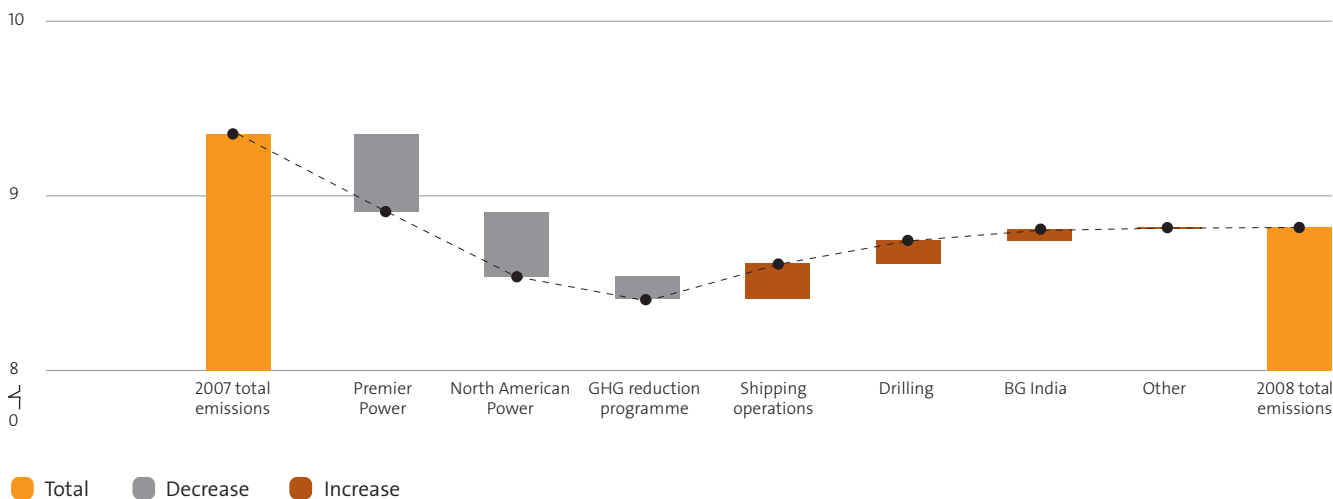
### Oil discharges to water

The proportion of hydrocarbons permissible in produced water, discharges and other waste products is governed by local legislation and international standards.

The amount of oil in processed water discharged from BG Group's operations decreased by 112 tonnes between 2007 and 2008, from 205 tonnes to 93 tonnes. 42 tonnes of the decrease can be attributed to the Group's production facilities on the Panna field, offshore India. A proportion of this reduction over the year was due to the one month shutdown of the production facilities, after the incident discussed on page 22. That shutdown was followed by two months of lower production, which also contributed to the overall 2008 BG Group decrease in oil in processed water reported. Of the remaining 70 tonnes decrease in oil discharges to water, 65 tonnes was contributed by the installation of new facilities to improve the quality of water discharged from our platform on the Miskar field, offshore Tunisia. The overall decrease in 2008 reflects the first full year's contribution from those new facilities.

### GHG emissions from BG Group-operated facilities (million tonnes CO<sub>2</sub>e)

Breakdown of year-on-year emissions movement



Total process water discharged from BG Group's operations decreased from 4.5 million tonnes in 2007 to 3.5 million tonnes in 2008, partly as a result of a re-categorisation within our reporting methodology under which discharged process water is now accounted for under waste, as explained below.

During 2008, produced water from our assets in Egypt and our Dolphin platform in Trinidad and Tobago was brought onshore for treatment to ensure that the marine environment is appropriately protected. The Group is examining options to lower the proportion of oil in produced water from these assets, which would allow offshore discharges at levels that meet the requirements of local legislation and BG Group Standards.

In 2008, the total quantity of oil on drill cuttings discharged (1 332 tonnes) reduced slightly compared to 2007 (1 600 tonnes).

#### Waste

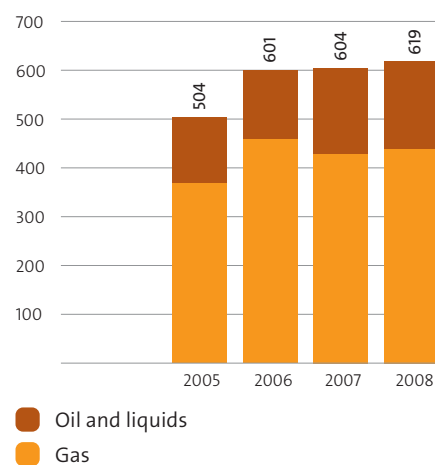
BG Group reported a significant headline increase in waste produced in 2008, from 41 576 tonnes in 2007 to 259 335 tonnes in 2008, of which 10 465 tonnes was recycled. However, the large majority of this increase (77%) is accounted for by the inclusion of a new reporting category – 'treatment/disposal of liquids by a third party' – which had previously been reported separately under oil discharges to water, above. We are reporting against this category to provide increased transparency in our management of produced water from the Group's facilities offshore

Egypt and the Dolphin platform offshore Trinidad and Tobago, explained above. In both assets, the use of third-party water treatment facilities onshore is a temporary solution: the Group will continue to analyse alternatives for the long term.

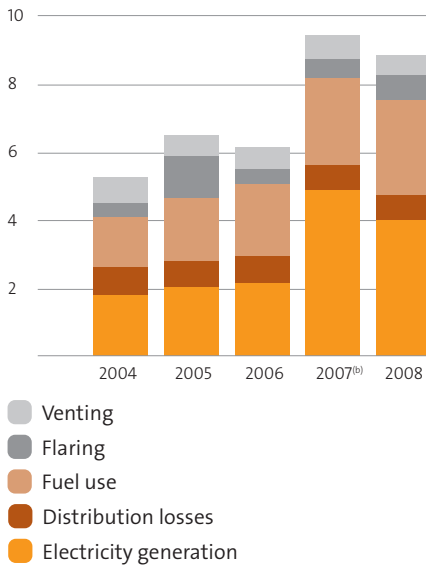
During 2008, there were two other factors relevant to the increase in waste reported by the Group. First, our 2008 drilling programme included a significant increase in onshore drilling activity (in Algeria, Libya, and Oman), which led to an increase in land-based waste products recorded in the year. Second, the Group's Karachaganak joint venture in Kazakhstan reported two years' drilling waste in 2008.

As a consequence, and excluding the effect on reporting of the new third-party liquid waste category discussed above, the waste generated by our operations rose from 41 576 tonnes in 2007 to 92 312 tonnes in 2008, an increase of 122%. The total quantity of waste produced is substantially affected by short-term fluctuations in exploration and production activity. This makes relative performance measurement difficult at a Group level, as activity levels vary from one year to the next. Waste minimisation opportunities are identified, evaluated and implemented as appropriate within our local environmental management systems.

### Production ('000 boed)



**BG Group GHG emissions: by source<sup>(a)</sup>**  
(million tonnes CO<sub>2</sub>e)



(a) Under BG Group control. Excludes system (fugitive) losses of no more than 21 000 tonnes CO<sub>2</sub>e per annum.  
(b) Restated from 2007 – revised downwards by 0.05m tonnes due to corrected fuel consumption.

**CLIMATE CHANGE**

At BG Group, we fully acknowledge that climate change is a reality, and that man-made emissions from burning fossil fuels contribute to global warming. It is widely agreed that natural gas – as a replacement for higher-carbon fossil fuels, particularly coal – has a positive role to play as one of many measures required to help stabilise GHG concentrations in the atmosphere. We believe that BG Group contributes to solutions to global warming. We have therefore embedded climate change considerations into our business.

**A global challenge**

As global population levels continue to increase, world energy demand is forecast to double or even triple by 2050. If future energy needs continue to be met from a fuel mix dominated by hydrocarbons (particularly coal), carbon dioxide emissions could double by 2050. It is widely agreed that such an increase would have disastrous consequences for our planet. There is an urgent need for all economies to implement much greater energy efficiency measures and to adopt significantly lower-carbon energy strategies.

**Advantages of natural gas**

Natural gas has an important and well-recognised role to play in achieving those goals. Gas combustion releases 22% less carbon dioxide than oil and 40% less than coal. The savings are even greater when the effect of energy conversion efficiency is taken into account, and the technology required to develop gas efficiently and safely

is proven and cost-effective. These advantages explain why the IPCC has acknowledged that natural gas is an important short and medium-term technology in their Fourth Assessment Report on climate change. The table below contains an overview of BG Group’s contribution in response to the IPCC’s recommendations.

**Regulatory and legislative measures**

Many governments are focused on stimulating the move to lower carbon energy sources through regulations and emissions trading schemes. Regulatory, legislative and fiscal approaches continue to evolve. We seek to play an active role in the debate, participating in industry groups including the Confederation of British Industry (CBI) and the International Association of Oil and Gas Producers (OGP), and by responding to consultations such as the EU Directive on Carbon Capture and Storage and the Australian Emissions Trading Scheme.

Our new projects now take national and international GHG legislative frameworks into account, including carbon values under applicable emissions trading schemes.

Additionally, we include an assessment of the GHG mitigation proposals for projects exceeding 100 000 tonnes carbon dioxide equivalent (CO<sub>2</sub>e) emissions per annum.

**Enhanced GHG management programme**

In 2007, BG Group announced a target of one million tonnes of sustainable GHG emission reductions (compared to a ‘no-action’ base case) by 2012. We are continuing to identify and carry out projects that aim to generate ongoing GHG reductions. The target, and our performance against it, consists of

**Intergovernmental Panel on Climate Change mitigation criteria**

**Relevant IPCC mitigation technologies**

**BG Group contribution**

Improved energy supply and distribution efficiency



- Gas exploration and production efficiency gains
- Emissions reduction from gas distribution networks
- DFDE LNG vessels

Fuel switching from coal to gas



- Gas displacing coal in power generation
- LNG extending gas supplies to new markets

Carbon capture and storage (CCS)



- Continue to monitor technology developments in carbon capture and storage
- Participate in joint industry projects

### Stakeholder question

“International attention is starting to shift to the need to adapt to the predicted change in our climate. What role can and should BG Group play in society’s adaptation responses to the changing environment?”

**Pippa Howard**

Programme Director Corporate Partnerships, Fauna & Flora International

We fully acknowledge that climate change is under way, and that, in common with all organisations worldwide, we have a role to play addressing the man-made factors linked to climate change.

We support the delivery of the IPCC’s mitigation technologies, explained in the table on page 14. Given the gas emphasis in BG Group’s global portfolio, our core business is aligned with a key IPCC aim: fuel switching, specifically, displacing coal in favour of lower-carbon natural gas.

We are assessing the impact on our operations of changes to environmental conditions linked to global warming,

including assessments of the extent to which the design of major projects takes into account the IPCC’s climate predictions.

We also understand that climate change may directly affect the communities and ecology close to our operations. We will work with stakeholders to identify adaptation strategies and goals which provide mutual benefits. This may include examining options for social investment programmes to assist affected communities.

100% of the emissions reduction achieved at BG Group-operated assets, including the KPO joint-operated venture.

In the two years to 31 December 2008, we implemented GHG reduction projects that contribute 400 000 tonnes of verifiable and sustainable GHG emissions reductions towards our 2012 target, which we are on track to meet.

In 2008, we implemented 24 GHG emissions reduction projects across our assets. These projects produced a total of 244 000 tonnes of annualised GHG reductions against our 2012 target. The total consists of approximately 206 000 tonnes of verified emissions reductions, plus an estimated 38 000 tonnes of emissions reductions that are not yet fully confirmed. In 2009, we aim to implement projects achieving additional reductions of 270 000 tonnes, as part of our drive towards our 2012 target.

#### GHG reduction performance in 2008

In 2008, assets directly under the control of BG Group emitted 8.8 million tonnes of CO<sub>2</sub>e, a decrease of 0.5 million tonnes (6%) compared to 2007 (see data table on page 30). This decrease results from a reduced demand for electricity from our power stations in the UK and North America and the effects of our GHG management programmes. The Group also measures CO<sub>2</sub>e emissions on an

equity-share basis, reporting those emissions as a proportion of the total in line with the Group’s equity interest in the operations not under its control. Equity-share emissions from BG Group-operated and non-operated activities fell by one million tonnes (6%) to 13.9 million tonnes CO<sub>2</sub>e compared to 2007.

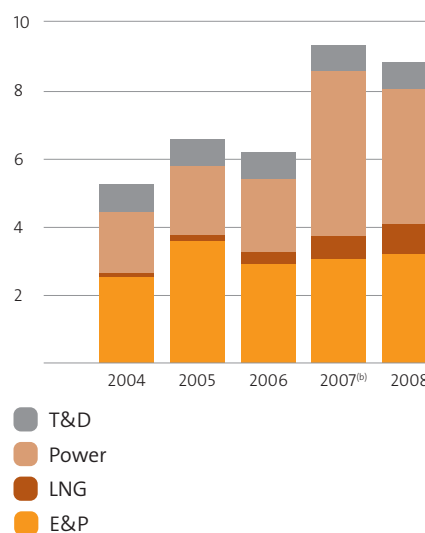
#### Operational response to climate change

As part of our Environmental Expectations Standard we include mandatory requirements governing climate change adaptation which set out how we assess the risks to our operations from foreseeable environmental changes arising from climate change, together with our approach to risk mitigation.

We have designed a Climate Risk Management Framework to support our assets and projects in delivering against the Standard’s requirements. This specifies the step-by-step procedure to follow, based on the BG Group Business Risk Management Process.

This is a new area of risk assessment for the Group, based on predictions that are uncertain and encompassing periods of time that can be measured in decades. To date, we have carried out climate risk assessments at our Karachaganak joint venture in Kazakhstan and at the Queensland Curtis LNG Project in Australia, incorporating the risks identified within the project engineering design process.

**BG Group GHG emissions: by business<sup>(a)</sup>**  
(million tonnes CO<sub>2</sub>e)



(a) Under BG Group control. Excludes system (fugitive) losses of no more than 21 000 tonnes CO<sub>2</sub>e per annum.  
(b) Restated from 2007 – revised downwards by 0.05m tonnes due to corrected fuel consumption.

# Society

## Our Business Principles



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

### Year in summary

- Social Performance Standard launched across the Group, including detailed implementation plans in high-priority assets
- Social Performance targets in place in assets in four countries
- Group-wide review of social investment projects
- Pilot sustainable development strategies prepared for assets in three countries

The achievement of BG Group's business objectives over the long term depends on the extent to which these are supported by host communities and other stakeholders. The Group therefore seeks actively to contribute to the socio-economic aspects of host nations' broader sustainable development agendas. This approach takes into account two factors. First, that many of the Group's operations are based in countries facing complex social and development challenges. Second, that internal and external stakeholders expect the Group to operate according to the highest standards of social performance.

In 2008, BG Group launched its Social Performance (SP) Governance Framework and Standard. This governs how the Group intends to meet its commitments to society, as defined in its Business Principles. The new Standard is closely aligned with the International Finance Corporation (IFC) Policy and Performance Standards on Social and Environmental Sustainability, which are the industry benchmarks for good practice.

In this section, we report on our progress in implementing the Social Performance Standard in 2008. We also provide an overview of how the Standard is already helping us address some of the social performance challenges we face.

#### Our implementation approach

Successful implementation of the Standard requires us to deliver against a number of criteria, including:

- training and raising awareness across the Group;
- recruitment of experienced SP managers at both corporate and asset level to manage and monitor the implementation of the Standard; and
- the use of monitoring and assessment processes to enable and then sustain improved performance.

We are aiming to achieve full Group-wide compliance with the Standard by the end of 2010, and can already report encouraging progress.

#### Social performance training

The BG Group SP Standard is endorsed at the most senior levels of the Group. During 2008, the Group conducted workshops led by IFC-accredited trainers for the Chief Executive, the Group Executive Committee, and the majority of regional executives and asset managers. The Standard is now incorporated into core business processes, including the Value Assurance Framework, which provides assurance on all of the Group's development projects.

During the year, implementation of the new Standard focused on assets in four countries assessed to have high levels of social performance risk. Training sessions were held in Egypt, Kazakhstan, Trinidad and Tobago and Tunisia. Participants were provided with an overview of the challenges faced by energy companies worldwide as well as

comprehensive, country-specific training in each element of the SP Standard. In 2009, the Standard will be extended to assets in other countries including Australia and Nigeria as well as to some of BG Group's South American interests.

#### Expertise and evaluation

BG Group has established a professional SP team to provide global technical support. The capacity of this team was expanded significantly in 2008, complemented by the recruitment of dedicated SP specialists in Australia, Egypt, Nigeria and Trinidad and Tobago. Further specialists will be recruited to support priority assets in 2009.

The Group has defined a system of metrics to help measure and monitor performance against locally-defined priorities, closely linked to the requirements of the SP Standard. To date, we have set specific targets against these metrics for assets in four countries. We will conduct the first performance reviews against those targets in 2009, and we plan to expand the use of metrics throughout the Group by the end of 2009.

#### Targeting key assets

The BG Group assets selected for implementation of the SP Standard in 2008 share a number of characteristics. Each plays an important role in BG Group's business strategy and each presents complex socio-economic challenges as well as specific SP issues that require careful management.

We have continued to work in support of our SP objectives in other countries where effective social performance is no less critical to our business success. These countries include:

- Canada, where we agreed benefits-sharing packages with local communities from the Colville Hills area in the Northwest Territories in preparation for our 2008-2009 drilling programme;
- Chile, where Quintero LNG (in which BG Group holds a 40% stake) worked closely with local communities to manage noise pollution issues arising during the construction of the new regasification terminal in Quintero Bay; and
- India, where BG Group has a controlling stake in Gujarat Gas Company Limited (GGCL), the country's largest private sector gas distribution company (see below). GGCL has developed a sustainable development strategy focused on migrant workers, local community employment and health and safety awareness for industrial customers.

We will continue to report on our progress as implementation of the SP Governance Framework and Standard is extended throughout BG Group during 2009.

**Principle: We work to ensure that neighbouring communities benefit from our presence on an enduring basis**

We seek to understand how we can effectively contribute to the sustainable development priorities of our host countries and local communities. Whilst the specifics will differ from country to country, the principles are constant. We aim to work in partnership with stakeholders to deliver enduring benefits. Our approach is founded on a robust understanding of the socio-economic context and an analysis of the potential positive and negative impacts of our operations on local economies and communities.

In 2007, we reported on our progress in undertaking socio-economic studies in Egypt, India and Kazakhstan. In response to the conclusions from those studies, we have subsequently launched pilot projects to develop preliminary sustainable development strategies in each of these countries.

In Kazakhstan, we commissioned two independent institutes (Oxford Economics, based in the UK, and the Institute for Economic Strategies, based in Kazakhstan) to produce a detailed analysis of the effects on the Kazakh economy of BG Group's and partners' Karachaganak Petroleum Operating BV joint venture operations.

The study was conducted at local, regional and national levels. It took into account four key factors:

- direct economic effects, for example the recruitment of local employees and contractors by the Karachaganak joint venture;
- indirect economic effects, for example local suppliers whose customer base extends beyond the Karachaganak joint venture, but whose activities are strengthened by the revenues obtained from it;
- induced effects, for example, business directly supported by the spending of people, or indirectly, employed by the Karachaganak joint venture; and
- catalytic/spillover effects, for example improved performance in businesses related to our Karachaganak joint venture.

### Social investment objectives made clear

This year, we have changed the reporting categories for our social investment activities across the global business to bring these into line with the new BG Group Social Investment Guidelines. The categories are designed to ensure greater rigour and consistency in our public reporting. For example, core business activities such as social impact assessments, local hiring or contracting are not reported as social investment, nor is any form of investment primarily for the purpose of public relations or brand promotion, such as events sponsorship or cause-related marketing. The social investment reporting categories are defined as follows:

- charitable donations and philanthropy: projects involving charitable giving by the Group;

- local community investment: projects targeted at fence-line communities or communities within the area of direct impact of a facility operated by BG Group or in which the Group has an interest;
- regional investment: larger-scale projects involving significant cost over several years which are carried out with the involvement of multiple stakeholders including regional government bodies and which involve more than one source of funding; and
- miscellaneous: projects that do not fall into the other three categories, such as educational support through scholarships and bursaries.

### Ernst & Young comment

**“In Egypt we saw evidence that BG Group was seeking to use its influence with its joint venture partners to focus on delivering social investment to meet identified community needs. Members of the joint venture community development committee had been trained on the principles of BG Group’s Social Performance Standard, including social investment, and the findings from the socio-economic rapid appraisal were shared with the committee.”**

This report found that procurement by the Karachaganak joint venture partners from companies registered in Kazakhstan amounted to more than US\$600 million in 2007 – a five-fold increase in three years. The combined direct, indirect and induced contribution to the Kazakh economy totalled US\$4.2 billion in 2007, amounting to 4% of Gross Domestic Product (GDP) and underpinning 137 000 jobs.

BG Group and partners have subsequently developed a strategy to enhance the community benefits arising from their operations. Key areas of focus include: enhanced local and national sourcing of goods and services; increased employment and training of employees recruited in Kazakhstan; and further local infrastructure developments for the benefit of the local community.

In India, Gujarat Gas Company Limited (GGCL) is an important contributor to economic growth in Gujarat. The company also plays a role in support of local environmental improvement measures, serving the growing

number of drivers whose vehicles run on compressed natural gas as a cleaner and lower-carbon alternative to petrol or diesel. GGCL's sustainable development strategy seeks to build on the company's positive economic and environmental contribution by focusing on social development priorities. The company is working to develop partnerships with local training institutions to create employment opportunities for vulnerable groups within its area of operations, including people from specific ethnic groups who are socially and/or economically disadvantaged (known as Scheduled Tribes). GGCL is also developing strategies to help address the community development needs of the large numbers of migrant workers who provide services to GGCL as contractors.

Our sustainable development strategy in Egypt is focused on local content (defined on page 27) coupled with enhancing our social performance contribution to local and national development objectives.

### Stakeholder question

**“What initiatives is BG Group taking to deepen the quality of its reporting on its contribution to society beyond financial metrics, for example to include outcome and impact measures? How will the Group consider the context of local development – both in terms of costs and risks as well as benefits and opportunities experienced by host communities?”**

**Amar Inamdar**

Principal Specialist, Office of the Compliance Advisor/Ombudsman for International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), World Bank Group

Financial metrics are of some use in illustrating BG Group’s commitment to host societies and communities. However, those metrics provide little guidance on the actual value of the Group’s contribution to society in terms of development outcomes. We believe that metrics relating to development outcomes must be set locally and must relate to the specific initiatives either conducted or supported by BG Group. This approach is incorporated into our new guidelines on social investment, which we began to implement during 2008.

As we extend the SP Standard across the Group, we are reviewing the socio-economic baseline data on the communities close to our operations. We believe this will help us and our host communities determine development

indicators that are most relevant to specific local contexts. We will then be able to evaluate the trends in development outcomes in host communities as these evolve over time. We will also be able to identify factors relating to our own activities, as well as to external influences, which will inform how we can best contribute to local development priorities. In future, we expect to report against those metrics, set locally, in countries where we have a significant presence and where we take a sustainable development approach to our operations.

Further conceptual work needs to be carried out at an industry level to see how locally-set indicators can be aggregated for the purposes of corporate reporting.

BG Group’s business interests in Egypt make a significant contribution to the national economy. The Group supplies 44% of Egypt’s natural gas needs, contributing more than 1.5% of Egypt’s total GDP in 2007. In 2008, we commissioned research to examine future options for sustainable development in Egypt. That research highlighted three priority areas:

- closing the gap between energy demand and supply whilst stimulating economic growth;
- reducing unemployment and poverty whilst strengthening the country’s industrial base; and
- increasing efforts to educate the wider working population and reduce illiteracy.

The Group believes that our ongoing contribution to the Egyptian economy, combined with our local content and local development programmes, will make a strong contribution towards achieving those goals.

#### Social investment priorities

In 2008, we reviewed our approach to selecting and managing social investment projects, including a comparison between our own activities and those of other international companies.

That review informed the creation of new guidelines which are designed to ensure that our voluntary social investment contributions are consistent and provide value both to our stakeholders and BG Group. The guidelines require managers to consider potential social investment projects in the context of stakeholders’ own development priorities, the potential for linkage between a project and the Group’s broader SP strategies at local level, and the Group’s own business objectives.

The review highlighted examples of social investment projects that are meeting these goals. It also revealed instances where these goals were not being achieved as well as projects that did not fully meet our, and our

stakeholders’, expectations. In light of that review, we have consolidated our social investment activities in a number of countries. In 2008, this had the effect of slowing the rate of increase in value of our total social investment contributions. In future, all new social investment projects will incorporate the requirements of our sustainable development planning framework and new social investment guidelines.

At our asset in Tunisia we have begun working with the specialist development agency Emerging Markets Group to identify sustainable livelihood opportunities for local people, as part of a regional development programme. This project is partly in response to grievances raised by local workers reaching the end of their temporary employment with our contractors on the Hasdrubal project. In 2008, some of those workers held demonstrations near our operations, causing delays to the project.

**Principle: We listen to neighbouring communities and take account of their interests**

One of the most fundamental aspects of our approach to SP under the new Standard is the requirement to obtain and maintain up-to-date relevant and socio-economic baseline information for all our operations. We believe this will lead to more effective relationships with our stakeholders through a better understanding of their interests and concerns. In 2009 we are undertaking new baseline studies in Algeria, Australia, Egypt, Kazakhstan, Trinidad and Tobago and Tunisia. For example, in Egypt, we are working with the WorldFish Centre – a United Nations research and development agency specialising in fisheries and aquaculture – to undertake a detailed socio-economic analysis of the fishing communities in the area of the Idku Gas Hub, the location of the Group’s onshore gas processing and Liquefied Natural Gas (LNG) facilities.

The baseline studies will follow the new BG Group SP guidelines on consultation that draw on current IFC good practice guidance on stakeholder engagement. The results will help us determine all aspects of future social performance in those countries, including social investment strategies, approaches to mitigate the impact of our operations, and opportunities to contribute to local stakeholders’ sustainable development priorities.

Consultation with Indigenous Peoples can often be complex and therefore requires a specific approach. In 2008, we put in place development agreements with groups affected by our operations:

- in Canada, we committed significant funds to employment and training programmes for the K'ahsho Got'ine Lands Corporation, as well as to the local Traditional Knowledge and Social Impact Trust Fund. These were important elements of the negotiations to permit our drilling programme in the Colville Hills area of the Northwest Territories; and
- in Australia, our approach to securing agreements with native title groups involves a 'life of project' benefits approach, as set out below.

#### Queensland Curtis LNG

In developing the Queensland Curtis LNG (QCLNG) project in Gladstone, Eastern Australia, BG Group is seeking to develop a strong relationship with Indigenous Australian groups as part of our approach to producing Cultural Heritage Management Plans and Indigenous Land Use Agreements. We recognise that an understanding of these groups and their history of loss and displacement will be key to achieving the Group's objectives in Australia. Our goal is to go beyond compliance with Australian cultural heritage and native title legislation to establish agreements that provide significant and enduring 'life of project' benefits to local communities.

We have therefore carried out detailed ethnographic, baseline and cultural heritage studies on our acreage, along the pipeline route and at the LNG site on Curtis Island.

These studies allow us to identify the appropriate representatives of traditional owner groups with whom to negotiate land access for the project. The studies also identify cultural heritage factors, allowing QGC to assess the potential direct, indirect and cumulative impacts of our operations on indigenous communities.

#### Principle: We support human rights within our areas of influence

BG Group supports the Universal Declaration of Human Rights and aims to apply its principles throughout our business operations, as set out in our Human Rights Policy. Additional guidelines relating to implementation of the Voluntary Principles on Security and Human Rights (VPSHR) set out our commitment to embedding the VPSHR within our operations. Our Human Rights and Social Performance Policies and Standards address a range of human rights considerations, such as the prohibition of forced, bonded and child labour, as well as anti-discrimination measures and local and indigenous community relationships.

Last year, we set two targets in relation to human rights performance. These were to complete human rights risk assessments, and to implement the VPSHR guidelines in high-risk countries of operation. In 2008, we implemented the VPSHR guidelines and carried out training for security managers in Algeria, Egypt, Nigeria and Tunisia. We plan to extend this to further high-risk countries in 2009.

Stand-alone human rights risk assessments were not formally undertaken in 2008, as we have taken a decision to integrate assessment of those risks into our existing social and environmental impact assessment processes. If significant human rights issues were identified through those assessments, we would then commission a specific analysis in that location.

### Supporting sustainable development

BG Group seeks to make a positive and enduring contribution to sustainable development in host countries. We do this by seeking to work to the highest standards practicable and by working to support our stakeholders' social, economic and environmental development priorities. Successful implementation requires sustainable development to be embedded in the culture of the company and sustainable development thinking to be applied to the management of our business. Importantly, sustainable development plans

must address priority political, environmental and social risks to BG Group assets as well as realise opportunities that will optimise benefits to host countries as far as practicable and leave a positive legacy in local communities impacted by operations.

In July 2008, the Group's approach to sustainable development was endorsed by the Corporate Responsibility Committee (now the Sustainability Committee) of the BG Group Board. This approach draws on the findings of three sustainable development pilot projects, in Egypt, Kazakhstan and

India, and outlines key requirements for the successful application of our sustainable development strategies. It recognises that larger assets and major new projects or expansions may need a more complex sustainable development approach with strong multi-disciplinary support. In 2009, we will identify the assets and projects that require more detailed sustainable development planning and will work closely with the relevant businesses and stakeholder groups to begin to work towards implementation.

# Our People

## Our Business Principles



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

### Year in summary

- Average number of employees for 2008 increased by 9%
- Group-wide Employee Opinion Survey response rate of 79%
- Safety: Total Recordable Case Frequency (TRCF) deteriorated to 1.74 per million hours worked
- Three fatalities in 2008

BG Group's competitive advantage is derived as much from our people – who they are, and how they do their work – as from the Group's low-cost, long-life asset base and attractive and growing opportunity set.

As at 31 December 2008, BG Group employed a total of 5 854 people, the large majority of who work outside the UK. More than 1 000 new employees joined the Group in 2008, including the employees of QGC in Australia. The Group benefits from a highly-skilled and diverse workforce, drawn from more than 70 different nationalities across five continents.

BG Group is committed to providing and maintaining a healthy, safe and secure working environment for all our people. The Group is also committed to recruiting, promoting and rewarding its employees on merit and does not tolerate discrimination or harassment.

These commitments are underpinned by a number of Policies, including the BG Group Equality and Diversity Statement, Human Resources Policy and Harassment Policy.

### Principle: We treat people with fairness, respect and decency

BG Group's Business Principles include a commitment to ensuring that our employees are treated responsibly and appropriately. That commitment is reinforced across the Group through mandatory Business Principles training for all employees.

### Listening to our people

It is important for any company to monitor the perspectives of its employees on a wide range of factors which are relevant to effective and sustainable working practices. During the year, BG Group undertook a global Employee Opinion Survey. This attracted a 79% response rate. Employees and contractors were asked for their views on a large number of subjects. Key findings from the survey indicated that a large majority of people are proud to be a part of BG Group (89% positive responses) and fully support the Group's Business Principles (96% positive responses).

However, employees expressed a number of concerns, notably with regard to talent management and career development. Addressing these points will be a key priority for BG Group in 2009, as set out below.

### Managing performance

In 2008, the Group launched its new Reward Framework focusing on four principles: competitiveness, performance-linked reward, clarity, and flexibility. This framework includes new Performance Scorecards – a set of personal objectives for the year which are agreed between each employee and his or her line manager. Individual Scorecards include Health, Safety, Security and Environment (HSSE) objectives and behaviour-related targets as well as required business outputs. Currently, 80% of our technical, professional and managerial employees have Performance Scorecards. The Group aims to extend this process to all employees during 2009.

### Attracting and retaining our people

The oil and gas recruitment market is competitive and delivery of the Group's business objectives will depend on its ability to deploy the right skills at the right time. We therefore seek to ensure that BG Group offers an attractive employment proposition for prospective recruits.

Our annualised employee turnover rate for 2008 was 9%. This compares favourably with the median turnover rate for UK employers. In 2008, an online Group-wide exit interview process was formulated and launched. This is designed to enable the Group to collate exit interview information from across the business in a consistent and comparable way. The process builds on the face-to-face exit interviews already conducted at local level, which will continue.

### Principle: We help employees develop their potential

BG Group offers many forms of development activity, including vocational in-role training, internal secondments and opportunities for employees to gain new professional skills and qualifications. The Group actively supports career mobility across its global workforce. During the year, 15% of employees changed roles within the Group, and around 10% of employees were on assignments outside their home country. In addition, the BG Group Annual Development Review (ADR) process provides employees with the opportunity to discuss their development options at least once each year in a formal setting.

### Developing talent

The 2008 Employee Opinion Survey, reported above, identified personal development as a perceived area of weakness in the Group's people strategies.

New measures to address this include:

- refreshing the BG Group 'Core Curriculum'. All employees are eligible for courses which include a wide range of self-development and leadership programmes. During 2008, 27% of employees attended one of the 139 courses held across 12 countries;
- the addition of new leadership and management programmes;
- developing an online profiling tool to identify emerging internal talent as part of wider succession planning strategies; and
- launching a bespoke technical competency development tool. Around 22% of employees have now used this tool to assess their level

of competency within different aspects of their technical area. This programme will be expanded in 2009.

**Recruiting employees from host countries**

BG Group is committed to the recruitment and development of people who join the Group from the communities and countries that host our operations worldwide. In 2008, we created localisation plans for Brazil, Egypt, India and Tunisia. Our aim is to increase the number of employees recruited from host countries, with particular focus on the management teams. Line managers in these countries have received coaching to help them achieve this aim.

**Graduate recruitment**

During 2008, the Group doubled its graduate intake to 82, recruiting future managers from universities across ten countries. This reflects the Group's long-term focus on the technical and professional resources required to deliver its projects, combined with a desire to grow a wide range of capabilities from within the organisation.

**Principle: We believe that all injuries are preventable**

At BG Group, we believe all our people have the right to work without injury. This belief is at the heart of our personal safety programmes.

These programmes are underpinned by three central concepts:

- safety is an integral part of responsible management;
- contractor management is an essential part of good safety; and
- training and competence are essential if the Group is to achieve its safety objectives.

**Facing up to the safety challenge**

Of paramount importance to BG Group is our duty to operate safely and provide a safe place of work for our employees and contractors.

Safety management is a particular challenge in countries where the Group's mandatory HSSE Standards significantly exceed local working practices. BG Group seeks to ensure that its worldwide contractor and sub-contractor community reflects the Group's safety culture and processes in their own operations. However, in spite of these efforts, we regret to report that three contractors died in 2008 whilst providing services to BG Group.

The first of these fatalities occurred in February 2008, when a Gujarat Gas Company Limited pipelaying contractor died in India following the collapse of a trench during street works. This was reported in the 2007 Report. The second fatality occurred in June 2008, when a contractor died as a result of an explosion in the oil fired heater on Panna platform in India. The incident has been investigated and lessons learnt identified. The third fatality occurred at Comgás, the Group's Brazilian transmission and distribution subsidiary. The investigation into this accident is still ongoing.

Each of these incidents greatly affected the families, leadership teams and colleagues of the individuals involved. Each has also created an even greater determination to embed safe working practices amongst all of the Group's employees and contractors.

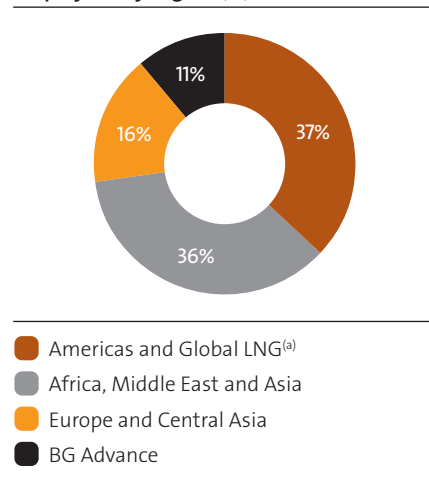
**Total Recordable Case Frequency**

TRCF per million hours worked is a more comprehensive safety indicator than the Lost Time Injury Frequency (LTIF) metric previously reported by BG Group. TRCF has now been identified as one of the Group's Key Performance Indicators.

As the chart on this page shows, BG Group's TRCF rose during 2008 after several years of steady decline. This is a source of serious concern.

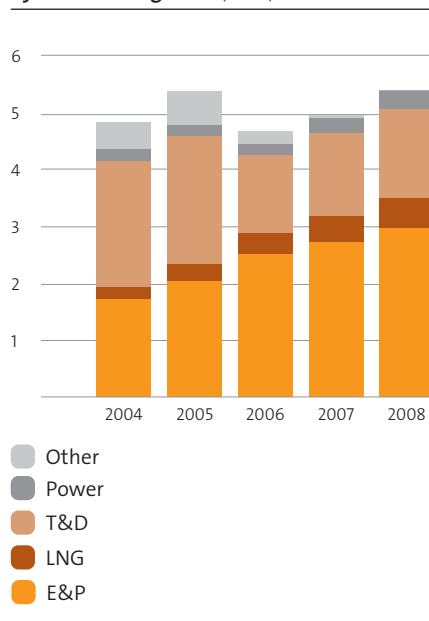
Most incidents reported by BG Group in 2008 took place on construction sites and drilling rigs, which are inherently more hazardous

**Employees by region (%)**



(a) Including Australia in 2008. Does not include UK-based corporate employees.

**Average number of employees by business segment ('000)**



**Sustainability in focus**

**Helping local communities**

The management team in Bolivia has established an emergency response capability to support the doctor at the Group's remote La Vertiente production site. The 'First Aid Brigade' has also assisted

casualties within host communities in response to at least 25 emergencies, ranging from snake bite and anaphylactic shock to compound fractures and high-risk pregnancies. We believe the medical team has enhanced

the provision of health and safety cover onsite, as well as significantly raising BG Group's profile amongst local people.

### Stakeholder question

**“The Panna incident was investigated regarding an explosion of a hot oil fired heater. Please advise on what has been done to address this issue and to prevent recurrence?”**

#### Oil Industry Safety Directorate, India

BG Group has completed its investigation into the fatal incident on Panna. The key points arising from that investigation have directly determined the design of the replacement hot oil heater on the platform.

The new heater includes a safety integrity Level 3 combustion control loop and an open stack at the furnace top, with no blockage between the burner and the stack, making an explosion in the heater

a very remote possibility. The new hot oil heater has been designed to prevent any excessive pressure.

The design of the new hot oil heater was reviewed by experts from BG Group.

Lessons learnt from this incident have also been distributed throughout the Group to ensure that all technical specialists have an understanding of the issues.

and across other assets worldwide. In 2008, we issued assets with ‘Lessons Learnt Bulletins’ on 98% of high-potential incidents within seven days of the investigation being completed.

#### Leading by example

All managers are responsible for ensuring that their teams adopt exemplary safety behaviours. Managers must therefore lead by example. In 2008, 13 of our ‘Leading with Safety’ two-day workshops for senior management teams were undertaken across the business. These activities are run in parallel with the Group’s Step Up in Safety programme, first established in 2005.

#### Safety commitments in action

A BG Group manager will often be required to exercise his or her own judgment, shaped by the Group’s extensive training programmes, when determining whether to halt work on safety grounds – even though ceasing operations may be at odds with partner or contractor perceptions of risk.

For example, a BG Group team undertaking an offshore seismic survey in China felt that safety standards on the vessel they were using were inadequate. Despite the obvious cost implications, the BG Group manager responsible in-country correctly decided to halt operations on safety grounds. The vessel returned to port, where equipment that did not meet BG Group standards was replaced, and the relevant contractors underwent extensive safety training. The team did not resume work until the operation met BG Group safety standards. The third parties involved have all agreed that BG Group took the appropriate action.

#### Safety milestones

In 2008, BG Group passed a number of important safety performance milestones, including 20 million hours worked without a single lost-time injury at our Karachaganak operation in Kazakhstan, and an industry-recognised DuPont award for performance improvement at Karachaganak.

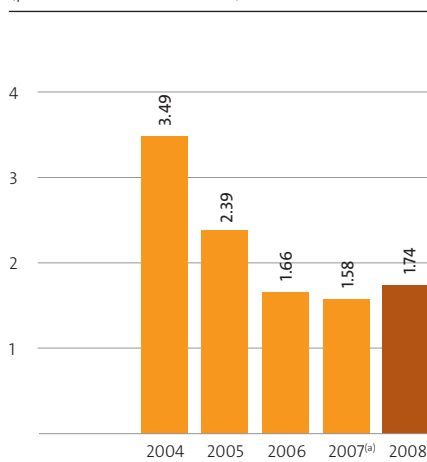
**Principle: We provide healthy, safe and secure work environments**

#### Health

##### Combating stress

The management of stress in the workplace can be a particular challenge for all companies. The Group launched the Pressure and Stress Management Standard in 2007 and engaged an external provider to implement training for managers. This was launched as a mandatory programme in the UK in 2008. Similar

### Total recordable case frequency (per million work hours)



(a) Amended from 2007 Report to include two additional cases not available at time of publication.

workplaces than our production locations. In the oil and gas industry, these are also the locations in which the majority of contractors work. This partly explains why contractors were involved in nearly 90% of the injuries recorded by BG Group in 2008.

The Group expects its contractors to comply with the HSSE Standards which are mandatory for all BG Group employees. However, in light of the number of contractor incidents in the year, during 2009 we will extend further our programmes to engage contractors in efforts to meet or exceed the Group’s safety expectations. We will work closely with the contracting community to share skills and techniques, providing contractors and sub-contractors with a sustainable benefit – in the form of an enhanced safety performance culture – from their work with BG Group.

#### Sharing lessons learnt

BG Group views all incidents as important opportunities to learn how to avoid recurrences. This includes near-misses and high-potential incidents that do not lead to injury, each of which is fully investigated. As part of our commitment to continuous improvement in safety, in 2008 we sought to enhance our investigation process to provide greater insight into root causes and future mitigation.

The Group has adopted REASON, an incident investigation and root cause analysis tool, and since 2007 has trained approximately 190 people in its use across nine assets around the world. We have also revised how we share the key points of an investigation with employees within the asset involved

programmes have been launched in Canada, Egypt, Kazakhstan, Nigeria, Norway and Trinidad and Tobago, with assets in other countries to follow within a year.

#### Occupational Health

In 2008, the Group followed up on its target of increased occupational illness reporting, increasing awareness whilst enhancing reporting quality. The number of reported occupational illnesses increased from ten cases in 2007 to 14 cases in 2008.

We developed a detailed Occupational Health (OH) competency framework which will enable the Group to provide specific training and development for OH providers.

#### Safety – asset integrity

In line with industry best practice, BG Group is committed to reducing risks from major accident hazards on all its sites to a level As Low As Reasonably Practicable (ALARP).

This commitment requires the Group to focus on a number of areas, including asset integrity in our existing operations, and incorporating the principles of inherently safe design and processes in all future projects and modifications. At all levels, we seek to understand, identify and, where practicable, eliminate, reduce or manage our major hazard risks across all our operations.

There are several key themes in BG Group's approach to safety engineering. These include:

- raising awareness across the organisation of major accident hazard potential and the management techniques available to address this;
- evaluating the major hazard potential of all the facilities we operate. We then use the Safety Cases required for all BG Group-operated installations to document how we reduce and manage that potential; and
- developing an overall risk profile for all of our operations that in turn underpins our global risk management strategy and decision-making.

We have also conducted process hazard reviews on some of our Group-operated and joint venture exploration and production facilities. These reviews are highly effective in helping to identify major hazard risks as they focus on the way facilities are actually operated rather than their ideal design state.

#### Security

BG Group needs to deal with a broad range of security risks in its operations as well as to

ensure Group-wide organisational resilience against a variety of direct and indirect threats.

Security-related activities in 2008 included the development of new basic security awareness training materials for all of the Group's assets. These materials included modules covering Travel Security, Information Protection and Fraud Risk Management.

We have also begun specific scenario-based training programmes for Group businesses with a higher-than-average risk profile and introduced Espionage Awareness training for employees dealing with particularly sensitive information.

During the year, BG Group implemented the global Travel Tracking service. This system provides travellers with automatically generated emails containing important advice about their destination and enables the Group to identify a traveller's location at all times, irrespective of departure point or destination, information which can be vital in the case of emergency.

#### Ernst & Young comment

“In Houston we discussed a range of safety initiatives that had been undertaken across the Americas and Global LNG region during 2008. This included the rollout of ‘Leading with Safety’ workshops across the region, with invitations to attend this training being extended to key contractors. We also discussed the plans for the Executive Vice President and Managing Director for the region to undertake an ‘Adopt an Asset’ initiative in 2009 that will enable senior management to demonstrate safety leadership to employees within ‘their’ asset.”

# Conduct

## Our Business Principles



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

### Year in summary

- 94% of employees completed online Business Principles training
- Major contractors attended Business Principles workshops
- Launched Ethical Conduct Policy, together with revised associated Standards
- Speak Up resulted in 75% increase in whistleblowing reports
- Group Executive member contract terminated following investigation into personal dealings in third-party shares

**We believe our continued success over the long term will depend on the extent to which BG Group acts in accordance with the highest levels of integrity, at all levels of the organisation, in the management of the Group's many stakeholder relationships.**

BG Group established its Statement of Business Principles in 1998. The Board and Group Executive Committee continue to review the Statement annually to ensure our Business Principles fully reflect the evolving nature of our industry and the expectations of our stakeholders.

The Business Principles consist of the 15 statements of our core values and behaviours against which we report in this document. All our employees must comply with them. Practical implementation is supported by a compliance handbook, available in 12 languages, and mandatory training for all employees and individual contractors. This includes clear guidance on how the Business Principles should govern day-to-day working practices. Contractors and other external stakeholders are provided with guidance on the standards which BG Group expects everyone to abide by in the conduct of the Group's business.

The Group is committed to ensuring compliance with its Business Principles.

In 2008, we launched a new online Business Principles training module for all managers and employees. This is intended to refresh Business Principles understanding amongst existing employees and to establish the core concepts with new recruits to the Group as a key part of the induction process. The online training package builds on the existing Business Principles induction and awareness programmes. The training is mandatory and includes the requirement to pass a ten-question test. To date, a substantial majority of employees have completed the training successfully, with the remainder to follow in 2009.

BG Group's practices and policies are kept under regular review. In 2008, BG Group reviewed and revised its Ethical Conduct Policy, expanding the number of mandatory standards from five to seven (see box above).

In December 2008, a disciplinary process found that the Group's Executive Vice President and Managing Director, Africa, Middle East and Asia had committed serious errors of judgment in relation to his personal dealings in third-party shares. The Group concluded that his position in the Company was no longer tenable and he therefore left BG Group by mutual consent, with immediate effect, in late December 2008. Information was passed to the relevant regulatory authorities, whose investigation continues.

### Revised & new ethical standards

- Gifts and Hospitality
- Hosting Public Officials **new**
- Anti-Corruption
- Conflicts of Interest
- Connected Persons **new**
- Political Donations
- Due Diligence (for the selection and appointment of joint venture partners and contractors)

### Principle: We act with integrity, fairness and transparency

BG Group's practices and policies are kept under review in the light of international best practice and to ensure that they comply with the Business Principles. Set out below are some examples of how our commitment to acting with integrity, fairness and transparency is put into effect across our global business.

#### Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is the international standard for revenue transparency within the extractive industry. BG Group fully supports the EITI. In 2008, three BG Group assets were in EITI-candidate countries: Kazakhstan, Madagascar and Nigeria.

During the year, we carried out an internal review of our approach to EITI in the light of a report by Transparency International and the tabling of legislation in the US Congress, both of which made it appropriate to assess the effectiveness of BG Group's own engagement with the programme. In particular we wanted to take stock of concerns about slow progress in EITI's adoption and development. Relevant factors include:

- slow progress in implementation in a number of candidate countries and in signing up new candidates from major hydrocarbon-producing countries; and
- the failure of developed economies to sign up as candidates, combined with the comparatively small number of supporting countries outside Western Europe and North America.

After reviewing these and other concerns, we have decided to continue our broad support for the EITI. The Group is fully engaged with the EITI process in Kazakhstan and plays an implementation role in Nigeria. We will continue to seek to contribute to EITI implementation in candidate countries where we operate.

### Joint ventures

BG Group conducts a significant proportion of its business through joint ventures. Working with partners allows us access to additional business opportunities and spreads risk. However, it also brings an expectation from stakeholders that we will encourage our partners to work towards the same standards of behaviour in a joint venture that would be expected from an operation which is wholly-owned and operated by BG Group. Within joint ventures in which we have a controlling interest, we therefore seek to establish working practices that meet the standards set out in our own Business Principles, Policies and Standards. Clearly, failure to do so could expose the Group to risks such as loss of reputation and legal action.

Influencing partners in joint ventures in which we do not have a controlling interest is more challenging. We believe our Business Principles underpin long-term value creation; in our view, they make very good business sense for any company. We seek to persuade joint venture operators and partners to adopt our standards or equivalent, supporting them through training, knowledge sharing, employee secondments and stakeholder audits. Specific examples include:

- Kazakhstan, where we have been working with the Karachaganak Petroleum Operating BV (KPO) joint venture partners to develop KPO's code of conduct. This draws on BG Group's own Business Principles and associated guidance;
- Trinidad and Tobago, where BG Group has provided technical assistance and advice to the Atlantic LNG joint venture on matters relating to resettlement; and
- joint venture partner participation in BG Group Social Performance training sessions.

During 2009, we will continue our efforts to achieve Business Principles implementation in projects where we do not have a controlling interest.

### Business Principles in the supply chain

Last year, the BG Group Executive Committee decided that the Group should conduct an assessment of the extent to which the policies and procedures of our key contractors were aligned with our Business Principles. The first stage of this process, aimed at raising awareness of our Business Principles amongst our key first-tier contractors, has been completed. This was achieved by means of contractor workshops and the development

and use of questionnaires to support the pre-qualification and assessment of contractors against our Business Principles requirements.

During the year, we held three workshops in the UK and a fourth in Nigeria. More than 40 major contractors attended in total, drawn from professional disciplines including design, well engineering, construction, production, operations and business support. The workshops focused on raising awareness by sharing practical experiences in applying our Business Principles, particularly with regard to avoidance of bribery.

The feedback from participating contractors will help guide the next stage of the process. Specific issues that were raised included:

- a number of major contracting companies already have their own business principles, which may be broadly aligned with BG Group's Business Principles;
- the contractor selection process should include an assessment of contractor performance against the Business Principles on previous projects; and
- further consideration needs to be given as to how BG Group's Business Principles are communicated to the next tier of sub-contractors to avoid confusion through multiple sets of standards.

BG Group's goal is to ensure we can demonstrate that our supply chain is compliant with our Business Principles. We are seeking to achieve this by 2012 and have now developed a detailed plan to guide us towards that goal. Specific targets include:

- working with key contractors to design a system of assurance that identifies, mitigates and monitors material risks of non-compliance; and
- testing this assurance system within two key BG Group assets in countries that represent a priority need for this approach.

### Principle: We comply with legal, regulatory and licence requirements

BG Group's business spans a wide and complex range of activities and geographic locations, and the Group is subject to extensive legislative and regulatory requirements and authorisations. Additional requirements and conditions are also often included in the licences governing our operations.

The legislative and regulatory environment is far from static. A number of resource-owning host nations have only recently developed, or are still in the process of developing, hydrocarbon regulatory and legal frameworks, whilst regulatory frameworks in nations with mature and established resources industries continue to evolve.

### Legal compliance training

Given this, BG Group emphasises the importance of widespread understanding of legal and regulatory compliance matters amongst its employees. Training is provided by the Group's Legal department. In 2008, this included instruction in employment law, in employers' health and safety obligations and in corporate manslaughter and homicide legislation.

The Group also launched an online training module on compliance with competition law, and developed a new Competition Law Compliance Standard.

The BG Group Legal department provided training for senior managers in support of the launch of the Group's revised Ethical Conduct Policy and associated Standards (see box on page 24). Employees working in areas or countries where the corruption risk is significant were also trained and the key aspects of the Group's approach are now being cascaded throughout the business.

### Ernst & Young comment

**“During our visit to Egypt we saw evidence that BG Group's Egyptian joint venture partners were working with Egyptian owned contractors to develop their technical capability and therefore extend the range of work for which they are eligible to compete.”**

### Stakeholder question

**“Transparency International’s Bribe Payers Index rates the global oil and gas industry as one of the most corrupt business sectors; how does BG Group ensure that its anti-bribery principles are effective in practice, particularly when operating in the high-risk countries into which it has expanded in recent years?”**

**Dr Robert Barrington**  
Director of External Affairs, Transparency International (UK)

BG Group’s Business Principles state: ‘We do not tolerate corruption in any form, whether direct or indirect’. We recognise that anti-corruption measures are a critically important area. We also recognise that turning policy into practice can be challenging.

The BG Group Anti-Corruption Standard sets out six ‘Golden Rules’ providing practical guidance to help employees counter attempts at bribery and corruption. We also provide further practical guidance within our Principles into Practice employee compliance handbook.

Our 2008 Business Principles online module includes Anti-Corruption training as a key element. We have also provided additional training for staff in high-risk countries, and have produced an online Anti-Corruption tool for our Nigeria asset.

It is widely understood that it can be very difficult to achieve the appropriate level of

assurance for the effective delivery of Anti-Corruption principles. During the year, BG Group launched an enhanced whistleblowing reporting service, Speak Up, the details of which are set out on page 27. Speak Up provides employees and third parties with the ability to report any suspected infringements of the Group’s Business Principles, including allegations of bribery or corruption. Every Speak Up report is fully investigated and monitored by the BG Group General Counsel.

The BG Group Governance Self Assessment mechanism provides further assurance over whether the Group’s business is conducted in accordance with its Business Principles. As part of this mechanism, responsible managers are required to confirm in writing that the Anti-Corruption Standard has been effectively communicated to all employees and contractors.

**Principle: We do not tolerate corruption in any form, whether direct or indirect**

BG Group prohibits bribes and facilitation payments. The only permissible exceptions to this rule arise under circumstances where anyone’s personal safety is threatened. Should a payment be made under such circumstances, there are clear guidelines to ensure reporting and recording at senior management level. Any such payment would also be reviewed after the event in the context of a broader assessment of any relevant security implications.

During 2008, we carried out a review of occasions when facilitation payments have been demanded to understand how our employees view BG Group policy in this area. There was a consistent perception amongst respondents that BG Group should maintain its prohibition on facilitation payments, with the exception, as outlined above, of a threat

to anyone’s personal safety. Employees support the Group’s approach, despite the potential operational impact of such a prohibition, for example, in delays to the receipt of materials or in the processing of paperwork.

#### Reviewing our practices

We have incorporated lessons learnt from the facilitation payments review into the revised BG Group Ethical Conduct Policy. We have also included a facilitation payment section in the Anti-Corruption training we give to employees and contractors as part of their mandatory online training in our Business Principles.

**Principle: Our investment criteria take account of economic returns, environmental impacts, social consequences and human rights**

When assessing whether or not to proceed with an investment opportunity, the criteria taken into account by the Group extend

beyond matters relating to the level of financial return. Our risk assessment and management systems are holistic in nature. We seek to ensure that business decisions are taken, and a delivery strategy is formulated, with a full understanding of the broader context within which our businesses operate. That understanding is informed by a detailed analysis of external factors such as: the prevailing health, safety, security, human rights and environmental protection standards and culture; the prospects for long-term socio-economic development; and the implications of engagement for the Group’s reputation.

BG Group will reject business opportunities if we are not satisfied that we can operate in accordance with our Business Principles. In 2008, we rejected two projects, one on grounds of security and the other on various grounds including its potential impact on the Group’s commitment to reducing its greenhouse gas emissions (this commitment is set out in more detail on page 14).

**Principle: High standards of corporate governance are integral to the way we manage our business**

In March 2009, the BG Group Board approved new terms of reference for the Corporate Responsibility Committee which include a new name: the Sustainability Committee. This reflects the Group’s commitment to sustainability, which is an essential requirement for durable shareholder value and which results from the consistent application of the Group’s Business Principles. The Committee’s main areas of focus are safety, asset integrity, environment, social performance and ethical conduct. The Committee also maintains an overview of policies relating to occupational health and physical and personnel security.

#### Ethical Conduct Policy

During the year, BG Group launched its new Ethical Conduct Policy, backed up by a training programme. We also revised the five existing supporting Standards, introduced two new Standards (Connected Persons and Hosting Public Officials), and developed new guidance on Conflict of Interest for Directors.

The launch of the Ethical Conduct Policy and Standards followed a review in 2008. That review was conducted in the light of best practice, which requires policies and standards to be reassessed regularly; two years had

elapsed since the most recent review. It also took into account the new UK Companies Act 2006 requirements in this area.

### Speak Up

The Group's existing Whistleblowing Policy was relaunched in April 2008 as Speak Up. The Speak Up Policy includes a new duty on all employees to report any suspected breaches of the Business Principles or any other forms of misconduct. Concerns may be reported in confidence and anonymously.

Speak Up is a multi-lingual service provided by telephone and online by an independent external provider. It is available to all employees worldwide as well as third parties such as suppliers, joint venture partners, employees' families and members of the public.

During 2008, there were 70 cases reported either via the previous Whistleblowing Policy or via Speak Up. There were 40 cases reported under the previous Whistleblowing Policy in 2007. We believe this increase is due to a more effective reporting route, the extension of the Policy's scope to cover all reported breaches of our Business Principles, and the new duty on employees to report their concerns. Reported cases break down as follows:

- 41% related to general workplace concerns, including allegations of unfair treatment;

- 34% related to reported malpractice, including allegations of corruption;
- 20% related to fraud; and
- 5% related to HSSE concerns.

Every report was fully investigated and monitored by the BG Group General Counsel. Of the 70 cases reported in 2008, 14 related to allegations of fraud. Of the 14 cases, evidence of fraud or wrongdoing was found in eight cases. None of the reported fraud cases demonstrated a material weakness in financial reporting controls.

The BG Group Business Principles Investigations Committee is a sub-group of the Governance and Risk Committee. It also has oversight of the concerns raised via Speak Up. The Business Principles Investigations Committee meets regularly to review progress of investigations and ensure that the Group takes the appropriate action to address any issues identified by the Committee. Feedback from these investigations is provided to the relevant technical or professional function or business unit for action. The General Counsel provides quarterly statistical reports to the Governance and Risk Committee. The Group Executive Committee and Audit Committee are also provided with an annual statistical overview.

### Investors

BG Group is listed on the FTSE4Good and Dow Jones Sustainability Index of ethical quoted companies and is one of the five leading energy companies on the Goldman Sachs 'GS Sustain' list. The Group engages regularly with major shareholders on sustainability issues. In 2008, BG Group's Executive Vice President and Managing Director, Americas and Global LNG, presented and led a discussion with the Socially Responsible Investor community.

## Sustainability in focus

### Developing local economies

**“Part of how we will achieve competitive differentiation in the coming years is by placing a strategic focus on the way we contribute to the sustainable economic development of the countries in which we operate. Local content is fast becoming a critical market differentiator and a key means by which BG Group will deliver sustainable development and an economic legacy.”**

**Mark Carne,**  
Executive Vice President and Managing Director, Europe and Central Asia

Local content can be sub-divided into two categories: community content and national content. These relate to goods and services procured by international investors from within the immediate host community or host nation, and which can play a key role in sustainable development.

As such, securing high-quality and sustainable local content is a key objective for BG Group, subject to applicable competition legislation. This goal is aligned with the objectives of a number of host governments, who increasingly expect oil and gas companies to create and support local jobs and build the international competitiveness of domestic industries. During the year, BG Group:

- produced draft data on the actual value contributed to local economies from our supply chain expenditure;
- conducted a review of our contracts and procurement procedures to seek to ensure the integration of opportunities for local sourcing and supplier development;
- developed a new mandatory Local Content Standard, with supporting model tender documents, bid evaluation criteria and contract provisions;

- commissioned a detailed independent analysis of the contribution to the Kazakh economy made by BG Group's and its partner's joint venture operations, summarised on page 17; and
- prepared long-term local content strategies for the Group's assets in Egypt and Nigeria.

The BG Group assets in the Local Content Standard pilot programme have already developed a tendering model that incentivises contractors to build the capability, capacity and international competitiveness of local suppliers. We now plan to roll out the first phase of the new Local Content Standard in 2009.

# Independent assurance

## Learning from our independent assurance process

We engaged Ernst & Young (E&Y) to carry out an independent review of our 2008 Sustainability Report. The review focused on the processes we have in place over the management and reporting of social and environment risks, the progress we have made in sustainability in 2008, and our corporate aggregation of HSSE, community and employee data. E&Y's report is found on page 29. E&Y identified particular strengths in our process and plans:

- The redefinition of social investment categories and increased scrutiny of their application, aimed at focusing on sustainable community benefit. E&Y saw evidence that some assets were commissioning and using socio-economic baseline studies to identify key community needs and priorities as a basis for targeting social investment projects.
- The implementation of Business Principles online training during the year. E&Y saw evidence at the sites visited that the employees interviewed had completed the online training and that mechanisms were in place to monitor the completion of Business Principles training within the assets.
- An initiative to align major contractors with Business Principles, which began with a series of contractor workshops held at Group level. This process will be rolled out to priority assets in 2009. E&Y noted that it will be important for the Group

to understand the implications for contractors of aligning themselves to the Group's Business Principles, and to establish a mechanism to monitor contractor compliance, particularly with higher-risk contractors.

- A number of focused safety initiatives, developed in response to the Group's safety performance during 2008. E&Y noted that this approach included a new safety leadership course for all managers, targeted process hazard reviews in key assets, increased accountability and enhanced tone from the top through an 'Adopt an Asset' initiative for Executive Vice Presidents. The Group also formalised its 'lessons learnt' process where the findings from the investigations of high-potential incidents, near-misses, and fatalities, are circulated to all the assets within seven days of completion.

E&Y identified areas for improvement in the evolving process of implementing sustainability. Over the coming year, BG Group will be working on the areas shown below:

- BG Group has appointed a Group-level manager to support the implementation of the localisation strategy. In addition, a diversity steering group has been set up to address wider diversity issues. The Group should ensure its approach also considers diversity within local cultures, which may impact on local recruitment, development and promotion.

- The Group Executive Committee (GEC) has set a number of long-term Business Principles targets that are widely communicated around the business. Although the Group has a stated aim of achieving world-class safety performance, E&Y noted that there is currently no target for the GEC relating to safety.
- BG Group has informal ad hoc communications with a wide range of stakeholders at Group and asset level. However, formalised stakeholder mapping or stakeholder engagement is limited. Stakeholder concerns are therefore not systematically captured and prioritised at asset or Group level to identify emerging themes or concerns.
- During the year, a number of new Standards were launched and implemented relating to HSSE, Conduct and Social Performance. The assets visited had completed their gap analysis for performance against the Standards and, where needed, had asked the Group for extra time to align local procedures and practices with the new Standards. The gap analysis had also been completed for the joint ventures visited, however E&Y were told that the scope to fully implement these Standards in the joint venture organisations was limited.

### Areas for improvement identified in 2007 assurance process

Clarify asset-level understanding of Corporate Responsibility (CR) and better communicate the scope of the CR Committee. Improve alignment between governance structures and CR communications



The term 'Sustainability' has been adopted in place of 'Corporate Responsibility'. In March 2009, the BG Group Board approved new terms of reference for the Corporate Responsibility Committee which included a new name: the Sustainability Committee. See page 26 for further details.

Describe how BG Group exerts influence over partners and joint ventures to achieve performance and behaviours consistent with BG Group's Business Principles



We describe our approach to working with partners and joint ventures in relation to our Business Principles on page 25.

Guidance should be provided to assets on expectations to set for contractors in relation to the Business Principles, and contractors' performance against these expectations should be monitored



We raised awareness of our Business Principles in 2008 among over 40 top-tier contractors at a series of events in the UK and Nigeria. We also issued detailed questionnaires to test contractors' alignment with our Business Principles. In 2009, our assets will focus on direct engagement with their contractors. We will also design and test a risk-based assurance system to manage the material risks of non-compliance among suppliers.

Provide a consistent framework for decision making with regards to social investment



The Social Investment Guidelines launched in 2008 provide a consistent decision-making process, including a project selection, planning, implementation and monitoring framework.

The Group will need to ensure that the strategy on employee diversity is clearly communicated and sensitively applied across its assets



A GEC member has been appointed as diversity champion, and a steering group is in place to drive delivery throughout 2009 and beyond.

## Independent Assurance Statement to BG Group Management

BG Group plc's (BG Group) Sustainability Report 2008 (the Report) which includes both the printed report and additional online content, has been prepared by the management of BG Group, who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BG Group management's instructions, is to carry out a limited assurance engagement on the Report in order to provide conclusions in relation to the AA1000AS<sup>1</sup> Principles of Materiality, Completeness and Responsiveness. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

### WHAT WE DID TO FORM OUR CONCLUSIONS

Our assurance engagement has been planned and performed in accordance with the AA1000AS and ISAE3000<sup>2</sup> Standards. The AA1000 assurance principles have been used as criteria against which to evaluate the report.

In order to form our conclusions in relation to the AA1000AS (2003) Principles of Materiality, Completeness and Responsiveness, we undertook the steps outlined below:

1. Interviews with a selection of BG Group executives and senior managers to understand the current status of sustainability activities and progress made during the reporting period.
2. Visits to BG Group's assets in Houston and Egypt to review the systems and processes in place for managing and reporting on sustainability activities at asset level and to review evidence in support of claims made in the Report regarding BG Group's sustainability performance.
3. Review of selected corporate-level documents to assess management awareness of performance against sustainability objectives and test the coverage of the Report.
4. Review of documents from stakeholder engagement activities, including documents summarising engagement with the socially responsible investment community.
5. Review of social investment, employee and health, safety, security and environmental (HSSE) data samples and processes to assess whether they have been collected, consolidated and reported appropriately at corporate level and at the assets visited.

6. Test the consistency of the claims made in the Report regarding BG Group's sustainability performance against the evidence obtained through our work.

### LEVEL OF ASSURANCE

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

### THE LIMITATIONS OF OUR REVIEW

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

### OUR CONCLUSIONS

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

#### Materiality

- We are not aware of any material aspects concerning BG Group's sustainability activities that have been excluded from the Report.

#### Completeness

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

#### HSSE, social investment and employee data

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

### Responsiveness

- We are not aware of any additional issues of stakeholder interest that are not currently included in the Report's scope and content.

### Global Reporting Initiative

*Does the Report meet the requirements of the A+ application level of the Global Reporting Initiative (GRI) G3 Guidelines?*

- Based on our review, including consideration of the printed and online Report and elements of the BG Group Annual Report and Accounts, nothing has come to our attention that causes us to believe that BG Group management's assertion that their sustainability reporting meets the requirements of the A+ application level of the Guidelines is not fairly stated.

### OBSERVATIONS AND AREAS FOR IMPROVEMENT

Our observations and areas for improvement will be raised in a report to BG Group's management. Selected areas for improvement have been included in the 'Learning from our independent assurance process' section on page 28 of the Report. In addition, we have been asked to provide specific observations on selected matters discussed in the Report. These observations are spread throughout the report (pages 12, 17, 23 and 25). Our observations do not affect our conclusions on the Report set out above.

### OUR INDEPENDENCE

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

### OUR ASSURANCE TEAM

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

### Ernst & Young LLP

London  
March 2009

<sup>1</sup> AA1000AS – AA1000 (2003) assurance standard from the Institute of Social and Ethical Accountability.

<sup>2</sup> ISAE3000 – International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

# Data

## ENVIRONMENT

The environment data below represents 100% of the direct emissions, discharges and wastes from:

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

In addition, the figures include 50% of the direct emissions, discharges and wastes from our Karachaganak joint-operated venture in Kazakhstan.

### Emissions (tonnes)

	Venting	Fugitive	Flaring	Fuel use	Electricity generation	Distribution losses	Total 2008	Total 2007 <sup>(1,2)</sup>	Total 2006 <sup>(1)</sup>	t/mmboe 2008	t/mmboe 2007 <sup>(1,2)</sup>	t/mmboe 2006 <sup>(1)</sup>
Carbon dioxide	485 775	2	667 412	2 748 583	3 911 300	1 260	<b>7 814 332</b>	8 328 778	5 216 620	<b>19 336</b>	22 217	15 580
Carbon monoxide	–	–	2 170	5 703	2 299	–	<b>10 172</b>	8 918	8 677	<b>25</b>	24	26
Nitrogen oxides	–	–	750	13 259	4 146	–	<b>18 155</b>	18 371	13 592	<b>45</b>	49	41
Sulphur dioxide	–	–	3 618	9 549	560	–	<b>13 727</b>	10 955	9 216	<b>34</b>	29	28
Methane	5 156	390	2 407	368	581	36 089	<b>44 991</b>	45 759	44 824	<b>111</b>	122	134
Volatile organic compounds	5 689	69	732	322	84	3 564	<b>10 460</b>	10 513	10 619	<b>26</b>	28	32
Greenhouse gases (carbon dioxide equivalent)	594 053	8 201	726 254	2 777 511	3 956 088	759 134	<b>8 821 241</b>	9 355 329	6 199 524	<b>21 827</b>	24 955	18 515

### Discharges to water (tonnes)

	Oil in process water	Oil on cuttings	Oil spills	Process water	Drill cuttings	Total 2008	Total 2007 <sup>(3)</sup>	Total 2006
	93	1 332	0.80	3 537 827	45 199	<b>3 584 452</b>	4 573 302	4 381 109

### Waste for disposal (tonnes)

	Liquid	Metal	General	Hazardous	Recycled	Drill cuttings	Total 2008 <sup>(4)</sup>	Total 2007 <sup>(4)</sup>	Total 2006 <sup>(5)</sup>
	167 023	4 112	16 997	12 548	10 465	58 655	<b>259 335</b>	41 576	52 425

### Energy use (MWhrs)

	Gas	Electricity	Oil	Total 2008	Total 2007 <sup>(2)</sup>	Total 2006 <sup>(6)</sup>
	10 921 759	20 423	4 629 952	<b>15 572 134</b>	11 029 302	9 989 797

(1) Amended from 2006 and 2007 Report following review and update of support vehicle emission calculations.

(2) Amended from 2007 Report to include revised fuel consumption/CO<sub>2</sub> emissions for LNG vessels.

(3) Amended from 2007 Report as a result of revisions to BGEPI's data.

(4) Amended to include updated Comgas data and Rashpetco data not available at the time of the 2007 Report.

(5) Amended (reduced) from 2007 Report and amended from 2006 Report to include additional data from BG Bolivia not available at the time of the 2006 Report.

(6) Amended from 2006 Report to include additional data from BG Trinidad and Tobago not available at the time of the 2006 Report.

(7) Does not include recycled waste for disposal.

## OUR PEOPLE

People data refers to direct employees of BG Group	2008	2007	2006
Employees worldwide <sup>(1)</sup>	5 395	4 949	4 665
Employees based outside UK <sup>(1)</sup>	3 639	3 286	3 030
Employees working away from home country	623	582	529
Women in management	10%	8%	9%
Gender split in global workforce (men/women)	75%/25%	75%/25%	77%/23%
Core management team: non UK/US nationals	16%	16%	17%
Employee turnover in global workforce	9%	9%	n/a

(1) Average numbers throughout 2006, 2007 and 2008.

### HEALTH AND SAFETY (per million work hours)

The health and safety data represents 100% of the data from:

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

In addition, this includes Egypt LNG, Dragon LNG, UK, and 100% of the data from our Karachaganak joint-operated venture in Kazakhstan.

	2008	2007 <sup>(1)</sup>	2006
Total recordable case frequency (TRCF)	1.74	1.58	1.66
Sickness absence	0.71	0.83	0.43
Reported occupational related illness frequency (ORIF)	0.14	0.12	0.1

(1) Amended from the 2007 Report to include two additional cases not available at the time of publication.

### CONDUCT

	2008	2007	2006
Investigations of fraud allegations	14	6	7
Whistleblowing/Speak Up cases	70	40	31

### SOCIETY – SOCIAL INVESTMENT (£)

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

	2008	2007	2006
Local community investment	1 630 881	–	–
Regional development	333 792	–	–
Charitable donations/philanthropy	1 710 605	–	–
Miscellaneous	639 510	–	–
<b>Sub-total voluntary contributions</b>	<b>4 314 788</b>	<b>3 418 639</b>	<b>3 769 423</b>
Management costs	405 978	459 691	470 966
Contractual obligations through production-sharing agreements	589 065	1 660 590	1 352 053
<b>Total contributions</b>	<b>5 309 831</b>	<b>5 538 920</b>	<b>5 592 442</b>

2008 social investment reporting categories have been revised. As a result, comparisons with prior year categories cannot be made. See page 17 for further details.

This social investment data consists only of amounts provided by the Group for clearly defined social investment projects. For the avoidance of doubt, this expenditure does not include: taxation; foreign direct investment; local content; public infrastructure projects primarily benefiting BG Group activities; impact management; recruitment; sponsorship; cause-related marketing; investments made primarily for public relations or brand promotion; employee donations; fundraising or legacies or leveraged funding obtained.

### LEGAL NOTICE

Certain statements included in this Sustainability Report contain forward-looking information concerning the Group's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Group operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the Principal Risks and Uncertainties included in the 2008 Annual Report and Accounts. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in BG Group plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

BG Group is subject to the regulatory requirements of the Financial Services Authority of the United Kingdom.

# Glossary of terms

For the purpose of this report the following definitions apply:

'ADR'	Annual Development Review	'JV'	Joint venture
'ALARP'	As Low As Reasonably Practicable	'KPO'	Karachaganak Petroleum Operating BV
'ARA'	Annual Report and Accounts	'LNG'	Liquefied Natural Gas
'BG Group'	BG Group plc and/or any of its subsidiary undertakings, joint ventures or associated undertakings	'Local content'	Goods and services procured from within the host community or host nation (see page 27 for full definition)
'Biodiversity'	The variety of organisms found within a specified geographic region	'LTIF'	Lost Time Injury Frequency, expressed as injury frequency per million hours worked
'boed'	Barrels of oil equivalent per day	'm'	Million
'Carbon dioxide equivalent'	Carbon dioxide, methane and nitrous oxide aggregated in proportion to global warming potential – methane's global warming potential is 21 times that of carbon dioxide and nitrous oxide's is 310 times that of carbon dioxide	'mg/l'	Milligram per litre – measure of concentration of oil in water
'CO <sub>2</sub> e'		'mboe'	Million barrels of oil equivalent
'CCS'	Carbon capture and storage	'mtpa'	Million tonnes per annum
'Climate change'	A significant change from one climatic condition to another	'MW'	Megawatt
'Co-generation'	The simultaneous production of heat and power	'MWhrs'	Megawatt hours
'Core management team'	Roles such as positions on the Group Executive Committee, Regional and country management teams and managers of corporate functions	'NGO'	Non-governmental organisation
'CR'	Corporate Responsibility	'OGP'	International Association of Oil and Gas Producers
'DFDE'	Dual-fuel diesel-electric	'ORIF'	Occupational Related Illness Frequency, expressed as illness frequency per million hours worked
'EIA'	Environmental Impact Assessment	'Particulate'	Very small particles, such as dust, produced by combustion engines
'EITI'	Extractive Industries Transparency Initiative	'Process water'	Water resulting from the production or use of any raw material, intermediate product, by-product or waste product
'E&P'	Exploration and Production	'REASON'	An incident investigation and root cause analysis tool
'Equity share emissions'	Emissions aggregated on an ownership basis from both operated and non-operated assets	'SP'	Social Performance
'EU'	European Union	'Stakeholder'	Anyone with an interest in, or affected by, the Group's activities
'Flaring'	Disposing of waste gas by burning	't'	Tonnes (metric)
'Footprint'	Physical amount of land occupied by operations	'T&D'	Transmission and Distribution
'Fugitive emissions'	Continuous low-rate losses from system elements	'tcf'	Trillion cubic feet
'GDP'	Gross Domestic Product	'TRCF'	Total Recordable Case Frequency, expressed as incident frequency per million hours worked
'GEC'	Group Executive Committee	'UN'	United Nations
'General waste'	Solid and liquid non-toxic or non-hazardous waste	'Venting'	Intentional, passive release of gas to the atmosphere
'GGCL'	Gujarat Gas Company Limited	'VPSHR'	Voluntary Principles on Security and Human Rights developed by US and UK Governments, mining and energy companies and human rights organisations
'Greenhouse gas'	Gas that contributes to the formation of an insulating blanket around the earth by trapping heat from infra-red radiation		
'GHG'			
'Group'	BG Group plc and/or any of its subsidiary undertakings, joint ventures or associated undertakings		
'Group Technical Authority'	The person invested with BG Group authority, who has the responsibility and accountability to establish, approve and maintain technical requirements and processes of a specific function or discipline		
'GTA'			
'Hazardous waste'	Solid and liquid toxic or hazardous waste		
'HSSE'	Health, Safety, Security and Environment		
'IFC'	International Finance Corporation		
'IPCC'	Intergovernmental Panel on Climate Change		
'IPIECA'	International Petroleum Industry Environmental Conservation Association		
'ISO 14001'	International Standard for Environmental Management		

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## Feedback

# We've had our say – now tell us what you think.



We welcome feedback, both positive and negative, on any aspect of our sustainability reporting and performance.

To complete our feedback form go to:

[www.bg-group.com/sr/feedback](http://www.bg-group.com/sr/feedback)

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For more information contact:

**Dominic Hall**  
Sustainability Reporting Manager  
Telephone + (0) 118 935 3222  
Email: [sustainability@bg-group.com](mailto:sustainability@bg-group.com)

**More to read online:**

This printed document is aimed at those with an interest in BG Group's sustainability performance. We recommend that more specialist audiences review additional material online at:

[www.bg-group.com/sr](http://www.bg-group.com/sr)

The online report contains additional performance data and more detailed information on our approach to sustainable development and related issues.

