

GAZ DE FRANCE 2006

SUSTAINABLE DEVELOPMENT REPORT

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“This sixth Sustainable Development Report was drawn up in conformity with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Herein, we provide an objective and reasonable presentation of the Group’s sustainable development performance and we believe that it is tangible proof of our commitment, in particular with regard to the principles of the United Nations Global Compact.”

Jean-François Cirelli
Chairman and Chief Executive Officer



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58-63 and QSE-HR protocol

Message from the Chairman



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

To our Stakeholders,

The fight against climate change, the conservation of energy resources, personal and plant safety, and the promotion of equal opportunity are challenges we face every day. As a major energy utility, industrial operator and socially responsible enterprise, Gaz de France is at the heart of the environmental and social issues of our epoch.

To meet these challenges, we have long incorporated sustainable development into the Group's strategy. From the point of view of risks and opportunities, we analyze what it takes to ensure development that respects people and the environment, and we implement them in all our business lines and management systems.

Every year, the Group makes progress in designing solutions. This report reflects the daily commitment our stakeholders encourage us to make.

The year 2006 was marked by the Group's innovative advances in the field of renewable energy with the creation of the subsidiary Maïa Eolis. Another significant initiative was the fight against exclusion through a partnership formed with Emmaüs France.

We also worked with other economic agents to promote diversity, eliminate corruption and encourage respect for human rights.

In a sign of external recognition, the Group was included in the ASPI Eurozone® index, which ranks 120 companies in the Dow Jones Stoxx 600 on the basis of social and environmental responsibility.

Building on this progress, Gaz de France faces the future with confidence. The challenges are complex and certain solutions have yet to be invented, but the involvement and enthusiasm of the Group's employees will give vibrant strength to our deep-rooted commitment to sustainable development.

A handwritten signature in black ink, reading "Jean-François Cirelli". The signature is fluid and cursive, with a large initial "J" and "C".

Jean-François Cirelli
Chairman
and Chief Executive Officer

Gaz de France, portrait of a major energy utility

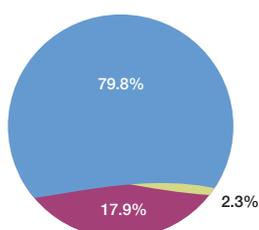
A major European energy utility, the Gaz de France Group produces, purchases, transports, distributes and sells natural gas, electricity and related services for its residential, corporate and local government customers.

Its ambition is to be a leader in the energy market in Europe

Its strategic focuses are to develop an ambitious marketing strategy, pursue a supply and procurement policy that ensures the Group's competitiveness, confirm its position as a benchmark infrastructure manager, and speed up its profitable growth in Europe.

Gaz de France aligns its strategy with a concrete and ambitious sustainable development policy. Its growth model is based on responsiveness to customers and constructive dialogue with its employees and partners.

SHAREHOLDERS AS OF JANUARY 31, 2007 (%)



- French State
- Stock market and institutional investors
- Employees

50,244 employees

32% internationally

27,642 million euros

Net sales, (up 21% from 2005)

39% internationally

2,298 million euros

Consolidated net income, Group share (up 29% from 2005)

4 billion euros

Investments

Infrastructures

Transmission, storage, LNG terminals, distribution

- **31,610 km** of pipelines in France
The longest transmission system in Europe
- **185,000 km** of mains in France
The largest distribution network in Europe
- **12 storage facilities**
and **2 LNG terminals** in France

Energy Supply and Services

Exploration and production, energy procurement and sales, services

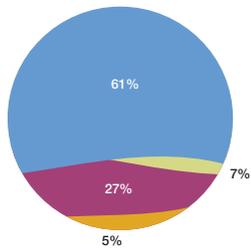
- **685.3 million boe** reserves
- **45.5 million boe** produced
- **11.1 million** customers in France
and **2.8 million** internationally
- **762 billion kWh** of natural gas sold in Europe
- **3.3 billion kWh** of electricity marketed in France



A European group open to the world

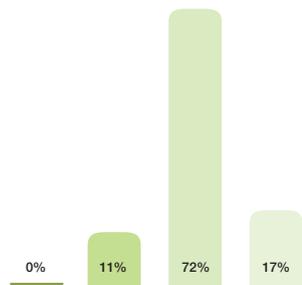
With a solid base in Europe in the transmission, distribution and marketing of energy and services, the Group is also present in other parts of the world through its natural gas procurement activities.

GEOGRAPHIC BREAKDOWN OF NET SALES (%)



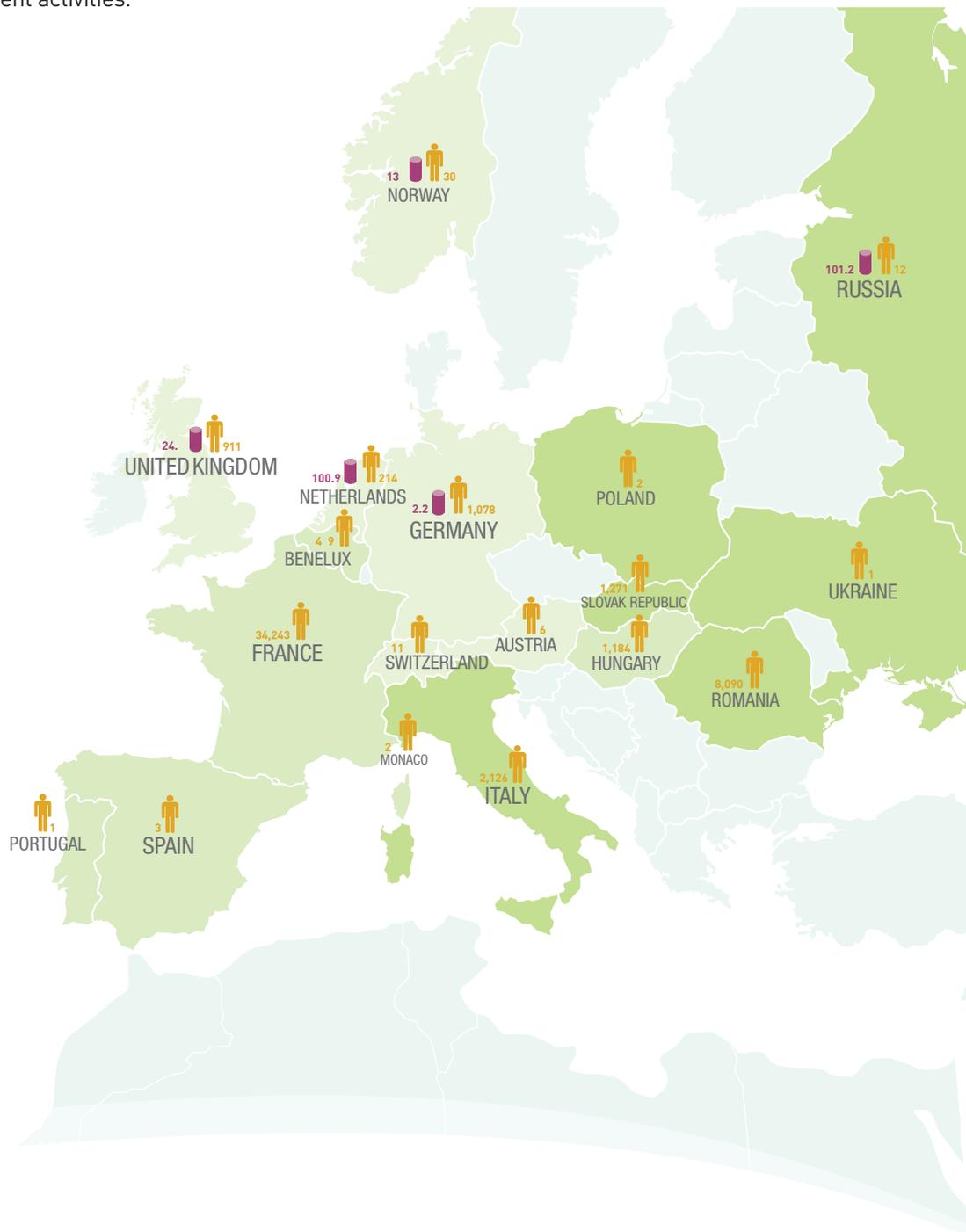
- France
- Europe (15 countries)
- Europe (25 countries)
- Rest of the world

NET SALES BY COUNTRY ACCORDING TO TRANSPARENCY INTERNATIONAL'S CORRUPTION PERCEPTIONS INDEX (%)



- Very high risk perception area (< 2.5)
- High risk perception area (2.5 ≤ < 5)
- Average risk perception area (5 ≤ < 7.5)
- Low risk perception area (≥ 7.5)

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



Highlights in 2006

The energy industry continues to adapt

Market consolidation

The energy sector requires utilities to make significant capital investments. Combined with the fast paced internationalization of energy markets, this factor has encouraged operators to consolidate their activities in recent years. Examples include the mergers initiated and planned in 2006 by the German utility E.ON, the Spanish companies Endesa, Gas Natural, Iberdrola and Union Fenosa, the Dutch firms Rendo Energie and Cogas, and the Italian utility Enel.

Higher oil prices

In 2006, France's total energy bill rose 19%, following a 35% increase in 2005. Because of price adjustment clauses, the rise in the price of oil impacts the price of natural gas in France, which nevertheless remains one of the most competitive in Europe.

Reliable supplies

The international geopolitical situation and developments in the energy sector confirmed the importance of ensuring reliable energy supplies.

Deregulation continues

The electricity and natural gas markets will be completely deregulated on July 1, 2007, when residential customers can freely choose their energy supplier.

Climate: growing awareness

How much road has been traveled since Jean-Baptiste Fourier first described the greenhouse effect in 1827 and the publication of IPCC's* fourth report on climate change in 2007. As global warming picks up speed, awareness grows and recommendations to reduce consumption motivate more environmentally friendly behavior.

*IPCC Intergovernmental Panel on Climate Change

Sustainable development in action

• *Changer d'ère* with Gaz de France

In just a few months, some 100,000 people have visited the *Cité des Sciences et de l'Industrie de la Villette* to see the exhibition *Changer d'ère*, of which Gaz de France is a partner. The objective of the show, whose name is a play on words encouraging us all to move on to another era in which we will breathe cleaner air, is to make the general public aware that our behavior can help protect the planet from the dangers now threatening it. The exhibition invites visitors to think about their energy consumption and how to improve. Gaz de France presents efficient and innovative solutions for the home and for transportation, e.g. high environmental quality solutions, condensing boilers, and natural gas vehicles.

For more information:
www.cite-sciences.fr/english

• Reduction in greenhouse gas emissions discussed by Gaz de France and WWF France

On October 23, 300 participants met at the *Cité des Sciences et de l'Industrie de la Villette* at the initiative of Gaz de France and WWF France, partners since 2003. Experts and the general public discussed the challenge of reducing greenhouse gas emissions by 75%, ways to achieve this goal, and personal choices that have to be made concerning transportation, housing and the use of energy up until the year 2050.

• Renewable energy: the Gaz de France Group moves faster

A new step forward for renewable energy: at the end of 2006, the Group acquired a 49% equity interest in the newly-formed company Maïa Eolis, which develops wind power plants. The objective is to own a capacity of 1,000 MW in wind power by the year 2012. The Gaz de France Group confirms its ambition to have renewable energy sources account for 10% of its power generation assets by 2012.

For more information: pages 36-37

• Equal employment opportunity, energy for the Group

By signing the corporate charter on equal employment opportunity at the end of 2006 with the French national education ministry, Gaz de France took another step in promoting diversity, an approach it initiated in 1990 with its first agreement on disabled employment, and thereby concluded a year that was particularly fruitful in this field, as the Group incorporated diversity into its new manager recruitment policy, apprenticeship campaign, partnerships and tutoring in critical urban neighborhoods.

For more information: pages 54-56



WITH DIVERSIFIED SUPPLIERS AND RECEIPT POINTS, AND THE CONTRIBUTION OF LNG, GAZ DE FRANCE HAS ONE OF THE MOST DEVELOPED NATURAL GAS SUPPLY BASES IN EUROPE.

The Gaz de France Group adapts to the new energy situation

With Gazprom and Sonatrach, the Gaz de France Group looks ahead

2030 is the term of the agreement signed with Gazprom, which extends current procurement contracts for natural gas from Russia and provides for additional quantities when the Nord Stream pipeline is started up. The new agreement signed with Sonatrach targets almost 1 billion m³ of Algerian natural gas per year over 20 years. These agreements demonstrate the importance the Group attaches to securing long-term supplies.

Uninterrupted energy supply: reliability first

By using the different flexibility supports, the Group was able to supply its customers with no interruption in service in spite of the difficult weather conditions reported in 2006.

• The Gaz de France Group commits to fight against exclusion

In 2006, there were two major commitments to boost solidarity. In May, Gaz de France expanded its commitment in critical neighborhoods to urban renewal and equal opportunity by signing the *Ville et cohésion sociale* agreement. In September, the Group forged a partnership with Emmaüs France to combat exclusion by fostering access to energy for the underprivileged, employment and professional integration, employee commitment, and sponsorship to promote solidarity through the Fondation d'entreprise Gaz de France.

For more information: pages 46-48

• Public service, in rural areas as well

As rural areas change, public service offerings have to be organized differently. This is the gist of the charter signed on June 23 by Gaz de France, the French State, the Association des Maires de France and 13 other major operators. This agreement includes a clear diagnosis on which the signers concur and common means to achieve the goals so that rural populations can be assured of accessible, quality public service. Here, the Gaz de France Group reaffirms its commitment to regional development.

For more information: pages 49-51

• Defending human rights and combating corruption

Launched in 2003, the Business Leaders Initiative on Human Rights (BLIHR) is a business-led program designed to help lead and develop the corporate response to human rights. Fifteen companies participate by promoting human rights and sharing good business practices. Gaz de France is associated through the French branch, Entreprises pour les Droits de l'Homme (EDH). The Group is also committed to transparency in its natural gas exploration and production activities as a member of the Extractive Industries Transparency Initiative (EITI), which it joined in 2006.

For more information: pages 45-46

• The Gaz de France Group launches a benchmark approach: three indications

The Group joined the ASPI Eurozone® index, a European ranking of the 120 best companies in the Dow Jones Stoxx 600 on the basis of social and environmental responsibility. It came in second when Baromètre Efficience asked people to name a sustainable development company spontaneously (October 2006). Finally, it won the prize for the best sustainable development report in 2005, awarded by the French board of accountancy for the quality of its environmental and social information.

For more information: page 24



CHALLENGES AND STRATEGY



IS SUSTAINABLE DEVELOPMENT A PRIORITY AMONG OTHERS?

Much more than a priority among others, sustainable development provides the Gaz de France Group with leverage for development and risk management. Positioned as an energy utility, an industrial force and a socially responsible enterprise, the Group is in the forefront of sustainable development challenges. Completely integrated into its strategy, the sustainable development approach, which is all-encompassing and structured, is the fruit of the mobilization of all the Company's divisions and entities, which heighten awareness and act at the grass-roots level by fully associating all the stakeholders.

POWER GENERATION FROM RENEWABLE ENERGY
PROVIDED BY MAÍA EOLIS, A GAZ DE FRANCE COMPANY.

Defining strategy

A responsible energy utility defines its strategy and sustainable development policy

To be a responsible energy leader in Europe is the ambition that drives the strategy of the Gaz de France Group. Completely integrated into its strategy, the sustainable development policy structures its initiatives and is based on different dedicated policies. To define this strategy, the Group identifies, analyzes and ranks the challenges it faces. Matching challenges and stakeholder expectations, it then defines the relations, responses and programs to be implemented. To keep pace with developments, sustainable development priorities are reviewed every year. The tools used to implement and monitor initiatives help to define commitments, monitor performance in the field and inform stakeholders of results.

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

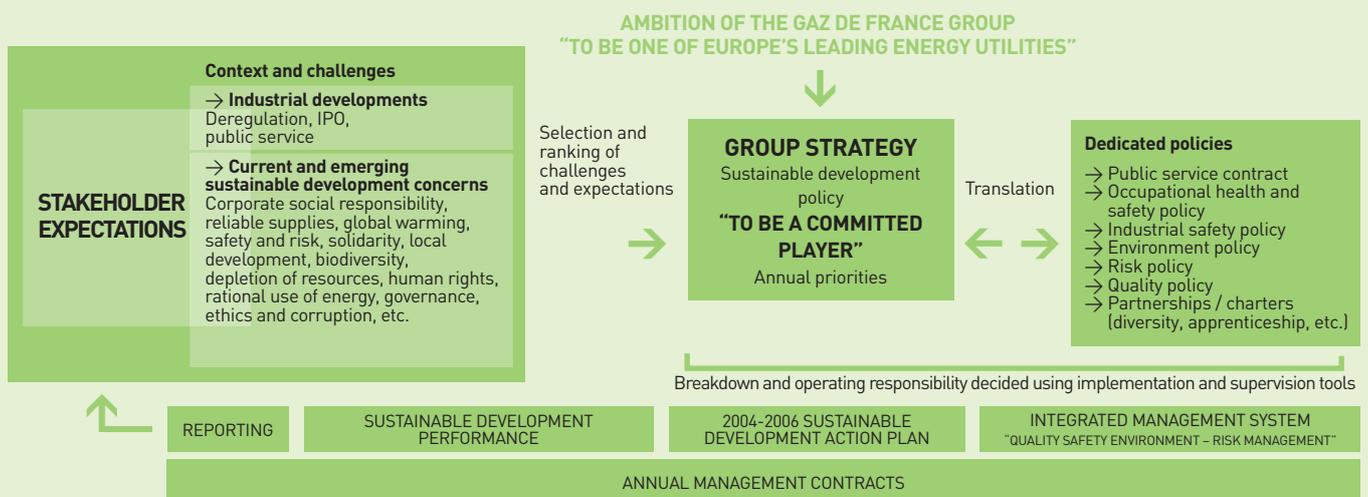
An integrated and structured sustainable development policy with four major focuses:

- to respond to energy challenges by innovation and a dynamic offering of products and services;
- to exercise full social and environmental responsibility to the different stakeholders;
- to build a Group social and human resources base to meet industrial challenges;
- to play an active role in regional development.

Sustainable development is at the strategic core of the Gaz de France Group. It provides leverage for risk management and performance in the shared interests of the Group and its stakeholders.

From strategy to action

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



Specific risks and opportunities

A unique position in Europe

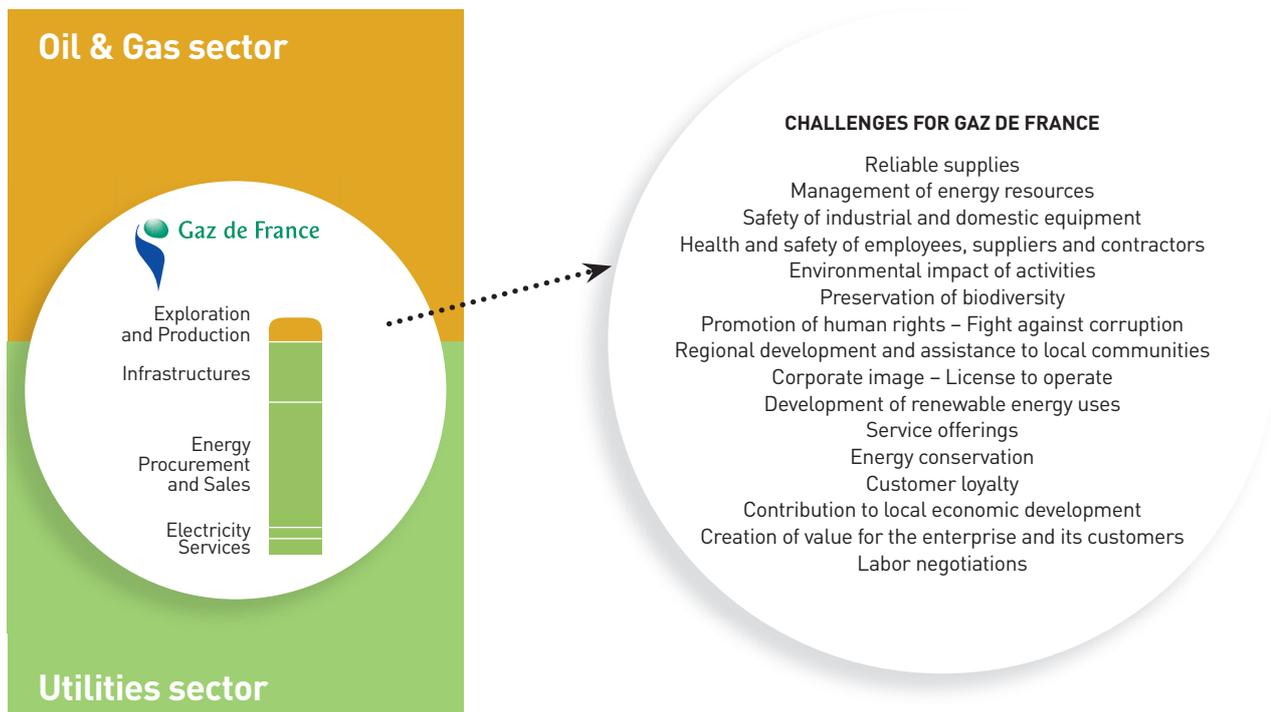
The Gaz de France Group is present at every stage of the energy industry – from exploration and production (relying on infrastructures and natural gas transmission and distribution systems) to the trading and marketing of natural gas, electricity and related services for all its customers (households, businesses and local governments). This specific position in Europe leads the Group to share the challenges of the oil and gas sector for its upstream activities, and even more so those of the utilities sector for its downstream activities (see schema below).

To identify and rank its sustainable development challenges, the Group determines their relevance in function of:

- an assessment of the risks and opportunities of its business sectors;
- constant changes in the marketing, financial, geopolitical, regulatory and scientific environment;
- consistency with stakeholder expectations.

This approach also makes it possible to develop a relevant sustainable development focus that is adapted to the specific needs of Gaz de France, as both an energy supplier and a provider of services.

A position that reflects the overlapping of the Oil & Gas and Utilities sectors



Oil & Gas sector



Exploration and Production
 Infrastructures
 Energy Procurement and Sales
 Electricity Services

Utilities sector

CHALLENGES FOR GAZ DE FRANCE

- Reliable supplies
- Management of energy resources
- Safety of industrial and domestic equipment
- Health and safety of employees, suppliers and contractors
- Environmental impact of activities
- Preservation of biodiversity
- Promotion of human rights – Fight against corruption
- Regional development and assistance to local communities
- Corporate image – License to operate
- Development of renewable energy uses
- Service offerings
- Energy conservation
- Customer loyalty
- Contribution to local economic development
- Creation of value for the enterprise and its customers
- Labor negotiations

Activities of the Gaz de France Group: challenges, impact for stakeholders

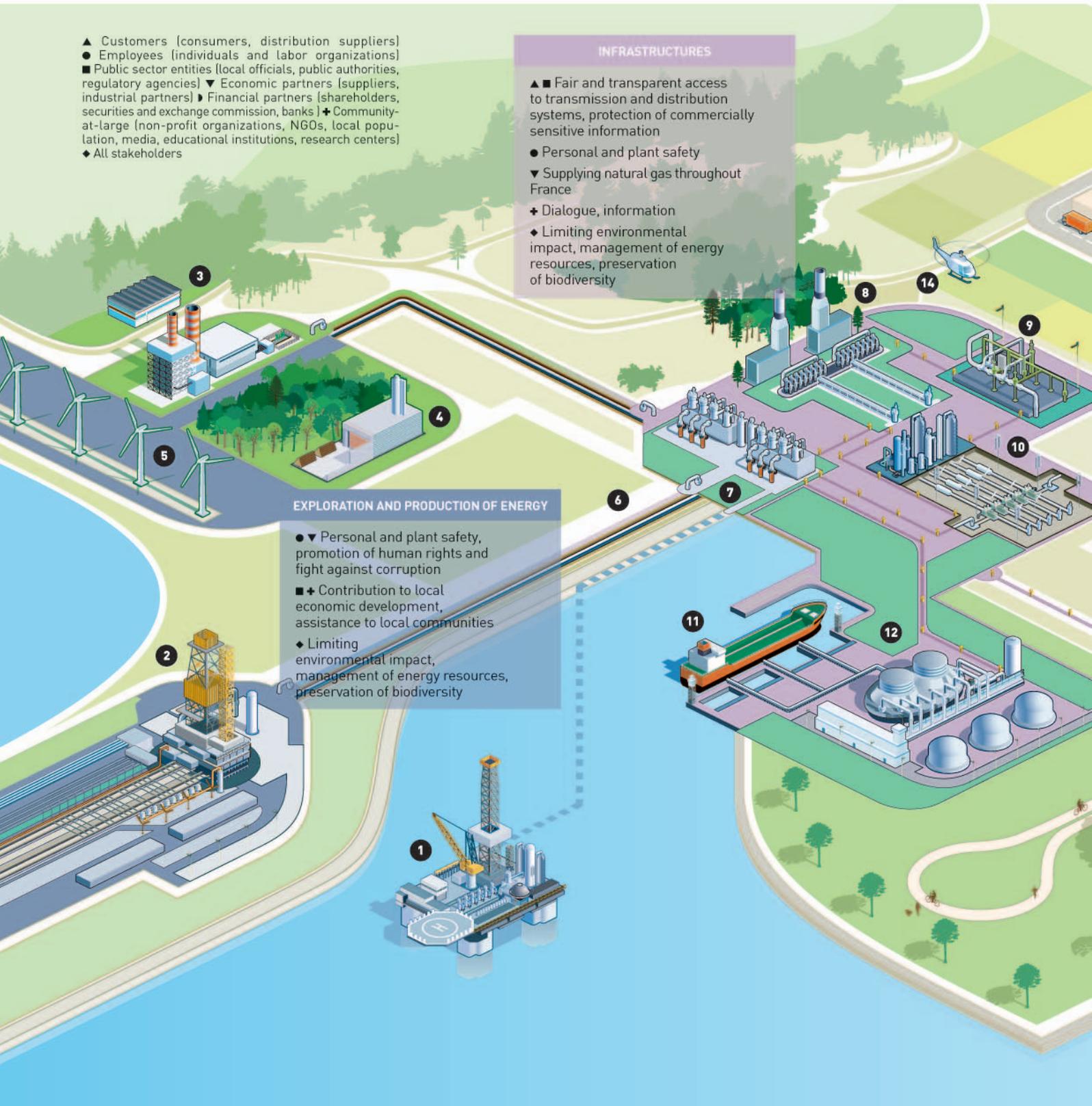
- ▲ Customers (consumers, distribution suppliers)
- Employees (individuals and labor organizations)
- Public sector entities (local officials, public authorities, regulatory agencies)
- ▼ Economic partners (suppliers, industrial partners)
- ▶ Financial partners (shareholders, securities and exchange commission, banks)
- ✦ Community-at-large (non-profit organizations, NGOs, local population, media, educational institutions, research centers)
- ◆ All stakeholders

INFRASTRUCTURES

- ▲ ■ Fair and transparent access to transmission and distribution systems, protection of commercially sensitive information
- Personal and plant safety
- ▼ Supplying natural gas throughout France
- ✦ Dialogue, information
- ◆ Limiting environmental impact, management of energy resources, preservation of biodiversity

EXPLORATION AND PRODUCTION OF ENERGY

- ▼ Personal and plant safety, promotion of human rights and fight against corruption
- ✦ Contribution to local economic development, assistance to local communities
- ◆ Limiting environmental impact, management of energy resources, preservation of biodiversity

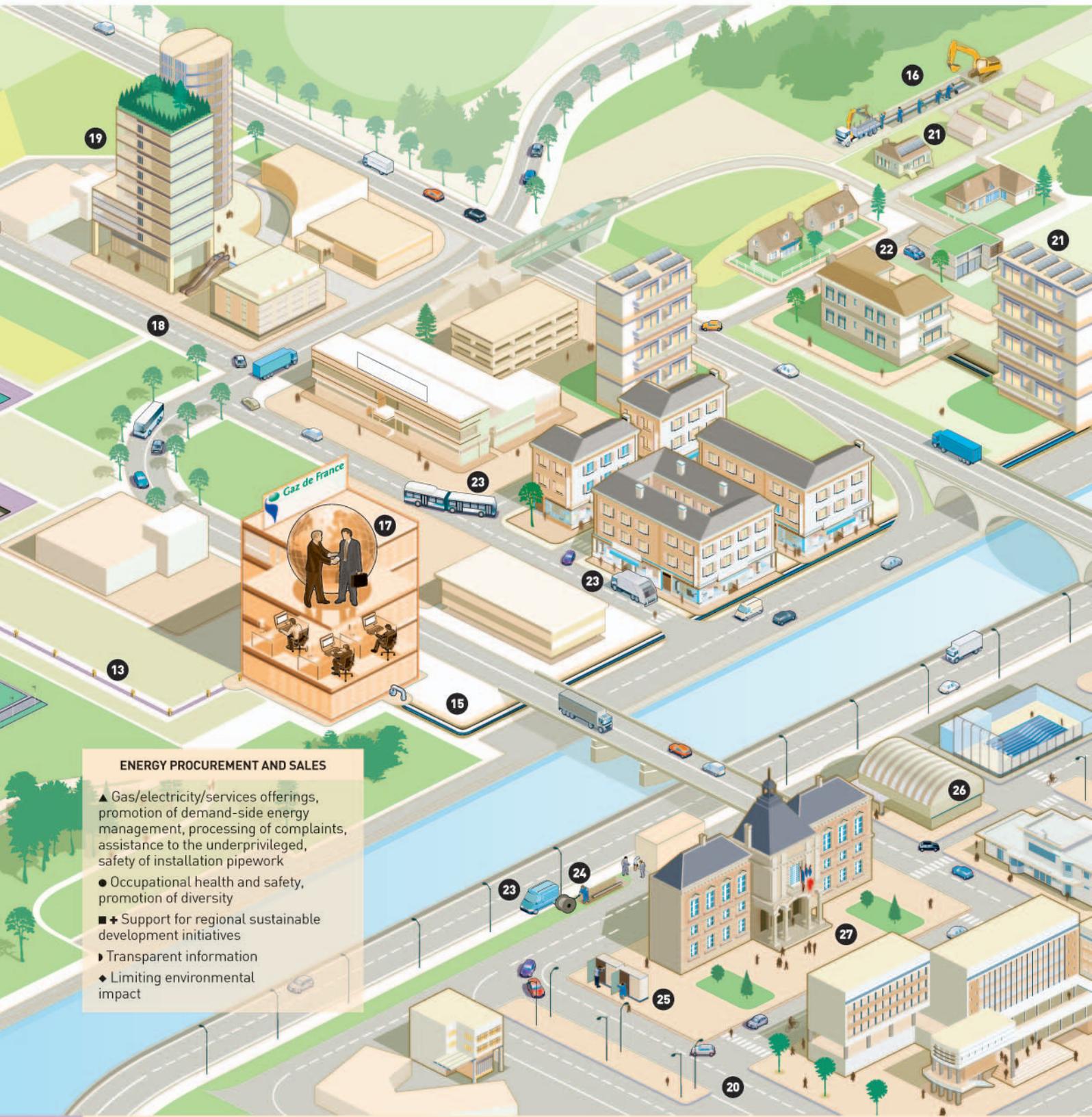


EXPLORATION AND PRODUCTION OF ENERGY

INFRASTRUCTURES

1. Off-shore platform
2. On-shore platform
3. Combined cycle power plant recycling blast-furnace gas produced by the nearby industrial facility
4. Wood-burning heating system
5. Wind turbines
6. Buried high-pressure pipeline (transmission)
7. Pressure regulating station (transmission)
8. Compressor station
9. Pressure regulating station (distribution)
10. Underground storage facility
11. LNG tanker
12. LNG terminal
13. Yellow pipeline marker
14. Surveillance to ensure the safety of the natural gas transmission system
15. Low- and medium-pressure mains (distribution)

At every stage of the energy industry, the Gaz de France Group identifies the sustainable development challenges it must face, and works to reconcile the expectations of the different stakeholders involved who are impacted by its activities. The Group's responses to these challenges are presented on page 17.



ENERGY PROCUREMENT AND SALES

- ▲ Gas/electricity/services offerings, promotion of demand-side energy management, processing of complaints, assistance to the underprivileged, safety of installation pipework
- Occupational health and safety, promotion of diversity
- + Support for regional sustainable development initiatives
- ▶ Transparent information
- ◆ Limiting environmental impact

ENERGY PROCUREMENT AND SALES

16. Laying mains 17. Energy procurement (long-term contracts, spot markets, trading) 18. Industrial and commercial zone supplied with natural gas, electricity and related services 19. Bioclimatic building 20. City supplied with natural gas, electricity and related services 21. Solar energy panels to heat hot water 22. Filling residential customers' vehicle tanks with NGV at home 23. Natural gas vehicle 24. Clean digging technique at a worksite 25. Meter reading 26. Solidarity: social integration through sports 27. Services for local governments

Governing in transparency and independence

Executive Committee (as of December 31, 2006)

Corporate management is the responsibility of the Executive Committee, chaired by Jean-François Cirelli, Chairman and Chief Executive Officer. The Executive Committee relies on the expertise of seven committees, including the Sustainable Development and Business Ethics Committee.



Chairman and
Chief Executive Officer
Jean-François
Cirelli



Chief Operating
Officer
Yves Colliou



Chief Operating
Officer
Jean-Marie
Dauger



Vice President,
Strategy
Stéphane
Brimont



Senior Vice President,
International
Pierre Clavel



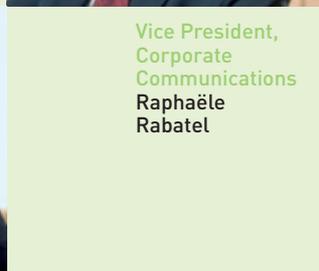
Vice President,
Equity Acquisitions
Emmanuel
Hedde



Chief Financial Officer
Philippe Jeunet



Vice President,
Market Development
and Sales
Jean-Pierre
Piollat



Vice President,
Corporate
Communications
Raphaële
Rabatel



Senior Vice President,
Human Resources
Philippe Saimpert



Transparency and independence

Transparency and independence guide the governance of Gaz de France and its development - with the IPO in 2005, and in 2006 its response to the expectations of stakeholders, the financial markets and promoters of socially responsible investment, in particular.

“Avoid abusive exercise of control by the majority shareholder.” In the Board member’s code of conduct, with regard to independence, Gaz de France confirms its commitment to improve corporate governance, as recommended by the Bouton report, which was published in 2002.

The Board relies on two committees.

- The Audit and Accounting Committee examines the relevance of the accounting policies adopted, the financial statements, the budget, control and internal audit, risk management policy and the performance of the Group’s main subsidiaries.

- The Strategy and Investment Committee advises the Board on the Company’s and the Group’s major strategic decisions, investment and divestment projects, and any other matter concerning strategy and investments submitted by the Board.

Internal control and risk management at every level

The internal control procedures implemented by the Board and the Audit and Accounting Committee, by the Audit and Risk Management division and by Group management help control risks and achieve objectives at every hierarchical and functional level according to shared principles: decentralization of audit activities, delegations of authority, oversight and self-evaluation procedures, operating performance reviews, safety of the Company’s assets and separation of functions.

Decision-making and oversight

Structure	Board of Gaz de France	Audit and Accounting Committee	Strategy and Investment Committee
Members Five-year terms	18 members: <ul style="list-style-type: none"> • 6 employee representatives • 6 representatives of the State • 6 qualified independent members elected by the Annual Shareholders’ Meeting Chairman: Jean-François Cirelli	5 members: <ul style="list-style-type: none"> • 2 employee representatives • 2 representatives of the State • 1 qualified independent member elected by the Annual Shareholders’ Meeting Chairman: Aldo Cardoso	7 members: <ul style="list-style-type: none"> • 3 employee representatives • 3 representatives of the State • 1 qualified independent member elected by the Annual Shareholders’ Meeting Chairman: Peter Lehmann
Compensation	Compensation is paid solely to members of the Board elected by the Annual Shareholders’ Meeting, except Jean-François Cirelli		
	2,000 euros per Board meeting	2,000 euros per meeting for the Committee chairmen 1,250 euros per meeting for the other Committee members	
Independence and control	Independence of Board members ensured by their code of conduct and the Board’s bylaws		
	Control: the statutory auditors may not advise the issuer		
		Meeting of the auditors and Board members in March 2006, with no management representative present	
Number of meetings (rate of participation)	15 (83%)	13 (77%)	6 (81%)
Corporate social responsibility issues	Five sustainable development issues discussed once a year at a Board meeting concerning collective bargaining agreements, solidarity, insurance, safety and the distribution activities’ code of business ethics		

Board of Gaz de France (as of December 31, 2006)



Jean-François Cirelli⁽²⁾
Chairman and Chief Executive Officer



Olivier Barrault⁽³⁾
sponsored by the Fédération Nationale des Syndicats du Personnel des Industries de l'Énergie Électrique, Nucléaire et Gazière C.G.T.



Jean-Louis Beffa⁽²⁾
Chairman and Chief Executive Officer, Saint-Gobain
Chairman, Claude Bernard Participations
Vice Chairman, BNP Paribas



Éric Buttazoni⁽³⁾
sponsored by the Fédération Nationale des Syndicats du Personnel des Industries de l'Énergie Électrique, Nucléaire et Gazière C.G.T.



Bernard Calbrix⁽³⁾
sponsored by the Fédération chimie énergie C.F.D.T.



Aldo Cardoso⁽²⁾
Member of the Board of Directors, Orange, Rhodia, Imerys, Accor and Mobistar (Belgium)
Director, Axa Investment Managers and Bureau Veritas



Paul-Marie Chavanne⁽¹⁾
Executive Vice President, La Poste Group
Chairman and Chief Executive Officer, Geopost



Guy Dollé⁽²⁾
President of the Management Board, CEO, Arcelor (until October 1, 2006)



Philippe Favre⁽¹⁾
President, Invest in France Agency
Ambassador, special representative of France for International Investment



Christian Frémont⁽¹⁾
Préfet of the Provence-Alpes-Côte-d'Azur Région
Préfet of Bouches-du-Rhône



Yves Ledoux⁽³⁾
sponsored by the Fédération Nationale des Syndicats du Personnel des Industries de l'Énergie Électrique, Nucléaire et Gazière C.G.T.



Peter Lehmann⁽²⁾
Chairman, Fuel Poverty Advisory Group
Chairman, Greenworks (UK)



Jean-François Le Jeune⁽³⁾
sponsored by the Fédération Nationale de l'Électricité et du Gaz C.G.T. - F.O.

83%: Board member participation

Other qualified individuals attending Board meetings

SECRETARY, CONSEIL SUPÉRIEUR CONSULTATIF DES CMP
René Camporesi

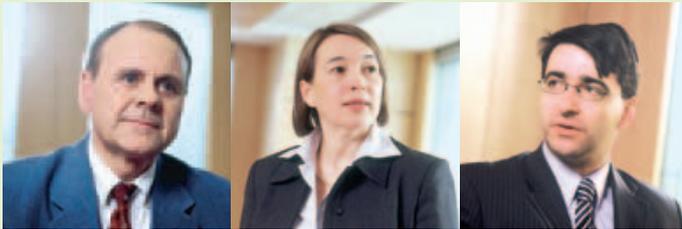
COMPTROLLERS
Bruno Rossi
Manager, Economic and Financial Control
Dominique Lemaire
General Comptroller

CHIEF OPERATING OFFICERS
Yves Colliou
Jean-Marie Dauger

34 meetings of the Board and its two committees

Philippe Lemoine⁽²⁾
Chairman and Chief
Executive Officer, LaSer
Chairman, Sygma Banque
and LaSer Cofinoga

Xavier Musca⁽¹⁾
Director General, French
Treasury and Economic
Policy, Ministère de
l'Économie, des Finances
et de l'Industrie



Daniel Rouvery⁽³⁾
sponsored by the
Fédération des Industries
électriques et gazières
C.F.E. – C.G.C.

Florence Tordjman⁽¹⁾
Subdirector, Gas and
Distribution of Fossil Fuel
Energies, Energy and
Raw Materials division,
Ministère de l'Économie,
des Finances et de
l'Industrie

Édouard Vieillefond⁽¹⁾
Director of Equity
Holdings, Agence des
participations de l'État,
Ministère de l'Économie,
des Finances et de
l'Industrie

(1) Representatives of the French
government.

(2) Members of the Board elected
by the Shareholders' Meeting.

(3) Elected employee representatives.

Peter Lehmann gives his opinion

As Chairman of the Strategy and Investment Committee, could you tell us about the role of the Board in integrating sustainable

development issues? *"The Board has a double role. It first ensures oversight by making sure that Gaz de France respects its commitments in this area. Second, it makes strategic choices with regard to sustainable development positions that create value for the Group."*

What files are you going to treat

first in 2007? *"I will first concentrate on climate change. This topic represents both a threat and an opportunity for Gaz de France. In the Group's development, it is to our advantage to differentiate ourselves, to be a pioneer and innovate in our position and in our offerings, especially in terms of energy efficiency. For example, there is the progress made in positive energy buildings. The Group's expertise will enable it to continue to play a role in spearheading the control of greenhouse gas emissions, for example in the sequestration of CO₂. I will also be vigilant when it is a question of Gaz de France's performance in the field of diversity, since I am convinced that it is a factor of social solidarity and success for the Group. Another subject on the program for the coming months is access to energy for the underprivileged."*

Ranking and implementing

Defining the sustainable development policy: reviewing priorities

The sustainable development priorities of the Gaz de France Group reflect its own concerns (risk management, development strategy), those of its stakeholders and, more generally, those of the community-at-large.

With stakeholders, the Group shares areas of interest such as environmental protection, human rights in countries in which the Group

is engaged in exploration and production, and diversity. Multi-year or annual priorities are formulated to enable the Group to adapt to its regulatory, contractual and commercial environment. By targeting a limited number of upgraded objectives that are tailored to the specific situations of the parent company and its subsidiaries, this pragmatic ranking satisfies requirements for efficiency and effectiveness.

Comprehensive sustainable development approach: from policy to annual priorities

Sustainable development policy and dedicated initiatives defined in the 2004-2006 Sustainable Development Action Plan and QSE-RM reporting

Regulatory developments

- Deregulation of European gas and electricity markets as of July 1, 2007



Current factors

- Internationalization, external growth
- International energy context (rise in energy prices, secure supplies)

Areas for improvement underlined by rating agencies

- Governance
- Anti-corruption policy
- Group code of business ethics
- Human rights
- CO₂ emission reduction policy
- Access to energy in developing countries
- Biodiversity policy



Expectations of stakeholders

- Renewable energy
- Access to energy
- Public commitment: human rights, fight against corruption



A pragmatic approach with three priorities for 2005-2006 validated by the Chairman and Chief Executive Officer and communicated to all the Group's managers

- Respond to the major energy challenges of today and tomorrow
- Bolster social solidarity in the Group and increase the visibility of sustainable development initiatives
- Respond to stakeholder expectations



AWARENESS OF THE PLANETARY CHALLENGE OF GLOBAL WARMING IN THE SUSTAINABLE DEVELOPMENT APPROACH OF THE GAZ DE FRANCE GROUP.

Meeting all challenges

Annual priorities make it easier to keep pace with changes in the business environment, in challenges and in expectations. At the same time, the sustainable development approach initiated by the Gaz de France Group as early as 1992 meets all the challenges facing the Group.

Dedicated policies, specific thematic projects and approaches, management systems, implementation and monitoring tools give concrete existence to the sustainable development policy.

General sustainable development approach: meeting the challenges

Economic challenges	Social and society challenges	Environmental challenges	Multi-faceted challenges
Plant safety 06	Health and safety of suppliers, contractors and employees 06	Limiting emissions (air, water, ground) 02 04	Assistance to local communities 07 08 09
Reliable supplies 01	Country risks: corruption and human rights 03	Depletion of natural resources 02 04	Rehabilitation of sites 04 05 07
Redistribution of revenues to stakeholders 02	Limiting local nuisances 04	Impact on biodiversity 02 04	Market infill: expanded customer portfolio and access to energy 07 08
Local economic development 02 09	Safe installation pipework 02	Waste management 02 04	Increasing awareness of sustainable development issues (employees, customers, suppliers and contractors) 02 03 08
Increased electricity production 01 04	Diversity and labor negotiations 05 08	Energy efficiency (demand-side management and technical innovation) 02 04	
Profitability and competitiveness in an open market 01	Dialogue with stakeholders 08	Development of renewable energy offerings 02 04	
Customer satisfaction 06	Solidarity with the underprivileged 07		
Fair and transparent facility access conditions 03 09			

- 01** Industrial development project
- 02** Sustainable development policy
- 03** Ethical approach / codes of business ethics / EITI and EDH membership / sustainable procurement and supplier charters
- 04** Environment policy / renewable energy policy / AERES membership
- 05** HR policy / equal opportunity agreement / disability agreement / apprenticeship charter / management practices benchmark / diversity charter and project

- 06** Occupational health and safety and industrial safety / quality policy / QSE-Risk Management approach
- 07** Solidarity policy
- 08** Consultation with stakeholders / panel of stakeholders / agreement on negotiation procedure with labor organizations / Territoires 21 policy / structuring partnerships (ADEME, WWF, Emmaüs, ONF, samusocialeParis, etc.)
- 09** Public service contract

Publicizing and defending positions

A major utility and public service company for more than 60 years, Gaz de France is at the center of today's social, economic and environmental challenges. The Group relies on this special profile to publicize and defend its positions in discussions with public authorities. The Group contributes its technical know-how, its expertise in the field of energy, and its ability to propose solutions, as it strives to reconcile current or emerging social topics with its own priorities. The positions it takes demonstrate the Company's determination to be transparent, pedagogical and responsive to stakeholders. For example, on September 13, 2006, at the 33rd annual conference of the *Fédération nationale des collectivités concédantes et régies*, Jean-François Cirelli publicly approved pending legislation on the creation of a specific social category of natural gas rates.

Position on energy conservation

Gaz de France constantly promotes the introduction of energy conservation certificates. In 2006, the Company:

- participated in a working group at the ministry of Industry;
- conducted experiments in two regions, in cooperation with ADEME;
- launched an information campaign for local governments together with the *Association des Eco-Maires* (publication of a brochure in 10,000 copies) and the *Association des Maires de France* (information tools for members).

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



OCTOBER 26-27, 2006: GAZ DE FRANCE ORGANIZED ROUND TABLE DISCUSSIONS ON SUSTAINABLE PRODUCTION AND CONSUMPTION FOR THE UNITED NATIONS ENVIRONMENT PROGRAMME.

Increasing awareness, overseeing and monitoring results

A corporate sustainable development culture for a workforce of 50,000

The best strategy and the most targeted policies are useless without a workforce that is motivated to apply them and to monitor and communicate results. Convinced of this principle, Gaz de France built an implementation and oversight system that operates at all Group levels:

- the Sustainable Development division defines, coordinates and supervises the sustainable development approach and assesses performance;
- the Sustainable Development and Business Ethics Committee brings together Group officers to discuss initiatives, commitments and future directions, which are then submitted to the Executive Committee;
- the network of 40 sustainable development correspondents in all the Group's divisions serves as a relay to facilitate the spread of sustainable development ideas and practices (thematic quarterly meetings, specific research in smaller working groups, dedicated sustainable development intranet);
- and other cross-division networks are organized by the Sustainable Development division on the challenges represented by diversity, quality, business ethics, solidarity, etc.

At the same time, major initiatives increase public awareness. Examples include national and local

events during the sustainable development week, traveling exhibitions, a special issue of the Company's in-house publication *Gaz de France Infos*, intranet theme sites (renewable energy, the partnership with Emmaüs France, the exhibition *Changer d'ère*), e-mail alerts on environmentally friendly practices, real-time information for the whole workforce via *Gaz de France Info Flash* bulletins, etc.

Integrated, reliable reporting verified by the auditors

The sustainable development reporting policy applied by Gaz de France since 2001 now uses the same information system as for financial reporting purposes: the management control application. As with financial reporting, sustainable development data is verified by the Group's auditors. Only 25% of the SBF 120 companies have introduced this practice. At the end of 2005, for certain indicators, Gaz de France reached the stage of "reasonable assurance", which corresponds to the same level of requirements as for financial information. With regard to sustainable development indicators, only three major French companies have reached this stage, and Gaz de France is one of them.

For more information, see pages 58 - 63

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



Sustainable performance management according to the new GRI guidelines

New GRI Sustainability Reporting Guidelines

Since they are the internationally recognized standard for sustainability reporting, the Global Reporting Initiative's guidelines have directed efforts at Gaz de France since 2003. As an active GRI member, the Group participated in drawing up new guidelines (G3), which it has chosen to adopt progressively. For example, in this report, the Group defines the relevance of its priorities and explains the link between management tools and performance indicators. Illustrations of managerial approaches that have produced results are presented as highlights in the Performance part of the report (pages 30, 39, 46 and 56).

SUSTAINABLE DEVELOPMENT PUBLICATIONS.



How the Group's executive management monitors results in the field

Gaz de France adds management assessment of performance to its sustainable development approach using Robert Kaplan's and David Norton's Balanced Scorecard method to select a number of indicators for its annual and quarterly sustainable development reports, which are monitored by executive management. The annual Quality Safety Environment Risk Management performance review, chaired at the end of the year by the Chairman and Chief Executive Officer or a Chief Operating Officer, analyzes the year's results and defines qualitative and quantitative objectives for the following year, which are then incorporated in each division's management contract. At the operating level, gainsharing criteria include sustainable development factors.

When experience enhances strategy

Multi-year to ensure long-term application, Gaz de France's sustainable development approach is adapted every year to the results achieved, new expectations expressed by stakeholders and areas for improvement detected, in particular, through policy assessment systems. This reality gives rise to adjustments that are fully incorporated into the approach once priorities have been ranked. An example is the 2004-2006 Sustainable Development Action Plan. Another dimension has been added to the three-year implementation and oversight tool, which breaks the sustainable development policy down into roughly 100 initiatives with defined objectives:

- in 2005, six new initiatives confirming Gaz de France's public service commitments, e.g. ISO 14001 certification of Seveso facilities in France before 2006, and the definition of customer satisfaction objectives;
- in 2006, six more initiatives linked, for example, to human resources (diversity), solidarity (ISIGAZ, see page 40, creation of a Gaz de France Energy Solidarity Fund) and the fight against corruption (membership in EITI).

Showing how fully integrated the process is, sustainable development performance is analyzed by executive management on the same basis as financial performance.

Formalization of management systems

The synoptic table below summarizes for 2006 the situation of the management system adapted to the context and challenges of each of the Group's operating entities.

AS OF DECEMBER 31, 2006	INTERGRATION QSE- RM	QUALITY ISO 9001	SOCIAL / SAFETY OHSAS 18001	OTHER (ISRS®, SM25, MASE, etc.)	ENVIRONMENT ISO 14001 (see p. 61)
EXPLORATION AND PRODUCTION			1		1
MAJOR INFRASTRUCTURES		2	2	2	2
GRTgaz		2		2	2
GAZ DE FRANCE DISTRIBUTION STRATEGY		1			
EDF GAZ DE FRANCE DISTRIBUTION OPERATIONS		2	2	1	2
TRADING		1			N/A
INTERNATIONAL		2			2
MARKET DEVELOPMENT AND SALES		2			N/A
SERVICES		2		2	2

1 Use of benchmark without certification 2 Use of benchmark for assessment or certification

Being introduced Completed

@ Details on management systems in the Gaz de France Group's entities and subsidiaries as well as the process control evaluation system can be consulted at www.gazdefrance.com/complementsrdd

Results of the 2004-2006 Sustainable Development Action Plan

Ninety percent of the objectives of the 2004-2006 Sustainable Development Action Plan were accomplished by the end of the year 2006: formalization of policies (renewable energy, industrial safety, occupational health and safety), incorporation of demand-side management into all offerings, fulfillment of commitments to control the Company's own greenhouse gas emissions, launch of a business ethics approach, sustainable development reporting performance, strengthened partnerships with and responsiveness to stakeholders, signing of a diversity charter, etc. The results of the whole sustainable development approach were presented to the Executive Committee and the European works council at the end of 2006. Areas for improvement

Sustainable development creates value

Considering that beyond greater risk control, corporate social responsibility also provides leverage for development, Gaz de France launched a study to evaluate the contribution of sustainable development initiatives to the Group's overall performance. A first selection of projects from the 2004-2006 Sustainable Development Action Plan was analyzed by combining traditional financial techniques (profitability studies, business plan, etc.) and intangible value measurement tools.

were identified and included in the commitments for 2007: corporate governance committed to more transparency, formalization of a biodiversity policy to federate existing initiatives and go farther, and a human resources policy more supportive of age diversity, particularly the role of seniors.

GROUP INITIATIVES	RESULTS IN 2006
● (1) Define and implement a renewable energy policy	+ Policy formalized in 2005; action plan implemented and monitored in 2006
(1) Develop energy efficiency services in liaison with energy conservation certificates	= Strategy prepared and offerings available for energy conservation certificates
(1) Reduce direct greenhouse gas emissions from the transmission and distribution of natural gas by 10% compared with 1999, and control CO ₂ emissions from service and exploration and production activities	= Fulfillment of updated AERES commitment; conformity with the European directive
(2) Implement the integrated QSE – Risk Management approach	+ Validation and implementation of 80% of QSE-RM appendices; extension of the corporate social responsibility approach
● (2) Define relations with stakeholders	+ Panel of stakeholders organized
● (2) Establish an industrial safety policy	+ Industrial safety and occupational health and safety policies signed in 2005; annual contracts with entities on their health and safety objectives
● (2) Integrate sustainable development criteria into procurement	+ Compliance with sustainable development benchmark; supplier code of business ethics
(2) Integrate sustainable development criteria into project analysis	= Criteria introduced for Group acquisitions with a monitoring process
● (2) Eliminate grey cast iron mains	+ Less than 350 kilometers remaining (153 kilometers)
(2) Heighten employee awareness of sustainable development	= 2005-2006 action plan respected
(2) Formalize the Group's ethical approach	= Agreement on a charter of values, codes of conduct and a piloting system (to be announced)
(3) Develop sustainable development offerings	= Offerings available to customers: management of CO ₂ allowance trading quotas, demand-side management, green energy, etc.
(4) Favor collective bargaining on employment	+ Creation of a national employment observatory; optimization of skills systematized at the level of the Group
(4) Promote labor negotiations on employment	= Labor agreement signed (Gaz de France S.A. and GRTgaz S.A.)
(4) Design a Group benchmark for HR practices	= Finalization and publication of benchmark for management practices
(4) Order from the disabled	= Obligation included in the seventh disability agreement (2006-2008)
● (4) Increase diversity in the Group	+ Charter signed in 2005 to promote diversity in the enterprise confirming Gaz de France's commitment to fight all forms of discrimination and implementation of a diversity project
● (5) Maintain the objectives of local government customer satisfaction	+ National satisfaction index that exceeds the objective of 61; Territoire 21 policy signed

The five focuses of the 2004-2006 Sustainable Development Action Plan were (1) Addressing the energy challenges of today and tomorrow, (2) Acting as a responsible enterprise, (3) Ensuring the growth of the Group in the European market, (4) Developing a human resources policy at the level of the Group, and (5) Playing an active role in regional development.

● Areas in which significant improvement was reported in 2006

@ The full report on the results of the 2004-2006 Sustainable Development Action Plan can be consulted at www.gazdefrance.com/complementsrdd

Dialoguing and acting with stakeholders

Multilateral relations

To meet the expectations of stakeholders, the Gaz de France Group bases its relations on the nature of each of them, be they customers (satisfaction surveys, meetings between the mediator and non-profit groups) or local players (interviews, relations at the regional level, community consultation when new facilities are planned). These relations also include structured partnerships with NGOs on issues of energy or solidarity, and broad-based discussion on sustainable development progress with a panel of stakeholders every 18 months.

Energy and solidarity partnerships expand the impact

The partnerships forged by Gaz de France with non-profit groups, NGOs and representatives of civil society have prompted a wide range of initiatives, including heightened awareness of the ecological footprint, the exhibition *Changer d'ère*, access to energy for the underprivileged, drinking water for the population in Touat, Algeria, and cooperation between Gaz de France employees and the Samu social de Paris. These partnerships put into action the priorities of energy and solidarity in Gaz de France's sustainable development approach.

Energy and solidarity partnerships

Ten sled dogs and 8,000 kilometers of mountain, taiga and tundra between Lake Baikal and Moscow – **Nicolas Vanier** boosted public awareness of global warming. Closely covered by the French press to provide an educational support for the environment, the expedition was sponsored by Gaz de France.

On September 26, 2006, Gaz de France and **Emmaüs France** signed an agreement to develop a long-term strategy to prevent social exclusion by guaranteeing access to energy for the underprivileged and making it possible for them to continue to be housed, offering 100 social integration employment contracts and internships, facilitating the participation of Gaz de France employees and engaging in sponsorship activities.

In Algeria, in partnership with the United Nations Development Programme and local players, Gaz de France and **Codegaz**, a non-profit group created by Gaz de France employees, chose to give humanitarian value to the Group's exploration and production activities. The NGO offers the local community healthcare, access to drinking water and food, support for educational projects, and economic development opportunities. Gaz de France is committed to hire 75% of the workforce locally after training. The project has an annual budget of 150,000 euros over 24 years.



Broad-based discussions with a panel of stakeholders

Gaz de France listens to its stakeholders in order to share best practices and thereby improve. New impetus was provided at the end of 2005 with a first meeting with stakeholders, for which Comité 21 acted as the mediator. Representatives of 12 organizations, NGOs, institutional entities and socially responsible investors expressed, confronted and exchanged their expectations vis-à-vis Gaz de France on subjects as varied as the Group's attitude in resource-rich countries, employee representation on the Board, the increase in the price of natural gas, access to energy and the role of women in management. Results came fast. In 2006, Group choices were confirmed in areas already explored (responsible procurement, codes of business ethics, diversity, renewable energy) and fully integrated into corporate policy. New options were taken, thereby responding to certain suggestions made, such as Gaz de France's membership in EDH, the French branch of the Business Leaders Initiative

on Human Rights (BLIHR), and in the Extractive Industries Transparency Initiative (EITI). These initiatives aim to fight against corruption and to promote human rights, especially in resource-rich countries.

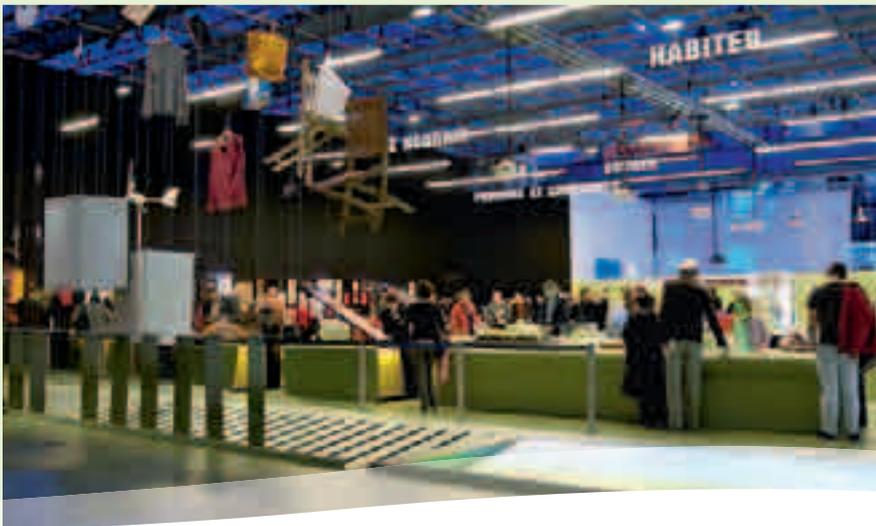
At a second meeting on February 5, 2007, the panel of stakeholders underlined the Group's progress in a year's time in the different areas, particularly in renewable energy, the formalization of codes of business ethics and regional development.

A well-established approach

These broad-based discussions from late 2005 to early 2007 are further examples of Gaz de France's long-standing cooperation with its stakeholders. The relation is lively and growing. As early as 1986, Gaz de France created its first multi-disciplinary working group that took the form of a Scientific Council, which was consulted on major issues. Its twelve members come from very different backgrounds to contribute their know-how and experience.

Gaz de France and **ADEME** work together on more than fifty projects with a common goal – to consume energy better by enabling the general public to access the most economical solutions. Three main focuses have been targeted since the partnership was renewed in 2004: energy conservation certificates, research via the Fondation Bâtiment énergie to reduce greenhouse gas emissions by 75% in the building industry by the year 2050, and citizen awareness of global warming.

In this area, after the success of the *Climax* exhibition, which drew more than 760,000 visitors to the *Cité des Sciences et de l'Industrie de la Villette* in 2005, a new show entitled *Changer d'ère* demonstrated in 2007 that progress has been made in awareness of sustainable development priorities.



Gaz de France renewed its partnership with **WWF France** on October 23, 2006, in order to prompt respect for the environment and suggest simple gestures to reduce man's ecological footprint. Overall, the agreement aims to fight against global warming, develop renewable energy sources and promote the rational use of energy.

Assessing performance to ensure progress

The importance of being rated

The Group is also evaluated by external rating agencies such as Vigeo, SAM or Eiris, which trace the outlines of socially responsible investment (SRI) indexes every year. Gaz de France is now in the ASPI Eurozone® index, introduced by Vigeo to list the 120 best companies in euro-zone stock markets on the basis of social and environmental responsibility.



The Group's ambition is to enter a second SRI index in 2007, since the energy utility sector drives social and environmental responsibility.

Assessing performance

To measure its strengths and weaknesses, the Gaz de France Group adopted external benchmarks that help it assess performance.

- For example, the Gaz de France Group uses the human rights matrix developed by BLIHR to evaluate the impact of its exploration and production activities in Algeria.
- In the fight against corruption, the Group applies the Business Principles for Countering Bribery developed by Transparency International. Once the Group has assessed its performance, it submits the results to the critical opinion of this international organization.

These external and internal evaluations serve as points of reference for the Group and give it a clearer view of its progress and future priorities.



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

IN THE NAME OF GAZ DE FRANCE, JEAN-FRANÇOIS CIRELLI RECEIVED THE 2006 TROPHY AWARDED BY CERTIFIED MANAGEMENT ACCOUNTANTS FOR THE QUALITY OF THE ENVIRONMENTAL AND SOCIAL INFORMATION PRESENTED IN ITS 2005 SUSTAINABLE DEVELOPMENT REPORT.

Preparing for tomorrow

2007, ensuring further progress

Continuing to promote sustainable development involves observing the results already obtained and deducing new strategic and operating objectives as well as confirming those previously set. The 2004-2006 Sustainable Development Action Plan is completed. Without waiting for a new plan to be implemented, in December 2006, Gaz de France approved the priorities for 2007 based on energy challenges and social responsibility issues. The objective is to continue to move forward, in particular as regards energy mix, renewable energy, control of CO₂ emissions, the promotion of solidarity, the development of diversity in the Company, commitment to the cause of human rights and the fight against corruption.

With R&D, tomorrow is already here

For the Gaz de France Group, to make progress in sustainable development also means mobilizing significant investments in research. Serving the Group's ambition, the Research and Development division guides its choices in responding to energy challenges by highlighting four thematic priorities:

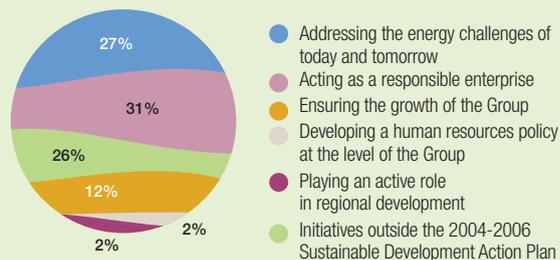
- safety, a permanent focus of research;
- economic performance;
- innovation, a source of competitive advantages;
- prospects to illuminate and prepare the future.

These efforts generate concrete results, such as flameless combustion for energy efficiency, the sequestration of CO₂, the fight against global warming, and the technique of laying mains in narrow trenches to limit the impact of works for reasons of environmental protection and costs.

Moving towards a hydrogen economy

As a new energy vector, hydrogen is the subject of intensive research efforts. Gaz de France participates by launching several R&D programs (on its own or with partners) and actively contributing to the European technological platform on hydrogen and fuel cells and to the national action plan on hydrogen. Research first targets the transition to hydrogen energy using traditional energy utility techniques, such as the transport of hydrogen mixed with natural gas and R&D programs on stationary fuel cells powered by natural gas. Gaz de France's Research and Development division then studies long-term solutions to develop an energy system that includes hydrogen, including the transmission of pure hydrogen via dedicated transmission, production of hydrogen through the gasification of biomass, optimization of efforts to combine the production of hydrogen from natural gas with the sequestration of CO₂.

BREAKDOWN OF THE 2006 RESEARCH BUDGET BY MAJOR OBJECTIVES OF THE GROUP'S 2004-2006 SUSTAINABLE DEVELOPMENT ACTION PLAN



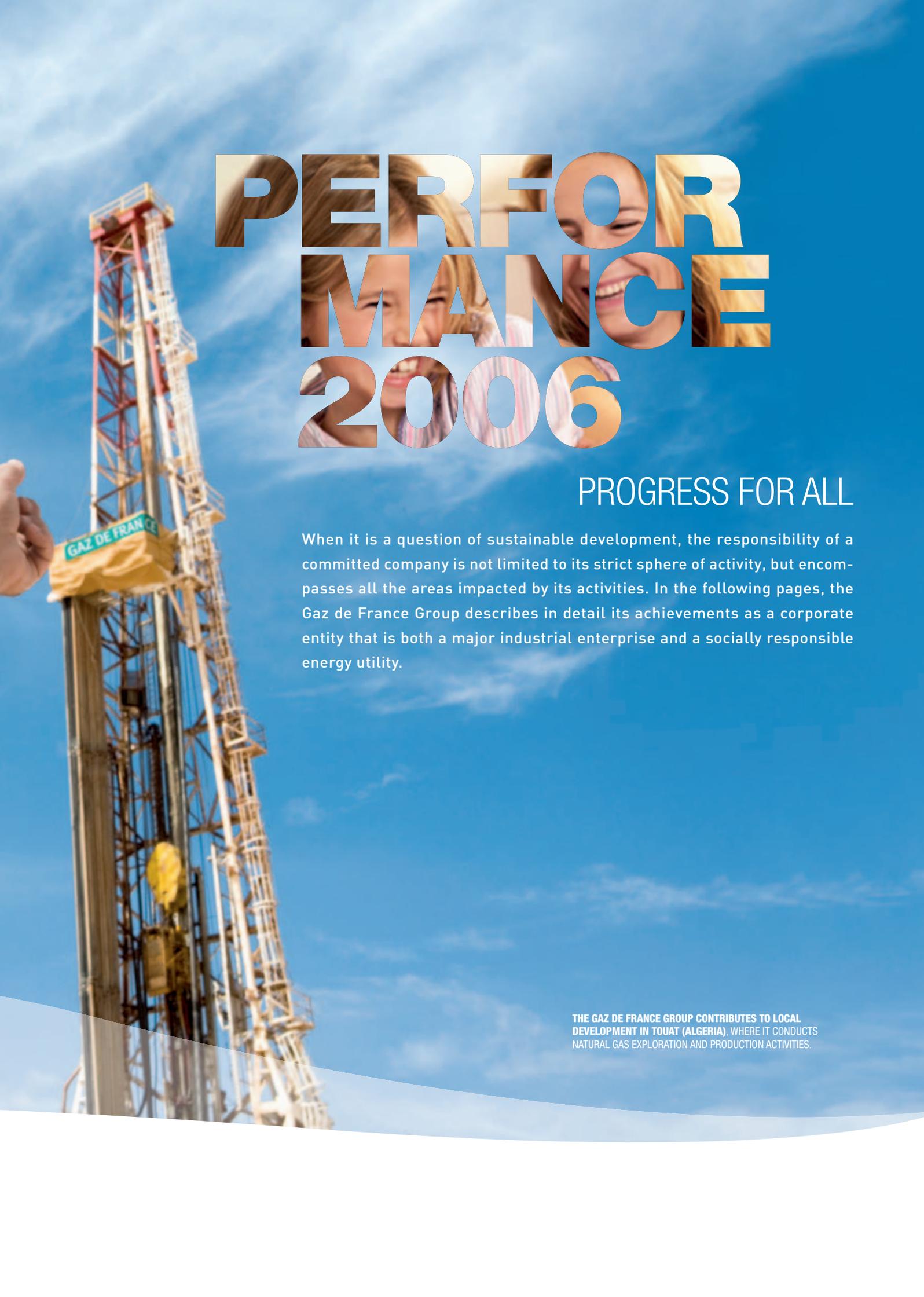
74% OF THE GAZ DE FRANCE GROUP'S RESEARCH BUDGET CONTRIBUTES TO THE COMPANY'S SUSTAINABLE DEVELOPMENT POLICY.





GAZ DE FRANCE, SUSTAINABLE DEVELOPMENT REPORT 2006

26-27



PERFORMANCE 2006

PROGRESS FOR ALL

When it is a question of sustainable development, the responsibility of a committed company is not limited to its strict sphere of activity, but encompasses all the areas impacted by its activities. In the following pages, the Gaz de France Group describes in detail its achievements as a corporate entity that is both a major industrial enterprise and a socially responsible energy utility.

THE GAZ DE FRANCE GROUP CONTRIBUTES TO LOCAL DEVELOPMENT IN TOUAT (ALGERIA), WHERE IT CONDUCTS NATURAL GAS EXPLORATION AND PRODUCTION ACTIVITIES.

Performance in response to energy challenges

As an energy utility, Gaz de France must, first of all, assure its customers of available, secure, reliable and competitive energy supplies. It is this priority that the Gaz de France Group addresses by securing its supplies and proposing customized and innovative solutions. Reducing emissions, promoting controlled consumption, and developing renewable energy uses are challenges to be met and opportunities to develop new expertise in the Group.

Guaranteeing regular supplies

With the rise in energy prices, the growing demand for energy in China and India, geopolitical strategies, and the increased dependence of the European Union for its energy procurement, the reliability of natural gas supplies is at the heart of ever more complex challenges. A key topic at the G8 summit in Saint Petersburg, Russia, in July 2006, the concern for regular gas supplies is also an important subject of discussion at the European level.

In France, securing natural gas supplies has become a public service obligation. Any supplier wishing to market natural gas in France must be able to ensure regular service for six months, even if, for example, the main source of supply were cut off, or particularly severe weather conditions were to occur (decree of March 19, 2004).

Long-term contracts account for 84% of the Group's supplies, 5% of which come from the Group's proprietary resources. Signed for a period of 20 to 25 years, these contracts furnish guarantees in terms of the price and regularity of supplies, and provide the Group with the visibility it needs to meet customer needs in Europe.

The Group may also count on short-term purchases in organized markets, particularly through the trading capacity of its subsidiary Gaselys.

These different resources also give Gaz de France additional flexibility to respond to fluctuations in the demand for gas and, in particular, to weather conditions through flexible long-term contract take, underground storage, and spot market transactions.

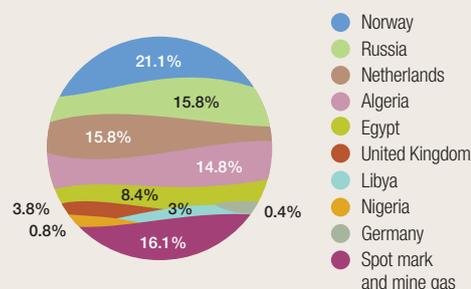
One of Europe's most diversified procurement portfolios

In order to assume its public service commitment, Gaz de France introduced a procurement policy based on locking in resources for the long term and diversifying both geographic sources and shipping routes.

The Gaz de France Group now has one of the most diversified procurement portfolios in Europe. Its long-term contracts are spread among eight main resource-rich countries, none of which represents more than a quarter of resources.

DIVERSIFICATION PRECLUDES DEPENDENCE

GAZ DE FRANCE'S PROCUREMENT PORTFOLIO IS ONE OF THE MOST DIVERSIFIED IN EUROPE. IT SUPPLIES 639 BILLION kWh OF NATURAL GAS.





LIQUEFIED NATURAL GAS (LNG) CONTRIBUTES TO DIVERSIFICATION, MAKING IT POSSIBLE TO ACCESS SUPPLY SOURCES AT EVER GREATER DISTANCES. NATURAL GAS ARRIVES IN LIQUID FORM VIA LNG TANKERS FROM ALGERIA, EGYPT AND NIGERIA, FOR EXAMPLE.

Preparing for the future

To accompany its development objectives in Europe, the Group continues to expand and diversify its resources. In 2006, the Group extended its contracts with Gazprom until 2030, and signed a new contract with Sonatrach for the delivery of 1 billion m³ of Algerian natural gas per year over 20 years. In addition, discussions have been launched with three new suppliers that are not very active, if at all, in the European market: Iran, Qatar and Nigeria.

Liquefied natural gas (LNG) is another tool that provides added flexibility in the current uncertain international environment. In 2006, LNG represented 29% of the Group's long-term supplies, up from 24% in 2005. Gaz de France's objective is to increase its LNG purchases at the same pace as the world LNG market in order to reach a volume of 25 billion m³ to 30 billion m³ by 2015.

WORLD EVENTS IN JANUARY 2006 AFFECTED GAS PRICES AND CAUSED A SHORT-TERM BUT SIGNIFICANT REDUCTION IN THE QUANTITIES OF NATURAL GAS DELIVERED TO CERTAIN WESTERN EUROPEAN COUNTRIES. IN SUCH A CONTEXT, GAZ DE FRANCE'S PROCUREMENT POLICY DEMONSTRATED ITS RELEVANCE. THE DIVERSITY OF THE RESOURCES MOBILIZED MADE IT POSSIBLE TO ENSURE REGULAR SUPPLIES FOR ITS CUSTOMERS.

Regular supplies, a public service priority in France

Securing regular supplies is a key priority for the Group, and is spelled out in France by regulations that highlight the growing importance of this issue:

- the law of January 3, 2003, which defines several public service obligations, including regular supplies, that apply to operators of transmission systems, distribution networks, LNG and storage facilities, as well as to natural gas distributors and shippers;
- the decree of March 19, 2004, which imposes more stringent regulations, in situations such as the interruption, for a maximum of six months, of the principal source of supply under average weather conditions, extremely low temperatures over a three-day period, or a 1-in-50 severe annual demand (i.e. a demand occurring twice a century);
- the European directive of April 26, 2004, which obliges member states to set standards to secure supplies and ensure continuous service to end customers even in cases of difficulty.



Controlling atmospheric emissions

Limiting the Group's own emissions

Gaz de France activities produce emissions containing:

- greenhouse gases: carbon dioxide (CO₂) from activities in exploration and production, the regasification of liquefied natural gas, the transmission and storage of natural gas, combustion, the production of electricity or heat (cogeneration, combined cycle, district heating); methane (CH₄) from natural gas exploration and production, transmission and distribution activities;
- nitrogen oxides (NO_x), mainly from the combustion of natural gas (compressor stations and power generation facilities, in particular).

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

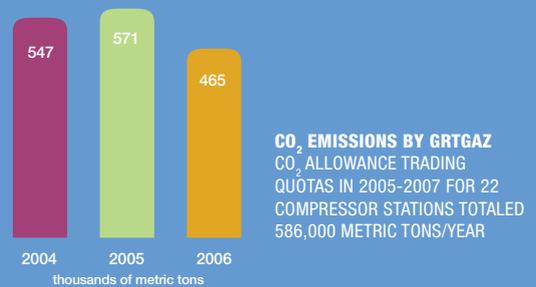
- direct emissions of carbon dioxide and methane from terminals, storage facilities and compressor stations;
- direct emissions of methane from the transmission and distribution systems.

The objective targeted for the end of 2007 is a 10% reduction compared with 1990, whereas sales and transportation will increase by 60% to 70% for the same period.

With emissions of 2.5 million metric tons of CO₂e in France in 2006, the Gaz de France Group respects the average annual AERES commitment for 2005-2007.

Reduction in emissions from GRTgaz facilities

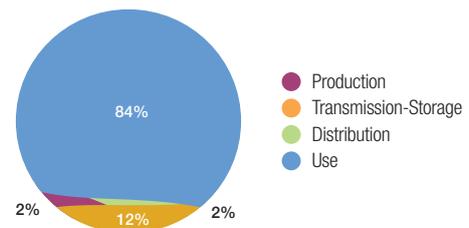
The program to upgrade compressors in booster stations, which is scheduled to end in 2011, will enable GRTgaz to reduce NO_x emissions by 80%, methane emissions by almost 50%, and CO₂ emissions by almost 15%. In 2006, GRTgaz emitted 20% less CO₂ than its quotas.



A reporting tool to monitor CO₂ allowance trading quotas

With its emission monitoring and reporting tool, Gaz de France keeps track of the CO₂ emissions produced by all its entities (the results are certified by external agencies), and in this way, the Group can manage its CO₂ allowance trading quotas.

LIFE-CYCLE ANALYSIS HAS BEEN CARRIED OUT SINCE THE 1990S BY GAZ DE FRANCE'S RESEARCH AND DEVELOPMENT DIVISION. THIS TOOL MAKES IT POSSIBLE TO MEASURE AND LOCATE ALL ENVIRONMENTAL IMPACTS. THE LIFE-CYCLE ANALYSIS FOR GREENHOUSE GASES SHOWS THAT THE PHASE DURING WHICH NATURAL GAS IS USED ACCOUNTS FOR 84% OF THE GREENHOUSE GASES IN THE GAS CHAIN.



Gaz de France in the United Kingdom on the road to carbon neutrality

Through its partnership with YMDT (Yorkshire Dales Millennium Trust) in the north of England, Gaz de France funds tree planting in the Yorkshire Dales National Park. In 2006, Gaz de France financed the planting of 6,600 trees on roughly 15 acres of land. The investment programmed at two other sites will make it possible to store a total of 300 metric tons of carbon, thereby offsetting the emissions of carbon dioxide from the offices of the first subsidiary created by Gaz de France ESS.

Helping customers control their emissions

One initiative of the Kyoto Protocol was to set allowance trading quotas for operators with the largest CO₂ emissions.

Since 2005, the European Union has applied this system at the level of major industrial companies and energy utilities. Industrial operators who reduce their emissions to below the quotas they have been allotted may sell the differential to other operators with emissions that exceed their quotas. The price varies greatly, and is influenced by the price of primary energy, weather conditions and geopolitics: 8 euros when the market opened in January 2005, 30 euros in July 2005, 6 euros at the end of 2006, etc.

Most of Gaz de France's key accounts are concerned, whether they make steel, glass, paper, chemicals or food products. The Gaz de France Group assists them by designing adapted CO₂ offerings to enable them:

- on the one hand, to satisfy their regulatory obligations, identify their CO₂ emission reduction potential, and implement appropriate heating solutions with Gaz de France's Services business and Research and Development division;
- and on the other hand, to benefit from market opportunities via the sale or purchase of CO₂ allowance trading quotas with the backing of Gaselys.

15 million allowance quotas traded since June 2005 by Gaselys (Gaz de France 51%, Société Générale 49%).

WITH NATURAL GAS VEHICLES, THERE IS A REDUCTION OF 25% TO 30% IN CO₂ EMISSIONS COMPARED WITH A GASOLINE POWERED VEHICLE.



Investing in the Clean Development Mechanism and Joint Implementation

In addition to the CO₂ allowance trading quotas, the Kyoto Protocol introduced two investment mechanisms into projects to reduce greenhouse gas emissions: the Clean Development Mechanism (CDM) and Joint Implementation (JI).

The Clean Development Mechanism promotes cooperation between industrialized countries and developing nations by allowing a company in the former to finance projects for reducing greenhouse gas emissions in the latter and receiving credit for doing so in the form of certified emission reductions (CER).

Joint Implementation allows a company in a developed country to receive emission reduction units (ERU) in exchange for investment in another industrialized country.

Gaz de France is a founding member of and the sole French investor in the Prototype Carbon Fund, the first carbon fund, created by the World Bank in 2000. At the end of 2006, the Prototype Carbon Fund financed 25 CDM and JI projects for a total of 180 million U.S. dollars, including the development of a 19.5 MW wind-power facility in Colombia, which generates CO₂ reductions of 800,000 metric tons. Funding for this facility also includes long-term support for the local population (see page 48).

© Examples of projects financed by the Prototype Carbon Fund can be found at www.gazdefrance.com/complementsrdd

Natural gas for vehicles

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

Innovation promotes the reduction of atmospheric emissions

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

- SoCECO₂, on the economic and sociological aspects (perception and acceptability) of the sequestration of CO₂, coordinated by the *Centre national de la recherche scientifique* (CNRS) and in which Gaz de France is a partner with Total, *Institut français du pétrole* (IFP), Alstom, Ineris, etc.;
- Tacoma, on high-tech combustion that facilitates the capture of CO₂ at large combustion plants, a project directed by Gaz de France in partnership with IFP, Total and CNRS.

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

Flameless oxidation technology presents major advantages in terms of energy efficiency for industrial processes. CO₂ emissions are reduced by at least 30%, and NO_x emissions below regulatory thresholds.

CO₂ STORAGE PROJECT AT SNØHVIT (NORWAY).



Promoting energy conservation

An energy utility or an energy conservation specialist? Far from considering these two approaches as incompatible, Gaz de France puts energy conservation at the heart of its marketing strategy. Very early on, the Company's offerings – Gaz de France DolceVita®, Gaz de France Provalys®, Gaz de France Énergies Communes® and Gaz de France energyY® – incorporated the objective of energy conservation. Today, this policy finds new impetus in the introduction of French energy conservation certificates, by which energy producers and distributors take initiatives that result in reduced energy consumption on the part of their customers.

French energy conservation certificates

The law of July 13, 2005, on energy policy created energy conservation certificates. Launched on July 1, 2006, this innovative system obliges suppliers of electricity, natural gas, heating and air conditioning, LPG and fuel oil to achieve and justify the energy conservation objectives that were set by decree on the basis of their sales volume. Altogether, the overall energy conservation objectives total 54 billion kWh cumac* in the 2006-2009 test period. The system of energy conservation certificates, which primarily targets residential and commercial markets, measures and ensures compliance with this requirement. For Gaz de France, the bar is set at 13,457 million kWh cumac*, to be collected between 2006 and 2009, representing 25% of the national objective.

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



AN AWARENESS CAMPAIGN TO INFORM RESIDENTIAL CUSTOMERS OF THE IMPORTANCE OF ENERGY CONSERVATION WAS LAUNCHED BY THE GAZ DE FRANCE GROUP IN HUNGARY AND ROMANIA.

Rational use of energy to ensure comfort in the home

Residential customers may benefit from Gaz de France's services at every important moment in their lives: for moving, building, renovating, re-equipping, etc. These services aim to promote the rational use of gas as a contribution to comfort. They range from advice on energy conservation to offerings incorporating renewable energy (for example, individual solar energy hot water heaters) to reduced-rate loans (rate of 1.9% in 2006) for efficient equipment. In addition, the Gaz de France Group expresses its solidarity with its underprivileged customers by heightening their awareness of the need to control energy consumption (see pages 46-47).

In the residential market, customer surveys and forecasts indicate the growing attraction energy conservation offerings exert, and reality confirms this view. In June 2005, Gaz de France and ADEME had launched a test version of energy conservation certificates in two regions with residential and corporate customers, in partnership with heating specialists. They experimented upgrading equipment with efficient solutions, such as low-temperature and condensing boilers and individual solar energy hot water heaters. More than 500 energy conservation initiatives were launched to conserve 23 million kWh cumac* in southern France and 3 million kWh cumac* in the north.

By the end of 2006, some 40,000 energy conservation projects had been conducted for residential customers, e.g. installation of efficient boilers (low-temperature and condensing) and solar energy hot water heaters. These results are perfectly in line with the energy conservation certificates objective assigned to the Gaz de France Group.

Vectors of a reputation as a socially responsible enterprise, energy conservation services are a strategic response for Gaz de France to limit greenhouse gas emissions and preserve resources.

Mutual interest in reducing energy consumption

In certain of its energy supply contracts (P1 contracts), Gaz de France commits, through its subsidiaries, to ensure that the inside temperature remains at the same level without the customer having to worry about supply. An optional mutual interest clause addresses the issue of reducing energy consumption.

In Toulouse, for example, a residence of 163 apartments equipped with natural gas reduced consumption by 23% since it signed a P1 contract with Gaz de France – Cofathec.



NATURAL GAS CONSUMPTION

- BEFORE THE P1 CONTRACT: 10,024 kWh PER APARTMENT
- 1st YEAR OF THE CONTRACT: 8,231 kWh PER APARTMENT, REPRESENTING - 18%
- 2nd YEAR OF THE CONTRACT: 7,781 kWh PER APARTMENT, REPRESENTING - 23%

Energy performance in the commercial and industrial sectors

With its service subsidiary Cofathec, Gaz de France offers its customers both regular gas supplies and related services. It is not a question of selling more, but of selling better. One of the main objectives of the Services branch is to optimize customer consumption and improve energy efficiency through:

- energy audits;
- efficient equipment (design, sizing, installation, etc.);
- improved production and distribution output;
- operation of equipment;
- equipment servicing.

In addition, results-based contracts help reduce energy consumption. Contract performance is measured automatically. Any divergence in consumption is the financial responsibility of the service operator.

MANAGEMENT AND MAINTENANCE OF A GEOTHERMAL DISTRICT HEATING NETWORK EAST OF PARIS BY COFATHEC CORIANCE.



At the regional level, the concept of industrial ecology makes progress

After DK6 in Dunkerque, a combined cycle power plant in northern France recycles almost 4 billion m³ of blast-furnace gas from the nearby Arcelor steelworks to produce electricity. The Gaz de France Group thereby promotes regional ecology in Lille as an Agenda 21 partner, since the agreement was signed in June 2000. The project is piloted by Gaz de France's Research and Development division and Auxilia. It involves mobilizing local players to analyze consumption in the region, understand the results and introduce more responsible use of energy resources and raw materials. The project is based on methodology that analyzes flows of raw materials and energy (water, construction materials, food products, textiles, waste) and then makes recommendations. The latter include a deconstruction policy and the creation of new sources for construction materials, such as the recycling of used textiles and the reuse of sand from purification stations. With regard to energy, local production could be increased, in particular through the development of district heating networks using biomass from local pruning waste, etc.

Gaz de France is committed to reduce its customers' consumption with the help of technology. In a recent example, Cofathec built a high-performance district heating network at Saluzzo, Italy, with cogeneration for heating and hot water.



THIS HOUSE BENEFITS FROM ENERGY PERFORMANCE LEVELS THAT ARE 20% HIGHER THAN 2005 HEATING REGULATION REQUIREMENTS SINCE IT IS EQUIPPED WITH REINFORCED INSULATION, DUAL-FLOW VENTILATION WITH A BURIED AIR DUCT, A CONDENSING BOILER WITH SOLAR PANELS ON A ZINC ROOF TO PRODUCE HOT WATER, EFFICIENT TEMPERATURE REGULATION IN EACH ROOM WITH AN OUTDOOR TEMPERATURE SENSOR, LOW-TEMPERATURE UNDERFLOOR HEATING, AND A WOOD STOVE.

Innovation and research to promote sustainable buildings

The Group's R&D teams conduct studies on bi-climatic buildings. They look for solutions to limit the use of air conditioning (which consumes much energy) during the summer, such as finding the best orientation for the building, covering the outside walls with plants to absorb the heat in the summer, setting up shading devices in commercial buildings, etc.

Energy Efficiency in Buildings is one of the international projects in which Gaz de France participated in 2006 with ten other world leaders on the World Business Council for Sustainable Development (WBCSD) to imagine tomorrow's positive energy buildings.

Pierre Marx, VICE PRESIDENT FOR COMMUNICATION, MEMBER OF THE CONSEIL SUPÉRIEUR DE L'ÉNERGIE.

Elyane Zarine, GENERAL SECRETARY.



OR.GE.CO gives its opinion

What do you expect from energy operators like Gaz de France in the field of energy conservation?

"Messages on this subject are often blurred by incentives to consume energy generated by a society of 'over-consumption'. Operators like Gaz de France have the responsibility to inform and advise consumers. We want the message to be coherent for consumers – they are advised, on the one hand, to install insulation and, on the other hand, to multiply air-entry points, recommendations that can appear to be contradictory.

Energy conservation services should be free of charge. This would be a way for a company to differentiate itself from the competition in these times of deregulation. In any case, consumers should see a reduction in their bills.

Generally speaking, consumers should be offered something in exchange to encourage them to improve insulation at home. There are already tax rebates for renovation and insulation, but we are also waiting for Gaz de France to contribute to research on improved insulation materials and to develop more innovative solutions.

A particular wish would be that all this be included in a social housing bill submitted to French legislators."

OR.GE.CO is a consumer protection organization, whose representatives, like those of other national consumer groups, are in close touch with the Group and, in particular, the Gaz de France ombudsman. Independent from all the Group's local agencies and offices, the ombudsman has the final say in settling disputes between the Group and its customers. In 2006, 648 cases were submitted to the ombudsman, who agreed to study 44 of them. They basically concerned billing, works, commercial offerings and rate changes.

© Detailed information of discussions between the Gaz de France ombudsman and national consumer organizations can be found at www.gazdefrance.com/complementsrdd

Developing renewable energy

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

- heating by relying on the complementarity of natural gas and solar energy or biomass;
- electricity, with an objective, by 2012, of 10% of its power generating assets from renewable sources, in particular wind power and wood-biomass.

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

Complementarity of natural gas and renewable energy in heating

In the field of heating, the offerings proposed by Gaz de France DolceVita® include solar panels for hot water and space heating.

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

Cofathec, a partner in wood energy

Following the agreement with the forestry cooperative GCF in 2005, Cofathec confirmed its commitment to develop biomass in France by signing a framework agreement in 2006 to supply district heating networks with wood energy in cooperation with the French forest service for government-owned land. Work continued to determine the best projects for the combined production of electricity and heat by biomass-powered facilities. Several projects using straw or wood are already in the final stages and will be submitted within the framework of the tender issued by the French energy regulatory commission.

In 2006, Cofathec Coriance was awarded a 24-year franchise by the City of Castres to create and operate a district heating network using wood energy, with natural gas as a supplemental energy. The network will heat municipal offices and facilities, the regional hospital center, the police and several social housing complexes for an annual sales volume of 18,500 MWh (6.5 MW wood-burning boiler, 8,000 metric tons of wood/year, 6 MW gas boiler).

WOOD CHIPS USED AS FUEL AT THE ALENÇON BOILER PLANT.



Gaselys and green electricity

With Gaselys, two leading French companies have changed over to green electricity. Société Générale and Orange called on Gaselys in 2006 to obtain green certificates. Green certificates are trading instruments that indicate the green origin of the electricity shipped to consumers. They are issued in France by Observ'ER, a member of the Renewable Energy Certificate System, to each supplier of electricity produced from renewable energy. Their trading value represents the additional cost paid by the consumer to have green energy. Gaselys acquires certificates from small producers of hydraulic, wind power or biomass electricity.

Power production using wind and biomass

In the field of electricity, the objective of the Gaz de France Group is to have 10% of its power generating assets from renewable energy sources. The use of wind power is a step in this direction, as demonstrated in 2006 with the creation of Maïa Eolis. Other European initiatives confirm the Group's commitment to wind power. At Earlsburn, in Scotland, Gaz de France will acquire all the wind energy produced by Falk Renewables (35 MW) as of 2006, in a country in which renewable energy is to supply 5.5% of electricity. In Belgium, Spepco, a subsidiary of SPE, is developing the Dinant (six 2 MW wind turbines) and Wanze (addition to an existing wind power facility) projects, which benefit from green certificates introduced by the government to promote renewable energy.

SOLAR-GAS EQUIPMENT SOLUTIONS ARE AN INTEGRAL PART OF THE OFFERINGS PROPOSED BY GAZ DE FRANCE DOLCEVITA PREMIUM® AND DOLCEVITA PERFORMANCE®. THEY ACCOUNT FOR 60% OF THE SOLUTIONS RECOMMENDED IN THESE OFFERINGS.

Maïa Eolis



Maïa Eolis, a new European developer of wind power facilities. Through Maïa Eolis, Gaz de France aims to develop wind power facilities with a capacity of 1,000 MW by 2012. This subsidiary was created at the end of 2006 in partnership with the Lyon company Maïa Sonnier. Maïa Eolis currently has 48 MW in production and 600 MW in development. In five years, the Group will be able to supply wind power electricity to 300,000 dwellings and reduce CO₂ atmospheric emissions by 2 million metric tons per year.



Performance in response to industrial challenges

As an industrial operator, Gaz de France aims to provide an example by promoting best practices in safety, and strives with determination to reduce the environmental impact of its activities.

Ensuring health and safety, a priority

Safe operating conditions: targeted approaches by segment

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

-The **Exploration and Production** division, which employs many contractors, introduced a Health Safety Environment management system that incorporates the segment's best practices and makes it possible to maintain high safety standards. In Algeria, Gaz de France helps a local drilling contractor apply international E&P industry standards.

The Exploration and Production division's accident frequency rate for employees and contractors was 1.5 in 2006.*

- **GRTgaz**, a Gaz de France subsidiary, oversees the transmission of natural gas in France. Here, the priority is to ensure the safe operation of pipelines, which are kept under constant surveillance via on-site inspection, remote supervision, aircraft and helicopters to deter third-party interference, and smart pigs to limit the risk of corrosion, in particular.

* Accident frequency rate = number of accidents per million hours worked

The leak rate per unit length of GRTgaz's pipeline is lower than the average of the 12 European Gas Pipeline Incident Data Group operators.

- The **Major Infrastructures** division oversees 14 facilities in France: 2 LNG terminals to regasify liquefied natural gas and 12 underground storage facilities. Risks, in particular those linked to losses of natural gas, are assessed and controlled within the framework of the safety management system implemented at these facilities.

No significant accident has occurred at these 14 facilities since 2003.

- Downstream, **Gaz de France's distribution activities** deliver energy to customers. Here, the factors of risk are linked to the vulnerability of the mains, which must be maintained but also protected from external risks, such as accidental or intentional third-party interference. In 2006, the Company secured 2,880 low-pressure service laterals. Together with the *Fédération Nationale des Travaux Publics*, Gaz de France's distribution activities launched a prevention campaign to ensure a significant reduction in third-party interference. This involved increasing the awareness of contractors and training supervisors to assess risks and introduce best practices.

966 kilometers of grey cast iron mains replaced in France in 2006.

At the end of 2006, there were only 153 kilometers of grey cast iron mains left to replace with polyethylene piping in the French distribution network. This achievement was due to the acceleration of the replacement program and the decision taken in January 2005 to eliminate grey cast iron mains completely by the end of 2007.



LABORATORY TESTS ON POLYETHYLENE BY ÉGÁZ-DÉGÁZ, WHICH HAS OPERATED POLYETHYLENE NETWORKS IN HUNGARY FOR MORE THAN 30 YEARS.

- **International activities:** the International branch works with Company subsidiaries (Égáz-Dégáz, Italcogim/Arcalgas and Distrigaz Sud) to assess the maturity of their management systems with regard to safety and the environment. The results are scheduled for 2007. In addition, the Romanian and Hungarian subsidiaries included funding for network upgrades in their multi-year investment programs. To enhance industrial safety, equipment upgrades (cathodic protection, modernization of pressure regulating stations, etc.) are also planned.

500 kilometers of mains replaced by Distrigaz Sud in 2006.

- Even if Gaz de France's responsibility only extends as far as the gas meter, the Group decided to invest in **consumer safety**, since end users account for 97% of the risks of accidents involving natural gas. Since 1997, Gaz de France has offered its residential customers a quality audit (Diagnostic Qualité Gaz de France®) of their household installations to make sure that



Management of industrial safety: Cofathec's approach

Since July 1, 2003, directives n° 1999/92/EC and n° 94/9/EC on equipment and systems in use and the safety of workers in potentially explosive atmospheres have been in force throughout the European Union.

In order to satisfy its general obligation to ensure the safety of its employees and its obligation to inform and advise its customers, Cofathec adopted a structured approach inspired by the European directives in all its contracts (heating, cogeneration, etc.):

Stage 1: informing all the customers concerned by sending a standard letter;

Stage 2: drawing up an inventory of the installations concerned;

Stage 3: assessing and defining action plans to ensure conformity with requirements or requesting that conformity be ensured if it is the customer's responsibility;

Stage 4: carrying out works, which Cofathec will be commissioned to do, and monitoring any facility zoning customers need to determine.

At the same time, all of Cofathec's operating staff was trained in safety awareness. Two individuals per agency trained in this risk category are responsible for organizing training sessions for all local technicians. Lastly, the tool developed to monitor the approach at all facilities is now operational.

nothing jeopardizes their safety. The whole system is checked: the fitting line, connections, ventilation and combustion. The Group has already conducted 4.5 million natural gas safety audits and, when necessary, done the repairs.

4.5 million residential customers have benefited from Gaz de France quality audits since the program was introduced in 1997.

Isigaz, safety and solidarity in critical urban areas

Gaz de France targets the objectives of safety and solidarity by proposing solidarity quality audits (Diagnostic Qualité Gaz de France Solidarité) since 2001 and increasing safety awareness in critical neighborhoods through the Isigaz program, which was created in 2005. Audits in certain neighborhoods revealed that, for the most part, equipment safety problems could be attributed to the fact that cooking appliances were not correctly connected and/or that there was not sufficient ventilation. It therefore seemed best to bolster prevention and communication efforts in critical areas.

In 2006, the Isigaz initiatives launched as a test in 2005 in Marseille, Lyon and Lille were progressively extended to some 20 other French regions. The objective is to audit 70,000 customers by the end of 2007. As of the end of 2006, Gaz de France had trained 80 local mediators. Almost 17,000 safety information and awareness home visits had taken place. More than 3,600 screwed flexible connectors had been installed for customers free of charge.

In addition, 29,400 other customers housed through the Company's Fonds de Solidarité Logement program or leases signed with social housing authorities benefited free of charge from Gaz de France's solidarity quality audits, representing 8.4% of the quality audits conducted in 2006.

Altogether, these initiatives mobilized an investment of almost 2.6 million euros in 2006.

Occupational health and safety for employees and contractors

Gaz de France is committed to enable all employees to benefit from working conditions that protect their health and safety, and to promote initiatives targeting better prevention in these fields.

The Group is convinced that well-being in the workplace is a key factor in improving employee safety, professional expertise and enhanced performance.

Annual or multi-year commitments incorporate progress objectives for the divisions and subsidiaries, in particular at the level of accidentology and the control of risks characterized by long-term effects (risks related to chemicals, psycho-social phenomena, pandemics, weather conditions, musculo-skeletal problems, etc.).

To promote industrial safety, employees should be on the lookout for malfunctions and potentially hazardous situations. The responsibility of each worker and of each manager is a basic tenet of the Group's occupational health and safety policy, which has been in effect since 2005.

MEDIATORS FROM THE NON-PROFIT ORGANIZATION MÉDIANCE 13 IN MARSEILLE.



The improvement of safety at service provider companies is also an important issue for Gaz de France. At the site of the future LNG terminal at Fos Cavaou in the south of France, a partnership between Gaz de France and service providers led to a 66% reduction in the number of occupational accidents with lost days in 2005-2006. In addition, two exploration and production subsidiaries launched a program to review management approaches or human behavior in the field of occupational safety, requiring the active participation of management in Group entities to design initiatives. These efforts have already borne fruit, such as a decline in the number of accidents and incidents through better organization of the decision-making process, the application of work procedures, and sharing practices among teams.



Limiting the overall environmental impact of Group activities

From policy to the ecological footprint

First codified in 1993, the environment policy was updated in 2004. It aims:

- to reaffirm the importance of incorporating environmental considerations into Group activities;
- to better respond to the expectations of external stakeholders by focusing on the risk of climate change and fostering the development of renewable energy sources;
- to expand the involvement of the different Group entities and encourage them to implement and hone environmental policy.

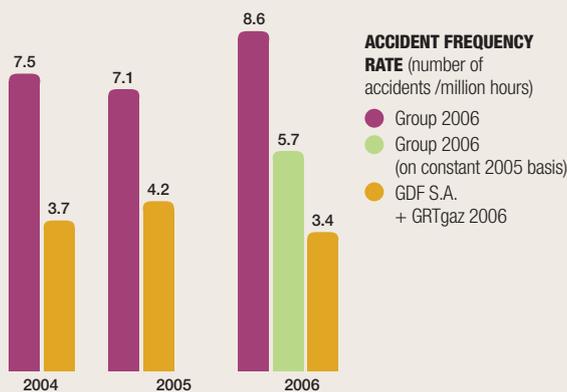
The implementation of environmental policy provisions leads to discussion and contracts based on the QSE-RM approach between the entities and executive management.

In order to ensure application, Gaz de France developed a system to evaluate the stages of awareness of its environmental policy by the divisions, subsidiaries and business units, on the one hand, and by the Group as a whole, on the other (see the diagram below).

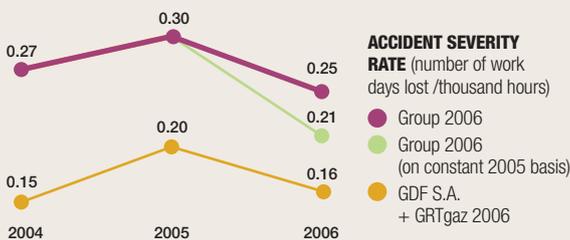
ON LNG TANKERS, SAFETY IS A PRIORITY.

CREW SAFETY IS DEFINED IN MANY INTERNATIONAL CONVENTIONS. THE SPECIFIC CLAUSES IN THE AGREEMENTS PROPOSED BY GAZ DE FRANCE FOR THE CHARTERING OF LNG TANKERS PROVIDE MAXIMUM PROTECTION.

ACCIDENT FREQUENCY AND ACCIDENT SEVERITY RATES

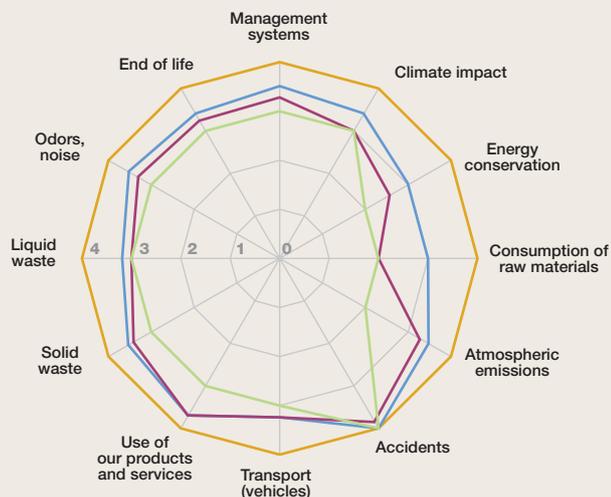


THE CONSOLIDATION OF A SERVICES SUBSIDIARY IMPACTED THE ACCIDENT FREQUENCY RATE. ON A CONSTANT BASIS, THE GROUP FREQUENCY RATE IMPROVED NOTABLY, WITH A SIGNIFICANT DROP IN ACCIDENTS, VIZ. 299 WORK ACCIDENTS WITH LOST DAYS IN 2006, DOWN FROM 367 ACCIDENTS IN 2005. THIS TREND IS CHARACTERISTIC OF ALL THE GROUP'S BUSINESSES, AS CAN BE SEEN IN THE TREND IN THE FREQUENCY RATE AT GAZ DE FRANCE S.A. AND GRTgaz.



ACCIDENT SEVERITY DECLINED WITH REGARD TO BOTH THE NUMBER OF LOST DAYS AND THE AVERAGE. IN 2006, NO ACCIDENTAL DEATH OF A GAZ DE FRANCE EMPLOYEE WAS REPORTED (GAZ DE FRANCE S.A. AND FULLY CONSOLIDATED SUBSIDIARIES).

EVALUATION OF THE STAGES OF AWARENESS OF THE ENVIRONMENT POLICY



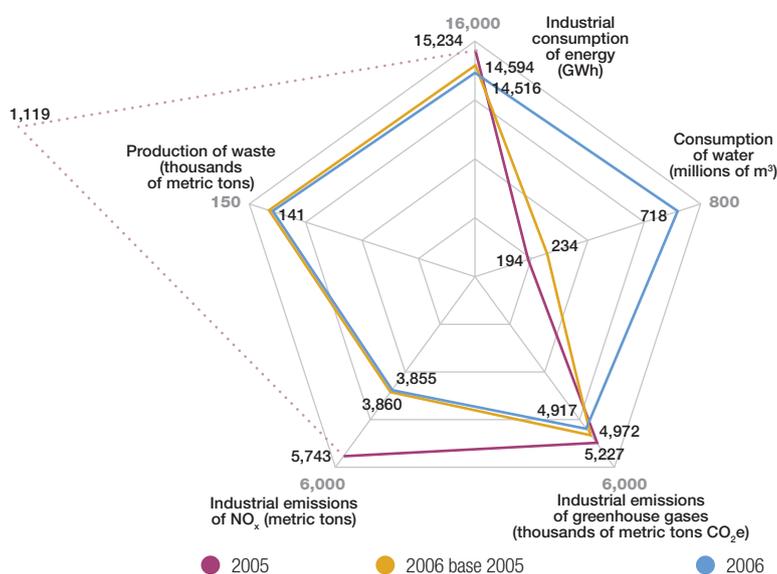
Evaluation on four levels 1 Indifferent; 2 Initial or regulatory compliance of facilities; 3 Active; 4 Committed.

- Highest rating attributed to a division in 2006
- Lowest rating attributed to a division in 2006
- Group's average rating in 2006
- Group's average rating in 2005

THE REGULATORY COMPLIANCE OF FACILITIES IS A POINT THAT IS WELL MANAGED BY THE GROUP FROM THE WELLHEAD TO THE BURNER TIP.

Verified by the Company's auditors, the consumption of energy, industrial emissions of greenhouse gases and NO_x, the consumption of water and the production of waste are the five indicators that determine the Group ecological footprint, which is measured and monitored every year (via the sustainable development report to the Chairman and Chief Executive Officer) for more effective risk control.

ECOLOGICAL FOOTPRINT. THE SIGNIFICANT CHANGE BETWEEN 2005 AND 2006 CONCERNS NO_x EMISSIONS. THE DECREASE WAS DUE, IN PART, TO THE UPGRADING OF COMPRESSORS AT STORAGE FACILITIES AND IN THE TRANSMISSION SYSTEM (SEE INDICATORS, PAGES 58-63).



Protection of biodiversity

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

The program for 2007 includes a detailed assessment of impact and priorities, a new chapter in environmental policy on the preservation of biodiversity, and the development of measurable objectives and relevant indicators.

Heightening awareness of the ecological footprint

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

The ecological footprint is the basis for three concomitant programs:

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

Informing and consulting the local community

The Gaz de France Group seeks to keep channels of communication open at its industrial facilities. It develops active and regular communication on operations at the site (safety, environmental impact, etc.) by reaching out to stakeholders and providing them with transparent information whenever the local community is consulted at public meetings or in special committees created by the French law of February 1, 2005, on risk control and urban development near Seveso sites.

Rehabilitation of former gas plant sites

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

Gaz de France's commitment was confirmed on April 25, 1996, when Gaz de France signed a ten-year protocol agreement with the French Ministry of the Environment, on the control and monitoring of the rehabilitation of former gas plant sites in France.

At term, on April 26, 2006, Gaz de France had respected all its commitments to rehabilitate former facilities. A total of 467 sites had been audited and rehabilitated, and 834 acres of land had been vetted for urban development. Gaz de France invested 164 million euros over ten years in the rehabilitation of former gas plant sites in France.

In Germany, EEG pursued its program to rehabilitate land polluted by its former activities (gas facilities and exploration and production sites). The program is carried out in liaison with the relevant authorities of the German states concerned, which finance 90% of such expenditures.

The Gaz de France Group will continue to manage its former gas plant sites in conformity with the principles that guide national policy with regard to surface and ground pollution.

LIMITED IMPACT AT THIS PIPE INSERTION WORKSITE IN TOULON.



Bernard Cressens,
CONSERVATION DIRECTOR.



Dominique Royet,
HEAD CORPORATE.



WWF France gives its opinion

As an industrial entity operating in France and internationally, Gaz de France has an impact on biodiversity. Could you speak of some significant initiatives launched to protect biodiversity?

"Up to now, the Group has been more involved in sponsorship activities. We worked with the Group on tracing the pipeline route in the Camargue in order to limit any impact on biodiversity to the greatest extent possible. We also launched the "Promise" project, which involves the development of a natural park at Les Marais du Vigueirat. The project led Gaz de France to address much broader questions, such as water and waste management. This enabled the Company to acquire expertise. But it has also served to highlight commitments that the Company can use to burnish its image, since it is important for companies to have more than just a commercial role in a country's regions. This can be a decisive factor in a local community's acceptance or refusal of a company's activity, and local communities are increasingly aware of ecological issues."

What other questions are raised by your expectations vis-à-vis an industrial operator like Gaz de France? *"Concerning the question of energy, we have three major desiderata: the promotion of energy conservation, energy efficiency and investment in renewable energy. At the same time, the operator has a responsibility to educate customers with regard to energy savings. All that, within an international framework that respects certain ethical criteria, for we do not want to see resources exploited in such a way that economic and social differences between the North and the South become more marked."*

IN ALSACE, COMMITMENT TO SAVE MOUSETAILS

At the site of a future salt cavity storage facility in Ensisheim (Alsace), the Group helped save a field of rare wildflowers, called mousetails. Eight thousand square meters of flowered land were bought and handed over to local authorities (Conservatoire des Sites Alsaciens) within the framework of a multi-year partnership to save this endangered species.

Performance in response to social responsibility challenges

A committed supporter of sustainable development, the Gaz de France Group addresses the social and society-related impact of its activities. The Group is committed to corporate social responsibility, performance and progress vis-à-vis all its stakeholders – customers, suppliers, shareholders, employees, labor organizations and the community-at-large.

Advocating corporate social responsibility, an expression of the Group's identity

At the beginning of 2006, the Gaz de France Group launched a corporate social responsibility (CSR) approach that has complementary aspects: defining a code of conduct, sharing a common managerial benchmark, and building a corporate social responsibility agreement at the Group level.

Defining a code of conduct

Rallying all Gaz de France employees around shared values is the idea behind the Gaz de France Group's business ethics program, introduced in 2005. This social solidarity approach becomes fully operational when the Company undergoes profound change.

In 2006, the business ethics program was grounded in meetings with employees and management, as well as in internal and external surveys of Group stakeholders. More than 2,000 people participated in defining key values.

The objective is to draw up a code of conduct, broken down into action principles, which in turn set business codes for certain entities, i.e. transmission, distribution, finance, audit, procurement and trading, for example. A piloting and monitoring system ensure the program's efficiency.

Sharing a common managerial benchmark

The Group's program to benchmark managerial practices, Progress in Management Practices (PROMAP), was finalized in 2006 and is currently being implemented. These managerial practices, applicable throughout the Group, are broken down into six main areas:

- communicating with employees and employee representatives;
 - promoting diversity and combating discrimination;
 - developing employability;
 - recognizing and rewarding responsibilities and work contributions;
 - constantly improving working conditions;
 - anticipating and accompanying restructuring.
- Every manager is responsible for defining managerial improvement priorities from among the common references. A reporting procedure at the level of the Group then makes it possible to develop best practices, measure the progress made and decide what adjustments are necessary.

Building a corporate social responsibility agreement for the Group

Labor negotiations target a CSR agreement in 2007. Based on shared values it expresses the Group's commitment to sustainable development and the social and human resources ambition that drives its development project.

The codes of conduct operative at GRTgaz, the Major Infrastructures division and Gaz de France distribution activities define the rules on confidentiality and non-discrimination that govern supplier access to natural gas facilities.

Promoting human rights and fighting corruption

Significant progress during the year

Although Gaz de France has developed mostly in countries in which human rights are respected in the workplace and there is little corruption, these issues remain sensitive in certain countries. In 2006, the Group strengthened its commitment in these fields through three concrete initiatives. In April, Gaz de France joined the Extractive Industries Transparency Initiative. EITI is a voluntary initiative on the part of local governments and companies that promotes transparency with regard to the payments and revenues of extractive industries in resource-rich countries. In the field of corruption, the specialized consultants who assist the Group in the preparation of requests for exploration and production licenses are selected on the basis of criteria that include the absence of any conflict of interest.

NET SALES BY COUNTRY ACCORDING TO TRANSPARENCY INTERNATIONAL'S CORRUPTION PERCEPTIONS INDEX (%)



MOST OF THE GAZ DE FRANCE'S NET SALES ARE IN AVERAGE RISK COUNTRIES (LIKE FRANCE). THE GROUP'S CURRENT EXPANSION IN NEW AREAS MAY INCREASE ITS EXPOSURE TO THIS RISK.

YANNICK TAGAND, EITI, ECONOMIC AND FINANCIAL AFFAIRS DIVISION, MINISTÈRE DES AFFAIRES ÉTRANGÈRES.



A French government point of view

What role do private companies play in EITI?

"They have a major role in this initiative, whose objective is to encourage States to make public the revenues they receive from the operations of extractive industries, and companies to publish the payments made to the States. What constitutes EITI's strength is its ability to bring together all the stakeholders in the extraction of resources from the earth and civil society organizations. The initiative makes it possible to promote transparency in a cooperative manner, and bolsters the idea companies are essential players in globalization and sustainable development."

What are your expectations with regard to the participation of companies like Gaz de France in this initiative?

"The participation of French companies in EITI is very important from our point of view, and we are very happy that Gaz de France has joined this initiative, which commits it to participate in lasting transparent management of the natural resources it extracts. Its membership is all the more relevant since its activities led the company to an EITI member-country, i.e. Mauritania. This experience is interesting to the extent that it accompanies Mauritania's new status as a hydrocarbon producer."

What interest does a company like Gaz de France represent for EITI?

"Given the fact that membership is voluntary, EITI's success depends, to a certain degree, on how many parties it can federate. Gaz de France's commitment, which is concomitant with the expansion of its exploration and production activities, is therefore very important."

Enhancing financial transparency can also boost investments, and on that basis, the reliability of energy supplies, which is in the interest of us all.

Beyond the interest that such an initiative represents for the reputation of a responsible global enterprise, EITI also makes it possible to develop, for the extractive industry sector, clear and common rules for environmental and social responsibility. It is, therefore, in a company's interest to sign up."

With regard to human rights, in 2006 the Gaz de France Group became a member of *Entreprises pour les Droits de l'Homme* (EDH), the French branch of the Business Leaders Initiative on Human Rights (BLIHR). The Exploration and Production division launched a study to assess risks linked to human rights based on BLIHR principles in order to determine the monitoring procedures that should be set up to improve its responsibility in this field. In order to verify compliance with protection standards defined by the International Labor Organization, visits are organized to worksites run by contractors who are Group partners to monitor their employees' working conditions.

Increasing awareness and encouraging best practices

Why join EITI and EDH? To make a commitment and act, to satisfy expectations stakeholders feel strongly about, of course, but at a deeper level, to participate in the progress made in international practices and standards. Human interest here meets economic interest – moving the whole sector forward on the basis of values shared with other companies means living a code of business ethics and being prepared for unfair competition from players that do not comply with international practices. From the inspection of working conditions to increases in the minimum wage, from the strict selection of contractors (bids submitted in individual sealed envelopes, for example) to requirements mentioned in Gaz de France contracts, the measures taken introduce a more ethical focus and more respect for human rights. This approach also guided Gaz de France in 2006 to renew its membership in Transparency International, an NGO dedicated to governance, transparency and business ethics.

Piloting the Group's solidarity policy



Launched by the Sustainable Development division and piloted by the Solidarity department, the solidarity policy defined in 2004 was implemented in the divisions and subsidiaries in response to stakeholder expectations. Gaz de France country and regional representatives ensure consistency at the regional level with the support of regional solidarity team members. The Solidarity department reports on its initiatives every six months.

Encouraging commitment to solidarity

Solidarity is an integral part of the culture and identity of Gaz de France, which intends to exercise this responsibility vis-à-vis the community-at-large as:

- an energy supplier, with energy as an essential commodity for vulnerable customers;
- a partner of local authorities, by operating throughout the country's regions;
- an employer, for its employees, by offering the same opportunities to all men and women who have the same capacities in recruitment and career development;
- an enterprise, for its shareholders, because social responsibility provides leverage for performance and loyalty.

Solidarity with underprivileged customers

Gaz de France has set up customer relations centers to advise and assist customers who have difficulty paying their bills.

- It makes available a toll-free solidarity number in France for customers in emergency situations.
- Every year, Gaz de France contributes 3 million euros in matching funds to the Housing Solidarity Fund, which is managed by France's general councils to help underprivileged customers pay their energy bills. The Group also created an exceptional fund, the Gaz de France Energy Solidarity Fund, which has been endowed with 10 million euros to complement the Housing Solidarity Fund between 2006 and 2008.
- A toll-free number for local social workers (social assistance teams, Housing Solidarity Fund correspondents, etc.) was introduced in the second half of 2006 to enable Gaz de France staff to work more closely with this sector.
- Since the fall of 2006 and throughout France, Gaz de France has bolstered the foundations of these partnerships by working closely with local mediation groups. The goal is to move the Group closer to its most vulnerable customers and help it welcome, advise and direct them to Gaz de France advisors and/or social workers.

- Gaz de France's Isigaz domestic safety program works with local mediators to heighten customer awareness of natural gas safety requirements in deprived urban areas. In 2006, 17,000 natural gas safety demonstrations were conducted in customers' homes (see page 40).
- At the end of 2006, the Group launched two energy conservation experiments targeting the underprivileged: Ecogaz, to study how to improve gas consumption in 20 homeowner dwellings, and Gazeco, to develop and test a natural gas conservation kit prior to national release.

Promoting social integration in critical neighborhoods

The national agreement entitled *Villes et cohésion sociale*, which Gaz de France signed on May 30, 2006, confirmed the Group's commitments into 2007 to promote social integration in critical urban areas.

Three priorities were identified:

- the presence of Gaz de France in French regions and the quality of its services. Through its involvement in local social mediation organizations, Gaz de France focuses on preventing indebtedness, advising on the safety of installation pipework and promoting energy conservation in critical urban areas;
- participation in urban renewal projects. Gaz de France works with local players in their projects by promoting operations of high environmental quality and upgrading the safety of domestic installations;
- equal employment opportunity. Gaz de France continues to facilitate access to jobs and contribute to the professional integration of young people from critical neighborhoods by reserving 10% of new hires for them, developing apprenticeship programs and welcoming individuals hired through assisted contracts.



The Fondation d'entreprise Gaz de France sponsors social integration in critical urban areas

Together with the protection of natural and cultural heritage, solidarity is one of the three targets of the project financing activities sponsored by the Company foundation, Fondation d'entreprise Gaz de France.

For example, backing Gaz de France's investment in sports partnerships, the foundation dedicates 45% of its budget to projects supporting social integration through sports activities. The foundation is thus:

- a partner, since 1999, of the non-profit organization *Fête le Mur* created by Yannick Noah, which trains teens from critical neighborhoods in tennis;
- a partner for ten years in the *Agence pour l'Education par le Sport*; in 2006, a call for projects dubbed *Make Us Dream* sponsored some 100 organizations dedicated to social integration through sports.

Social integration through culture was also funded, as the foundation sponsored 15 writing workshops in 2006. Solidarity was also highlighted by the foundation's support for the French program to collect small change for the underprivileged and the *Paris tout-p'tits* non-profit group, which distributed 76,000 food and care packages to 2,000 Paris families in 2006.

NATIONAL FÊTE LE MUR TOURNAMENT AT ROLAND GARROS, JUNE 24-25, 2006.



With Emmaüs France, fighting against exclusion

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

- allowing vulnerable families to remain in their homes and assuring the underprivileged of access to energy, with awareness campaigns on energy conservation and advice for individuals who have difficulty paying their bills;
- providing jobs and professional integration, through some 100 assisted contracts and internships to discover employment opportunities in the natural gas industry, and by backing the development of the economic activity of Emmaüs France, which is based on the recycling of second-hand goods and furniture;
- encouraging the commitment of Gaz de France employees and their families by matching their work for a non-profit organization outside of work hours with a contribution of Company skills for an equivalent period (limited to five days per year per employee);
- supporting solidarity sponsorship initiatives, developed together by Emmaüs France and the Fondation d'entreprise Gaz de France.

@ Concrete examples of the partnership between Gaz de France and Emmaüs France are provided at www.gazdefrance.com/complementsrdd

Solidarity throughout France

Many initiatives have been launched to promote employment and local development by regional entities and their local partners:

- **subcontracting social integration services** (upkeep of landscaping of gas facilities entrusted to non-profit groups or social integration organizations in several French regions);
- **participating in local inter-company projects to create jobs** (internships with Alliances in the north of France, job dating with the *Fondation Agir contre l'exclusion* in Rennes, jobs for young people with *Emergence* in Le Havre and with *Grandde* in Rouen, the Women and Sports project in Normandy, social and professional integration of young delinquents with CROS Aquitaine in Bordeaux, etc.);
- **contributing to local economic development initiatives** (financial assistance to help the unemployed create their own companies in Burgundy and Franche-Comté, participation in clubs of companies, etc.).

Within the framework of its multi-year partnership, Gaz de France ESS organizes a seminar on Energy and the Environment every year, and through the commitment of its employees, supports social and environmental initiatives in Leeds, United Kingdom.

Codegaz: humanitarian efforts in France and internationally

At the end of 2005, Gaz de France renewed its partnership for three years with the humanitarian NGO Codegaz. Created in 1989, this organization is made up of roughly 100 active and retired Group employees. In France, Codegaz contributes to the development of prevention and safety programs, the professional integration of young people who are not doing well at school, and support for entities in the Gaz de France Group when natural or industrial incidents occur. Internationally, its commitment primarily targets assistance to distressed populations, in particular by providing access to water resources. More than 20 humanitarian projects and solidarity programs have been launched in 25 developing countries in the fields of water, healthcare, childcare, education and energy in Benin, Burkina Faso, Madagascar, Togo, Mali, Niger, and Senegal. In one example, spirulina is grown in Africa and the Pacific region. This fresh water alga saves almost 10,000 children from malnutrition.

PARTICIPATION IN A LOCAL WIND POWER PROJECT IN COLOMBIA FINANCED BY GAZ DE FRANCE THROUGH THE PROTOTYPE CARBON FUND (SEE PAGE 31): CARDON CACTUS WAS PLANTED TO SEE IF IT COULD BE USED TO BUILD HOUSES AND FEED CATTLE AND FARM ANIMALS.



Promoting regional development through local initiatives

In a small village in France as in southwest Algeria, Gaz de France positions itself as an industrial operator that respects local practices wherever it works. By forging local partnerships, it contributes to the cause of solidarity and regional development.

Gas energy and economic development

The presence of Gaz de France and the expansion of natural gas distribution networks contribute to local development. In each region it supplies, natural gas generates business activity and growth. Companies come to work, the natural gas industry and allied industries create jobs. Beyond the expansion of Gaz de France's natural gas distribution networks, this contribution reflects not only the potential of the product itself but also the Group's determination to promote local development, in particular through the creation of jobs and the transfer of know-how. This commitment is demonstrated in the new competitive environment in which the Gaz de France Group participates in France. Most local governments have chosen Gaz de France as their distributor for the new franchises granted in 2006.

94.8% of local governments were satisfied with Gaz de France's distribution activities in 2006.

Participation in public-private partnerships

Throughout Europe public-private partnerships (PPP) are developing in forms that vary in function of the national legislation and business sector, e.g. the Private Financial Initiative (PFI) in the United Kingdom and the Bail Emphytéotique Hospitalier (BEH) in France.

PPPs amplify synergies between the public and private sectors. The first PPPs were launched in the United Kingdom. Cofathec, Gaz de France's Services subsidiary, uses such contracts frequently in Italy and the United Kingdom. Two of its many initiatives won Premises and Facilities Management Awards in London in 2006. An



CHAMOUILLE IS THE 9,000TH MUNICIPALITY HOOKED UP TO THE GAZ DE FRANCE NATURAL GAS DISTRIBUTION NETWORK, WHICH NOW SUPPLIES ALMOST 76% OF THE FRENCH POPULATION.

example is the Sale Trafford municipal office building in Manchester, for which Cofathec UK takes charge of facility sizing, construction, financing and management with a 25-year contract as of 2002. This project was awarded first prize in the PPP/PFI Partners category in 2006.

Promoting regional development in France and internationally

Among Gaz de France's public service obligations, balanced regional development is the focus of a determined, structured approach that also goes beyond the limits of the parent company and national borders.

- **Grass-roots participation** with the June 23, 2006, signing of a Charter on the Organization of Public Services In Rural Areas by the Gaz de France Group, the State, the *Association des Maires de France* and 13 other major operators. This charter guarantees the continued quality of public services in rural areas.
- **Presence in the neighborhoods**, urban renewal and equal opportunity with the *Ville et cohésion sociale* agreement, signed in May 2006 by Gaz de France and the *Ministère de l'Emploi, de la Cohésion Sociale et du Logement*. Gaz de France thus participates in 44 partnership advisory and orientation centers for the populations of critical urban areas.

Local employment at the planned LNG terminal at Fos Cavaou

The goal of this project is to facilitate the use of local labor at the site (2.5 million hours of work between 2004 and 2008) by coordinating contractor needs and local skills. A pilot committee comprising a group of local municipalities, local employment officials, contractors and Gaz de France has met ten times since 2005. Job forums were organized at the local level. Gaz de France created a job competition, with awards totaling 100,000 euros, to reward companies that took initiatives to create jobs for vulnerable individuals by providing training or tutoring. A job center was opened at the site entrance to facilitate contacts among contractors, local players and job applicants. Landscaping was subcontracted to companies specialized in professional integration. As of November 24, 2006, 300 local workers had been hired, representing 25% of the total workforce.

The balanced development of French regions is one of the public service missions defined in the 2005-2007 public service contract.

The objectives are to increase the number of customers hooked up to the natural gas network, ensure a high rate of satisfaction in local governments, and bolster the Group's regional presence. Indicators are reported annually to monitor the achievement of the objectives set.



The *Fondation Agir Pour l'Emploi (FAPE)* is financed by the personal contributions of Gaz de France employees and these funds are matched by the Company. Since it was created in 1995, with the firm's labor organizations, FAPE has paid out 14 million euros to subsidize 1,366 projects, thus contributing to more than 8,400 jobs. In 2006, out of 232 requests, 130 projects were backed. They will create 643 jobs in the next three years.

- **Sustainable development** with Territoires 21, as Gaz de France supports local government agendas 21 on questions of energy and solidarity. Toulouse has been a particular focus with the sustainable development action plan for the future Cancéropole research center.
- **Rehabilitation** of industrial sites, such as at Châlon-sur-Saône, where Cofathec Services has been contracted by Kodak to rehabilitate the site of its former facility to produce energy and provide related services in addition to taking charge of maintenance for the future industrial zone.
- **Employment** with an objective of 10% of new hires in critical areas, with initiatives launched by the *Fondation Agir Pour l'Emploi (FAPE)*, and with the 2,061 new hires (including 233 managers) in the Services branch alone in 2006.
- **International outsourcing** with, for example, in Romania, the development of partnerships and contracts to local companies in the market for boilers, IT systems and the printing of invoices.
- **Helping small businesses** with the Plato program, for which Gaz de France holds the French license. Plato enables small businesses to benefit, over a period of two years, from the expertise of managers who work in major groups in four key areas: management, human resources, legal and marketing. In 2006, the Plato program was implemented in the Limousin and Pays-de-Loire regions.
- **North-South partnership**, as in Italy with a partnership between Cofathec and the charity organization Banco Informatico, which recycles computers after company upgrades and sends them to schools and universities in developing countries.

AN INITIATIVE TO PROMOTE JOBS IN CRITICAL SUBURBAN NEIGHBORHOODS
IN PARTNERSHIP WITH THE NON-PROFIT GROUP NES, A *JOBS ET CITÉS* RECRUITING BUS VISITED NEIGHBORHOODS IN FIVE SUBURBS OF PARIS IN NOVEMBER 2006 TO OFFER JOBS IN EIGHT LARGE COMPANIES, INCLUDING GAZ DE FRANCE.

Gaz de France, an energy utility and a sustainable development activist at the Cancéropôle research center in Toulouse. The Cancéropôle research center in Toulouse is one of the 67 competitiveness zones created by public authorities. It is located on the site of the former AZF plant, which was destroyed in an accident in 2001. This cancer research center will eventually occupy 260,000 m² of offices and laboratories, with 4,000 employees, including 1,000 researchers. In addition to the facility management services Cofathec provides for the site's first occupant, Laboratoires Pierre Fabre, the Gaz de France Group assists the Greater Toulouse Area in defining and implementing the center's sustainable development action plan.

Training, employment and solidarity in developing countries

Creating jobs, organizing training, hiring local employees, investing in local development and assisting local populations, Gaz de France seeks to become a part of the local community in Algeria, Egypt and India. For example, within the framework of the gas production project in Touat in southwestern Algeria, Gaz de France is preparing training programs for local workers that will make it possible to hire 50 technicians as of 2009. In the future operating company, 75% of the workforce will be Algerian. At the same time, the Group launched long-term solidarity projects in cooperation with the humanitarian NGO Codegaz (see page 48), the United Nations Development Programme, and local Algerian authorities and non-profit groups. The programs set up concern access to water, healthcare facilities and educational supplies for the inhabitants of this very poor region. Microloans are one way to back such projects.

Nesma Brahimi, LOCAL DEVELOPMENT PROGRAM MANAGER, UNDP ALGERIA.



UNDP's point of view

Could you tell us about the partnerships that UNDP Algeria is forming with certain industrial operators like Gaz de France?

"The United Nations Development Programme launched local development projects in southern Algeria, in close cooperation with the Algerian government, in order to strengthen the capacities of local governments and populations to participate in their own development. These projects are part of the Millennium Development Goals, but they are also a response to the call of the Secretary General of the United Nations within the framework of the Global Compact. For the first time in Algeria, certain industrial operators committed with UNDP on pilot local development projects in particularly deprived and vulnerable areas. Certain activities linked to these partnerships are already under way. A partnership agreement is about to be signed with Gaz de France."

What do you expect from these partners in terms of local development assistance in Algeria? *"Generally speaking, the objective of these partnerships is to combine expertise and energy to promote sustainable development, within the framework of the sharing of concrete projects. These initiatives also show local communities how responsible industrial operators are and how committed they are to improving living conditions. Moreover, it is important that companies with a local base learn to appreciate the richness and diversity of local cultures and ways of life."*

The contribution of industrial operators mainly concerns the lasting reduction of poverty, in particular by creating jobs, upgrading the quality of education and training, and consequently improving living conditions.

For each project, we identify needs and priorities with the local population, in order to develop appropriate responses and set up the support networks local governments need. For example, in Daira de Charouine, a particularly poor area in which we will work with Gaz de France, sand control is a priority. Mapping the zones at risk will help improve local planning."

Reconciling acquisitions, procurement and sustainable development

Sustainable development analysis of acquisitions and divestments

The Group Development Acquisition process requires that acquisition, divestment and development projects presented to a Group decision-making body (the Equity Acquisition Committee, the Executive Committee and the Board) be submitted, when appropriate, to a sustainable development analysis according to pre-defined criteria adopted in 2004.

In the companies concerned, these criteria analyze:

- greenhouse gas emissions;
- sustainable development commitments;
- labor laws in the country in question;
- the impact of the acquisition on stakeholders.

Every year, executive management verifies compliance with this principle in the Group's different entities.

Ethics and energy supplies

Gaz de France's trading activity exposes the Group to the question of responsible procurement practices. How can the Company be sure that its suppliers respect the basic principles of sustainable development, in particular human rights?

Gaz de France has signed a long-term procurement contract with a clause stipulating compliance with law and business principles. In addition, the Group checks the guarantees offered by counterparties as to their financial base, shareholding structure, country of registration, etc. – the equivalent of the Know your customers principle applied by banks to fight against money laundering.

Procurement and corporate social responsibility

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

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

Gaz de France S.A. signed ten sustainable development charters with suppliers, representing a significant procurement volume for some of them: Guilbert France (office supplies), Vedioirbis (temporary employment), Onet and Sita (industrial and maintenance services). These charters include mutual commitments and their implementation is subject to close analysis. For example, awareness of the need to collect and recycle electric and electronic waste, social assessment, all the way back to China, of the supply chain for mechanical protection gloves used by Gaz de France.

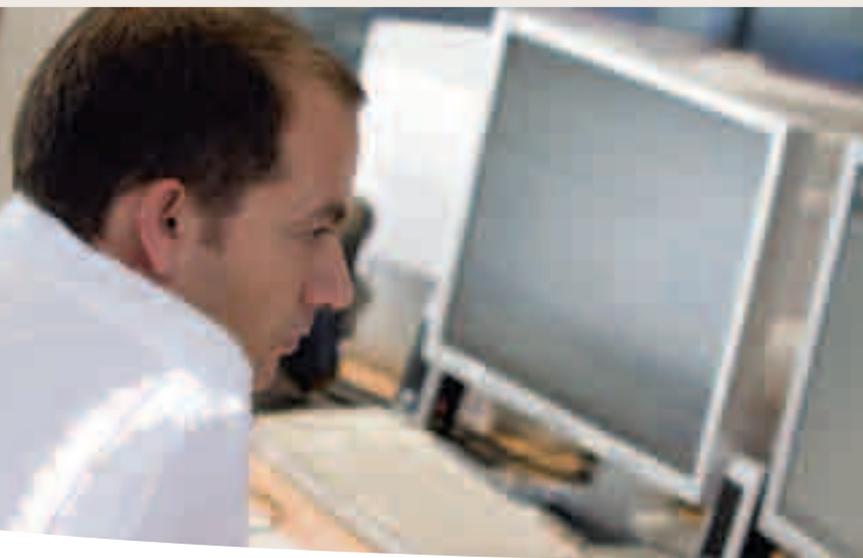
On the other side, the Company guarantees its suppliers fair treatment and transparent buying conditions through:

- the application of objective selection and allocation criteria;
- compliance with the bidding rules published with each tender.

In all tenders, companies whose bids were not accepted may request full details on the reason their bids were rejected.

Whenever a supplier is chosen, Gaz de France evaluates the dependence that a contract would create on the basis of its estimated percentage in the supplier's revenues. This figure is included in the selection criteria applied for applicants and market breakdown to avoid jeopardizing small suppliers.

THE TRADING DIVISION HELPS ENSURE ENERGY SUPPLIES.

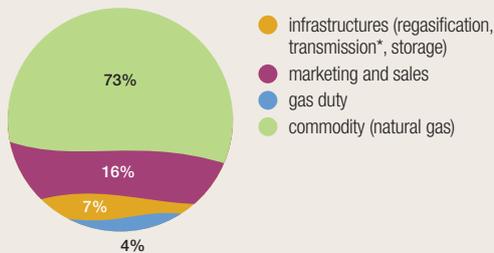


Ensuring transparency in natural gas rates

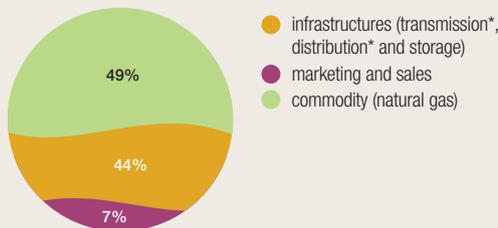
In France, natural gas import prices are indexed, as throughout continental Europe, on international prices for petroleum products over a period of several months. Fluctuations in the price of oil in U.S. dollars and in the U.S. dollar-euro exchange rate therefore impact natural gas import prices after a certain lapse in time.

The rates applied to end consumers vary according to changes in the price of petroleum products. For a very large industrial customer, the cost of natural gas represents a major part of the final price, since storage, distribution and management needs are proportionally less. Its price thus varies sharply with changes in energy market prices. On the other hand, for a customer who consumes less, the cost of natural gas represents a smaller share of the total price than the cost of gas facilities. In consequence, changes in end user rates are proportionally less marked and very close to the average. End user prices for natural gas in France are still some of the lowest compared with the other main European countries.

ESTIMATE OF THE DIFFERENT COMPONENTS OF THE PRICE OF GAS FOR AN INDUSTRIAL CUSTOMER, STS TRANSPORTATION RATE:



FOR A RESIDENTIAL DISTRIBUTION CUSTOMER:



* On the basis of the transportation rates regulated by the French energy regulatory commission.

Providing shareholders with quality information

Gaz de France has two objectives: first to communicate and explain the Group's results and activities, and second, to continue to develop relations of trust and close cooperation with the Company's shareholders. In addition, the Group strives to provide individual and employee shareholders with the same level of information.



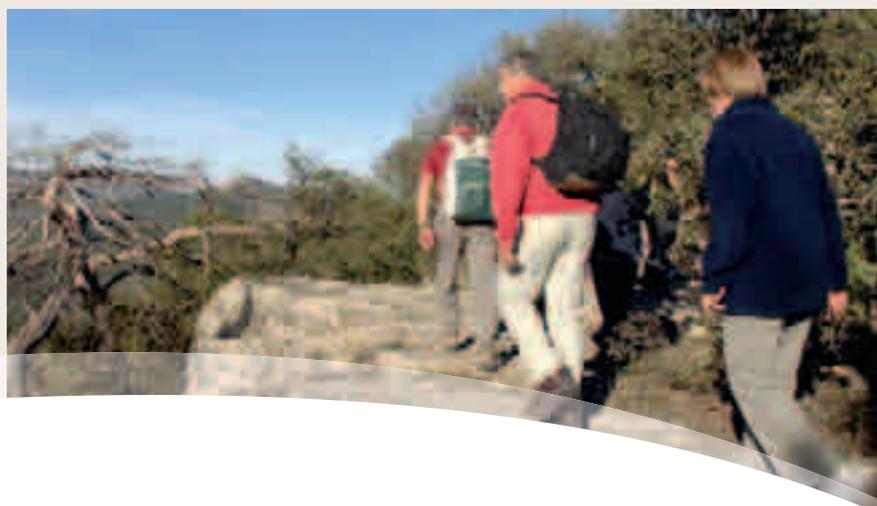
Gaz de France ranked eighth among CAC 40 companies in 2006 for the quality of its shareholder information.

Shareholders have access to a wide selection of informative, pedagogical tools, such as:

- dedicated intranet and Internet forums;
- a toll-free number for employee shareholders and another for individual shareholders, in France;
- regular newsletters (annual results, Annual Shareholders' Meeting, half year results, etc.);
- a pedagogical shareholders' guide with explanations of the Group's key figures;
- lastly, a shareholders' club, with 16,000 members at the end of 2006, created for shareholders who expressed the wish to get to know the Gaz de France Group better.

Three newsletters were published in 2006. The shareholders' club was offered the opportunity to participate in 35 activities (hikes, presentations of the stock market, conferences on energy conservation and/or safety, etc.) in nine regions. The common theme was the Group's sustainable development commitments. There were 700 different shareholders who took part, and the satisfaction index was higher than 90% on an average. A new activities program has been developed for 2007.

THE SHAREHOLDERS' CLUB ON AN FFRP HIKE.



Growth in employee shareholding

Within the framework of the offer reserved to employees on the occasion of Gaz de France's IPO in 2005, in order to involve its employees in Group performance, Gaz de France undertook, to the degree possible, to propose investment formulas in each of the main countries in which it operates that were similar to what was offered in France. Through an international Group savings plan, employees in the main countries outside of France were able to benefit from identical bonuses and Company matching funds when they decided to subscribe to a formula that required the employee shareholder to hold the shares for a period of five years. Employees at the Romanian subsidiary Distrigaz were also able to subscribe to certain formulas in this offer reserved to employees, even though the company had only been acquired a few days prior to the IPO.

In 2006, the Group's employees in France were able to continue to acquire Gaz de France shares through the Group savings plan. It was possible to make such acquisitions by investing the sums received from gainsharing, with the added advantage that the investment was fully matched by the Company.

Promoting diversity, a source of enrichment

Diversity, the differences contributed by each individual, is a source of enrichment for the Group, be it a question of gender, nationality, social background, race, age, education, physical condition, etc.

An approach that reaffirms the principle of equal opportunity

The Group's diversity approach targets two objectives: (1) to reflect the society in which the Company operates to better meet the expectations of employees, shareholders and customers, and (2) to attract and ensure the loyalty of all the talents the Group needs for its development.

Since the first initiatives in 1990 to promote the integration of the disabled, the Group has formalized its commitment by launching a diversity project, signing agreements on equal employment opportunity and professional training, adopting the corporate diversity charter in 2005 and, then, in December 2006, the corporate charter on equal opportunity in education.

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

Gaz de France's five focuses to advance diversity in the Group and fight against any discrimination concerning:

- nationality and culture;
- gender and equal employment opportunity for men and women;
- ancestry;
- age;
- disability.



GAZ DE FRANCE'S 2006 CAMPAIGN TO RECRUIT 200 APPRENTICES AFTER IT SIGNED THE APPRENTICESHIP CHARTER IN 2005.

Projects and measures launched

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

- a new recruitment **policy** for managers incorporating diversity was adopted in July 2006;
- to improve **professional gender equality** on the basis of the corporate agreement signed in 2004, additional funds were budgeted to promote female employees in order to reduce the 5% salary gap; the gender balance at the end of education was respected in hiring (35% women); inter-company childcare centers were developed in three divisions and two subsidiaries;

On June 1, for France's sustainable development week, Gaz de France invited employees to a play entitled *Liberté, Egalité, Diversité*, which portrays life at work and caricatures discriminatory behavior in order to promote the idea of equal opportunity.



AN APPRENTICE WITH HER TUTOR AT A GAZ DE FRANCE CUSTOMER RELATIONS OFFICE.

Diversity in professional experience enriches Group practices

Eleven integration networks were launched by the International branch in 2006: Technical/Safety and Security/Environment, Sourcing, Commercial/Marketing, IT Systems, Procurement, Rate Regulation, Communication, Human Resources, Audit/Risks/ Internal Control, Legal, Finance. They bring together experts in the French subsidiaries, operating entities and support functions to identify and share best practices in each of these fields, publicize the policies of Gaz de France and enrich its culture by the experience and practices of Group subsidiaries. These networks have already made it possible to identify the business skills present in the subsidiaries that could be mobilized in the Group.

- recruitment was extended to **critical urban areas**; a partnership was formed with the *Institut d'Études Politiques de Paris* and four high schools in the Paris suburbs to promote equal opportunity in the preparation for and access to higher education;
- **Group entities continued to mobilize their strengths**: with regional projects in Nantes, Nancy, Limoges and Lille, the signing of the corporate diversity charter by regional divisions, and the forging of partnerships with grass-roots groups that support diversity; a diversity action plan in the Trading division; and a People Review project in the International branch to promote mobility/diversity in the Group.

Diversity in age refers above all to different types of experience and expertise. The desire to encourage the complementarity of forms of knowledge is evident in several reflections and approaches, such as an action plan introduced to lock in the loyalty of young managers, the agreement on training throughout one's career, the importance of tutoring in apprenticeship agreements, and pre-retirement mentoring to share experience.

Social reporting initiative, boosting the Group's human resources performance



In June 2006, the Group published its first social reporting initiative to take stock of the performance of fully consolidated Group entities, representing 96% of the Group's workforce, on the basis of 20 indicators with a yearly qualitative survey. The result of cooperation among all the internal stakeholders, it harmonizes the human resources and social data collected and draws up a common Group reporting schedule. In this way, the Human Resources division speaks with one voice and proposes a comprehensive view of the Company.

At Gaz de France S.A., women account for 29% of the workforce, 28.3% of the managers and 10.7% of the executive managers. At the Group level, they represent a quarter of the total workforce.

Disability awareness day

On April 27, Gaz de France heightened awareness of disability by bringing together 200 employees to experiment living in the dark, communicating without speaking and playing basketball from a wheelchair, under the guidance of volunteers in non-profit organizations dedicated to helping the disabled. This day enabled the participants to better understand disability and integrate it into ordinary life at Gaz de France. Since 1990, the integration of the disabled into the Company has been dealt with in agreements between Gaz de France S.A., GRTgaz and labor organizations. The seventh three-year agreement (2006-2008) was signed on April 12, 2006.

The objectives are as follows:

- to promote access to employment by recruiting a minimum of 4% of disabled workers over the life of the agreement;
- to integrate disabled co-workers successfully: welcome, accessibility of the working space, adaptation of workstations, attention to career development, job security, staff and management awareness;
- to support disability projects and non-profit groups by investing 1.5 million euros annually over the life of the agreement and financing 15,000 hours of training per year, outside the Company, for disabled individuals who are either looking for a job or working under special conditions.

Making working conditions a performance factor

Labor negotiations in practice

In large measure, the Group's success depends on the quality of labor negotiations. On September 6, 2006, Gaz de France and the labor organizations reaffirmed their wish to foster dialogue by signing an agreement that defined labor negotiations in 2006-2007. Gaz de France decided to systematize the opening of collective bargaining discussions whenever reorganization is planned. A bonus was created in 2006 to serve as an incentive for employees to accept functional mobility in the event of reorganization. This new system is now mobilized within the framework of the reorganization of customer relations, logistics in joint EDF Gaz de France distribution activities, and training.

gazdefrance.com, the Group's corporate Website, which was upgraded in 2006, is the first CAC 40 company Internet site to be awarded the AccessiWeb label for its ease of access for the disabled. This recognition came at the beginning of 2007.



LEARNING TO LIVE IN A WHEELCHAIR.



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

Skills management and training: the key to success

The optimization of skills had made great progress in 2005 with the launch of a dedicated system. A year later, in 38 key fields (macro-skills), correspondents took responsibility for anticipating needs in employment and skills. Their investigations serve as a reference in all human resources dimensions, including hiring, mobility, career and, of course, training.

57.2% of the workforce was trained in 2006.

Keeping pace with change

Assuring employees of support when changes occur is the best guarantee of success and of continued operation in a changing environment, as the forthcoming full deregulation of the natural gas market illustrates. On July 1, 2007, after professional customers, residential customers will be able to freely choose their energy supplier. For several months already, 10,000 Group employees have been concerned by the reorganization of customer relations, an activity that is now separated from distribution. Thirty-two EDF Gaz de France distribution areas were transferred to the Market Development and Sales division. To keep pace with these changes, almost 10,000 interviews were conducted, and 150,000 hours of training were dispensed as well as the material organization of the transfer and installation in the new work environment as of January 1, 2007. The agreement signed on May 31, 2006, with all the labor organizations, after eight months of negotiations, provided the framework for these measures.

NUMBER OF COMPANY AGREEMENTS OR AMENDMENTS SIGNED WITH LABOR ORGANIZATIONS AT GAZ DE FRANCE



THESE FIGURES ARE EVIDENCE OF FRANK AND OPEN DISCUSSIONS. IN 2006, 12 AGREEMENTS AND AMENDMENTS WERE SIGNED ON PRIORITY SUBJECTS LIKE TRAINING THROUGHOUT ONE'S CAREER, INTEGRATION OF THE DISABLED, SAVINGS PLANS (THE COMPANY AND THE GROUP), AND APPRENTICESHIPS.

* 3 FOR GAZ DE FRANCE S.A., 8 FOR GAZ DE FRANCE S.A. AND GRTgaz, AND 1 FOR THE GROUP.

In 2006, Cofathec Services continued the initiatives launched in 2004 to develop the managerial skills of its operating teams and to boost the marketing success of its sales force. The technical focuses (automation, air conditioning, heating, cooling, electricity, electro-technical), which make up its core business, and safety account for more than 70% of the skills development plan. As a result of training and awareness campaigns, the safety record improved greatly, and the accident frequency rate went from 25 to 18.

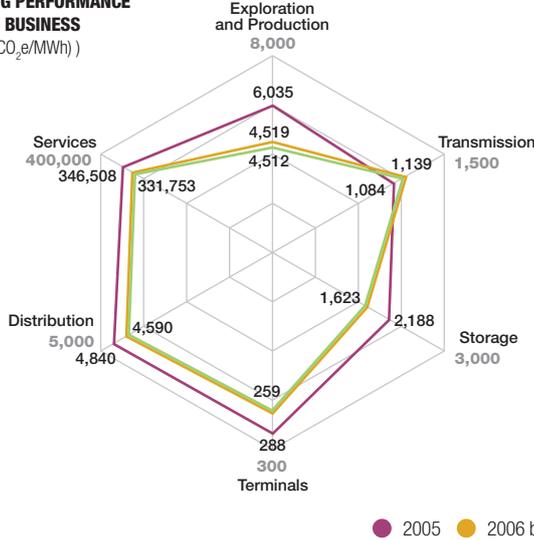
Performance indicators and external evaluation

Sustainable development performance indicators

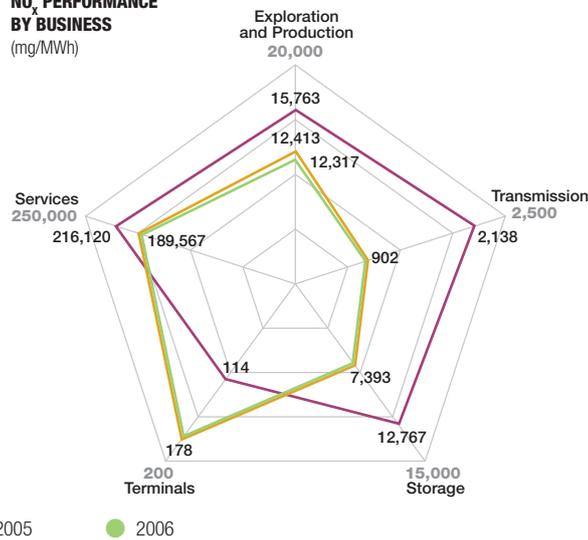
The reporting base and methodology for the following sustainable development performance indicators are described on page 62. The auditors' assurance report is presented on page 63. These indicators are reported via Group QSE, human resources and economic channels using the same computer tool as for financial reporting.

Global Compact	GRI reference	Indicator	Unit	Page	External verification*	2004	2005	2006	2006 (base 2005)**	Base covered**
QUALITY PERFORMANCE INDICATORS										
	PR6	Maintenance of certifications acquired	%	20		-	-	100	-	100%
	PR6	% of processes rated A or higher (operating entities)	%	20		-	-	79	-	100%
	PR6	% of processes rated A or higher (functional entities)	%	20		-	-	69	-	100%
	PR6	External perception of sustainable development	%	24		-	-	62	-	100%
	PR8	Index of retail customer satisfaction - supply - network	%			84.3	84.3	90.3	90.3	100%
			%			90.3	91.5			
	PR8	Index of corporate customer satisfaction - network	%			-	-	77.0	-	100%
	PR8	Index of satisfaction of key accounts - commercial relations	%			-	-	6.8	-	100%
	SO1	Index of satisfaction of local governments - network	%	49		95.5	92.7	94.8	94.8	100%
	EC1	Total research budget dedicated to the environment, new technologies and safety	thousand euros	25		-	38,274	43,166	43,166	100%
	EC1	% of total research budget dedicated to the environment	%			-	33	37	37	100%
	EC1	% of total research budget dedicated to new technologies	%			-	20	25	25	100%
	EC1	% of total research budget dedicated to safety	%			-	15	16	16	100%
SAFETY PERFORMANCE INDICATORS										
	LA7	Accident frequency rate	(a)	41	v	7.5	7.1	8.6	5.7	83%
	LA7	Accident severity rate	(b)	41		0.3	0.3	0.3	0.2	83%
ENVIRONMENTAL PERFORMANCE INDICATORS										
GC8	EN3	Total energy use at industrial facilities (excluding commercial activities) ⁽¹⁾	GWh	42	v	12,589	15,234	14,516	14,594	100%
GC8	EN3	% of electric energy used	%			3	3	4	-	100%
GC8	EN3	% of gas energy used	%			95	96	95	-	100%
GC8	EN3	% of fuel oil energy used	%			2	< 1	1	-	100%
GC8	EN5	Withdrawals of ground and surface water for industrial use ⁽²⁾	10 ⁶ m ³	42	v	140	194	718	234	100%
GC8	EN5	% of water withdrawn returned to source ⁽²⁾	%		β	100	100	99.7	99.7	100%
GC8	EN5	Industrial water use (excluding commercial activities)	10 ³ m ³		β	-	-	406	406	100%
GC8	EN8	Greenhouse gas emissions from industrial activities (excluding commercial activities): CO ₂ et CH ₄ ⁽¹⁾	metric ton CO ₂ e	30	v	4,499,613	5,227,466	4,916,939	4,972,364	88%
GC8	EN8	Greenhouse gas emissions by business (Exploration and Production) ⁽³⁾	g CO ₂ e/MWh		v	5,371	6,035	4,512	4,519	100%
GC8	EN8	Greenhouse gas emissions by business (Transmission) ⁽⁴⁾	g CO ₂ e/MWh		v	1,640	1,084	1,139	1,139	100%
GC8	EN8	Greenhouse gas emissions by business (Storage France ^(4 bis)) ⁽⁴⁾	g CO ₂ e/MWh		v		2,188	1,623	1,623	100%
GC8	EN8	Greenhouse gas emissions by business (Terminals) ⁽⁴⁾	g CO ₂ e/MWh		v		288	259	259	100%
GC8	EN8	Greenhouse gas emissions by business (Distribution) ⁽⁵⁾	g CO ₂ e/MWh		v	4,946	4,840	4,590	4,590	60%
GC8	EN8	Greenhouse gas emissions by business (Services) ⁽⁶⁾	g CO ₂ e/MWh		v	303,697	346,508	331,753	331,753	100%
GC8	EN10	NO _x emissions from industrial activities ⁽⁷⁾	metric ton	30	v	5,240	5,743	3,855	3,860	100%
GC8	EN10	NO _x emissions by business (Exploration and Production) ⁽³⁾	mg / MWh		v	11,561	15,763	12,317	12,413	100%
GC8	EN10	NO _x emissions by business (Transmission) ⁽⁴⁾	mg / MWh		v	5,082	2,138	902	902	100%
GC8	EN10	NO _x emissions by business (Storage France ^(4 bis)) ⁽⁴⁾	mg / MWh		v		12,767	7,393	7,393	100%
GC8	EN10	NO _x emissions by business (Terminals) ⁽⁴⁾	mg / MWh		v		114	178	178	100%
GC8	EN10	NO _x emissions by business (Services) ⁽⁶⁾	mg / MWh		v	205,049	216,120	189,567	189,567	100%

GHG PERFORMANCE BY BUSINESS
(g CO₂e/MWh)



NO_x PERFORMANCE BY BUSINESS
(mg/MWh)



THE ANALYSIS OF PERFORMANCE SHOWS:

- BETTER GHG AND NO_x RESULTS FOR EXPLORATION AND PRODUCTION AND SERVICES OWING TO REDUCED USE OF PLATFORMS WITH HIGH EMISSION LEVELS AND TO IMPROVEMENTS AT THE SHOTTON POWER PLANT IN THE UNITED KINGDOM;
- SIGNIFICANT IMPROVEMENT IN GHG AND NO_x RATIOS FOR STORAGE AND LOWER EMISSION LEVELS FOR NO_x IN TRANSMISSION, AS A RESULT OF UPGRADES IN COMPRESSOR EQUIPMENT;
- EROSION OF NO_x RATIOS AT TERMINALS OWING TO THE EXCEPTIONAL USE OF BOILERS TO PREHEAT LNG AT MONTOIR-DE-BRETAGNE.

Global Compact	GRI reference	Indicator	Unit	Page	External verification*	2004	2005	2006	2006 (base 2005)**	Base covered**
ENVIRONMENTAL PERFORMANCE INDICATORS										
GC8	EN11	Total amount of special industrial waste produced ^(a)	thousand metric tons	42	β	-	-	63	-	88%
GC8	EN11	Total amount of special industrial waste recycled ^(a)	thousand metric tons	42	β	-	-	53	-	88%
GC8	EN11	Total amount of ordinary industrial waste produced ^(a)	thousand metric tons	42	β	-	-	20	-	88%
GC8	EN11	Total amount of ordinary industrial waste recycled ^(a)	thousand metric tons	42	β	-	-	4	-	88%
GC8	EN11	Total amount of inert waste produced ^(a)	thousand metric tons	42	β	-	-	58	-	88%
GC8	EN11	Total amount of inert waste recycled ^(a)	thousand metric tons	42	β	-	-	29	-	88%

* External verification. The indicators deemed to be the most relevant are examined by the Company's auditors for a level of reasonable assurance [v]. A test audit was conducted for other indicators to be eventually incorporated into the external verification base [β]. The economic indicators are consistent with Annual Report data [o].

** The definitions of the base covered and the constant base (2006 base 2005) are given on page 62.

*** Group financial reporting base.

(a) Number of accidents/million hours
(b) Number of work days lost/thousand hours
(1) The data for 2005 was recalculated.
(2) Prior to 2006, only water use by the Major Infrastructures division was taken into account, 100% of which was returned to the source. In 2006, the Group chose to include all the water used, and this was the reason for the difference in the figures. For 2006 base 2005, only the amount of the Major Infrastructures division was taken into account to facilitate comparison with 2005.
(3) The ratios were calculated on the basis of the volume of energy produced (natural gas and oil). In 2004 and 2005, the ratios were calculated solely on the basis of the volume of natural gas produced by the entities producing natural gas almost exclusively i.e. Gaz de France Production Nederland and EEG). The data for 2005 presented was recalculated using the 2006 method.
(4) In 2004, the ratios were calculated for the entire transmission base (including the Major Infrastructures division) on the basis of the MWh of gas transported. In 2005 and 2006, the ratios were separated and calculated on the basis of the cubic meters of gas transported (transmission), the cubic meters injected and withdrawn (storage), the cubic meters regasified (terminals) and the heating value of the gas.
(4 bis) Storage facilities in France account for 75% of storage facilities in Europe.
(5) The ratios were calculated on the basis of the cubic meters of gas distributed reported by the distribution entities and an average conversion factor for distribution in France (11 kWh/m³).
(6) The ratios were calculated for the main Services facilities (cf. the paragraph on the Services base in the chapter on methodology) on the basis of the sum of electric power and heat supplied.
(7) The method used to calculate NO_x emissions did not incorporate updates of emission factors in transmission, LNG terminals, storage and compressors. The improved frequency of measurement at certain entities may result in a decline in emission amounts.
(8) Because of changes in definition in 2006 (the Group decided to harmonize practices by adopting the European Waste Catalogue), the data for 2004, 2005 and 2006 is not comparable.

SOCIAL PERFORMANCE INDICATORS

Global Compact	GRI reference	Indicator	Unit	Page	External verification*	2004	2005	2006	2006 (base 2005)**	Base covered**
	LA1	Total number of employees (Group financial reporting base)	number	2	v	38,251	52,958	50,244	-	100%
GC6	LA1	% of female employees (Group financial reporting base)	%	56	v	-	-	25	-	100%
	LA1	Total number of employees (sustainable development reporting base)	number		v	35,672	35,920	48,202	35,950	96%
	LA1	% of permanent employees in France (Gaz de France S.A. and subsidiaries France)	%			98.4	98.2	99	99	68%
	LA1	Total number of interns, apprentices, participants in work-study programs, and related contractual arrangements	number	54		-	-	1,630	-	96%
GC3	LA2	Number of permanent employees hired during the year	number	50		-	-	3,567	-	96%
GC3	LA2	Average turnover (Group financial reporting base) (current/previous year)	number		o	150	14,707	-2,714	-	100%
	LA9	Number of employees trained during the year	%	57	β	63.0	65.5	57.2	53.1	96%
GC6	LA10	Number of people in the Group's top management	number			-	-	233	-	100%
GC6	LA10	% of non-French executive managers	%	55		-	-	8.2	-	100%
GC6	LA10	Number of nationalities represented in the Group's top management	number	55		-	-	7	-	100%
GC6	LA11	% of female executive managers	%	56		-	-	10.7	-	100%
GC6	LA11	% of female members of executive management teams in the entities	%			-	-	0.9	-	96%
GC6	LA11	% of female managers at Gaz de France S.A. and GRTgaz S.A.	%			26.0	26.4	27.3	27.3	49%

Global Compact	GRI reference	Indicator	Unit	Page	External verification*	France	Europe (15 countries)	Europe (25 countries)	Rest of the world	Base covered**
	LA1	Breakdown of workforce by geographic region	%	3		68%	10%	5%	17%	GFRB***
	LA2	Average turnover by geographic region (current/previous year)	%			1%	-9%	-3%	-23%	GFRB***

ECONOMIC PERFORMANCE INDICATORS

Global Compact	GRI reference	Indicator	Unit	Page	External verification*	2004	2005	2006	2006 (base 2005)**	Base covered**
	EC1	Net sales	M€	AR	o	18,206	22,872	27,642		GFRB***
	EC3	Cost of energy purchased	M€	AR	o	8,880	12,569	15,810		GFRB***
	EC3	Cost of goods, materials, and services purchased (excluding energy)	M€	AR	o	3,013	3,856	4,390		GFRB***
	EC5	Total payroll	M€	AR	o	2,043	2,409	2,581		GFRB***
	EC8	Total sum of taxes paid	M€	AR	o	209	263	295		GFRB***

Global Compact	GRI reference	Indicator	Unit	Page	External verification*	France	Europe (15 countries)	Europe (25 countries)	Rest of the world	Base covered**
	EC2	Geographic breakdown of net sales	%	AR	o	71%	20%	4%	4%	GFRB***
	EC5	Geographic breakdown of payroll	%	AR	o	82%	12%	2%	5%	GFRB***
	EC8	Geographic breakdown of taxes paid	%	AR	o	77%	21%	1%	1%	GFRB***
	EC3	Geographic breakdown of cost of energy purchased	%	AR	o	82%	8%	5%	5%	GFRB***
	EC3	Geographic breakdown of cost of goods, materials, and services purchased (excluding energy)	%	AR	o	69%	28%	2%	1%	GFRB***
	EC9	Geographic breakdown of grants received	%	AR	o	88%	12%	0%	0%	GFRB***

Profile Indicators

These additional indicators are provided with reference to GRI G2 Sustainability Reporting Guidelines (2002 version).

Global Compact	GRI reference	Indicator	Unit	Page	External verification*	2004	2005	2006	2006 (base 2005)**	Base covered**
GC8	EN1	Amount of steel used	metric ton			5,224	17,148	17,047	17,047	100%
GC8	EN1	Amount of polyethylene used	metric ton			10,486	11,853	10,000	10,000	100%
GC8	EN2	Amount of waste from external sources used	%			NS	NS	NS	NS	-
GC8	EN6	Facilities or worksites in biodiversity-rich habitats	number			17	56	56	56	100%
GC8	EN6	Area of land in biodiversity-rich habitats	hectare			6,659	6,659	6,659	6,659	100%
GC8	EN9	Use and emissions of ozone-depleting substances	metric ton			NS	NS	NS	NS	-
GC8	EN10	SO _x emissions from industrial activities	mg / MWh			NS	NS	NS	NS	-
	PR6	% of industrial activities (net sales) covered by a management system in conformity with ISO 14001	%	20		-	-	82	-	100%
	PR6	% of industrial activities (net sales) certified ISO 14001	%	20		-	-	62	-	100%
	non GRI	New natural gas heating customers (France)	number			236,588	243,119	209,792	209,792	100%
	non GRI	Length of gray cast iron mains remaining (France)	kilometer	39		2,040	1,119 ⁽¹⁾	153	153	100%
	non GRI	Index of employee satisfaction	%			-	-	86	-	49%

G3 Indicators

These additional indicators are provided with reference to GRI G3 Sustainability Reporting Guidelines (2006 version), which the Group will progressively adopt.

Global Compact	GRI reference	Indicator	Unit	Page	External verification*	2004	2005	2006	2006 (base 2005)**	Base covered**
GC8	EN4	Indirect energy consumption ⁽¹⁾	GWh			2,818	3,310	3,584	-	100%
GC8	EN4	% of uranium consumed	%			41	40	46	-	100%
GC8	EN4	% of oil consumed	%			3	4	3	-	100%
GC8	EN4	% of coal consumed	%			6	8	6	-	100%
GC8	EN4	% of natural gas consumed	%			46	46	42	-	100%
GC8	EN4	% of renewable energy consumed	%			3	3	3	-	100%

(1) The data for 2005 was recalculated.

* External verification. The indicators deemed to be the most relevant are examined by the Company's auditors for a level of reasonable assurance (v).

A test audit was conducted for other indicators to be eventually incorporated into the external verification base (β). The economic indicators are consistent with Annual Report data (o).

** The definitions of the base covered and the constant base (2006 base 2005) are given on page 62.

*** Group financial reporting base.

AR: see the Annual Report (Consolidated Financial Statements)

NS: not significant for the Gaz de France Group

GRI indicators not considered to apply to Gaz de France: EC6, EC7, EN15, EN31, S05 (additional), S06 (additional), S07 (additional)

Core indicators required by GRI (second generation) but not evaluated: EC4, EC10, EN12, EN16, LA3

Other information required by GRI and presented in the report or on the Internet site www.gazdefrance.com/complementsrdd: EN7, EN14, EN17, EN30, PR1, PR2, PR3, PR8 (additional), LA4, LA5, LA6, LA8, LA10, LA14 (additional), LA15 (additional), HR1, HR2, HR3, HR4, HR5, HR6, HR7, S01, S02, S03.

Reporting base and methodology of sustainable development performance indicators

Since 2001, Gaz de France has published sustainable development performance indicators that are verified by the Company's auditors.

Protocol

All the rules governing collection, calculation and consolidation are described in the Group's QSE and social reporting protocols drawn up by Gaz de France. These documents are updated annually, and are available from the Sustainable Development division and on the Group's Website www.gazdefrance.com, → Group → Sustainable development → Results → Reporting. A summary follows.

Reporting base and methods of consolidation

REPORTING BASE, TARGET REPORTING BASE, REPORTING BASE COVERED, AND PREVIOUS YEAR'S REPORTING BASE AND METHODS OF CONSOLIDATION

Except for the gender breakdown of the total workforce, which includes all employees in the Group's financial reporting base, Gaz de France's sustainable development reporting base is the consolidated entity formed by Gaz de France S.A. and its subsidiaries that are majority-owned or over which the Group exercises legal or effective control.

For each indicator, the percentage of the reporting base covered is evaluated with reference to the entities concerned (target reporting base) that actually provided the data required to calculate the indicator.

- For the social and human resources performance indicators (excluding the workforce), the reporting base covered is equal to the percentage of the workforce of the entities in the target reporting base that actually provided the data compared to the total workforce of the entities in the Group's (full and prorata) consolidation base. This ratio is a maximum of 96%.
- For the safety performance indicators, on the one hand, and the environmental/quality performance indicators on the other, the reporting base covered is equal to the percentage of the workforce or of net sales, respectively, of the entities that actually provided the data compared to the total workforce or net sales of the entities in the target reporting base. The objective is progressively to attain 100%.
- For the economic performance indicators, the reporting base and the consolidation methods are identical to those applied in the consolidated financial statements.

The presentation of data for a year on the previous year's reporting base aims to facilitate comparisons on a constant basis. The current year's data is thus calculated on the consolidation base of the previous year.

NEW SUBSIDIARIES

Significant new subsidiaries are generally included in the reporting base a full year after joining the Group (Savelys in 2006).

Because of the recent acquisition of Distrigaz Sud in Romania and the project under way to harmonize data collection methodologies, only social and human resources data was consolidated at the Group level in 2006.

SPECIAL CASES

The reporting base for environmental performance indicators may include special cases.

For the DK6 combined cycle power plant that uses blast-furnace gas and natural gas, only the data linked to the combustion of natural gas was consolidated (see QSE in the Website glossary).

For service activities, the reporting base is limited to facilities with a thermal output of more than 20 MW operated by a majority-owned subsidiary of Gaz de France with an operating license.

Principles adopted

COLLECTION OF DATA AND RESPONSIBILITIES

Since QSE and social reporting are as important for Gaz de France as financial reporting, sustainable development performance indicators are reported using the same computer program as for the Group's financial data.

The entities are responsible for the collection and control of all the indicators for their activities, which are then reviewed and controlled by

the business unit to which they report. Representatives of the Group's quality, safety, environment and human resources teams provide methodological support and verification of the consistency of the consolidated data at the level of the Group.

In keeping with financial reporting policies, Management Control provides the economic performance indicators and the Group's total workforce on the basis of a Group workforce agreement (jointly defined by the Group's finance and human resources teams).

CHOICE AND RELEVANCE OF INDICATORS

The data published in this report is designed to inform stakeholders of the Group's annual results in terms of sustainable development. This data includes Group performance indicators, which were developed, for certain of them, through contracts with the divisions, monitored by executive management and verified by third parties, and also GRI Core Indicators (second version 2002). In this report, the Group progressively incorporates new G3 indicators from the GRI's most recent version (2006). A detailed summary of GRI guidelines can be found on the inside cover.

METHODOLOGICAL LIMITS

The methods employed may have limits, notably owing to the diversity of the Group's activities, the recent integration of subsidiaries, the absence of common definitions at the international level, practical collection procedures and the methodological changes introduced.

In general, Gaz de France considers that its indicators are accurate within 5% to 10% at the Group level.

In particular, for distribution activities, methane emissions are calculated using a method based on per unit length coefficients, as is the case in the other European countries, and a specific safety history coefficient specific to the Group that increases the amount by 1.9. A new methodology is being developed and experimented in Gaz de France's Research and Development division.

CONTINUED IMPROVEMENT OF DEFINITIONS

In order to promote continuous improvement, certain changes were made from the previous year (indicators related to human resources, water consumption, waste produced and recycled, etc.). When reporting or calculation modifications were significant, the historical data, when available, was restated for purposes of comparison.

External evaluation

For the sixth year in a row, Gaz de France asked the Company's auditors to verify the core performance indicators, indicated as follows (v) in the tables on pages 58 to 61, at the Group level referring to the business units as well as to a sampling of operating entities in France and internationally, defined each year on the basis of their relative contribution to Group totals and the results of previous years. The independence of the auditors is defined by current legislation and the profession's code of conduct. For the second year, the verification made it possible to obtain a level of assurance for certain indicators that is at the highest, "reasonable" level, comparable to the one by which the auditors evaluate financial information.

Sector-based comparisons

Sector-based comparisons are difficult to make to the extent that methodologies are not yet harmonized, in particular at the European level, and that the activities of Gaz de France cover several professional sectors: Oil and Gas for its exploration and production activities, Utilities for its services, and LNG terminal, storage, transmission and distribution operations.

In addition, although it is not the role of a company to publish sector-based comparisons, it communicates performance ratios by business for indicators related to greenhouse gases (CO₂ and methane) and NO_x emissions.



Statutory Auditors' report on certain environmental, safety and social indicators

This is the Statutory Auditors' free translation into English of the original report issued in the French language.

Further to the Company's request and in our capacity as Statutory Auditors of Gaz de France, we have performed an audit to obtain reasonable assurance on the environmental, safety and social indicators for the fiscal year 2006 identified by the symbol v in the Sustainable Development Report from page 58 to page 61 (the "Indicators"). The Indicators were prepared under the responsibility of the Sustainable Development division of Gaz de France, in accordance with the reporting criteria applicable in 2006 (the "Reporting Criteria"), comprised of Group manuals related to Quality - Safety - Environment (QSE) Reporting and to Social Reporting, available for consultation at the Sustainable Development division and on the Group's Internet site^[1], and a summary of which is provided on page 62 of the Sustainable Development Report. It is our responsibility to express an opinion on the Indicators, on the basis of our audit.

Nature and scope of our audit

We have performed the following audit to obtain reasonable assurance that the Indicators are free of material misstatements.

We have assessed the Reporting Criteria with respect to its relevance, completeness, accuracy, neutrality, understandability, and reliability. We have conducted interviews with the divisions responsible for reporting at Group level (Sustainable Development, Research and Development, Finance and Accounting, Human Resources, Safety and Security) and at the level of divisions that pool multiple reporting entities (Exploration and Production, Services, International). At these levels, we have verified the application of the Reporting Criteria, we have implemented analytical procedures and verified, on a sample basis, the calculations and the consolidation of the data. For human resources, social and safety data, we have conducted additional interviews with the persons responsible for monitoring the workforce, safety and training in the parent company, in order to verify the consistency with the social reporting data and test the tools used on the full workforce of the parent company, which represents 43% of the Group's total workforce.

We have selected a sample of reporting entities^[2] on the basis of their contribution to the Group's consolidated data and the results of the review performed during prior years. At the level of the selected entities, we have:

- reviewed the consistency of the data used for the calculation of the combustion indicators (i.e. energy consumption, greenhouse gas (GHG) emissions, NO_x and associated branch performance ratios) with the data subject to regulatory external verification as per the EU directive establishing a scheme for greenhouse gas emission allowance trading;
- visited a representative sample of facilities, regions and distribution areas, sized with respect to the identified risks of error;
- verified, on a sample basis, calculations and reconciliation with supporting documents.

Our tests covered 64% of the total workforce, 66% of hours worked^[3], and an average of 85% of environmental performance indicators^[4].

In performing our audit, we were assisted by our specialized sustainable development teams, which are placed under the responsibility of Eric Duvaud, for Ernst & Young, and Philippe Moutenet, for Mazars & Guérard.

In view of the work carried out on the Indicators over the last five years, we consider that our audit provides a reasonable basis for our opinion.

Information about the Reporting Criteria

With respect to the Reporting Criteria defined by Gaz de France, we wish to underline the following elements.

RELEVANCE

Concerning workplace safety, the accident frequency rate is monitored quarterly by Group management. Concerning social reporting, the Group has completely revised its social reporting criteria and is moving closer to good practices.

In the field of environment, the main components of the Group's ecological footprint (GHG, NO_x, energy, water, waste) are included in the annual key performance indicators. Nevertheless, these indicators should be better integrated in the management system.

COMPLETENESS

When the reporting base is smaller than the target base, an estimation of the actual reporting base is indicated for each indicator by the percentage in the column called "Base covered".

As specified in the Methodology on page 62, the environment and safety data of the Distrigaz Sud subsidiary in Romania, controlled by the Group since 2005, is not included in the consolidation.

ACCURACY, NEUTRALITY, UNDERSTANDABILITY

The Group provides detailed information about the methods used to prepare the Indicators in the Methodology on page 62, in the comments on the data published or in the Reporting Criteria, especially:

- the reporting base limitation of environmental data of the Services branch (p. 62);
- the restatement of the data of the DK6 facility in order to exclude the impact of blast-furnace gas (p. 62);
- the estimate of methane emissions for Distribution (p. 62);
- the methodological limits of the calculation of NO_x emissions (p. 59).

RELIABILITY

The roles and responsibilities of the QSE and Human Resources network and the business units, especially concerning control, as well as the Reporting Criteria, have been clarified and have resulted in progress in 2006. As for the QSE network, the Human Resources network now includes correspondents in the branches and subsidiaries.

The Reporting Criteria update in 2006 and its limited circulation do not guarantee sufficient application in certain international subsidiaries. Furthermore, the improvements to the Reporting Criteria do not always allow comparability with 2005.

A number of adjustments required for the new organization and reporting tool have been identified. Certain entities do not ensure a sufficient level of control yet to allow the data to be completely reliable before external control. The planned integration of all the Indicators within the quarterly monitoring should make it possible to improve the Indicators' control and reliability.

Opinion

Following our audit, we have qualifications about three of the nineteen Indicators:

- For the performance ratio "NO_x emissions by business unit" of the Exploration and Production division, we have identified significant anomalies in the selected sample.
- For the performance ratio "GHG emissions by business unit" of the Exploration and Production division, our opinion only refers to the data of the audited entity and cannot be extended to the whole division, given the weaknesses in data control.
- For the performance ratio "NO_x emissions by business unit" of the Services branch, we are unable to give an opinion given the insufficiency of supporting evidence provided.

In our opinion, and except for the above qualifications, the Indicators have been established, in all material respects, in accordance with the Reporting Criteria.

Courbevoie and Paris-La Défense, April 20, 2007

The Statutory Auditors

MAZARS & GUÉRARD
MAZARS

Michel Barbet-Massin

ERNST & YOUNG Audit

Philippe Hontarrède

[1] www.gazdefrance.com, → sustainable development → results → reporting [2] The subsidiary GRTgaz, the Major Infrastructures division, Gaz de France distribution activities and certain Services and Trading entities: Cofathec Projis, Cofathec Coriance and DK6 in France, Cofathec Servizi in Italy and the entity EEG in Germany for the Exploration and Production division. [3] Data used as denominator of the accident frequency rate. [4] 74% of energy consumption, 79% of GHG emissions (CO₂ and methane), 69% of NO_x emissions, 99% of water consumption, and for the business units' performance ratios: 4% of the energy produced by the Exploration and Production division, 92% of transported energy, 100% of the energy injected into and withdrawn from the storage facilities in France, 100% of the energy processed in liquefied natural gas terminals, 94% of distributed energy, 62% of thermal and electrical energy provided by the Services branch.

The Annual Report and Sustainable Development Report may be ordered in French and/or English from the Gaz de France boutique. References are as follows:

> Annual Report 2006

French version: 2LCB0107

English version: 2LCB0207

> Sustainable Development Brochure 2006

French version: 2LCB0507

English version: 2LCB0607

> Sustainable Development Report 2006

French version: 2LCB0307

English version: 2LCB0407

> Communication on Progress 2006

can be consulted and downloaded at www.gazdefrance.com

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