

BG GROUP
ANNUAL REPORT AND ACCOUNTS 2014



BG GROUP



BG Group has a broad portfolio of business interests focused on gas and oil exploration and production, and on liquefied natural gas (LNG). Active in more than 20 countries on five continents, BG Group combines a deep understanding of markets with a proven track record in finding and commercialising gas and oil reserves.

NON-GAAP MEASURES

BG Group publishes certain additional information in a non-statutory format. Business Performance financial information excludes discontinued operations, disposals, certain re-measurements and impairments and certain other exceptional items, and is published in order to provide a clear and consistent presentation of the underlying operating performance of the Group's ongoing business. Total operating profit includes BG Group's share of pre-tax results from joint ventures and associates, and is presented in order to provide additional information on the source of BG Group's operating profits. Unless otherwise stated, financial information for the Group and its business segments presented in the Strategic Report is based on BG Group's Business Performance results. See **Presentation of non-GAAP measures**, page 142. See also note 1, page 98, and note 9, page 110, for a reconciliation of the differences between Business Performance and Total Results.

LEGAL NOTICE

Certain statements included in this Annual Report and Accounts contain forward-looking statements concerning BG Group's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they depend on future circumstances, and relate to events, not all of which are within the

Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a description of certain factors that may affect BG Group's business, financial performance or results of operations, we urge you to look at the **Principal risks and uncertainties** included in this Annual Report and Accounts, see pages 34 to 41. No part of these results or this report constitutes, or shall be taken to constitute, an invitation or inducement to invest in BG Group plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

References in this report to other reports or materials, such as a website address, have been provided to direct the reader to other sources of BG Group information which may be of interest. Neither the content of BG Group's website nor any website accessible by hyperlinks from BG Group's website nor any additional materials contained or accessible thereon, are incorporated in, or form part of, this report.

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

EXPLANATORY NOTE FOR US INVESTORS RELATING TO GAS AND OIL RESERVES AND RESOURCES

From the year ended 31 December 2013, BG Group adopted the reserves definitions and guidelines consistent with the internationally recognised Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers, known as the SPE-PRMS, in accordance with recommendations issued by the European Securities and Markets Authority (ESMA) and to achieve greater consistency across its reporting of reserves and resources.

BG Group has used gas and crude oil price forecasts that are based on its reference conditions to determine reserves estimates for the years ended 31 December 2013 and 2014. This report also contains additional information about other BG Group gas and oil reserves and resources that would not be permitted in SEC filings.

For further details of BG Group's proved reserves as at 31 December 2014, and related supplemental gas and oil information, and for an explanation of terms used in connection with such additional reserves and resources information, see **Supplementary information** – gas and oil, on page 132.

COVER IMAGE

Petrojarl Knarr FPSO, offshore Norway

The *Petrojarl Knarr* floating production, storage and offloading vessel (FPSO), BG Group's first operated FPSO was moored on the Knarr oil field, offshore Norway in November 2014, and began production in March 2015.

OUR REPORTING

BG Group takes an integrated approach to its corporate communications, with the Annual Report and Accounts being a key communications document.

As outlined in the Financial Reporting Council's Guidance on the Strategic report, we consider the Strategic report to be the vehicle for communicating top-level information and key strategic messages about the Company. Our Strategic report also highlights where readers can find more detailed information about key topics.

Other key publications include:

Sustainability report

Annual overview of our performance around key areas, including safety, the environment and community engagement.

www.bg-group.com/reports



SIGNPOSTING TO FURTHER INFORMATION

Markers to further information are illustrated as follows >



More information online at www.bg-group.com/ara



More information within this report.

STRATEGIC REPORT

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STRATEGIC REPORT AT A GLANCE

BG Group has two business segments: Upstream, which includes Exploration & Production and Liquefaction; and LNG Shipping & Marketing. The Group has interests in more than 20 countries on five continents.

GROUP

HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE)

TOTAL RECORDABLE CASE FREQUENCY (TRCF)

1.38 RECORDED INCIDENTS/MILLION WORK HOURS

2014: +16%
2013: 1.64 Recorded incidents/
million work hours

GREENHOUSE GAS (GHG) EMISSIONS INTENSITY*

24.7 kt CO₂e/mmboe

2014: -9%
2013: 22.6 kt CO₂e/mmboe
*Thousand tonnes of CO₂e emissions per barrel of oil produced on an equity share basis, including operations where BG Group is an investor but not an operator. For further information see pages 16 and 79.

CAPITAL INVESTMENT ON CASH BASIS BY COUNTRY

	\$bn
Australia	3.9
Brazil	2.4
UK	0.5
Egypt	0.5
Norway	0.4
Other	1.7
Total	9.4

CAPITAL INVESTMENT ON CASH BASIS

\$9 402m

2014: -16%
2013: \$11 215m

GAS AND OIL PRODUCTION TOTAL

606kboed

2014: -4%
2013: 633kboed

EMPLOYEES WORLDWIDE TOTAL AT 31 DECEMBER 2014

4 927

2014: -9%
2013: 5 422

TOTAL OPERATING PROFIT BUSINESS PERFORMANCE

\$6 537m

2014: -14%
2013: \$7 616m

TOTAL OPERATING PROFIT TOTAL RESULTS**

\$(1 417)m

2014: -134%
2013: \$4 163m
** Includes \$9.0bn pre-tax impairment.

NEW ACREAGE***

62 396 km²

2014: +28%
2013: 48 760km²

*** Includes acreage acquired in Myanmar for which production sharing contracts are yet to be signed.

SUCCESSFUL EXPLORATION AND APPRAISAL WELLS

9

2014: -47%
2013: 17

THREE-YEAR ORGANIC PROVED RESERVE REPLACEMENT RATIO†

158%

2014: -12%
2013: 179%

† Three-year organic proved reserve replacement measured on an SEC basis until 2013, and SPE-PRMS thereafter.

NEW BASINS ENTERED

4

2014: +33%
2013: 3

TOTAL PROVED AND PROBABLE RESERVES

6 525 mmboe

2014: -7%
2013: 6 990mmboe

YEARS OF RESERVES/ PRODUCTION††

30

2014: 0%
2013: 30
†† Based on actual production and total year-end reserves for 2014.

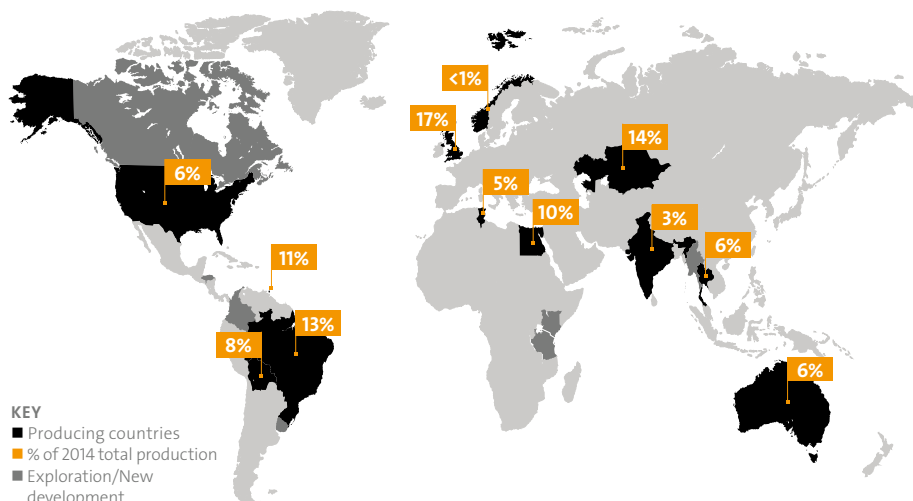
UPSTREAM

PRODUCTION BY COUNTRY (kboed)

	2013	2014
UK	100	105
Kazakhstan	92	85
Brazil	39	78
Trinidad and Tobago	70	65
Egypt	112	62
Bolivia	36	48
USA	58	39
Thailand	41	39
Australia	25	34
Tunisia	38	32
India	20	18
Norway	2	1

EXPLORATION AND NEW DEVELOPMENT LOCATIONS

Aruba, Canada, Colombia, Honduras, Kenya, Myanmar, Tanzania and Uruguay.





FOR MORE INFORMATION ON OUR ACTIVITIES IN EACH COUNTRY, AS WELL AS GLOBAL ENERGY MARKETING AND SHIPPING (GEMS), SEE OUR DATA BOOK 2014 AT: BG-GROUP.COM/REPORTS

UPSTREAM

We explore for, develop, produce and market gas and oil around the world. The Upstream business segment covers exploration and production activities plus liquefaction operations associated with integrated LNG projects.

TOTAL OPERATING PROFIT BUSINESS PERFORMANCE

\$3 947m

2014: -21%
2013: \$4 967m

CAPITAL INVESTMENT ON A CASH BASIS

\$9 387m

2014: -16%
2013: \$11 180m

LNG SHIPPING & MARKETING

We purchase, ship, market and sell LNG. The LNG Shipping & Marketing segment covers these activities, as well as the Group's interests and capacity in regasification facilities.

TOTAL OPERATING PROFIT BUSINESS PERFORMANCE

\$2 544m

2014: -4%
2013: \$2 643m

LNG DELIVERED VOLUMES MILLION TONNES (mt)

11.0mt

2014: +1%
2013: 10.9mt

PRODUCTION VOLUMES (kboed)

	2013	%	2014	%
Oil	98	15	136	22
Liquids	93	15	86	14
Gas	442	70	384	64
Total	633	100	606	100

For further information see page 137.

LNG SUPPLYING COUNTRIES

15 out of 19

To date, BG Group has bought from 15 out of the 19 current LNG producing countries.

LNG IMPORTING COUNTRIES

27 out of 28

To date, BG Group has made sales into 27 out of the 28 current LNG importing countries.

For further information see page 26.

GROUP: GENDER DIVERSITY

Gender diversity in BG Group at 31 December 2014 (%)

BOARD

75 25

2014: -10% +47%
2013: 83 17

SENIOR MANAGEMENT

81 19

2014: +3% -10%
2013: 79 21

ORGANISATION AS A WHOLE, INCLUDING THE BOARD

73 27

2014: +1% -4%
2013: 72 28

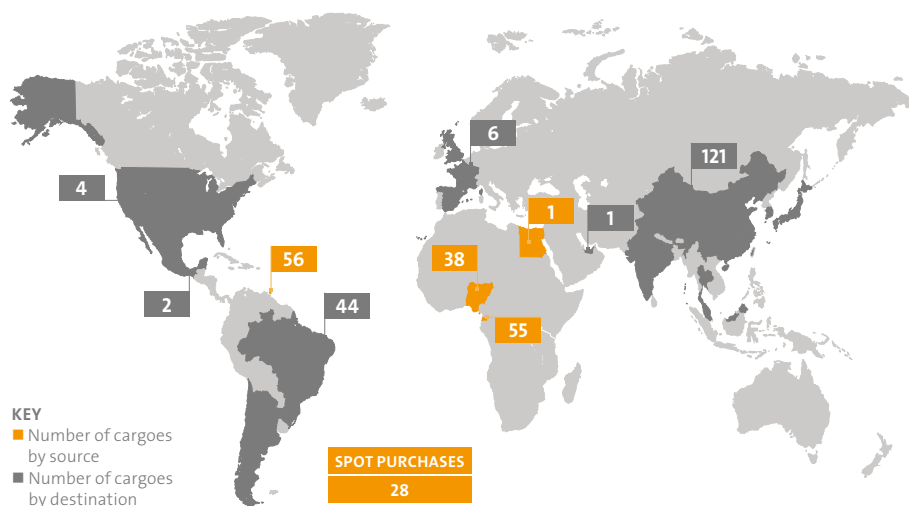
■ Male ■ Female

Further details are available in the Corporate Governance report page 52.

LNG SUPPLY SOURCES AND DESTINATIONS 2014

SOURCE	2013	2014
Trinidad and Tobago	56	56
Egypt	25	1
Nigeria	30	38
Equatorial Guinea	58	55
Spot purchases	9	28
Total	178	178

DESTINATION	2013	2014
Asia	127	121
Europe	2	6
Central America	1	2
North America	6	4
South America	41	44
Middle East	1	1
Total	178	178





EARNINGS PER SHARE BUSINESS PERFORMANCE

118.4¢

2014: -8%
2013: 128.6¢

EARNINGS PER SHARE TOTAL RESULTS – CONTINUING OPERATIONS

(30.8)¢

2014: -148%
2013: 64.8¢

2014 was a year of challenge and change for BG Group, during which we had to contend with a significant fall in oil prices, progress a number of major investment projects and renew the leadership of the Company. In addressing these issues, we laid important foundations for the future.

As ever, safety and asset integrity remained our highest priority during the year. I am pleased to report that we improved our safety performance, with our total recordable case frequency (TRCF) measure reducing to 1.38 recorded incidents per million work hours. We will remain ever vigilant in seeking to ensure that all of our people get home safely at the end of each day at work.

2014 PERFORMANCE

Overall, BG Group posted a solid year in terms of operating performance and delivered average production of 606 000 barrels of oil equivalent per day (boed), which was in the middle of our forecasted range.

We made strong operational progress during the year, particularly at our key growth assets in Australia and Brazil. In Australia, we started operations at our Queensland Curtis Liquefied Natural Gas (QCLNG) facility in December. This was a landmark in our history. Despite the challenges and cost overruns we encountered during the construction phase, I am pleased to report that the facility is performing in line with our expectations. As at end of February 2015, we had shipped seven commissioning cargoes, adding a valuable new supply source to our LNG business in good proximity to our key Asian customers.

Our production in the Santos Basin, offshore Brazil, has also ramped up at a solid pace, with two new floating production, storage and offloading (FPSO) vessels coming onstream in 2014. The flow rates from our wells are among the best in the industry. BG Group's share of production reached more than 125 000 boed in January 2015.

After a difficult start to 2014, the performance of our base assets has been steady. We delivered a number of key development milestones during the year, including the start-up of production at our Starfish field in Trinidad and Tobago and at Bongkot South Phase 4b in Thailand. We also began production at our Knarr field in the North Sea in March 2015. Our position in Egypt has improved since I wrote to shareholders last year. The business and political environment in the country has stabilised, and we have welcomed the Egyptian government's payment of a large part of the receivable owed to BG Group. However, the majority of the gas we are producing continues to be diverted to the domestic market where the Group is entitled to a lower share of production, and our LNG terminal at Idku remains at minimal volumes.

LNG Shipping & Marketing operating profit decreased 4% to \$2.5 billion, reflecting lower margins from higher costs of supply, primarily as a result of the increase in spot cargo purchases.

We continue to realise value for our assets, announcing the disposal of our interest in two pipelines during the year: the Central Area Transmission System (CATS) pipeline in the North Sea for approximately \$950 million and the QCLNG pipeline for approximately \$5 billion.

Our financial performance was affected by a post-tax non-cash impairment charge of \$5.9 billion. There were three reasons behind this. The first is that the fall in the oil price has reduced the recoverable value of the assets, which requires us to reduce the book value. The second was the revision of the value of our Australian assets following our agreement to sell the QCLNG pipeline. While we impaired the value of the remaining QCLNG assets, this is expected to be offset by a gain on disposal when the deal completes in 2015. The third reason was a further downgrade of our reserves in Egypt.



FOR MORE INFORMATION VISIT:
BG-GROUP.COM/STRATEGY

“BG Group has made important progress in 2014, developing our asset base while managing a sharp fall in global oil prices. Our colleagues across the world, including everyone in our assets and joint ventures, deserve credit. In often difficult circumstances, they have shown dedication and determination in meeting our objectives.”

ANDREW GOULD | CHAIRMAN

**FULL-YEAR DIVIDEND
PER SHARE
CENTS**

28.75¢

2014: 0%
2013: 28.75¢

**FULL-YEAR DIVIDEND
PER SHARE
PENCE**

17.99p

2014: 0%
2013: 18.02p

The impairments impacted our total earnings for the year, which resulted in a \$1.1 billion loss. However, our underlying results, which we refer to as Business Performance, were solid, particularly in light of the oil price decline. Our Business Performance earnings declined by just 8% to \$4.0 billion, as we benefited from increasing production in Brazil and from oil price hedges that we had in place. Our free cash flow* also improved.

Taking account of the current market circumstances, and our outlook for 2015, the Board decided to hold the full-year dividend flat at 28.75 cents (17.99 pence) per share.

Finally, in environmental performance terms, the Group sustained an increase in our greenhouse gas (GHG) emissions during the year. The major contributor was an increase in flared gas due to commissioning of the QCLNG project. We remain committed to improving our emissions performance and will be increasing our efforts to meet the five-year emissions intensity reduction targets we set in 2012. On an equity share basis, the Group's overall emissions intensity increased by 9% from 22.6 kt CO₂e per mmboe in 2013 to 24.7 kt CO₂e per mmboe in 2014.

ADAPTING TO A LOWER OIL PRICE ENVIRONMENT

In the latter part of 2014, the world changed for the oil and gas industry. After nearly four years of oil prices above \$100 bbl, the Brent oil benchmark had fallen in price to \$45 bbl in January 2015. In my career, I have seen four abrupt declines in the oil price and this one has many similarities with the downturn of 1986. A new source of supply has come to the market as demand growth has weakened. In 1986, the new source was the new production from the North Sea, Alaska and Mexico. Today, it is US shale and tight oil. The time necessary to bring supply and demand back into balance will likely depend on two things: some resumption of growth in demand and a slowdown in drilling in the USA.

BG Group manages its business to deliver long-term value from our assets across a range of commodity prices. Our response to the lower oil prices has been to build on initiatives taken earlier in 2013 and 2014 to reduce operating costs and improve efficiency.

While we will continue to invest in high-value projects, we will be much more disciplined with our capital investment: projects that are not economic at current oil prices will be deferred. We have the relative advantage of being at the end of a period of heavy capital investment, following the start-up of QCLNG in December. As our development of QCLNG's second LNG train nears completion, and both the Australia and Brazil projects continue to ramp up production and generate stronger cash flows, our capital expenditure will fall naturally. We will also remove some discretionary and non-essential capital investment. Capital investment on a cash basis is therefore forecast to fall from \$9.4 billion last year to \$6-7 billion in 2015 – a reduction of around 30%.

MANAGEMENT CHANGES DURING THE YEAR

In April 2014, Chris Finlayson resigned as Chief Executive of BG Group. Chris made an important contribution to BG Group during his four years with the business and, on behalf of the Board, I thank him and wish him well.

The Board was pleased to appoint Helge Lund as our new Chief Executive in October, following an extensive international search. He joins BG Group from Statoil, the Norwegian state-owned oil and gas company, where he was chief executive officer for 10 years. Helge led a transformation of Statoil during his tenure, assembling a world-class exploration and production portfolio, which included turning around its operations in the North Sea and taking the business into new international projects. Under his leadership, Statoil has become recognised for its technical expertise, solid financial performance and strong values-based culture. He brings the knowledge, international relationships and strategic vision that BG Group needs to move to its next phase of development.

While shareholders were very supportive of Helge's appointment, they had concerns about his proposed remuneration package. In responding to these concerns, we agreed, with Helge's assistance and consent, to amend the proposed package so that all components fall within BG Group's existing remuneration policy. Further details are set out on page 63 of our **Corporate Governance report**.



* Free cash flow is defined in the Glossary (page 143).

After Chris's resignation and prior to Helge joining, I acted as interim Executive Chairman, managing the business on a day-to-day basis with our executive leadership team. Helge started with the Company on 9 February 2015 and I have now reverted to my position as Non-Executive Chairman.

OUTLOOK FOR 2015

With the increased contribution of Brazil and the start of LNG production in Australia, we expect production volumes to rise to between 650 000 and 690 000 boed in 2015. We expect our first LNG train in Queensland to reach plateau production levels in the second quarter of 2015, and our second train, currently under construction, to start up in the third quarter. In Brazil, we expect our two new FPSOs to ramp up production during the year and a further FPSO to come onstream towards the end of 2015. In our LNG business, we will have increased flexibility from the addition of volumes from QCLNG. However, the business will be impacted by falling prices. BG Group expects total operating profit for the LNG Shipping & Marketing business in 2015 to be \$0.7–\$1.0 billion based on forward commodity curves as at January 2015.

We will also increase our focus on the Group's balance sheet and liquidity. Our reduced capital investment will support our cash flows, while our balance sheet will be strengthened by receipt of funds upon the completion of the QCLNG pipeline sale, expected in the first half of 2015.

Helge is now focused on delivering the 2015 business plan and undertaking a review of our longer-term strategy.

CONCLUSION

BG Group has made important progress in 2014, developing our asset base while managing a sharp fall in global oil prices. Our colleagues across the world, including everyone in our assets and joint ventures, deserve credit. In often difficult circumstances, they have shown dedication and determination in meeting our objectives.

2015 poses continuing challenges, particularly from weaker oil prices, but we are committed to taking the steps necessary to deliver value for shareholders.

ANDREW GOULD
CHAIRMAN

QUEENSLAND CURTIS LNG, AUSTRALIA

Methane Rita Andrea commenced loading first LNG in December 2014 at QCLNG, Australia.



STRATEGIC REPORT

A MESSAGE FROM OUR NEW CHIEF EXECUTIVE

07



“Our priority in 2015 will be to focus on delivering the plan we set out for our operations, in a safe and efficient manner.”

HELGE LUND | CHIEF EXECUTIVE

I am delighted to have joined BG Group at this important time for the business. Throughout my career in this industry I have always had a high respect for this Company and its people and I was pleased to see the operational progress made during 2014 in delivering some of the Group's major projects, particularly in Australia and Brazil.

I started as Chief Executive on 9 February 2015, following the Company's 2014 year-end results announcement. The recent decline in oil price has changed the dynamics for all operators in our industry. The future operating environment is challenging, volatile and hard to predict. Our priority in these circumstances will be to focus on delivering the plan we set out for our operations in 2015, in a safe and efficient manner.

In our Upstream business, we will increase our production as we ramp up operations in our growth businesses in Australia and Brazil. In our LNG business, we will integrate our new supply from QCLNG in Australia, and continue to develop and optimise our LNG supply portfolio, despite the weaker price environment. We have committed to improving our efficiency, tightening both our operating costs and capital expenditure, including our exploration spend. These efforts will have my full attention.

The delivery of these priorities will not, however, lead to any compromise on safety. The integrity of our assets and safety of our people, and of the communities we operate in, will always be integral to our business. In terms of personal commitment, I consider that my first responsibility as Chief Executive is to be Chief Safety Officer.

While delivery on our existing commitments will be our focus, I also intend to begin taking steps towards building a stronger BG Group for the longer-term.

I am a firm believer that a company's culture and values are a key driver of its future performance, and should be at the core of its operating model. We will invest time in strengthening the values of the organisation around which we will take decisions, engage with partners and develop the culture we aspire to have as a company.

We will also undertake a review of the longer-term strategy for our business during 2015. My intention is to update all shareholders on this later this year.

BG Group has achieved impressive growth since it was demerged from British Gas in 1997. However, in the past two years, we have sustained some operational setbacks. We must take account of the lessons learnt from these experiences as we develop our long-term plans.

In the short time I have been with the business, I have visited several of our operations and met with many of our colleagues around the world. I have been impressed with the commitment and enthusiasm for BG Group to succeed. When combined with our strong asset base, and a commitment to deliver, we have a strong basis for taking the Company forward.

HELGE LUND
CHIEF EXECUTIVE

A sharp fall in global oil prices in the second half of 2014 will present a challenging environment for all oil and gas companies in 2015.

GLOBAL ECONOMY

The performances of the world's major economies were one of the critical factors in the oil price decline during 2014.

The USA experienced a strong recovery with improving performance, according to several key economic indicators: consumption, employment, private investment, real estate and property. Rapid development and increased volumes of shale and tight oil in several states were key stimuli to the US economy, particularly for employment, but also contributed to an oil and gas market that was oversupplied.

China endured a second successive year of slowing growth as its economy continued to rebalance following years of high growth fuelled by industrialisation and urbanisation. Concerns of a looming financial crisis did not materialise but the moderating level of growth impacted demand for commodities, including oil and gas.

Economic recovery across Europe and Japan was limited. Following the fiscal and monetary stimulus of 2013, the Japanese economy fell back to slower growth, while confidence in Europe's economies continued to be affected by the systemic risks to the eurozone. Varied economic performance in emerging markets, particularly India and Brazil, also slowed commodity demand.

Moving into 2015 it is likely that the global economy will benefit from a relatively benign environment for inflation and interest rates, with lower oil prices providing a boost to household disposable income and acting as an economic stimulus. However, the path remains uncertain, with risks to recovery emanating potentially from several sources, including: continued geo-political tensions; shocks originating from financial markets; and macroeconomic disappointment in systemically important countries or regions.

OIL PRICES

Oil prices began 2014 at \$108/bbl (monthly forward price), and reached a high of \$115/bbl in June, but began to fall in September. Between September and December, the Brent crude price fell by over 40% to close the year at \$57/bbl. At the end of February 2015, the Brent crude price was trading around \$60/bbl.

The falling price resulted from a classic imbalance of demand and supply. On the supply side, three major factors led to oversupply. Firstly, production from US shale and tight oil fields continued to grow rapidly during the year; secondly, despite political turmoil and contrary to expectations, Iraq and Libya maintained production levels; and thirdly, OPEC, led by Saudi Arabia, took the decision not to cut its supply level to balance the market.

The oversupply occurred against the backdrop of weakening global demand for oil and gas.

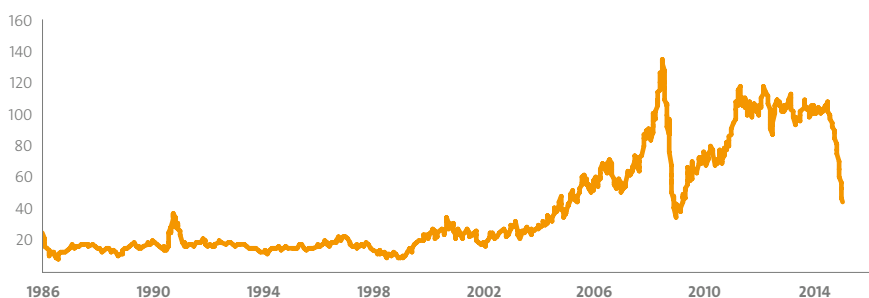
The downturn surprised many, but it is not without precedent – the oil price has sustained three abrupt declines in the past 30 years. This cycle has marked similarities with the downturn of 1986, when new production from the North Sea, Alaska and Mexico led to a substantial excess capacity of oil in the world. Today, the supply overhang is considerably smaller. The new supply from shale and tight oil wells also has high decline rates and therefore a high sensitivity to low oil prices.

BG Group has responded quickly to lower oil prices, committing to reduce capital and operating expenditure in 2015, and being more rigorous in appraising new capital investment. Supply costs have also been falling, particularly drilling rig rates.

IMPACT ON GAS PRICES

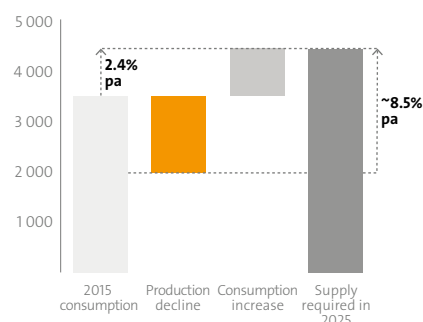
Gas prices also declined in 2014, following weaker oil prices, but also reflecting softer demand in Asia and Europe. In the USA, the benchmark Henry Hub price fell to \$2.9/mmbtu in 2014. Europe's benchmark National Balancing Point price fell to 49 pence/therm as the recovery in the eurozone economies slowed. Gas prices in Asia, which are mainly oil price-linked, reflected the impact of the region's slower economic growth and, later in the year, the fall in the oil price.

HISTORICAL BRENT OIL PRICE SINCE 1986 (WEEKLY)
(\$/bbl)



Source: Bloomberg

GLOBAL GAS SUPPLY CHALLENGE (2015-25)
(bcm/a)



Source: BG Group interpretation of Wood Mackenzie.



SINGAPORE LNG IMPORT TERMINAL, JURONG ISLAND, SINGAPORE

Singapore's new LNG market reached a significant landmark on 25 February 2014, with the official inauguration of the country's first LNG import terminal.

BG Group believes that long-term demand for gas remains strong, in line with global demand for energy. We have maintained our forecast that, over a period of 10 years, gas will grow at an average rate of around 2.4% per annum – principally driven by growth in Asian economies. Despite the growth in supply in the past year, BG Group believes that by 2025 the industry will need to develop new gas production broadly equivalent to the entire gas market today. This development will be technically and commercially challenging, requiring increased volumes of unconventional gas and a projected investment of over \$2.5 trillion.

While countries within Europe and Asia continue to use coal as a source for power, gas is an attractive substitute power source as it is a cleaner-burning fuel with lower carbon emissions. This is likely to be an agenda item for the United Nations Climate Change Conference being held in 2015 in Paris, at which a universal agreement on the world's approach to climate change is sought.

REVIEW OF LNG MARKET

The Asian LNG market accounts for 75% of global LNG demand. Most LNG supplied to Asian markets is sold under long-term oil-indexed contracts. While oil prices fell during the second half of 2014, time lags within LNG price formulae meant that prices under these long-term

contracts were similar to 2013. Although LNG is not widely traded on commodity exchanges in the same way as oil and gas, LNG cargoes not sold under long-term contracts are bought and sold on a spot basis. Spot prices declined over 2014, driven by mild weather in North Asia early in the year and the fall in oil prices later in the year, reducing the price of competing fuels.

2015 marks the beginning of a significant ramp-up in global LNG supply. Deliveries from the QCLNG facility are expected to be followed by volumes from several other new LNG supply projects in Australia and first LNG exports from the USA by early 2016. BG Group expects long-term LNG demand growth, driven by continued economic growth and urbanisation in Asia, as well as the demand for cleaner burning fuels. Demand for LNG is projected to grow twice as fast as overall gas demand, at around a 5% compound average growth rate to 2025.

BG Group's LNG business will grow in 2015 due to the addition of supply from QCLNG to our portfolio. However, we expect to see lower LNG prices as the downward movement in oil prices flows through to oil-indexed long-term sales contracts, and potentially increased competition in spot markets later in the year as the other new LNG supply projects in Australia start production.

OUTLOOK

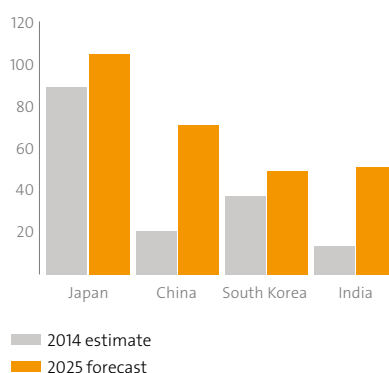
The most critical factor in the recovery of the oil price, and hence an up-turn in gas and LNG markets, is the level of US production. With OPEC stating its commitment to maintaining market share, supply from the unconventional fields in the USA is now regarded as the critical factor in the supply balance. However, that supply source is likely to come under pressure since those fields operate at higher cost levels than many larger conventional fields, and are therefore likely to be less sustainable at low oil prices. BG Group also expects demand to continue rising, albeit gradually, as the availability of cheaper oil encourages usage and the global economy benefits from a lower energy cost. However, oil prices could be volatile for some time until the current market imbalance is corrected.

LNG SUPPLY AND DEMAND OUTLOOK TO 2025
(mtpa)



Source: BG Group (2014).

TOP FOUR LNG IMPORTERS BY 2025
(mtpa)



Source: 2014 estimate – BG Group interpretation of Wood Mackenzie data (Q4 2014); 2025 forecast – BG Group outlook (2014).

STRATEGIC REPORT

HOW WE CREATE AND DELIVER VALUE

Our strategy is driven by two distinctive capabilities: our world-class exploration; and our unique LNG business. We create value through these core strengths, each facilitated by our commercial agility.

OUR DISTINCTIVE CAPABILITIES

WORLD-CLASS EXPLORATION

Exploration is at the heart of what we do. Our exploration strategy, which has been consistent over the last 15 years, is in two parts.

EXISTING AREAS

Where we are already actively operating and/or exploring, we look for new opportunities by capitalising on:

- our detailed knowledge of local geology;
- our infrastructure already in place; and
- our relationships with governments and others affected by or involved in our operations.

NEW BASINS

We seek large frontier acreage, where we can find giant gas and oil opportunities at a relatively low cost of entry.

- We have wide geological and technical expertise.
- We have simple, consistent and robust screening processes that enable us to make fast decisions and then establish positions rapidly.
- Our people and our culture are important parts of our competitive advantage.

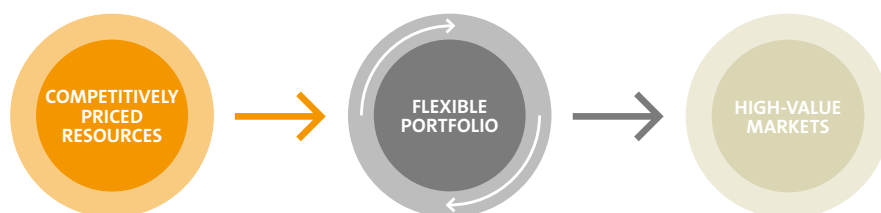
We have the capabilities of a major, but we can move at the pace of a small company in our decision making.

UNIQUE LNG BUSINESS

We are well positioned to capitalise on the rapidly evolving and growing LNG market, through our competitive advantage in commercialising gas and our unique LNG model.

OUR LNG STRATEGY CREATES AND DELIVERS VALUE IN THREE WAYS

- We have a portfolio of competitively priced supply sources and an attractive set of new supply options.
- We have a unique, flexible portfolio that enables us to optimise these supply and market positions to maximise value and ensure reliable supply for our customers.
- Our market knowledge and extensive customer relationships enable us to build strong positions in high-value, growing LNG markets.



Our knowledge of gas markets and skills across the whole gas chain enable us to unlock resources and connect them to markets.



RICHARD BLIGHT,
DEPUTY CHIEF GEOLOGIST

"Our willingness to get into big new basins early in the exploration cycle stands us apart. We centralise the allocation of resources to our exploration projects which means that only the best opportunities get funding, and additional support is given where needed. We also trust our geologists early in their careers, enabling them to contribute meaningfully and build their skills and confidence. This also improves the skill sets of colleagues – recent graduates are often more up-to-date with the most recent developments in research and technology and bring new thinking into our organisation."



RYAN SCHLEICHER,
SENIOR LNG MARKETING MANAGER

"There are other LNG portfolio suppliers in the market, but our flexible business model is distinctive. We have flexible contracts and a flexible shipping fleet and we take a flexible approach when dealing with our customers. We are both a stable, traditional supplier that finds gas and delivers it to end users and an intermediary that manages risks for buyers and sellers. That might not sound like much, but there are not many companies that do both and even fewer that do both well."

OUR STRATEGY

VALUE-DRIVEN EXPLORATION & PRODUCTION AND LNG COMPANY

World-class exploration and unique LNG business	Actively manage our portfolio to reinvest in growth	Prioritise value over production
In exploration, we aim to deliver one new material opportunity on average each year. In 2014, we entered four new basins in Colombia, deep water Trinidad and Tobago, Myanmar and Aruba, and acquired seismic as operator in Honduras, Uruguay and Tanzania. We drilled a total of 12 conventional and six unconventional exploration and appraisal (E&A) wells. In 2015, we will continue to progress our existing exploration opportunities across both our new and existing basins. In LNG, we use our flexible supply portfolio to grow. In 2014, we achieved first LNG from QCLNG, added production to the Atlantic LNG export facility from the Starfish field and filed the Federal Energy Regulatory Commission (FERC) application for Lake Charles LNG. We delivered 11 million tonnes representing 178 cargoes of LNG.	We are committed to monetising value through active portfolio management in order to realise value from exploration and production (E&P) and LNG assets. The objective is to have a focused and balanced portfolio and to accelerate growth. In 2014, we agreed transactions worth approximately \$6 billion; \$1 billion completed in 2014 and this was used to reduce net debt and fund future growth projects. From 2015, we will continue to actively manage the portfolio, but will only do this for value, which will be more challenging in the current low oil price environment.	We screen all projects rigorously and aim to invest in those we judge most capital-efficient. In 2014, 67% of our cash investment was in Australia and Brazil, both of which saw new production brought onstream during 2014 and both of which have relatively low cash costs of production. In 2015, we will continue to invest in Brazil and Australia. We will continue to pursue projects that add value for shareholders, but will set the hurdle rate for investment even higher than before, given the low oil price environment. We will lower our capital investment on a cash basis by around 30% in 2015 to \$6-7 billion. This partly reflects the completion of projects but also the deferral or removal of discretionary and non-essential expenditure.
Focused portfolio of high-quality assets	Focus on areas where we have a competitive advantage	Lean and agile organisation
We are committed to value creation from our portfolio of high-quality businesses in upstream gas and oil, and in LNG. Our portfolio focuses on growth assets, such as Brazil and Australia, assets with high value optimisation opportunities and material, mature assets that provide strong cash flow. Since 2013, all producing assets have been reviewed for strategic fit and recommendations made to maximise value over the full life cycle.	In 2014, we announced the sale of our interests in the QCLNG pipeline in Australia and in the CATS pipeline and associated infrastructure in the UK. These were divested as they were not core businesses. We remain focused on areas where we have distinctive competitive advantage – early stage origination and discovery – in upstream gas and oil and in LNG. In 2015, Train 1 in QCLNG is expected to reach plateau production levels in the second quarter and Train 2 is expected to start up in the third quarter. In Brazil, we expect FPSOs 4 and 5 to ramp-up and FPSO 6 to come onstream towards the end of the year.	BG Group is a lean and agile organisation, with strong commercial and technical abilities, simple processes and clear accountabilities. In 2014, we rationalised our head office and streamlined our decision making and management structure. Going forward, we will pursue further organisational and operational efficiencies to reduce our internal costs. Measures will include optimisation of shutdowns, deferral of non-critical activity and review of the efficiency and cost of our supply chain with our contractors.

BG Group's longer-term strategy will be reviewed by the Group's new Chief Executive, Helge Lund, in conjunction with the Board, during the course of 2015 and will be reported on in the 2015 Annual Report and Accounts.

STRATEGIC REPORT

WHAT MAKES US DISTINCTIVE: WORLD-CLASS EXPLORATION

Exploration is a core driver of value for BG Group. Our track record in exploration reflects the technical expertise that is at the heart of our business.

A JOURNEY OF DISCOVERY

Since 1997, our teams of geologists and geophysicists have participated in 17 giant or super-giant hydrocarbon discoveries. Each of these discoveries has recoverable resources greater than 500 million barrels of oil equivalent (mmboe) or 3 trillion cubic feet (tcf) of gas.

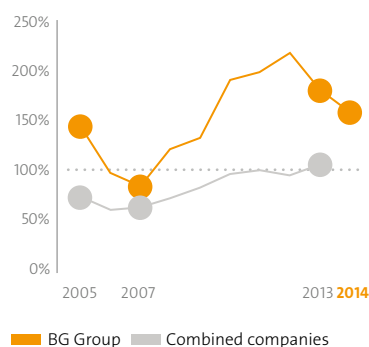
Across our portfolio, we have been successful in converting discovered resources to economic reserves and we will continue to monetise our resources to drive value for the business.

Some of our strongest recent successes have been in Tanzania where, since 2010, we have drilled 16 consecutive successful exploration and appraisal wells. We now have 16 tcf of total recoverable gas resources – equivalent to around 2.5 billion boe.

Our success is demonstrated by our organic proved reserve replacement ratio where we have consistently outperformed our peer group.

Over the past three years, our organic proved reserve replacement ratio has been 158%.

THREE-YEAR ORGANIC PROVED RESERVE REPLACEMENT RATIO^{(a)(b)} (SEC/SPE-PRMS data)



(a) Source: Evaluate Energy. Peer group includes Super Majors, and US and European Integrated Majors.

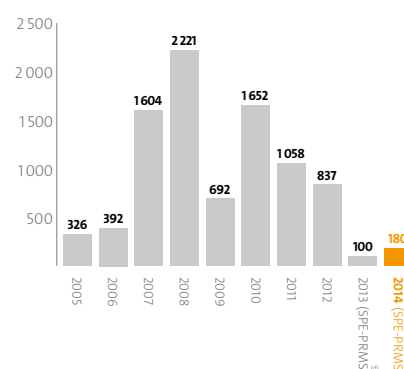
(b) BG Group three-year organic proved reserve replacement ratio measured on an SEC basis until 2013, and SPE-PRMS thereafter.

VALUE FOCUSED

Our track record is reflected in the most recent survey by industry consultants, Wood Mackenzie. Based on their rankings, excluding unconventional and discoverable resource opportunities (DROs), we lead all the super major energy companies, and are second overall in conventional new-field value creation from exploration (see chart below).

In the lower oil price environment we face in 2015, our focus will be on progressing our existing exploration opportunities across new and existing basins. Our exploration will be focused around hubs in Australia, the North Sea and Trinidad and Tobago, while our work in new basins will be concentrated on prospect generation.

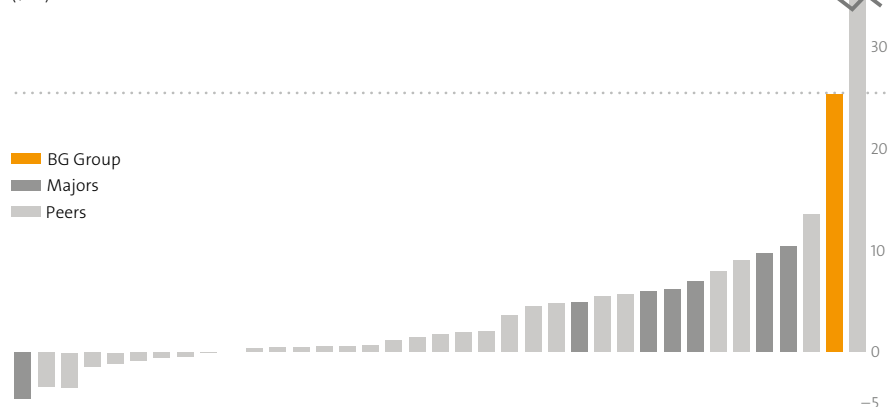
BG GROUP ORGANIC RESERVE AND RESOURCE ADDITIONS^(d) (mmboe)



(c) Source: BG Group.

(d) Organic Reserve and Resource Additions measured on an SEC basis until 2012, and SPE-PRMS thereafter.

CONVENTIONAL NEW FIELD VALUE CREATION 2004-13^(e) (\$bn)



(e) Source: Wood Mackenzie "Exploration Company Benchmarking" – net value creation, excluding organic unconventional and DROs (2004-13, excluding National Oil Companies, but including Petrobras and PETRONAS).



"BG Group creates an environment where everyone can and wants to participate in a highly collaborative way – it means that we have the best ideas and technical expertise to explore. I lead an exploration team in a dynamic and exciting industry, exploring environments that existed millions of years ago, to find future hydrocarbon resources. We strive for technical excellence, working with the best people, technology and tool kits to find the next exploration opportunity, whether it be a high-value near-field tie-back in a mature basin or a multi-billion barrel field in an emerging frontier area."

CARL CUTHBERT-BROWN | EXPLORATION TEAM LEADER, EUROPE E&P



“Our Exploration business provides young geologists with the opportunity to take on responsibility in high-profile projects from a very early stage in their careers. With the right support to climb a steep learning curve and insight into the decision-making process, you quickly understand how your work directly impacts the success of the exploration programme. I work in the Emerging Assets team, evaluating basins where gas and oil exploration is in its infancy. You need to be able to communicate your ideas, both with your sub-surface colleagues and with those who have limited geological background. The success of the venture is dependent upon effective stakeholder engagement and requires a multi-faceted approach, with expertise from sub-surface to environment to social performance.”

LUCY RAMSEY | EMERGING ASSETS GEOLOGIST

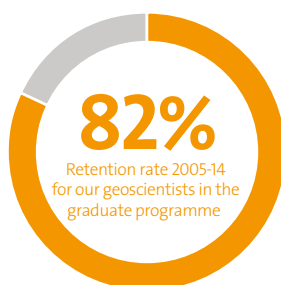
OUR MOST IMPORTANT ASSET

We believe our track record is the result of how we apply our technology, our rigorous but fast decision-making process on which prospects we develop and, most importantly, the difference our people make.

A core part of our approach to exploration has been to develop our talent internally, from graduate level upwards. Our graduate programme has been a competitive advantage, with a retention rate of around 82% over the last 10 years. We believe this is the result of the individual attention we pay to development plans for our geoscientists and the trust and responsibility we place in them from early in their careers.

BG Group encourages and supports a creative and entrepreneurial culture among our exploration teams – our 280 geoscientists initiate and develop new ideas and prospects on a regular basis.

RETENTION RATE OVER THE LAST 10 YEARS



AGILE ORGANISATION

The Group prides itself on its ability to make decisions swiftly, which we attribute to our flat management structure. Opportunities are evaluated using state-of-the-art technology.

In 2014, we delivered on our new frontier basin strategy entering four new basins – Aruba, Colombia, deep water Trinidad and Tobago as well as Myanmar.

For example, as part of our early-stage exploration activity offshore Honduras, a region which has not been drilled for over 30 years, we deployed a new technology not used by BG Group before known as a gravity gradiometry survey.

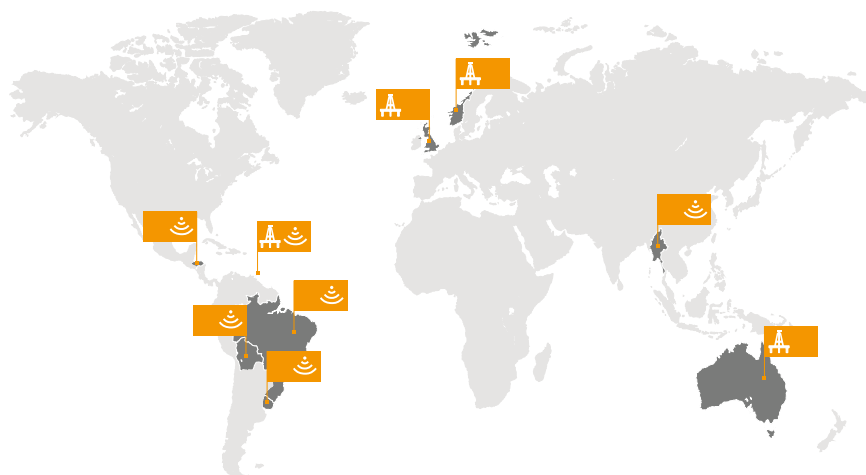
In combination with other analyses, we are able to build up a more detailed picture of the opportunity, increase our confidence and progress it towards a drilling decision. We seek a balanced view of the risk profile of the project, considering both technical and commercial aspects and then evaluate whether it will meet our economic screening criteria.

As with every part of our business, safety remains paramount in exploration, particularly when we reach the stage of drilling. With this in mind, we are constantly seeking ways to improve the safety of our operations.

EXPLORATION AND APPRAISAL ACTIVITIES

During 2015 the Group will be exploring a mix of existing and frontier basins including:

	Drilling	Seismic activity
Australia	●	●
UK	●	●
Norway	●	●
Trinidad and Tobago	●	●
Brazil		●
Uruguay		●
Honduras		●
Bolivia		●
Myanmar		●



STRATEGIC REPORT

WHAT MAKES US DISTINCTIVE: UNIQUE LNG BUSINESS

We are a leader in the global LNG market, operating a flexible supply portfolio that allows us to deliver a reliable supply of energy whenever and wherever it is needed.

LNG OPERATIONS AND EXPERTISE

We have LNG operations and expertise across the supply chain. Our specialist understanding of the industry, leading supply position and strong customer relationships enable us to manage large volumes and deliver them efficiently to our customers.

DIVERSIFIED AND FLEXIBLE LNG SUPPLY

We have a combination of supply sources from our own liquefaction assets, long-term third-party suppliers and cargoes available on the spot market. These supply sources, the Group's flexible shipping portfolio, and having our own market positions, allow us to respond to changes in market conditions and enable us to provide a flexible, reliable and competitive supply to our customers.

BG Group has sourced LNG from 15 producing countries, and is expected to add the USA as a supply source with contracted volumes from the Sabine Pass LNG terminal in the USA in early 2016. As the market expands, BG Group is assessing further supply options, including Lake Charles in the USA, Tanzania and Canada. These supply options are at various stages of development, but are yet to receive investment sanction. Before the decision to sanction is taken, these projects will undergo detailed scrutiny and price sensitivity analysis. Where we are not able to achieve the desired economics, we will defer or cancel projects.

EXTENSIVE CUSTOMER NETWORK

BG Group has delivered LNG to 27 of the 28 purchasing countries.

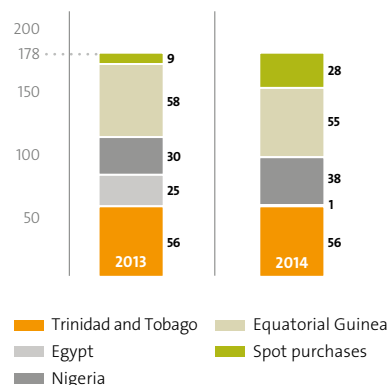
The diversity of our supply means customers are not tied to the output of a single LNG plant, increasing the security of supply, while also allowing us to optimise our portfolio sales.

Our flexible operating model, close relationship with our customers, and significant shipping expertise, enable us to efficiently service our customers' LNG requirements.

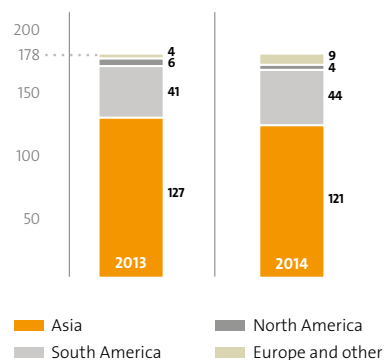
LNG IN 2015

While the trends for long-term demand remain strong, the LNG market in 2015 will be impacted by the weaker oil price. BG Group's LNG Shipping & Marketing supply volumes are expected to be slightly lower than 2014, excluding the purchase of spot cargoes and the impact of new volumes from QCLNG. Based on commodity price forward curves at the beginning of 2015, we expect our total operating profit for LNG Shipping & Marketing to be in the range of \$0.7–\$1.0 billion.

LNG SUPPLY – CARGOES BY SOURCE



LNG SALES – CARGOES BY DESTINATION



CASE STUDY – SINGAPORE

In 2008, the Energy Market Authority appointed BG Group as exclusive aggregator for Singapore's first 3 mtpa of LNG demand following a competitive process. Since starting commercial operations in May 2013, we have demonstrated our ability to deliver well beyond contractual obligations. Our control of our LNG supply chain has enhanced Singapore's security of supply and provided additional flexibility to gas buyers. As aggregator, the Group has also developed a number of new and innovative products to connect Singapore to the global LNG market, including agreements to enable the reprofiling of gas offtake or the diversion of LNG to other markets.

CASE STUDY – NEW SUPPLY

The start-up of QCLNG in Australia will provide a major new supply source of LNG that is well located for our major customers in Asia.

It is anticipated that supply from QCLNG will be supplemented by contracted volumes following the start-up of operations at the Sabine Pass LNG terminal in the USA in early 2016, where BG Group will lift the first US export cargo as part of its long-term 5.5 mtpa supply agreement with the operator, Cheniere Energy. When combined with 8 mtpa from QCLNG, the Group will have more than doubled the LNG volumes in its portfolio.



SABINE PASS LNG TERMINAL,
LOUISIANA, USA

BG Group will be the largest off-taker from Sabine Pass, which is scheduled to start-up in early 2016.



“BG Group has a long history in the LNG business and expertise in all areas of the LNG chain. Having a diverse global LNG supply portfolio makes us reliable and also enables us to be flexible. This means that we are able to mitigate the risks of adverse and unexpected events. Our QCLNG project is the world’s first project to turn coal seam gas into LNG, and when we successfully loaded and delivered the first cargo it was a proud moment. It is a huge milestone and an impressive feat.”

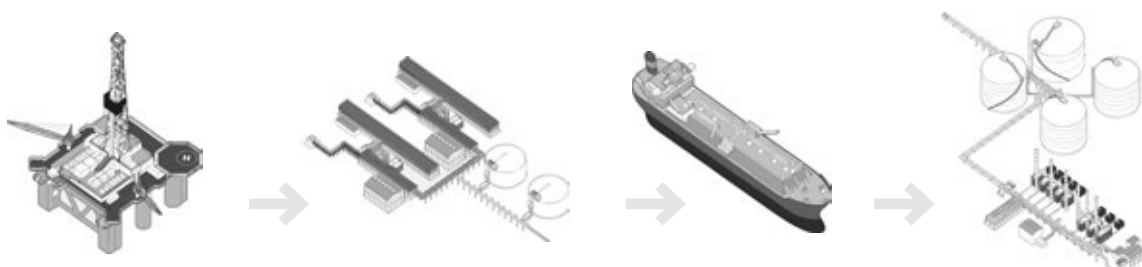
LAURA GUMMER | LNG ANALYST



“Our relentless focus on efficiently delivering the cargoes in our portfolio makes us distinctive. We are connecting suppliers and consumers of LNG in a cost-effective way. Optimising our portfolio allows us to provide the best service and flexibility to our customers.”

GORDON XU | OPTIMISATION
MANAGER, ENERGY MARKETING

THE LNG CYCLE



GAS PRODUCTION

Onshore and offshore production facilities collect gas from drilling wells. It is then transported via pipeline to liquefaction facilities.

LIQUEFACTION

A liquefaction facility cools gas to -160°C , condensing it to 1/600 of its volume, allowing for economical transportation.

SHIPPING

LNG is loaded onto specially built ships designed to hold super-cooled gas. LNG can be transported to any country in the world with a regasification terminal.

REGASIFICATION

LNG is warmed at an onshore or floating regasification facility, converting it back to gas for distribution.

MARKETING

LNG cargoes are bought and sold under long-term purchase agreements or on a spot basis according to prevailing supply and demand.

LEADERSHIP POSITION

With an established leadership position, global scale, and an average of 25 LNG ships on the water at any one time, BG Group operates from a position of strength in the LNG market. The Group ensures that the LNG fleet is optimised through the entire life cycle of any given vessel: during ship design and construction, to take advantage of the latest technologies; through commercial structuring, to enable maximum fleet flexibility; and through vessel operations, to ensure efficient, safe and optimised delivery of all cargoes for BG Group’s trading and marketing business. A relentless focus on HSSE underpins the overall shipping strategy.

OUR LNG FLEET

A key ingredient in our approach is our fleet of leased and owned LNG carriers – one of the largest in the world – which will grow as BG Group’s LNG supply portfolio increases.

FLEET RESTRUCTURING

In 2014, BG Group divested ownership, under a sale and leaseback transaction, of six 145 000 cubic metre steam turbine LNG ships and announced it had agreed to divest ownership, under a sale and leaseback transaction, of two 170 000 cubic metre LNG tri-fuel diesel electric ships. In addition, the Group divested its ownership share of four tri-fuel diesel electric ships being built in Hudong, China. All these divestments delivered significant value and flexibility for BG Group.



METHANE LYDON VOLNEY

The *Methane Lydon Volney* vessel, powered by steam propulsion, is one of BG Group’s fleet of modern, double-hulled vessels.

24/7

24 HOURS A DAY, SEVEN DAYS A WEEK
OUR OPERATIONS ARE CONTINUOUS

2 426 121

NAUTICAL MILES
LNG DISTANCE TRAVELLED IN 2014

25

AVERAGE NUMBER OF VESSELS ON WATER
AT ANY ONE TIME
LNG CARRIERS LEASED AND OWNED

11

MILLION TONNES
LNG DELIVERED VOLUMES IN 2014

Our business is built on partnerships with all our stakeholders, from governments and communities to our own employees and wider society. Meeting their changing expectations and winning their respect is essential to our present and future business. In this section, we outline our approach on the issues we consider critical to making BG Group a sustainable business.

RESPONSIBLE OPERATOR

HEALTH AND SAFETY

We are committed to providing a safe and healthy workplace, with all employees engaged in the need for safe work practices. In 2014, we beat our target for occupational safety performance, achieving a TRCF of 1.38 (see page 18 for further details). Our improved TRCF performance reflects effort, in particular, from our operations in Australia. However, we had two major (Tier 1) releases of gas, one from a sub-sea flowline and the other from a well-site flowline. Both incidents were fully investigated, and lessons learnt shared across the Group.

Our ability to maintain safe and reliable operations depends not only on our employees, but also on the contractors we employ. We set minimum requirements for contractor selection and management, particularly for contracts assessed as having high HSSE, human rights or ethical conduct risks. We track how well each individual contract is being managed and, in 2014, we met our target of managing 95% of high risk contracts against these requirements.

HUMAN RIGHTS

We are committed to respecting human rights in all of the places in which BG Group works. Our approach is aligned with the UN Guiding Principles on Business and Human Rights, and BG Group is a long-standing member of the Voluntary Principles on Security and Human Rights (VPSHR) initiative which provides a framework for companies to ensure security for their operations while respecting human rights. In 2014, we assessed our management of security and human rights in Egypt, India, Kenya, Tanzania, Trinidad and Tobago, Tunisia, and our global shipping operations.

In December 2014, Karachaganak Petroleum Operating BV (KPO), our joint venture operation in Kazakhstan, came under criticism from a community neighbouring its Karachaganak field and facility, following an outbreak of illness at a school in the village. Some NGOs and media alleged that pollution from KPO was the cause. KPO engaged extensively with investigators of the incident, and the community of the Berezovka village, including providing ongoing transport to medical treatment centres for patients. In January 2015, the preliminary government investigation found that there

was no evidence that the emissions from KPO's operations were the cause of the illnesses. However, further investigations are still underway. KPO continues to offer its support to the Berezovka community and to the government of the Republic of Kazakhstan on the issue.

SECURITY

The scale and breadth of BG Group's global operations brings security threats and challenges, including from terrorism, crime and political instability. The most significant security challenge to our operations in 2014 continued to be in Egypt, where we maintain an enhanced level of security for all employees and our operations. We reviewed and updated our mitigation plans to address the evolving situation.

To strengthen our readiness for crisis situations, we completed a programme of training and live simulations across our crisis teams at Group level and in Australia, Brazil and our global shipping operations.

ETHICAL CONDUCT

Corruption and bribery represent significant risks for the oil and gas industry and, in 2014, we continued to assess and manage our exposure to these risks, as well as monitoring compliance with our ethical conduct standards. Independent assessments of the implementation of our anti-bribery and corruption programme were undertaken in six of our operations.

As part of our due diligence process, we managed corruption risks in our new venture activities, which included Aruba, Colombia and Myanmar. We ran a global awareness campaign – Do the Right Thing – aimed at encouraging good ethical conduct and speaking up.

Our Speak Up (whistleblowing) facility received reports of 106 cases, unchanged from 2013 (106 reports in 2013 and 120 in 2012). In a quarter of the Speak Up cases closed in 2014, the allegations were found to be wholly or partially substantiated. Of the cases that were investigated and closed in 2014, thirteen cases had actions recommended against employees or contractors (such as disciplinary action, contract termination, training and monitoring) and eleven cases had follow-up actions recommended, such as organisational and procedural changes.

RESPECT FOR ENVIRONMENT AND CLIMATE CHANGE

CLIMATE CHANGE

Climate change remains a critical, long-term issue for both BG Group and our industry. We align our internal efforts to improve continually on our operational emissions (through design and optimising our energy efficiency on existing facilities), with external engagement to track policy developments, influence regulatory frameworks and share best practices.

In 2014, we were founding members of two industry partnerships set up to investigate and respond to climate change issues across the industry: the Oil and Gas Climate Initiative and the Climate and Clean Air Coalition Oil and Gas Methane Partnership. In partnership with Imperial College London, we launched the Sustainable Gas Institute, a collaborative centre for research, technology and education in gas sustainability.

We also contributed to initiatives that aim to improve industry measurement and management of methane emissions including: a Commonwealth Scientific and Industrial Research Organisation (CSIRO) fugitive emissions monitoring research project in Australia, a study on emissions from hydraulically-fractured wells with the University of Texas, and an initiative to drive the adoption of new technologies for methane detection with the Environmental Defense Fund.

GREENHOUSE GAS EMISSIONS

We remain committed to delivering our five-year emissions intensity reduction targets across our assets. The targets we have set are an 8% reduction in GHGs per boe produced for exploration and production activities and a 15% reduction in GHGs per boe from our LNG business from 2012 levels. This equates to a 10% overall reduction of our GHG emissions intensity per barrel for the year ended 31 December 2017 off the base year of 2012*. Achievement of these targets is sensitive to changes in our production mix and business portfolio.

Each of our operated assets has its own emissions intensity target and energy management plan, which identifies the energy efficiency initiatives to be implemented in order to deliver these

* The targets commit us to reducing GHG emissions per unit of production and apply to our equity share of emissions from operated and non-operated businesses. Shipping activities are not included.

MEASURING OUR PERFORMANCE

BG Group's environmental, social and governance performance is measured by a number of indices.

We have been included in the Dow Jones Sustainability Index each year since 2000. In 2014, the average score for the oil and gas sector was 49 out of 100. We achieved a score of 80, which placed us at 95th percentile in our industry.

We have qualified for the FTSE4Good Index every year since its creation in 2001. Our score in 2014 was

3.9 out of 5. Our 'supersector' score, which ranks us relative to other oil and gas companies in the index, was 96th percentile.

The Carbon Disclosure project assesses the measurement, management and disclosure of GHG emissions and climate change data. In 2014, we received a score of 94% for our carbon disclosure and an A- for our carbon performance.

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM



READ ABOUT HOW THE ACTIONS OF EACH OF THESE KEY FUNCTIONS MAPS TO OUR PRINCIPLE ACTIVITIES:
WWW.BG-GROUP.COM/SUSTAINABILITY

targets. Total equity share GHG emissions intensity increased by 9% during 2014.

The GHG emissions intensity for our operated assets rose by 13% from the previous year. The increase in GHG emissions intensity reflects the impact of lower throughput from some operations, increased energy required to extract gas in maturing fields, and increased emissions in Australia, where we have temporarily increased flaring of gas due to commissioning of our QCLNG project. In 2014, projects were implemented in our assets that delivered reductions of approximately 300 kt of GHG. Full disclosure of our GHG emissions during the year is set out on page 79.

A methane emission assessment and management programme is under implementation. In 2014, we completed methane assessments of five facilities; the programme of monitoring and management will be further developed in 2015.

WATER AND BIODIVERSITY

Water use and disposal, and potential impacts on biodiversity are key elements of our environmental risk identification and management programmes. We worked on a number of environmental studies and assessments to support our exploration programmes and planned new developments. Highlights from 2014 included: a water risk assessment for our future operations in Tanzania; baseline surveys to identify key biodiversity features for an area of proposed exploration in Bolivia; and delivering a biodiversity offset programme to protect more than 25 000 hectares of Curtis Island, Australia, where we have started up a new LNG plant.

ENVIRONMENTAL MANAGEMENT

In 2014, we had no major environmental incidents, including no major oil spills. We maintained 100% certification of our environmental management system to ISO 14001 for our operated assets. During 2014, we strengthened our spill response capability to cover offshore wells being drilled in Kenya and Tanzania, including pre-positioning spill response equipment and training teams to mobilise the equipment in the event of an incident.

POSITIVE SOCIO-ECONOMIC IMPACT

TRANSPARENCY

We support transparency of payments to governments. We have committed to the Extractive Industries Transparency Initiative (EITI) a global standard to promote accountable management of natural resources. The Group is also preparing to comply with the new EU Accounting Directive which requires reporting of payments to governments by all extractive industries.

SOCIAL PERFORMANCE

The long-term sustainability of our business is dependent upon establishing and maintaining effective relationships with interested and affected stakeholders.

We consulted with local stakeholders to assess the potential social and economic impacts for our proposed projects in Bolivia, Brazil, Canada, Honduras and Myanmar. We upheld our commitments to respect, engage and build mutually beneficial relationships with Indigenous people living near our operations in Australia, Bolivia, Canada and Honduras. In Bolivia, we continued to work with the Weenhayek communities to build their organisational capacity and to develop alternative livelihoods. We also conducted a review of our community grievance mechanisms.

In 2014, we expanded our strategic social investments to deliver jobs, skills and benefits in the countries where we work. We made voluntary social investments totalling \$20 million in 2014 (\$18 million in 2013). We continued to run key programmes to promote science, technology, engineering and maths (STEM) education; since 2011, we have invested more than \$6 million in programmes that have directly benefited more than 30 000 students. We also implemented youth entrepreneurship programmes to help deliver jobs and economic growth in Canada, Kenya, Tanzania and Trinidad and Tobago through our global partnership with Youth Business International.

PEOPLE AND SKILLS

As at 31 December 2014, we employed 4 927 people worldwide. During the year, the Group undertook a number of activities in pursuit of increased efficiency and effectiveness, while resourcing, talent

management and succession continued to be a focus. We recruited 57 graduates to our Graduate Development Programme and actively managed university relationships to attract high-quality candidates.

At the beginning of 2014, we launched a cost and efficiency review across the business, which included a voluntary redundancy programme and other redundancy exercises in many of our assets worldwide. This efficiency review led to a reduction in our overall workforce.

Our business benefits from a diverse culture, in which individuals contribute different perspectives and ways of working. To achieve this, we aim to build a workforce that is diverse in ethnicity, gender, background and approach. We aspire to increase the proportion of women in leadership positions to 20% by 2020. In 2014, 27% of our total employees, 8% of our senior leadership and 25% of our Board was female. For further information on diversity, see page 52 of our **Corporate Governance** section.

SUPPLY CHAIN

We strengthened our approach to managing our supply chain through reorganising our global procurement team, and increased our focus on sustainable sourcing with the aim that it becomes common practice across our organisation.

We further integrated human rights, ethical conduct and social performance considerations into the selection process for a strategic partnership with a global engineering, project management and procurement contractor. Employing and developing suppliers is an important way in which we can contribute to a local economy. In 2014, the total spend on local suppliers was \$8.4 billion, 89% of our total supplier spend. Notably, in 2014, we increased our use of Indigenous businesses to supply goods and services to our operations in Australia.

STRATEGIC REPORT OUR PERFORMANCE

BG Group has identified the key performance indicators (KPIs) it believes are useful in assessing the Group's performance against its strategic aims. They encompass both financial and non-financial measures and are set out below.

EARNINGS PER SHARE (EPS)

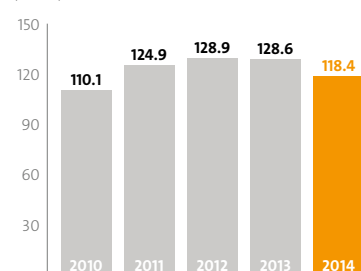
Business Performance EPS is the amount of earnings attributable to each individual share in issue and has been calculated by dividing BG Group's Business Performance earnings by the weighted average number of ordinary shares in issue and ranking for dividend during the financial year.

Business Performance EPS in 2014 declined 8% to 118.4 cents (2013: 128.6 cents), reflecting a 14% reduction in total operating profit, partly offset by a reduction in the Group's effective tax rate from 41% to 37%. Operating profits in 2014 benefited from a greater proportion of oil in the portfolio and higher realised LNG prices in the first half of the year. However, a 4% decrease in production volumes, combined

with higher operating costs and depreciation in Upstream, lower oil and liquids prices that were not fully hedged, and a higher cost of supply in LNG, more than offset these benefits.

Total Results EPS for 2014 was a loss of 30.8 cents per share (2013: earnings of 64.8 cents) and included a post-tax loss of \$5 086 million in respect of disposals, re-measurements and impairments, comprising primarily of impairments of \$5 928 million, partially offset by a \$782 million gain arising on the disposal of the Group's interest in the CATS pipeline and associated infrastructure in the UK and \$449 million of one-off and prior-period taxation credits. For further information, see the **Financial review** on pages 28 to 33.

BUSINESS PERFORMANCE EARNINGS PER SHARE (cents)



For the year ended 31 December. See note 9, page 110.

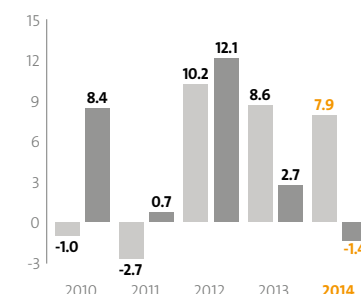
TOTAL SHAREHOLDER RETURN (TSR)

TSR is defined as the percentage return on investment obtained from holding a company's shares over a period of time. It includes the change in capital value of the shares, dividends paid and other payments made to or by shareholders. It is used to measure BG Group's performance relative to its peers. The Group's TSR performance over a three-year period is used, inter alia, to determine vesting levels under the Group's Long-Term Incentive Plan (LTIP). For LTIP awards granted in early September, TSR performance is measured to 31 August.

For further information, see the **Remuneration report** on pages 62 to 77.

The graph shows, for the past five years, the annualised US Dollar TSR of BG Group shares over a three-year performance period and the corresponding average TSR of the Group's industry peers. For the three-year period ending 31 August 2014, BG Group underperformed the weighted peer group index by 8.6% per annum. For details of BG Group's TSR in Pounds Sterling relative to the FTSE 100 index see the TSR chart on page 72.

TOTAL SHAREHOLDER RETURN – THREE-YEAR AVERAGE TO 31 AUGUST (%)



Peer group^(a) (simple average in 2010 and weighted average from 2011)
BG Group

(a) For constituents of the peer group, see page 69.

SAFETY

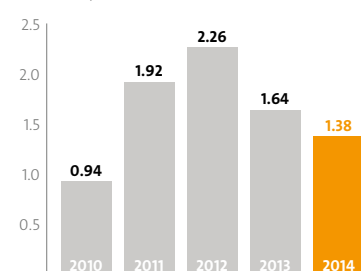
Safety is a core value for BG Group. The Group believes that all incidents are preventable and pursues a goal of zero injuries across all of its operations. Total recordable case frequency (TRCF) measures the number of incidents per million work hours and is the headline indicator of the success of the Group's safety programmes, measuring the ratio of injuries to working hours.

In 2014, the Group's TRCF further improved to 1.38, versus a target of 1.40 and a 2013 performance of 1.64. This progress reflected

good safety performance in a number of assets but particularly in Australia during the challenging phase of start-up of the QCLNG project and its ongoing commissioning. Active and visible leadership across teams was a key enabler, as processes at the worksite continued to be simplified to identify and manage safety risk.

For further information on the Group's safety performance and priorities, see **How we work** on pages 16 to 17.

TOTAL RECORDABLE CASE FREQUENCY (incidents per million work hours)



For the year ended 31 December.

ADDITIONAL KPIs FOR 2015

Consistent with BG Group's focus on improving return on capital and delivering earnings and cash-flow growth, it is intended that return on average capital employed (ROACE) and earnings before interest, tax, depreciation and amortisation (EBITDA) be adopted as additional KPIs for the business and will be first reported in the Annual Report and Accounts for the financial year ended 31 December 2015.

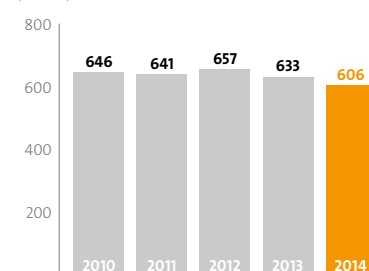
PRODUCTION VOLUMES

The graph shows BG Group's net production from all of its producing E&P interests and is measured in thousands of barrels of oil equivalent per day (kboed).

In 2014, E&P production volumes decreased 4% to 606 kboed. The continued ramp-up of production from new developments in Brazil, Bolivia, Australia and the UK were

more than offset by reservoir decline and lower entitlement in Egypt, declines in the USA, lower entitlement in Kazakhstan and shutdowns in Tunisia. The proportion of oil in the portfolio increased, with oil production rising from 15% to 22% of the total, reflecting the growth in production in Brazil. The Group expects production in 2015 to be in the range of 650-690 kboed.

EXPLORATION AND PRODUCTION VOLUMES (NET)
(kboed)



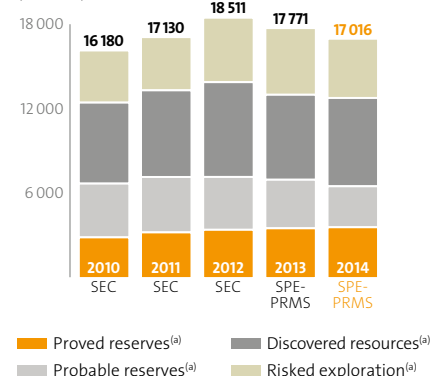
For the year ended 31 December.

TOTAL RESOURCES

The size of BG Group's total reserves and resources is a key determinant of the Group's ability to replace production and deliver production growth in the future. It is measured in mmboe. From the year ended 31 December 2013 onwards, BG Group adopted the reserves definitions and guidelines consistent with the Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE-PRMS). See page 132 for more details.

In 2014, BG Group's total reserves and resources decreased 4% or 755 mmboe to 17 016 mmboe. The Group's proved and probable reserves fell 7% to 6 525 mmboe (2013: 6 990 mmboe). The Group monetised 221 mmboe of resources through production, and close to 500 mmboe of the decline was through disposals and relinquishments. Approximately 350 mmboe was progressed from risked exploration to discovered resources.

TOTAL RESERVES AND RESOURCES
(mmboe)



(a) For an explanation of these terms, refer to page 132.

For the year ended 31 December.

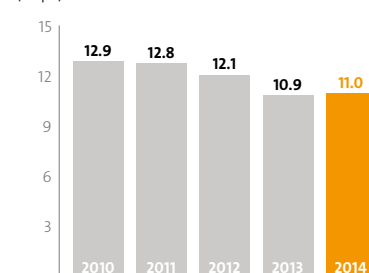
LNG VOLUMES

This is a measure of the volume of LNG that BG Group has delivered, excluding fuel gas. The Group has a portfolio of flexible, long-term LNG supply, sourced from its own liquefaction plants in Trinidad and Tobago, Australia and Egypt, as well as from third-party suppliers in Equatorial Guinea and Nigeria. Delivered volumes also includes third-party spot purchases. It is measured in millions of tonnes per annum (mtpa).

LNG delivered volumes in 2014 were 11.0 mtpa compared to 10.9 mtpa in 2013, equating to 178 cargoes in both years. Overall volumes

increased 1% despite fewer cargoes delivered from Egypt (falling from 25 in 2013 to one in 2014) primarily as a result of an increase in spot cargo purchases which totalled 28 in 2014 versus nine in 2013. The Group continues to expect very limited cargoes to be lifted from Egyptian LNG for the foreseeable future. However, QCLNG will add new LNG volumes in 2015. Excluding QCLNG cargoes and spot purchases, supply volumes are expected to be slightly lower in 2015.

LIQUEFIED NATURAL GAS DELIVERED VOLUMES
(mtpa)



For more information on delivered volumes, see page 26.

For the year ended 31 December.



“Despite the challenges of a lower oil price and the many risks we have to manage on a daily basis, I expect to see us deliver higher volumes in 2015.”

SAMI ISKANDER | CHIEF OPERATING OFFICER

UPSTREAM

TOTAL OPERATING PROFIT^(a) BUSINESS PERFORMANCE

\$3 947m

2014	-21%
2013	\$4 967m

EXPLORATION AND PRODUCTION VOLUMES (NET)

606kboed

2014	-4%
2013	633 kboed

2014 MILESTONES

At the start of 2014, BG Group set out the key milestones for the year, which encompassed several major projects being brought onstream in Australia, Brazil and Norway, as well as additional phases of development in some of the Group's other assets.

Key

- ✓ Delivered on time or ahead of schedule
- ✓ Delivered but behind schedule

2014 was a year of solid progress in our Upstream business as production increases from our growth assets in Brazil and Australia largely offset a 13% decline from our base assets, driven principally by reductions in Egypt and the USA. In total, production volumes declined by 4% in 2014.

Increased production from Brazil also drove an increase in the proportion of oil in our portfolio from 15% to 22% of the total, although this was offset by lower average realised oil prices which were down around 9% before the benefit of our programme of hedging the Brent oil price.

The result was total revenues of \$12.0 billion, down 1% from 2013.

Costs increased during the year due to the ramp-up of production in Brazil and higher maintenance costs and higher costs arising from new developments coming onstream in the UK. As a result, Upstream operating profit reduced to \$3.9 billion, down 21% on last year.

We made good progress with our key growth projects.

At our QCLNG project in Australia, despite the challenges and cost overruns encountered during construction, we achieved the major milestone of start-up of the first LNG train. The first train started loading at the end of December and seven commissioning cargoes had been shipped as at end

February. The plant is operating at levels of capacity to be expected during a commissioning phase. The current expectation is to start LNG production from Train 2 in the third quarter of 2015. This should enable us to reach plateau production of around 8 mtpa in mid-2016.

In Brazil, we saw significant production growth as the first three FPSOs in the Santos Basin reached full capacity, and we commissioned two further FPSOs at Iracema South and Sapinhoá North. This enabled net production to double in 2014 to an average rate of 78 kboed over the year, and in January 2015, we were producing at around 130 kboed, making Brazil our highest producing country. In 2015, we expect to see further production increases as the Iracema South and Sapinhoá North FPSOs continue their ramp up. We are on track to commission our sixth FPSO at Iracema North towards the end of 2015.

Despite the challenges of a lower oil price and the many risks we have to manage on a daily basis, I expect to see us deliver higher volumes in 2015. I would like to thank all of our employees for the commitment and dedication they have shown throughout the year and look forward to building on our successes in 2015.

SAMI ISKANDER
CHIEF OPERATING OFFICER

Q1

Brazil FPSO 2 second well connected	✓	Second well on FPSO <i>Cidade de São Paulo</i> started production in February
Thailand Bongkot South Phase 4b	✓	Phase 4b came onstream in February

Q2

Brazil FPSO 3 second well connected	✓	Second well on FPSO <i>Cidade de Paraty</i> started production in May
QCLNG commissioning of gas turbine generators	✓	Commissioning of the gas turbine generators began in June

Q3

Egypt West Delta Deep Marine (WDDM) Phase 9a	✓	The first WDDM Phase 9a wells came onstream in July
Brazil FPSO 4 onstream	✓	FPSO <i>Cidade de Ilhabela</i> came onstream in November

Q4

QCLNG first LNG	✓	LNG was produced and the first cargo commenced loading in December
UK West Franklin Phase 2 start-up	✓	First production from Phase 2 was in January 2015
Trinidad and Tobago Starfish field onstream	✓	Starfish came onstream in December
Norway <i>Petrojarl Knarr</i> FPSO onstream	✓	<i>Petrojarl Knarr</i> FPSO came onstream in March 2015
Brazil FPSO 5 onstream	✓	FPSO <i>Cidade de Mangaratiba</i> came onstream in October

(a) For a reconciliation between Business Performance and Total Results, see note 1, page 98.



FOR MORE INFORMATION VISIT:
BG-GROUP.COM/DATABOOK

CASE STUDY: QUEENSLAND, AUSTRALIA



1 DRILLING RIG

BG Group had drilled around 2 350 wells by the end of 2014 for the first phase of development of the QCLNG project.

2 KENYA WATER TREATMENT PLANT

QGC's water treatment plant currently processes more than 50 megalitres of water per day (equivalent to 20 Olympic swimming pools), providing water for agriculture and other beneficial uses.

3 MAIN PIPELINE NETWORK FOR THE QCLNG PROJECT

The 543 kilometre main pipeline network to transport gas to the QCLNG terminal on Curtis Island, Gladstone is made up of 46 200 individual pipe lengths and is the longest buried large-diameter pipeline in Australia. In December 2014, BG Group agreed the sale of QCLNG Pipeline Pty for approximately \$5 billion, which is expected to complete in the first half of 2015.

4 QCLNG SITE, CURTIS ISLAND

QCLNG is the world's first LNG project to be supplied by coal seam gas. The start of production from the plant's first LNG train is the result of more than four years of development and construction on Curtis Island.

AUSTRALIA

- 2014 net production 34 kboed (2013: 25 kboed).
- The Group is developing a two-train 8.5 mtpa liquefaction plant on Curtis Island in Queensland.
- Exploration and development of onshore coal seam gas (CSG) acreage in the Surat Basin.
- CSG acreage in the central Bowen Basin, tight gas sands potential in the southern reaches of the Bowen Basin and shale gas potential in the Cooper Basin.

2014 Key events

- QCLNG is the world's first LNG project to be supplied by CSG. The start of production in December 2014 from Train 1 is the result of more than four years of development and construction on Curtis Island.
- In the upstream, drilling activity continued to ramp up ahead of first LNG. As at the year end, around 2 350 wells had been drilled since inception, with approximately 1 600 wells available for production or de-watering. The Group also ramped up its gas production: in the fourth quarter, production at 46 kboed was 92% higher than the fourth quarter of 2013, with first LNG produced in December.

- By the end of the second quarter, the central processing plant (CPP) and six planned field compression stations (FCSs) in the Ruby Jo area were in operation. This is a major supply source in the southern area of the Surat Basin for Train 1. Similar infrastructure in the Bellevue development area, in the central Surat Basin – comprising three FCSs, the CPP and gas gathering lines – came into operation in the third quarter.
- Drilling and installation of upstream infrastructure ahead of Train 2 start-up continued to advance at both Jordan and Woleebee Creek in the south and north of the Surat Basin, respectively. This includes two CPPs, eight FCSs and a water treatment plant.
- With project construction for the liquefaction plant at its final stages in early 2014, the majority of the work in the year focused on commissioning activities which began in the first quarter of 2014, with key milestones being: the hydro-testing of the first storage tank; the commissioning of the gas turbine generators and refrigeration turbines; and subsequent plant cool-down. In December, first LNG was produced and the Group began loading its first LNG cargo.

- Exploration activity continued with production testing of pilot CSG wells in the Bowen Basin, drilling in the Bowen Basin deep gas sands and a four-well Cooper Basin programme targeting tight gas sands and shale gas.
- BG Group has contracted third-party gas supplies to maximise volumes through the LNG trains during the ramp-up phase.

Outlook

- LNG supply from Train 1 will ramp up during the first half of 2015, with Train 2 expected onstream in the third quarter. At plateau production, expected around mid-2016, QCLNG will have an output of around 8 mtpa.
- The Group will be conducting ongoing exploration activities in the Surat CSG, Bowen tight gas sands and Cooper Basin tight gas sands and shale.

BOLIVIA

- 2014 net production 48 kboed (2013: 36 kboed).
- BG Group is operator and 100% holder of the La Vertiente block (three fields), Tarija XX East (two fields), Los Suris (one field) and the Huacareta block.
- BG Group is a consortium member of the Caipipendi (37.5% interest, containing the Margarita field), Charagua (20% interest, in the process of being relinquished) and Tarija XX West (25% interest, containing the Itaú field) blocks.

2014 Key events

- In 2014, production continued to increase following the new phases of development that came onstream at Margarita and Itaú in 2013. These increased total production capacity at Margarita from around 25 kboed to around 42 kboed and from around 3 kboed to approximately 10 kboed at Itaú, net to BG Group.
- In December, BG Group and partners signed an amendment to the delivery agreement with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) to allow for the export of additional

volumes from Margarita Phase IIb, which is expected to further increase net production capacity to around 47 kboed by 2016.

- Following the contract for the Huacareta block becoming effective in January, BG Group initiated the environmental licensing process in the second quarter, in preparation for the exploration programme.

Outlook

- Huacareta seismic surveys are planned for 2015.

BRAZIL

- 2014 net production 78 kboed (2013: 39 kboed).
- BG Group holds significant acreage positions with interests in three offshore blocks in the Santos Basin with permanent production facilities on the Lula, Iracema and Sapinhoá discoveries.
- Operator of 10 offshore exploration blocks in the Barreirinhas Basin, offshore northern Brazil.

2014 Key events

- The first Lula FPSO operated close to its 100 kbopd capacity from just four oil-producing wells, one gas injector and two water alternating gas injectors. The fifth producer well was added in December, taking production back up to capacity.
- Additional wells were hooked up to the second and third FPSOs which came onstream in 2013. FPSO *Cidade de São Paulo* on Sapinhoá South reached plateau in July and FPSO *Cidade de Paraty* on Lula North-East reached plateau in September. Each FPSO has a capacity of 120 kbopd and only required four wells to reach plateau, fewer than originally expected.
- In October, first production from the Iracema discovery began with the start-up of the FPSO *Cidade de Mangaratiba*. This FPSO can process 150 kbopd of oil and 283 mmscf of gas making

it the highest production capacity FPSO to be brought onstream in the Santos Basin. In November, the second FPSO on Sapinhoá started up. The FPSO *Cidade de Ilhabela* has the capacity to process 150 kbopd of oil and 212 mmscf of gas. As at year end, the *Cidade de Mangaratiba* was operating at over 65 kboed from two wells and the *Cidade de Ilhabela* was operating at around 30 kboed from one well. Successive wells, which have already been pre-drilled, will be hooked up during 2015.

- Gross production from these five FPSOs combined was more than 470 kboed at year end.
- The sixth FPSO, *Cidade de Itaguaí*, is well advanced and arrived in Brazil in January 2015 for integration work.
- In December, the Declaration of Commerciality (DoC) was submitted for Iara following additional appraisal work, including drill stem tests (DSTs) and a six-month extended well test. The DoCs for three separate oil and gas accumulations in the Iara area were submitted to the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP). These three accumulations extend outside the BM-S-11 Iara concession area and into the Entorno de Iara Transfer of Rights area which is 100% operated by Petrobras. As part of the DoCs, the consortium

has suggested that the new fields be designated Berbigão, Sururu and Atapú West. Ahead of the submission of the development plans to the ANP, the partners will be working on the deployment and allocation of the three initial planned FPSOs as well as negotiating the required unitisation agreements.

- Drilling performance for development wells continued to improve. The average spud-to-target depth in 2014 was 52 days, down from 56 in 2013.
- Work continued on the Cabiúnas pipeline, which will connect blocks BM-S-9 and BM-S-11 to the Cabiúnas terminal.
- In April, BG Group farmed down 25% of its interests in the BAR-M-215, 217, 252 and 254 blocks in the Barreirinhas Basin.

Outlook

- Successive wells will be hooked up to the *Cidade de Mangaratiba* and *Cidade de Ilhabela* FPSOs during 2015.
- The operator expects the FPSO *Cidade de Itaguaí* to be onstream at Iracema North in the fourth quarter of 2015.
- Monitoring closely the progress of subsequent FPSOs, particularly the domestic build FPSOs, in light of the ongoing Petrobras investigation.

EGYPT

- 2014 net production 62 kboed (2013: 112 kboed).
- Operatorship of two gas-producing areas offshore the Nile Delta – Rosetta and West Delta Deep Marine (WDDM) concessions.
- Operatorship of two other non-producing concessions offshore the Nile Delta – El Burg Offshore and North Gamasa Offshore.
- BG Group holds major shareholdings in the Egyptian LNG project (Train 1 at 35.5% and Train 2 at 38%).
- BG Group is a supplier of gas to the Egyptian domestic market and Egyptian LNG.

2014 Key events

- Production volumes in Egypt were significantly lower in 2014 due to continued reservoir decline and a sustained high proportion of gas diversions to the domestic market, where the Group is entitled to a lower share of production.
- In January 2014, BG Group issued Force Majeure notices under its LNG agreements in Egypt following the higher than expected gas diversions to the domestic market.

- The proportion of gas volumes directed to the domestic market averaged 776 mmscf during 2014, notably above the contracted amount agreed by the government. As a result, gas volumes available for the LNG plant were minimal – Egyptian LNG ran at an average of 4% capacity. Only four cargoes of LNG were produced during the year, one of which was allocated to BG Group's LNG business.
- In July, the first of the WDDM Phase 9a development wells came onstream and eight of the nine planned wells are currently onstream. The nine-well development will only temporarily offset underlying gas production declines.
- A number of options are under consideration to increase future gas supplies. In June, the Group signed a non-binding letter of intent with the Leviathan field partners to examine the possibility of supplying gas to the Egyptian LNG facilities. In July, BG Group and partners submitted a development plan for the Notus high-pressure high-temperature and Harmattan Deep discoveries in accordance with the El

Burg Offshore concession agreement. In November, the Group signed an agreement with GDF Suez allowing the tie-in of their West El Burullus South field to the WDDM infrastructure, expected onstream in 2018.

Outlook

- The remaining well in the WDDM Phase 9a programme is expected to come onstream in 2015. No further phases have yet been sanctioned.
- With declining upstream production and minimal gas supplies to Egyptian LNG, the Group continues to expect very limited cargoes to be lifted from Egyptian LNG for the foreseeable future.
- BG Group remains committed to the Egyptian LNG project and will continue to negotiate with the Egyptian authorities and other stakeholders to seek a longer-term solution. This will include the repayment of \$0.9 billion owed by the Egyptian government (\$0.7 billion overdue at 2014 year end) and negotiation of an acceptable domestic gas price.

INDIA

- 2014 net production 18 kboed (2013: 20 kboed).
- BG Group holds a 30% interest in, and is joint operator of, the Panna/Mukta oil and gas fields and the Mid and South Tapti gas fields (PMT fields).
- BG Group holds a 50% interest in, and operator of, the deep-water block MB-DWN-2010/1.

2014 Key events

- The drilling campaign at the Panna/Mukta fields continued. BG Group received government approvals for the Mukta B

phase of development at the PMT fields. It consists of one wellhead platform (WHP) and intra-field pipelines, as well as six planned wells in the current drilling campaign and three future development wells.

- BG Group and partners received approval to exit from the block KG-DWN-2009/1 in January 2015, subject to certain conditions.
- Following evaluation of the seismic data acquired in block MB-DWN-2010/1, the partners have agreed to approach the government to relinquish the block, due to technical reasons.

Outlook

- The Tapti field is currently expected to cease production by the second quarter of 2015. The field will then move into the decommissioning phase, with possible handover of certain Tapti facilities to ONGC, in accordance with the PSC.
- Increase in hydrocarbon recovery from the Panna/Mukta fields is planned through incremental development of existing fields via well intervention and infill drilling. The Mukta B WHP installation is expected in the second quarter of 2015.

KAZAKHSTAN

- 2014 net production 85 kboed (2013: 92 kboed).
- Joint operator of the Karachaganak oil and gas condensate field (BG Group 29.25%), one of the largest condensate fields in the world.

2014 Key events

- Record gross production levels were achieved at Karachaganak during 2014 (391 kboed). However, due to the higher oil prices earlier in the year, production sharing contract (PSC) effects reduced BG Group's net entitlement.
- In May, Karachaganak celebrated 10 years of stable exports of liquid hydrocarbons to the Karachaganak-Atyrau and on to the Caspian Pipeline Consortium pipeline systems, enabling the sale of the product into world markets. During 2004-2014, Karachaganak

transported more than 80 million tonnes of liquids through this important route.

Outlook

- To date, only 10% of hydrocarbons initially in place have been produced from the Karachaganak field and significant development opportunities remain.
- In 2015, front end engineering design (FEED) will commence on a number of projects to extend the liquids production plateau.

NORWAY

- 2014 net production 1 kboed (2013: 2 kboed).
- Production during 2014 was from the Gaupe field (BG Group 60% and operator).
- BG Group has 10 licences, seven as operator.

2014 Key events

- The Knarr FPSO (63 kbopd gross capacity, BG Group 45% and operator) arrived in Norway in September and was successfully connected to the sub-sea infrastructure in December. The project cost increased to \$1.2 billion (BG Group net), reflecting the

expanded scope of works to accommodate the later development of the Knarr West discovery, as well as higher costs in the sub-sea market.

- Production from the Knarr field commenced in March 2015.

THAILAND

- 2014 net production 39 kboed (2013: 41 kboed).
- 22.22% interest in the Bongkot field. The field supplies approximately 20% of Thailand's gas demand and Bongkot is the biggest single supplier in the Gulf of Thailand.
- Operator of Blocks 7, 8 and 9 (66.67% interest) in the Thailand-Cambodia Overlapping Claims Area.
- BG Group holds an overriding royalty agreement over Block 9a.

2014 Key events

- Phase 4B of Bongkot South (GBS) came onstream in February 2014. This involved the installation and hook-up of four WHPs, with gas from the project being exported via a new-build spur line connected to existing infrastructure and condensate exported to the FPSO at Bongkot North (GBN).
- Phase 3L of GBN, consisting of two remote WHPs and 17 wells, came onstream in June.
- These phases are being developed to extend plateau production from the Bongkot field.

Outlook

- Phase 3M of GBN (four WHPs) is expected onstream in 2015 and Phase 3N is underway. GBS Phase 4C is underway and consists of three WHPs, with first gas also expected in 2015.
- Programmes of well intervention, infill drilling and booster compression are being implemented to improve hydrocarbon recovery.

TRINIDAD AND TOBAGO

- 2014 net production 65 kboed (2013: 70 kboed).
- Three concessions with fields currently producing – Central Block, East Coast Marine Area (ECMA) and North Coast Marine Area (NCMA).
- Exploration activities in Blocks 5(a), 5(c), 5(d), 6(b) and E, and Atlantic Area Blocks 3, 5, 6 and 7.
- BG Group holds major shareholdings in all four trains of the Atlantic LNG project.

2014 Key events

- First gas was introduced to the NCMA Phase 4a compression project in June.
- In December, first gas was delivered from the Starfish field in ECMA. Gas from the Starfish field is exported via the Dolphin platform and will be used to meet contractual commitments to both the domestic market and Atlantic LNG.
- During 2014, BG Group expanded its acreage position in Trinidad and Tobago – BG Group agreed to acquire an additional 25% interest in Block 5(c), taking its interest in the block to 100%; the Group farmed in to the Deepwater Atlantic Area Blocks 5 and 6, taking 35% equity

in both blocks, and successfully bid for the Atlantic Area Blocks 3 and 7, taking 35% equity in both blocks.

Outlook

- Completion of the Starfish project is planned to bring online two additional wells in the second quarter of 2015.
- Drilling of the Bounty appraisal well on Block 5(c) is planned to commence in the second quarter of 2015, after which drilling will commence on the Lobster exploration well on Block 5(d).

TUNISIA

- 2014 net production 32 kboed (2013: 38 kboed).
- BG Group holds the Miskar and Hasdrubal concessions, in the Gulf of Gabès. Operator of the Miskar (BG Group 100%) and Hasdrubal fields (BG Group 50%).
- BG Group is the largest gas producer in Tunisia, supplying more than 60% of domestic gas production.

2014 Key events

- Well interventions were undertaken on Miskar to unlock additional reserves and enhance production. A further drilling campaign was sanctioned at Miskar.
- Major shutdowns were completed ahead of schedule and on budget at both Hasdrubal and Miskar.

- The Hasdrubal water handling project was commissioned in June.
- The Amilcar exploration permit ended in December.

Outlook

- Further drilling and well stimulation campaigns are planned at Miskar.

UK

- 2014 net production 105 kboed (2013: 100 kboed).
- BG Group holds extensive interests focused in the UK's central North Sea, including a number of operated production hubs (Armada, Everest and Lomond), exploration and appraisal interests, and equity in pipeline and processing facilities.
- BG Group participates in ventures operated by others including Buzzard, Elgin/Franklin, J-Block and Jasmine.

2014 Key events

- Following the start-up of the Jasmine field in November 2013, production continued to ramp up. However, the performance from Jasmine has been lower than expected, reaching 30 kboed, net to BG Group, at peak.
- BG Group sold its 62.78% equity interest in the CATS gas pipeline and associated infrastructure. The sale does not impact BG Group's rights to capacity in CATS.
- The Group also completed the sale of its 44% equity interest in the Blake field in the fourth quarter.
- First production from Phase 2 of the West Franklin field development was achieved in January 2015. The project involved drilling

three wells and installing two new platforms that have been tied-back to existing facilities. The field is expected to deliver production of 6 kboed net.

- In September, an asset integrity campaign to improve the performance of the Everest and Lomond assets started. The shutdowns have continued into the first quarter of 2015, with production expected to recommence following the completion of repairs on the CATS riser tower.

Outlook

- Major flotel campaigns continue into 2015 to undertake further asset integrity and reliability work on Everest and Lomond.

USA

- 2014 net production 39 kboed (2013: 58 kboed).
- BG Group develops shale gas in east Texas/north Louisiana (Haynesville and Bossier) and Pennsylvania/West Virginia (Marcellus).

2014 Key events

- Production declined during 2014 as a result of a reduced level of drilling activity due to the continued low gas prices. At year end 2014, three rigs were operating.

Outlook

- With the outlook for continued low US gas prices, a low level of drilling activity is likely to continue into 2015.
- With a short lead time to re-establish rig count, BG Group can increase production, should US gas prices improve the economic ranking of these programmes.

DISCOVERIES AND EXPLORATION ACREAGE/NEW DEVELOPMENTS

ARUBA

- BG Group holds a 30% interest in an offshore block.

2014 Key events

- In June, BG Group agreed to acquire a 30% interest in an exploration block, offshore Aruba. The block covers 14 356 square kilometres, with identified prospectivity in water depths between 400 and 1 800 metres. A 3D seismic programme was completed in 2014.

Outlook

- A programme of seabed coring is scheduled for 2015.

CANADA

- BG Group is assessing the Prince Rupert LNG project that would link gas resources in north-eastern British Columbia to a proposed liquefaction site near Prince Rupert, with plans for LNG export to Asian markets.

2014 Key events

- In March, BG Group received the licence it requires from the National Energy Board to allow exports of up to 25 mtpa of LNG for 25 years, from the date of first export.
- In November, BG Group's pipeline partner received its Environmental Assessment Certificate for the proposed Westcoast Connector Gas Transmission Project from the government of British Columbia.

Outlook

- BG Group continues to investigate the best way to advance the Prince Rupert LNG project. However, given current uncertainty about the size and number of North American projects, BG Group is taking a prudent approach to development in Canada by moderating future expenditure.

COLOMBIA

- BG Group holds a 30% interest in the Guajira Offshore 3 Block.

2014 Key events

- In January, BG Group signed an agreement to acquire a 30% equity interest in Guajira Offshore 3 Block, offshore Colombia. The block is held under a technical evaluation

agreement and is located approximately 70 kilometres offshore in water depths of 1 500 to 4 000 metres. A 3D seismic programme was completed in 2014.

HONDURAS

- BG Group is the sole licence holder of an offshore block covering approximately 35 000 square kilometres.

2014 Key events

- BG Group conducted a gradiometry survey during the first half of 2014.

Outlook

- A seismic campaign is planned for 2015.

KENYA

- BG Group is the operator of two offshore blocks L10A (BG Group 50%) and L10B (BG Group 75%).

2014 Key events

- In March, the Sunbird-1 exploration well intersected a gross hydrocarbon column of 44 metres, at 1 584 metres sub-sea, offshore Kenya. Gas and oil samples were recovered to surface but the discovery was not considered commercial.

Outlook

- BG Group continues to mature its prospect inventory in preparation for further exploration drilling.

MYANMAR

- BG Group is the operator of offshore blocks A4 (BG Group 45%) and AD2 (BG Group 55%).
- BG Group holds 45% equity in offshore blocks A7 and AD5.

2014 Key events

- In March, BG Group was awarded offshore exploration acreage in the Rakhine Basin as part of the government's 2013 bid round. The Group will operate two blocks, A4 and AD2, and secured non-operated acreage in blocks A7 and AD5. Awards are subject to signature of the respective PSCs.

Outlook

- Subject to signing the PSCs, BG Group and its partners have committed to a 3D seismic acquisition programme in each block, which is expected to begin in 2015, following an environmental and social impact assessment.

TANZANIA

- BG Group is the operator of offshore Blocks 1 and 4, in which it has a 60% interest.
- To date, 16 consecutive successful exploration and appraisal wells drilled.

2014 Key events

- A DST was undertaken at the Mzia discovery in Block 1, which delivered sustained gas production at a maximum flow rate of 101 mmscfd. The test results provide further support for a hub development to supply a potential onshore LNG project.
- The Taachui-1 well in Block 1 discovered gas in May, which was followed by a DST that flowed at a stabilised rate of 14 mmscfd.
- In October, the Kamba-1 exploration well in Block 4 resulted in a gas discovery at

Kamba and successfully appraised the Fulusi extension of the Pweza reservoir. The Kamba-1 well is the eleventh discovery and the sixteenth consecutive successful well for BG Group in Tanzania.

- Current estimates of total gross recoverable resources in current discoveries across the Group's interests are around 16 tcf, with further exploration upside.
- In December, further 3D seismic data was acquired in Block 1.
- In April, BG Group, its Block 1 and 4 partners, and the partners in Block 2 signed a heads of agreement setting out how the companies will collaborate on the development of a potential joint LNG project. Under the agreement, BG Group will be the lead developer during

the pre-FEED phase. The partners continue to work with the Tanzanian government on the preparatory work needed to progress the acquisition of a site for the potential LNG project.

- In October, BG Group informed the government of Tanzania of its intent to withdraw from Block 3.

Outlook

- Development planning of the Block 1 and Block 4 upstream projects, and the LNG plant projects will continue during 2015.
- Work is underway in preparation for the next exploration drilling campaign in Blocks 1 and 4, likely to start in 2016.

URUGUAY

- BG Group is operator of, and has 100% interest in, Blocks 8, 9 and 13, offshore Uruguay.

2014 Key events

- BG Group completed the second phase of its seismic work programme in 2014, acquiring over 13 000 square kilometres in total.
- BG Group completed a seabed coring and heat flow survey in 2014. The Group commenced a 3D controlled source electromagnetic survey in December.

Outlook

- The electromagnetic survey is expected to complete in 2015 in order to evaluate the licence areas to mature drillable targets.



“With Singapore, our first LNG import position in Asia, and the start-up of QCLNG, our first long-term supply source in the Pacific region, BG Group has completed its transformation into a truly global LNG player.”

STEVE HILL | PRESIDENT, GLOBAL ENERGY MARKETING & SHIPPING

LNG SHIPPING & MARKETING

TOTAL OPERATING PROFIT^(a) BUSINESS PERFORMANCE

\$2 544m

2014	—4%
2013	\$2 643m

DELIVERED VOLUMES

11.0mt

2014	+1%
2013	10.9mt

As we entered 2014, we faced the challenge of a tighter LNG supply portfolio, predominantly due to reduced shipments from our Egyptian LNG facility. Despite this, we were able to maintain our portfolio flexibility and continued to provide a reliable supply that met all of our customer commitments, mainly as a result of an increase in spot cargo purchases.

In line with 2013, over two-thirds of our sales were into the Asia Pacific market. In 2014, we had the first full year of deliveries under our Singapore contract, the start-up of new long-term contracts to China and Japan, and we found attractive spot sales in the early part of the year. With Singapore, our first LNG import position in Asia, and the start-up of QCLNG, our first long-term supply source in the Pacific region, BG Group has completed its transformation into a truly global LNG player.

Shipments of LNG were flat year on year at 178 cargoes, with volumes up 1% to 11.0 million tonnes. Favourable LNG sales prices in the first half of 2014 led to increased revenues of \$8.2 billion, up 7% on 2013. Higher-cost spot purchases impacted overall margins, leading to a 4% reduction in operating profit to \$2.5 billion.

As we move into 2015, we expect to see increased volumes as our QCLNG project ramps up. At the end of this year,

we expect to see the commissioning of Sabine Pass LNG, the first of the LNG export projects currently being developed in the USA, from which BG Group will be the initial and largest offtaker with volumes of 5.5 mtpa of LNG over a period of 20 years. When combined with 8 mtpa of new supply from QCLNG, we will have more than doubled the LNG volumes in our portfolio.

We will continue to evaluate other supply options at Lake Charles in the USA, Tanzania and Canada. These supply options are at various stages of development, but are yet to receive investment sanction. Before the decision to sanction is taken, these projects will undergo detailed scrutiny and price sensitivity analysis. Where we are not able to achieve the desired economics, we will defer or cancel projects.

Our major challenge as we move into 2015 is lower oil prices which have fed through to a reduction in prices for LNG. We are working to ensure that we maintain our competitive advantage and market-leading position in this difficult environment.

STEVE HILL
PRESIDENT, GLOBAL ENERGY
MARKETING & SHIPPING

LNG SUPPLY SOURCES AND DESTINATIONS 2014

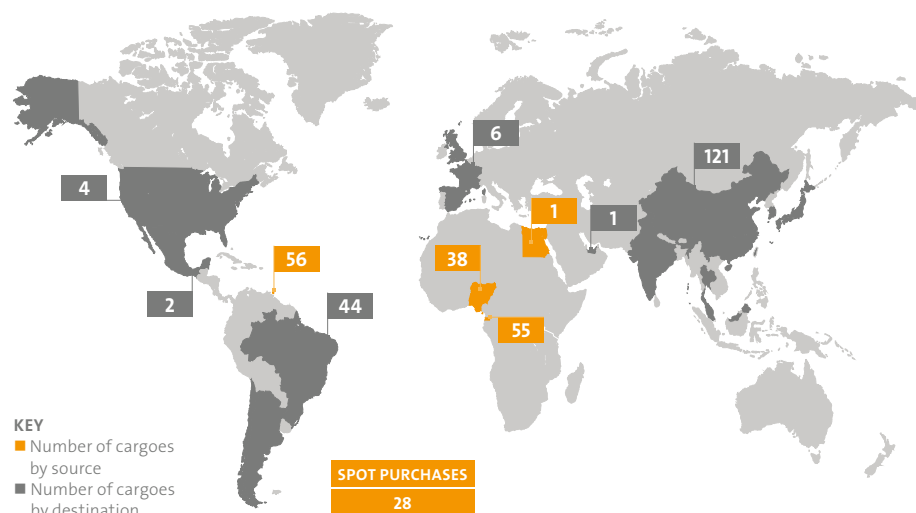
SOURCE	2013	2014
Trinidad and Tobago	56	56
Egypt	25	1
Nigeria	30	38
Equatorial Guinea	58	55
Spot purchases	9	28
Total	178	178

DESTINATION	2013	2014
Asia	127	121
Europe	2	6
Central America	1	2
North America	6	4
South America	41	44
Middle East	1	1
Total	178	178

2014 SUMMARY

In BG Group's LNG Shipping & Marketing business, the focus is on delivering cargoes efficiently to its customers and advancing its proposed new supply options.

2014 delivered volumes increased 1% to 11 mt despite receiving 24 fewer cargoes from Egypt. The Group purchased 28 spot cargoes during the year. Importantly, the Group commenced loading its first cargo from QCLNG at the end of 2014.



(a) For a reconciliation between Business Performance and Total Results, see note 1, page 98.



FOR MORE INFORMATION VISIT:
BG-GROUP.COM/DATABOOK

SUPPLY AND MARKETING

- At the end of 2014, the Group had contracted LNG supply sourced from BG Group's LNG project in Trinidad and Tobago, and purchases from third-party projects in Equatorial Guinea and Nigeria. Commissioning volumes have commenced from the first train at the QCLNG project in Australia.
- BG Group is engaged in marketing LNG to buyers throughout the world, both on a long-term and short-term basis. The combination of flexible supply, shipping capacity and commercial capability enable BG Group's strategic approach to LNG marketing. In addition to marketing its own committed portfolio of volumes, BG Group also buys and sells spot LNG cargoes.
- As at 31 December 2014, BG Group had supplied 27 of the 28 markets able to import LNG and bought LNG from 15 of the 19 LNG-producing countries.
- BG Group has regasification capacity at the Lake Charles and Elba Island terminals in the USA, the Dragon LNG terminal in the UK and Singapore LNG.

2014 Key events

- Delivered LNG volumes totalled 11 mt. These volumes were lower than the contracted supply of around 13 mtpa due to only one cargo coming from Egypt, but this was offset by the purchase of 28 spot cargoes. In total, BG Group delivered 178 (2013: 178) cargoes to 17 (2013: 15) countries during the year.
- In December, BG Group commenced loading its first cargo from the QCLNG project in Australia.
- Construction of the Sabine Pass LNG terminal continued, with contracted volumes, following the start-up of operations, expected in early 2016.
- In March, an application was filed with FERC seeking authorisation for the siting, construction, ownership and operation of the proposed 15 mtpa Lake Charles LNG export project. Energy Transfer will own and finance the proposed facility and BG Group will manage construction and operate the proposed facility, while being responsible for the offtake.
- Supply under two long-term contracts began in 2014: the 20-year sale of 3.6 mtpa to CNOOC and the sale of up to 122 cargoes over 21 years to Chubu Electric.

Outlook

- Supply from Train 1 at QCLNG will ramp up during the first half of 2015. The project will expand further with the start-up of Train 2, currently expected in the third quarter of 2015. At plateau production, expected around mid-2016, QCLNG will have an output of around 8 mtpa of LNG.
- Supply under the long-term contract with Gujarat State Petroleum Corporation for the initial supply of 1.25 mtpa of LNG begins in 2015.
- Supply under the 20-year sale of 1.2 mtpa to Tokyo Gas begins in 2015.
- Supply under an additional 20-year sale of 5 mtpa to CNOOC begins in 2015.
- BG Group will purchase 5.5 mtpa of LNG over a 20-year period from the Sabine Pass LNG terminal, with contracted volumes expected in early 2016.
- FERC approval for Lake Charles LNG is expected in 2015, with a potential final investment decision in 2016.

LNG SHIPPING

- BG Group has a core fleet of LNG ships that it owns or has under charter. In addition, the Group contracts additional shipping as required on a short or medium-term basis to capture business opportunities and maintain a balanced shipping position.
- BG Group deploys a competitive, flexible and safe LNG shipping portfolio.

2014 Key events

- During 2014, BG Group utilised an average of 25 LNG ships at any one time.
- During 2014, the Group entered into a number of agreements for the sale and lease-back of its LNG ships. In April, BG Group sold three LNG ships for \$465 million, which were chartered back for five-and-a-half years, six years and six-and-a-half years with options to extend the term for two of the ships for a period of either three or five years. In June, the Group sold an additional three LNG ships for \$465 million; the ships were chartered back on similar terms to the previous transaction.
- In December, BG Group agreed terms to divest a further two LNG carriers for proceeds of \$460 million. The Group will charter back the two vessels for nine and 11 years, with further options to extend the term for either three or five years.
- In June, BG Group divested its shareholding in each of the entities that, upon delivery, will own four LNG ships built in China. Following construction and delivery, the vessels will be chartered into the Group's portfolio for 20 years.
- The transactions provide BG Group with flexibility in managing its future fleet requirements.

Outlook

- BG Group will seek to increase its access to modern fuel-efficient LNG ships as its new LNG volumes ramp up from QCLNG and Sabine Pass.



"In light of the current low commodity price environment and consequent outlook for earnings and cash flow, the Board has recommended that the full-year dividend be held flat at 28.75 cents per share. The Group maintains a strong liquidity position, with cash and cash equivalents of \$5.3 billion and access to undrawn committed facilities of over \$7 billion. This position will be strengthened further by the receipt of around \$5 billion of net proceeds from disposals expected to complete in the first half of 2015."

SIMON LOWTH | CHIEF FINANCIAL OFFICER

2014 FINANCIAL HIGHLIGHTS

- Business Performance* total operating profit down 14% to \$6.5 billion.
- Business Performance* EPS down 8% to 118.4 cents.
- Non-cash post-tax impairments of \$5.9 billion driven mainly by the fall in global commodity prices.
- Total Results** EPS down 148% to 30.8 cents loss.
- Net cash inflow from operating activities of \$7.4 billion.
- Capital investment on a cash basis of \$9.4 billion, 16% lower than 2013, with \$6.3 billion invested in Australia and Brazil.
- Non-core asset disposals realised cash proceeds of \$0.9 billion in 2014; net proceeds of around \$5 billion from completion of further disposals expected in the first half of 2015.
- Cash and cash equivalents decreased to \$5.3 billion; gearing*** increased to 29.2%.
- Full-year dividend held flat at 28.75 cents per share (17.99 pence per share).

In 2014, BG Group's Business Performance total operating profit decreased 14% to \$6.5 billion. Brazil contributed strong growth in operating profit and E&P unit margins, with revenue growth outstripping the expected cost increases associated with the ramp-up of production. However, this was more than offset by significant profit reductions in the UK, as a result of the higher cost of new developments and shutdowns and, in Kazakhstan, largely reflecting the Group's lower PSC revenue entitlement. LNG Shipping & Marketing total operating profit decreased as a result of lower realised margins, reflecting an increase in the number of spot cargo purchases and reduced supply from Egyptian LNG.

Business Performance earnings decreased 8% to \$4.0 billion, with lower financing costs and a lower effective tax rate of 37% (2013: 41%) partially offsetting the operating profit decline.

Total Results fell by \$3.3 billion to a loss of \$1.1 billion and included \$5.9 billion of non-cash post-tax impairments of certain of the Group's Upstream assets in Australia, Egypt and various other countries. Of this, \$1.8 billion was related to the sale of QCLNG Pipeline Pty which is expected to be offset by a gain on disposal to be recognised on completion. A further \$3.4 billion of the impairment related to the sharp deterioration in commodity prices experienced in the second half of 2014, primarily impacting Australia, the North Sea and Tunisia; the remaining \$0.7 billion impairment related to Egypt and was driven principally by further reserves downgrades.

The Group continues to invest in its growth assets, with capital investment on a cash basis of \$9.4 billion in 2014 (2013: \$11.2 billion) being predominately focused on key projects in Australia and Brazil.

The Group continued with its portfolio management programme in 2014, realising net cash proceeds of \$0.9 billion. Further net proceeds of approximately \$5 billion associated with the sale of QCLNG Pipeline Pty in Australia, together with the proceeds from the sale and charter back of two LNG carriers, are expected in the first half of 2015. These further proceeds are net of funding requirements for the BG pension scheme and estimated completion adjustments and transaction costs.

Net cash inflows from operations after tax and interest decreased by \$0.5 billion to \$6.8 billion (2013: \$7.3 billion). Capital investment on a cash basis was \$1.8 billion lower at \$9.4 billion and free cash flow*** improved to negative \$2.2 billion (2013: negative \$3.6 billion).

BG Group ended the year in a sound financial position, with \$5.3 billion of cash and cash equivalents and approximately \$5 billion of further net disposal proceeds expected in the first half of 2015 which will be used primarily to reduce net debt and fund future investment growth. Gearing increased to 29.2% (2013: 24.8%) primarily as a result of the non-cash Upstream asset impairments.

EARNINGS AND EARNINGS PER SHARE

Business Performance earnings were \$4 035 million (EPS 118.4 cents) in 2014 compared with \$4 374 million (EPS 128.6 cents) in 2013. Total Results losses for continuing operations were \$1 051 million (loss per share of 30.8 cents) in 2014 compared with \$2 205 million profit (EPS 64.8 cents) in 2013, and were impacted by \$5 928 million of non-cash post-tax impairments of certain Upstream assets primarily in Australia, Egypt, the North Sea and Tunisia (2013: \$2 485 million of non-cash post-tax impairments of certain Upstream assets principally in Egypt and the USA).

A five-year summary from 2010 to 2014 of the financial results of BG Group's operations is set out on page 138.

DIVIDEND

Taking into account the current low commodity price environment and consequent outlook for earnings and cash flow, the Board has recommended a final dividend of 14.37 cents per share (9.52 pence per share), bringing the full-year dividend to 28.75 cents per share (17.99 pence per share), in line with 2013.

The final dividend for the year has been converted to Pounds Sterling at the average of the closing exchange rate for the three business days preceding the business day before the Group's fourth quarter announcement on 3 February 2015, and will be paid on 22 May 2015. For further information on BG Group's dividend, see note 8, page 110.

* Unless otherwise set out in this Financial review, financial information for BG Group is based on the Group's Business Performance. For a reconciliation between Business Performance and Total Results, see note 1, page 98 and note 9, page 110.

** Total Results earnings and EPS figures set out in this Financial review are the Group's Total Results for continuing operations including disposals, certain re-measurements and impairments.

*** Gearing and free cash flow are defined in the Glossary, page 143.

TOTAL OPERATING PROFIT
BUSINESS PERFORMANCE**\$6 537m**2014: -14%
2013: \$7 616mEARNINGS PER SHARE
BUSINESS PERFORMANCE**118.4¢**2014: -8%
2013: 128.6¢FINANCIAL RESULTS
BUSINESS PERFORMANCE

	Revenue and other operating income ^(a)		Total operating profit/earnings ^(b)	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Upstream	12 026	12 158	3 947	4 967
LNG Shipping & Marketing	8 217	7 655	2 544	2 643
Other activities	7	7	46	6
Less: intra-Group revenue	(704)	(719)		
	19 546	19 101	6 537	7 616
Net finance costs ^(c)			(133)	(203)
Taxation ^(c)			(2 369)	(3 039)
Earnings			4 035	4 374

(a) Includes other operating income of \$164 million (2013: \$15 million) in the Upstream segment and \$93 million (2013: (\$106) million) in the LNG Shipping & Marketing segment.

(b) Total operating profit includes the Group's share of pre-tax operating profits from joint ventures and associates.

(c) Includes the Group's share of joint ventures and associates.

EARNINGS PER SHARE
BUSINESS PERFORMANCE
CENTS (¢)**118.4¢**

2014	118.4¢
2013	128.6¢
2012	128.9¢
2011	124.9¢
2010	110.1¢

FULL-YEAR DIVIDEND PER SHARE
CENTS (¢)**28.75¢**

2014	28.75¢
2013	28.75¢
2012	26.14¢
2011	23.76¢
2010	21.60¢

PENCE (P)

17.99p

2014	17.99p
2013	18.02p
2012	16.67p
2011	14.82p
2010	13.66p

PORTFOLIO MANAGEMENT

Cash proceeds in 2014 from asset disposals totalled \$855 million.

In the second quarter, BG Group completed the sale and operating lease-back of six LNG steam vessels which were previously held as finance leases for net proceeds of \$53 million.

In July, BG Group completed the sale of its 62.78% equity interest in the CATS gas pipeline and associated infrastructure in the UK North Sea for net proceeds of \$797 million.

Other asset disposals in 2014 realised net cash proceeds of \$5 million.

In December, BG Group agreed to sell its wholly-owned subsidiary QCLNG Pipeline Pty Ltd, the owner of the 543 kilometre pipeline network linking the Group's gas fields to its two-train LNG export facility in Australia, for approximately \$5 billion, with the final proceeds of the sale subject to various adjustments at completion. Consequently, QCLNG Pipeline Pty Ltd was classified as held for sale as at 31 December 2014. BG Group and its partners have firm capacity rights in the pipeline for 20 years, with options to extend. The sale is conditional on the start of commercial LNG deliveries (post commissioning) from QCLNG and on partner consent. The proceeds will be used to reduce net debt and to fund future growth investment.

Also in December, BG Group entered into an agreement for the sale of two modern tri-fuel diesel electric LNG carriers for proceeds of \$460 million which were held for sale at year end. BG Group will charter back the two vessels for nine and 11 years with further options to extend the term for each vessel by either three or five years. These transactions provide BG Group with flexibility in managing its future fleet requirements, while leaving day-to-day operations broadly unchanged. Completion of the transaction is subject to the satisfaction of certain conditions, including completion of definitive documentation, and is expected in the first quarter of 2015, with the charter agreement expected to commence at the same time.

The LNG carriers are currently associated with a Pension Funding Partnership which is one element of the Group's funding arrangements for the BG Pension Scheme. Consequently, the majority of the proceeds from this sale will be utilised to support the funding of that scheme. The remaining net proceeds from the transaction of around \$100 million will be used to reduce the Group's net debt.

UPSTREAM

Total operating profit of \$3 947 million (2013: \$4 967 million) was 21% lower as the impact of higher oil production from Brazil was more than offset by lower oil and liquids prices, lower production volumes and higher E&P operating costs.

Production volumes reduced 4% to 221.1 mmbob as the continued ramp-up of production from new developments in Brazil, Bolivia, Australia and the UK were more than offset by reservoir decline and lower entitlement in Egypt, declines in the USA, lower entitlement in Kazakhstan and shutdowns in Tunisia. The Group's average daily production was 606 kboed.

Revenue and other operating income decreased 1% to \$12 026 million. This primarily reflected lower oil and liquids prices, which were not fully hedged, partially offset by a material increase in the proportion of oil in the portfolio principally associated with the ramp-up of production in Brazil where production doubled. Full-year revenue benefited from a \$223 million gain on the Group's 2014 oil hedging programme.

Excluding the impact of hedging, the Group's average realised oil price decreased 9% to \$98.78 per boe and the liquids price decreased 13% to \$80.74 per boe, reflecting the steep deterioration in commodity prices experienced in the second half of 2014 combined with a lower revenue entitlement in Kazakhstan. The Group's average gas price increased 2% to 47.47 cents per therm, reflecting a favourable change in the mix of fields, partially offset by the effect of lower market prices in the UK.

E&P operating profit, before exploration, of \$4 448 million was down 18%. Brazil contributed strong growth in operating profit and E&P unit margins, with revenue growth outstripping the expected cost increases associated with the ramp-up of production. However, this was more than offset by significant reductions in profit in the UK, as a result of the increased cost of new developments coming onstream and additional maintenance, and in Kazakhstan as a result of revenue declines including the lower revenue entitlement.

Consequently, the Group's unit E&P EBIT* margin was \$3.40 per boe lower at \$20.12 per boe and the unit E&P EBITDA* margin was \$3.71 per boe lower at \$31.11 per boe.

Unit lifting costs* increased to \$8.37 per boe (2013: \$7.06 per boe), driven by the continued ramp-up of operations in Brazil and additional maintenance costs in the UK. Unit royalties and other costs rose to \$7.17 per boe (2013: \$5.10 per boe), reflecting higher royalties and special participation fees in Brazil, together with higher royalties from new developments in Bolivia.

Other E&P costs, which include production costs not directly incurred in fields, increased to \$6.04 per boe (2013: \$3.87 per boe) and reflected a number of one-off accounting items, combined with the impact in Brazil of the timing of oil liftings, increased oil shipping activity and eliminations of profit on oil sales from extended well tests.

The unit DD&A* charge decreased by 31 cents to \$10.99 per boe, principally as a result of the non-cash impairment in Egypt and the USA, recognised in the fourth quarter of 2013, and reserves maturation in Brazil, partly offset by a higher charge from new developments coming onstream in the UK.

Gross exploration expenditure in 2014 reduced 24% to \$1 260 million (2013: \$1 658 million). Capitalised exploration expenditure included in gross exploration expenditure was \$746 million (2013: \$1 341 million) and included spend in Australia, Brazil, Kenya, Tanzania, and Trinidad and Tobago.

BG Group's Upstream business also includes liquefaction operations associated with integrated LNG projects, including QCLNG which achieved first LNG production at the end of December 2014. BG Group's share of operating profit from liquefaction activities decreased 20% to \$289 million, as a result of significantly lower throughput at Egyptian LNG, partly offset by higher sales prices at Atlantic LNG Train 1.

In 2014, business development costs of \$39 million were incurred as the Group progressed potential integrated LNG projects in Tanzania and Canada. This included the reimbursement of previous business development expenditure from a partner.

LNG SHIPPING & MARKETING

Total operating profit in 2014 decreased 4% to \$2 544 million (2013: \$2 643 million), reflecting

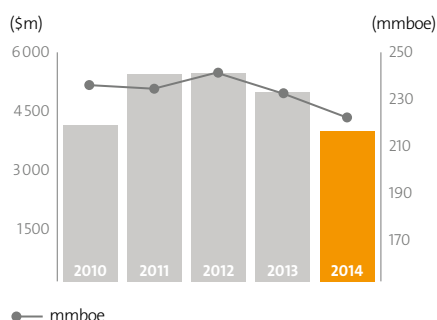
lower margins from higher costs of supply primarily as a result of increased spot cargo purchases. This was partially offset by lower losses from the Group's historical LNG hedging programme, which completed in the first quarter of 2014, and favourable LNG sales prices achieved in the first half of the year.

In 2014, BG Group delivered 178 cargoes, in line with 2013, but comprising 19 fewer long-term supply cargoes offset by 19 additional spot cargo purchases. The reduction in long-term supply reflected 24 fewer cargoes from Egypt due to reservoir decline and diversion of production to the domestic market, and three fewer from Equatorial Guinea, partially offset by eight additional cargoes from Nigeria. Deliveries comprised 121 to Asia, 44 to South America, six to Europe, four to the USA, two to Mexico and one to the UAE (2013: 178 cargoes – 127 Asia, 41 South America, six USA, two Europe, one Mexico and one UAE).

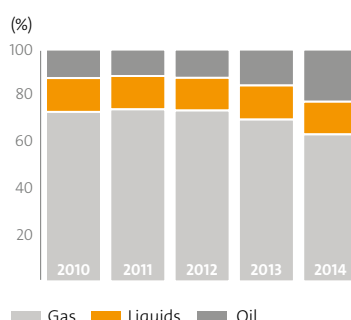
Business development expenditure on the Lake Charles liquefaction project and other costs totalling \$124 million (2013: \$123 million) were expensed.

BG Group expects total operating profit for the LNG Shipping & Marketing business in 2015 to be \$0.7–\$1.0 billion based on forward commodity curves as at January 2015. This reflects lower prices and marginally lower long-term supply volumes, excluding new volumes from QCLNG (the profit from which will be predominantly reported in the Upstream segment) and spot cargo purchases.

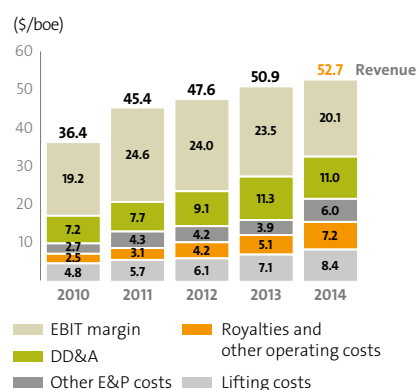
UPSTREAM TOTAL OPERATING PROFIT AND PRODUCTION VOLUMES



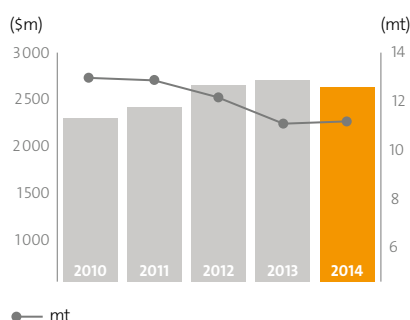
E&P VOLUMES BY PRODUCT TYPE



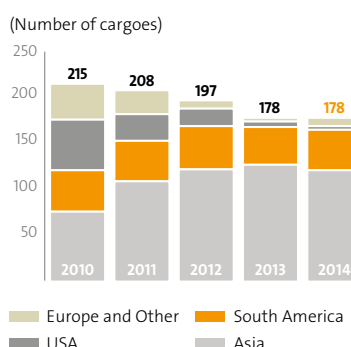
E&P UNIT REVENUE, COSTS AND MARGINS



LNG SHIPPING & MARKETING TOTAL OPERATING PROFIT AND DELIVERED VOLUMES



LNG CARGOES BY DESTINATION



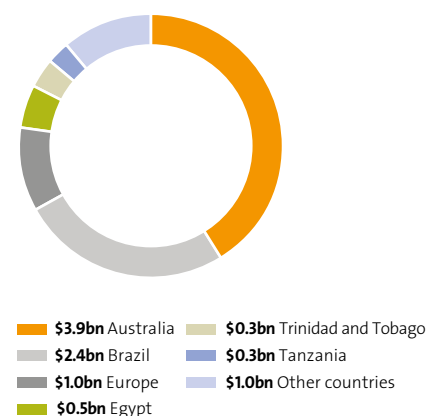
* See Glossary page 143.

CASH GENERATION AND DEPLOYMENT^(a)

	2014 \$m	2013 \$m
Net cash inflow from operating activities	7 399	7 817
Net interest	(556)	(560)
Net cash inflow from operations after tax and interest	6 843	7 257
Capital investment on a cash basis	(9 402)	(11 215)
Dividends from joint ventures and associates and loan repayments	331	332
Free cash flow	(2 228)	(3 626)
Disposal proceeds	855	4 601
Dividends paid	(1 024)	(923)
Net change in borrowings and other financing	1 489	1 652
Net increase in cash and cash equivalents^(b)	(908)	1 704
Cash and cash equivalents at end of period	5 295	6 208
Net debt at end of period	11 998	10 610

(a) The layout and captions of this table differ from that required under IFRS in order to set out the components of free cash flow, which is a key performance metric for management and investors.

(b) Excludes effects of foreign exchange rate changes.

CAPITAL INVESTMENT ON A CASH BASIS BY COUNTRY
(Total \$9.4bn)

For the year ended 31 December 2014.

FINANCE COSTS

In 2014, BG Group's net finance costs, before re-measurements and including the Group's share of finance costs for joint ventures and associates, were \$133 million (2013: \$203 million) and included foreign exchange gains of \$49 million (2013: foreign exchange losses of \$44 million). In 2014, finance costs of \$532 million (2013: \$522 million) were capitalised.

Total net finance costs, including re-measurements and BG Group's share of finance costs from joint ventures and associates, amounted to \$777 million (2013: \$138 million).

TAXATION

BG Group's effective tax rate for 2014 (including BG Group's share of joint venture and associates' taxation) was 37% compared with 41% in 2013. The reduction includes the impact of changes in the Group's mix of profits across jurisdictions. The Group's total tax charge in 2014, before disposals, re-measurements and impairments and including the Group's share of taxation from joint ventures and associates, was \$2 369 million (2013: \$3 039 million).

BG Group's tax credit in 2014, including disposals, re-measurements and impairments and the Group's share of taxation from joint ventures and associates, was \$1 143 million (2013: charge of \$1 820 million). In 2014, the tax credit on disposals, re-measurements and impairments included a \$3 031 million credit (2013: \$1 416 million credit) in relation to disposals and impairments, a \$98 million charge (2013: \$100 million charge) that arose on the fair value re-measurement of certain commodity contracts, and a \$449 million credit (2013: \$14 million charge) in respect of a number of exceptional one-off and prior-year taxation adjustments, together with full recognition of taxable losses in Australia following first LNG production at QCLNG at the end of the year.

Based on forward commodity price curves as at January 2015, the Group expects its effective tax rate to be around 45% in 2015. However, given the volatility in commodity prices, it is anticipated that this effective rate may be subject to significant movements during the year and could therefore outturn in the range 40% to 50%. Further guidance on the effective tax rate will be provided during the course of 2015.

CAPITAL INVESTMENT

Capital investment on a cash basis in 2014 was \$9 402 million (2013: \$11 215 million).

Capital investment on a cash basis in Upstream in 2014 was \$9 387 million (2013: \$11 180 million), including \$3 871 million (2013: \$5 944 million) in Australia and \$2 435 million (2013: \$2 202 million) in Brazil.

Capital investment on a cash basis in 2014 in LNG Shipping & Marketing was \$10 million (2013: \$23 million) and for the Other activities segment and discontinued operations was \$5 million (2013: \$12 million).

BG Group expects capital expenditure on a cash basis in 2015 to be significantly lower than 2014, as projects complete and the Group reacts to a lower oil price environment by setting a higher hurdle rate for investment. Capital investment on a cash basis is expected to fall to \$6-7 billion in 2015.

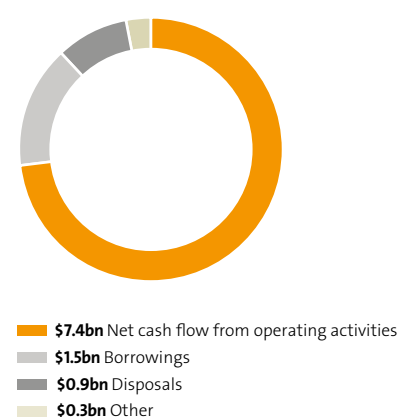
CASH FLOW

In 2014, net cash flows from operating activities decreased 5% to \$7 399 million (2013: \$7 817 million), reflecting lower profits partly offset by a working capital cash inflow that included partial repayments of outstanding debt in Egypt. Net interest paid was \$556 million (2013: \$560 million).

Investing activities in 2014 included payments to acquire property, plant and equipment and intangible assets of \$8 510 million (2013: \$10 605 million) and capital expenditure on investments of \$892 million (2013: \$610 million), partially offset by dividends and loan repayments of \$331 million (2013: \$332 million). The Group's free cash flow* in 2014 was negative \$2 228 million (2013: negative \$3 626 million), with the improvement reflecting the lower capital investment, partially offset by the decrease in net cash flow from operations.

Cash proceeds in 2014 from the disposal of subsidiary undertakings and non-current assets amounted to \$855 million (2013: \$4 601 million), primarily comprising proceeds from the sale of the Group's interest in the CATS pipeline and the sale and charter back of six LNG steam vessels.

Dividends paid to the Group's shareholders in 2014 accounted for cash outflows of \$1 024 million (2013: \$923 million).

SOURCE OF FUNDING
(Total \$10.1bn)

For the year ended 31 December 2014.

* See Glossary page 143.

PROFIT FOR THE YEAR

	2014			2013		
	Business Performance \$m	Disposals, re-measurements and impairments \$m	Total results \$m	Business Performance \$m	Disposals, re-measurements and impairments \$m	Total results \$m
Total operating profit ^(a)	6 537	(7 954)	(1 417)	7 616	(3 453)	4 163
Net finance costs ^(b)	(133)	(644)	(777)	(203)	65	(138)
Taxation ^(b)	(2 369)	3 512	1 143	(3 039)	1 219	(1 820)
Profit/(loss) for the year – continuing operations	4 035	(5 086)	(1 051)	4 374	(2 169)	2 205
Profit/(loss) for the year – discontinued operations	–	7	7	–	245	245
Non-controlling interest	–	–	–	–	9	9
Earnings – continuing operations	4 035	(5 086)	(1 051)	4 374	(2 169)	2 205
Earnings – discontinued operations	–	7	7	–	236	236
Earnings	4 035	(5 079)	(1 044)	4 374	(1 933)	2 441
Earnings per share (cents) – continuing operations	118.4	(149.2)	(30.8)	128.6	(63.8)	64.8
Earnings per share (cents) – discontinued operations	–	0.2	0.2	–	6.9	6.9

(a) Includes the Group's share of pre-tax operating profits in joint ventures and associates.

(b) Includes the Group's share in joint ventures and associates.

Net cash inflows from borrowings and other financing amounted to \$1 489 million (2013: \$1 652 million), including \$1 461 million net proceeds from the issue and repayment of borrowings (2013: \$1 620 million).

As at 31 December 2014, the Group held cash and cash equivalents of \$5 295 million (2013: \$6 208 million).

CAPITAL AND LIQUIDITY

Total equity as at 31 December 2014 of \$29 140 million was \$2 820 million lower than 2013 (31 December 2013: \$31 960 million), primarily due to the impairments of certain Upstream assets during the year.

As at 31 December 2014, net borrowings were \$11 998 million (2013: \$10 610 million) and the gearing ratio was 29.2% (2013: 24.8%).

As at 31 December 2014, BG Group's share of third-party net borrowings in joint ventures and associates amounted to approximately \$0.3 billion (2013: \$0.6 billion), including BG Group shareholder loans of approximately \$0.4 billion (2013: \$0.7 billion). These net borrowings are taken into account in BG Group's share of the net assets in joint ventures and associates, which are accounted for using the equity method.

Details of the maturity, currency and interest rate profile of BG Group's borrowings as at 31 December 2014, and details of movements in the Group's net borrowings during 2014, are shown in note 17, page 115. Details of the Group's cash and cash equivalents as at 31 December 2014 are shown in note 16, page 115.

The Group's principal borrowing entities are BG Energy Holdings Limited (BGEH) and certain wholly-owned subsidiary undertakings, the majority of whose borrowings are guaranteed by BGEH (collectively BGEH Borrowers).

BGEH is the Group's principal credit-rated entity. As at 18 March 2015, BGEH had long-term credit ratings of A-, negative outlook from Fitch; A2, negative outlook from Moody's; and A-, credit watch negative from Standard & Poor's; and short-term credit ratings of F-2 from Fitch; P-1, negative outlook from Moody's; and A-2 from Standard & Poor's.

As at 31 December 2014, BGEH had aggregate undrawn committed revolving bank borrowing facilities of \$5.2 billion, of which \$2.2 billion expires in 2016 and \$3.0 billion expires in 2017. In addition, BGEH had an undrawn £250 million committed revolving bank borrowing facility which expires in 2015 and a further committed credit facility, provided by an export credit agency, of which \$1.7 billion was undrawn.

As at 31 December 2014, BGEH Borrowers had a \$4.0 billion US Commercial Paper Programme and a \$2.0 billion Euro Commercial Paper Programme, both of which were unutilised, and a \$15.0 billion Euro Medium Term Note Programme, of which \$7.0 billion was unutilised.

During 2014, capital markets issuance by BGEH Borrowers comprised bonds of €775 million and €800 million, maturing in 2022 and 2029 respectively.

The Group proposes to continue to meet its financing commitments from the operating cash flows of the business, proceeds from asset disposals, existing cash and cash equivalent investments, and borrowings from a range of sources that are expected to include money and debt capital markets, government lending agencies and existing committed lines of credit.

COMMITMENTS

BG Group has a growing number of commitments in respect of LNG ships, in support of its expanding LNG portfolio, oil tankers and FPSO vessels required for marketing and production operations primarily in Brazil. These vessels will continue to be owned, or chartered either under long-term arrangements (which are generally classified as finance leases) or short-term arrangements (which are generally classified as operating leases) although all FPSO and oil tanker commitments are currently arranged through operating leases. For further information on the Group's commitments, see note 22, page 125.

DISPOSALS, RE-MEASUREMENTS AND IMPAIRMENTS

The following items, described as 'disposals, re-measurements and impairments' are excluded from Business Performance as exclusion of these items provides a clearer presentation of the underlying performance of the Group's ongoing business. For a full reconciliation between BG Group's Total Results and Business Performance, see note 1, page 98. For further details of amounts comprising disposals, re-measurements and impairments, see note 4, page 105.

Disposals, re-measurements and impairments in respect of continuing operations in 2014 amounted, in aggregate, to a loss of \$7 954 million before tax and interest (2013: \$3 453 million), see note 1, page 98.

Re-measurements included within other operating income in 2014 comprised a pre-tax gain of \$297 million (2013: \$210 million) in relation to mark-to-market movements on commodity contracts and economic hedges. This comprised a non-cash gain of \$287 million (2013: \$33 million gain) attributable to the Upstream segment and a \$10 million gain (2013: \$177 million gain) attributable to the LNG Shipping & Marketing

TOTAL OPERATING PROFIT
TOTAL RESULTS
\$(1 417)m
2014: -134%
 2013: \$4 163m

EARNINGS PER SHARE
TOTAL RESULTS -
CONTINUING OPERATIONS
(30.8)¢
2014: -148%
 2013: 64.8¢

FPSO CIDADE DE MANGARATIBA

With a capacity of 150 kbopd, the FPSO *Cidade de Mangaratiba* started production from the Iracema development, offshore Brazil, in October 2014.

segment. The balance of other operating income comprised a \$106 million gain (2013: \$nil) in respect of final settlement of a legacy treaty dispute relating to investments formerly held by the Group.

Operating costs for the year included a \$100 million pre-tax (\$79 million post-tax) charge relating to the downward re-measurement of trade receivables in Egypt to reflect the time value of money associated with the outstanding debt, based on a revised assumed repayment profile and a \$81 million pre-tax charge (post-tax \$62 million) relating to restructuring costs primarily in the UK, Egypt and Australia. Operating costs in 2013 comprised a pre-tax curtailment gain of \$154 million (\$123 million post-tax) in respect of the closure of the BG Group UK defined benefit pension scheme to future accrual of benefits on 31 December 2013.

Disposals and impairments amounted to a loss of \$8 120 million pre-tax (2013: \$3 817 million) and \$5 089 million post-tax (2013: \$2 401 million).

In the second quarter, BG Group completed the sale and charter back of six LNG steam vessels which resulted in a \$216 million pre-tax profit on disposal (post-tax \$170 million). In July, BG Group completed the sale of its 62.78% interest in the CATS gas pipeline and associated infrastructure in the UK North Sea which resulted in a pre and post-tax profit of \$782 million.

In 2013, BG Group completed transactions with CNOOC for the sale of certain interests in the QCLNG project in Australia for total consideration of \$3 801 million, resulting in a pre and post-tax profit on disposal of \$31 million. The Group also completed the sale of its 50% holding in TGGT in the USA, resulting in a pre-tax profit on disposal of \$187 million (post-tax \$98 million). In addition

there was a pre-tax profit of \$140 million (post-tax \$107 million) in respect of the disposal of the Group's remaining 20% equity in the Quintero LNG regasification facility in Chile and a pre-tax charge of \$126 million (post-tax \$83 million) as a result of land relinquishments in the USA.

In the fourth quarter of 2014, a non-cash impairment charge of \$8 872 million pre-tax (\$5 939 million post-tax) was recognised against certain Upstream assets, driven mainly by the significant fall in global commodity prices and reflected forward commodity price curves for five years, reverting to the Group's long-term price assumption for impairment testing of \$90 real from 1 January 2020.

In Australia, the total pre-tax non-cash impairment charge was \$6 824 million (\$4 540 million post-tax). With the agreement to sell the wholly-owned subsidiary QCLNG Pipeline Pty Ltd, the remaining QCLNG assets were impaired by \$2 747 million pre-tax (\$1 828 million post-tax). The remaining \$4 077 million pre-tax (\$2 712 million post-tax) non-cash impairment charge in Australia was driven mainly by the reduction in the Group's future commodity prices assumptions.

In Egypt, the fourth quarter pre-tax non-cash impairment charge was \$750 million (\$775 million post-tax), principally driven by further reserve downgrades reflecting underlying reservoir performance and the Group's expectation of limited LNG exports for the foreseeable future.

Elsewhere, the reduction in the Group's future commodity price assumptions resulted in a \$1 298 million pre-tax (\$624 million post-tax) impairment charge, comprising the North Sea \$566 million pre-tax (\$172 million post-tax), Tunisia \$450 million pre-tax (\$255 million post-tax), the USA \$227 million pre-tax

(\$148 million post-tax) and certain other Upstream assets \$55 million pre-tax (\$49 million post-tax).

Other impairments recognised during the year totalled \$84 million pre-tax (\$11 million post-tax gain) in respect of certain other E&P assets.

In 2013, Total Results included a \$2 000 million pre-tax charge in respect of BG Group's upstream operations in Egypt (post-tax \$1 286 million) and a \$1 700 million pre-tax impairment charge (post-tax \$1 105 million) in respect of certain assets associated with the shale gas business in the USA and a pre-tax charge of \$171 million (post-tax \$94 million) in respect of the impairment of certain E&P assets as a result of a reserves revision.

Other disposals, impairments and other items in 2014 resulted in a pre-tax charge to the income statement of \$162 million (2013: \$178 million) and a post-tax charge of \$113 million (2013: \$69 million). There was a further post-tax charge of \$56 million in respect of joint ventures and associates, reflecting the Group's share of a write-off of assets under construction following the bankruptcy of a contractor in Brazil.

Profit for the year in respect of discontinued operations was \$7 million (2013: \$245 million). This comprised the post-tax results of those businesses classified as discontinued operations, and the post-tax profit or loss recognised on disposal or on re-measurement to fair value, less costs of disposal of the businesses.

SIMON LOWTH
CHIEF FINANCIAL OFFICER

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

Effective identification, assessment and management of BG Group's principal risks and uncertainties, the implementation of associated controls and the monitoring of sources of assurance, is integral to how the Group runs its business.

The Board has considered carefully the nature and extent of the risks and uncertainties it is willing to take in achieving the Group's strategic objectives.

To help stakeholders understand the Group's principal risks and uncertainties, we provide a commentary on why the risk might materialise, what impact the risk might have on the Group should the risk materialise, and how the Group mitigates the risk. This commentary is a summary of the main factors and should not be considered as being exhaustive. Please refer to the **Important notes** on page 41.

See our **Corporate Governance report** on page 51 for more information. The chart on page 58 describes the Group's Enterprise Risk Management Framework in more detail.

BG Group's approach to the system of risk management and internal control is articulated and managed through the Group's Enterprise Risk Management (ERM) Framework.

The ERM Framework is the process by which we:

- Define risk appetite: the Board and Executive Management Committee (EMC) determine the extent to which the Group is willing to accept and manage those risks and uncertainties in the pursuit of its strategic objectives;
- Identify and assess risks: the nature and extent of the Group's principal risks and uncertainties are identified, analysed and assessed;
- Design and execute controls: the Group puts in place appropriate control systems directed at mitigating those risks and uncertainties;
- Monitor risks and assure controls: the management and mitigation of risks and uncertainties are monitored and associated internal controls are assured in the short and longer term through ongoing Board and management oversight and performance review processes. The effect of uncertainty on the Group's cash flow and earnings profiles is modelled and used as an input to decision-making; and
- Take and track actions: ensure appropriate actions are taken to strengthen controls and reduce risk.

BG Group seeks to embed effective risk management within the Group's management and governance processes through the application of

a 'Three Lines of Defence' model to manage and mitigate risk and assure preventative and containment controls.

FIRST LINE OF DEFENCE

Corporate functions set requirements for risk management and internal control through the ERM Framework. These requirements are assured, implemented and operated by management at BG Group assets and functions around the globe, who have primary accountability for the operation of controls to mitigate risk. Each asset identifies the inherent risks to its business, and the potential causes and impact, and then considers the related preventative and containment controls to mitigate the risk to an acceptable residual level.

SECOND LINE OF DEFENCE

Technical and functional experts provide management assurance over aspects of first-line controls, resulting in formal reports and actions that are tracked to closure.

THIRD LINE OF DEFENCE

Independent assessment and reporting on the effectiveness of the Group's risk management and internal control system is provided to the Board or Audit Committee by Group Audit.

This is augmented by independent external oversight provided by Ernst & Young LLP and Miller & Lents Ltd.

The Board, EMC and Audit Committee provide oversight and direction in accordance with their respective responsibilities.

THE RISK MANAGEMENT ENVIRONMENT

The falls in commodity prices seen in the second half of 2014, demonstrate the risks associated with operating in the global energy markets and the benefits of having a robust ERM Framework through which the Group's principal risks and uncertainties are identified and managed. The current lower-price environment puts pressure on the Group's revenues, cash flows and balance sheet and, in mitigation, the Group will be focusing on optimising capital expenditure through capital discipline and rigorous project and investment appraisal at lower commodity price sensitivities. The Group must also retain flexibility to adapt its plans for further cyclical changes in the external environment.

Commodity price risk was identified as one of the principal risks and uncertainties on which the Board focused in 2014. The Group recognises that the low commodity price environment may also increase exposure to a number of other risks, such as our ability to: (i) access capital and liquidity; (ii) add new resources and reserves to the portfolio through existing and new exploration opportunities; (iii) take final investment decisions on major growth projects; and (iv) execute our portfolio management plans. In response, the Group (in close consultation with the Board) has identified, and will seek to manage, mitigations to help to ensure a

robust and flexible funding plan for the business.

These measures will include a focus on operational delivery, driving efficiencies and cost savings, tight management of capital investment, and ensuring strong liquidity.

The success of our ventures in Brazil and Australia remain key elements to the future growth of the Group. In Australia, we are approaching completion of the initial phases of the capital investment programme for the QCLNG project. In the Santos Basin in Brazil, we now have three FPSOs on plateau production and have started up two more. Both Australia and Brazil have relatively low cash costs of production which helps to underpin cash generation in a relatively low commodity price environment. However, they are large and complex projects (technically and commercially) and their scale produces concentration risk in the Group's overall portfolio. In this context, the Group recognises the need to maintain a sharp focus on areas such as fiscal risk and government take risk and on our partner relationships, especially where we are not operator. In Brazil, we are closely monitoring how the current corruption allegations affecting Petrobras may impact the cost and schedule of the Santos Basin developments because of supply chain disruption and/or capital and liquidity constraints placed on Petrobras.

The nature of these risks, and how the Group seeks to manage and mitigate them, is explained further in this report.

The principal risks and uncertainties upon which the Board and EMC has been focused in 2014, and will continue to spend much of its time in 2015, are described below.

ASSET INTEGRITY, SAFETY, HEALTH AND SECURITY

Risk description

A major accident hazard event in a BG Group venture, including major process safety and asset integrity related events. An occupational safety or health incident in a BG Group venture. A BG Group venture may be subject to violent attack, demonstrations or blockades or may be unable to operate as expected due to major in-country disruption (war, civil disorder, revolution).

What impact the materialisation of this risk might have on the Group

- Employee, contractor or civilian fatality.
- Environmental damage.
- Litigation by individuals or action by local authorities or host nation, potentially leading to fines and penalties.
- Damage to Group reputation, potential threat to Licence to Operate.
- Business interruption, lost production and associated lost revenues.
- Cost and/or schedule overruns.

Why this risk might materialise

- Action by malicious group or person, including terrorism.
- Operating in countries with inherent health issues.
- Inconsistent application of standards or implementation and operation of management systems.
- Issues with resource competency.
- Failure to maintain assets appropriately.
- Assets operating outside their design envelope.
- Reliance on the operator in non-operated joint ventures.

How the Group mitigates this risk

- Development and application of an HSSE Management System Framework and the Safety Case process.
- Contractor selection and management processes, with identification of high HSSE risk contracts for increased focus and assurance.
- Competence Assurance Management System.
- HSSE and Asset Integrity audit processes.
- HSSE risk assessments.
- Emergency response, crisis response and oil spill response plans.
- Engineering solutions, for example fire and gas detection systems, shutdown systems.

COMMODITY PRICE RISK

Risk description

Movements in hydrocarbon prices may have an adverse financial impact.

What impact the materialisation of this risk might have on the Group

- Pressure on Group revenues, cash flows and balance sheet.
- Consequent loss of value for our hydrocarbon assets.
- Pressure on, and potential for downgrading of, Group credit ratings.
- Pressure on development project economics and reductions in our capital investment programme.

Why this risk might materialise

- Changes in global supply and demand for hydrocarbons, including those due to technological change.
- Macroeconomic developments.
- Geopolitical developments.
- OPEC policy.

How the Group mitigates this risk

- Driving efficiencies and cost savings.
- Robust funding plans and adequate committed funding lines based on the Group's view of price uncertainty.
- Flexible investment options which can be exercised or deferred depending on expected future cash flow.
- Investments judged against a range of potential market outcomes, with more rigorous project and investment appraisal in a low commodity price environment.
- Selective use of hedging.

PARTNER RELATIONSHIPS

Risk description

Dependence on, inability to influence, or misalignment with partners. Where we are dependent on our partners, progress with our ventures may be hampered by events impacting our partner but unrelated to the Group. Note that Petrobras is subject to investigations regarding allegations related to several large (mainly construction) contractors forming a cartel and paying bribes in order to secure contracts. BG Group is monitoring the situation, including the potential impact of supply chain disruption and/or capital and liquidity constraints placed on Petrobras.

Why this risk might materialise

- BG Group enters into ventures where it is not the operator or does not have full operational control.
- Limited rights under joint operating agreements (JOAs) as a result of poor negotiation or inherently weak negotiating positions.
- Inadequate due diligence.

What impact the materialisation of this risk might have on the Group

- In general, the Group fails to deliver its business or development plans and stated objectives due to partner misalignment.
- Potential for competing objectives, priorities and decision-drag.
- Potential reputational damage in the event of our partner having a major operational or ethical conduct event in a non-operated joint venture environment.
- There may be cost and schedule overruns because of partners' restricted access to funding and/or the impact of supply chain disruption.

How the Group mitigates this risk

- Decision-making process regarding strategic partner selection and associated due diligence processes.
- Drafting, reviewing and sign-off of JOAs to preserve BG Group's rights and powers.
- Stakeholder management and influencing through the development of effective working relationships and through the strength of BG Group's technical skills and knowledge.
- Diligent exercise of BG Group's rights under the JOAs and its powers in joint venture governance structures (for example in Operating Committees).
- Close monitoring of partner activities, processes and progress, including through creation of shadow teams in non-operated joint venture environments, where appropriate.

FISCAL RISK AND GOVERNMENT TAKE

Risk description

Governments and their agencies may act in a way that reduces or extracts value from BG Group at a level greater than that assumed in the business plan, including through contract renegotiation, expropriation, increased taxation or other action.

Why this risk might materialise

- Government desire for a greater share of created value.
- Government response to domestic political pressures.
- Misalignment between the Group, governments and their agencies.
- Weak or damaged Licence to Operate.

What impact the materialisation of this risk might have on the Group

- Loss of value through government action which may take the form of: the imposition of new taxes; more aggressive implementation of existing tax regimes; contract renegotiation or reinterpretation; total or creeping expropriation; domestic market obligations; local content requirements; licence and permit fees; local levies; social investment requirements; and/or fines and penalties.

How the Group mitigates this risk

- Creation and maintenance of a strong Licence to Operate.
- Stakeholder management and in-country engagement.
- Social performance programmes.
- BG Group's Political Risk and Government Relations Standard focuses assets and projects on the identification of the major political risks facing them.
- Quarterly due diligence reviews, with monitoring of litigation, contingent liabilities and other exposures.

INSUFFICIENT EXPLORATION SUCCESS

Risk description

Insufficient addition of new resources and reserves to the portfolio to enable future economically viable production and to fuel production growth.

Why this risk might materialise

- Limited and challenging opportunities to obtain new resources economically in a low-price environment.
- Failure to access licences.
- Execution failures, for example drilling or well results.
- Failure to meet licence commitments.
- Insufficient resourcing or capabilities.

What impact the materialisation of this risk might have on the Group

- Lack of reserves replacement, leading to decline in production levels.
- Potential inability to meet contractual supply obligations and the associated costs of making good such shortfalls.
- Reputational damage.
- Reduced future investment options.
- Potential reduced portfolio diversification.

How the Group mitigates this risk

- Robust technical and commercial opportunity screening processes, overseen by our Exploration & Appraisal Committee.
- Global New Ventures team maintains focused approach to acreage acquisition via licence rounds, farm-ins and inorganic growth opportunities.
- Global technology strategy.
- Subsurface assurance programmes.
- Well planning and risk assessment processes.
- Strategic resourcing plan.

PROJECT DECISION AND DELIVERY

Risk description

Poor decision making regarding project selection. Projects may be sanctioned based on incorrect assumptions or inadequate information. Maturation of discovered resources may not optimise value, due to inappropriate concept selection or inadequate appraisal. Capital development projects may be delivered late, over budget or with sub-standard levels of operating reliability.

What impact the materialisation of this risk might have on the Group

- Inability to achieve sustainable growth and reserves replacement.
- Production and associated revenue shortfall.
- Cost overrun.
- Inability to meet contractual supply obligations.
- Opportunity costs as the Group may be unable to pursue more valuable opportunities.
- Long-term value erosion.
- Reputational damage.

Why this risk might materialise

- Failure to articulate and apply objective risk and value screening criteria consistently.
- Focus on delivery objectives may limit front-end analysis.
- Insufficient early-stage technical assurance and risk analysis.
- Overly optimistic project sanction case or business plan.
- Poor contract strategy, contractor selection, or poor contractor performance.
- Inadequate resourcing.
- Poor management of change in the construction phase.
- Design issues may cause delay or compromise operating reliability.
- Licence to Operate or social performance issues may impact deliverability.

How the Group mitigates this risk

- Capital Investment Process and Value Assurance Framework.
- Front-end loading and decision risk management processes.
- Strategic planning, business planning and forecasting processes.
- Aligned investment decision-making authorities and processes.
- Strategic resourcing and strategic alliance programmes.
- Contract evaluation, selection and management processes.
- Asset-specific Licence to Operate strategies and management processes.

RESERVES AND RECOVERABILITY

Risk description

Reservoir potential may not be optimised and/or reservoir performance may fall below planned levels. Adverse outcome on field unitisation decisions where BG Group's fields may extend outside the boundaries of concession or licensing areas.

What impact the materialisation of this risk might have on the Group

- Sub-optimal field development planning and design of facilities.
- Significant potential for loss in either production volumes compared to business plan or increases in overall capital expenditure and operating costs.
- Value erosion through over or under-design of facilities given field capacity.
- Inability to deliver production and to achieve an adequate reserves replacement ratio.

Why this risk might materialise

- Inherent reservoir uncertainty in oil and gas developments could lead to detrimental well and reservoir performance outcomes that may impact oil and gas production and ultimate recoverable volumes.
- Failure to consider the full range of potential development options and select the most suitable concept.
- Development plans are often based on limited sampling and testing of only a small fraction of the total reservoir volume.
- Subsurface uncertainty and project uncertainty (related to cost and feasibility) might not be captured or reflected adequately in the development plans used for investment proposals or business plans.
- The cost/benefit value case for doing more appraisal work may not always be clear, creating potential for insufficient field appraisal prior to decisions to commit investment.

How the Group mitigates this risk

- Group Standards address subsurface risk by defining consistent subsurface workflows and modelling processes, ensuring reservoir and well surveillance and management processes.
- The Group's Value Assurance Framework ensures a review and challenge via a stage-gated assurance process.
- Decision risk management analysis.
- Field development planning process.
- Independent review through Reserves Committee oversight.
- Flexibility to source alternative third-party hydrocarbons to supplement Group production.

ACCESS TO CAPITAL AND LIQUIDITY

Risk description

Inability to deliver business and growth objectives, or to continue as a long-term viable business, by effectively meeting the Group's funding requirements, and managing liquidity and solvency risks.

What impact the materialisation of this risk might have on the Group

- Reduced/loss of access to capital.
- Increased Group funding/financing costs and deterioration in terms.
- Increased requirement for cash collateral and guarantees.
- Increases in capital requirements could result in a failure to meet business and financial performance expectations.
- Deterioration in economics and/or forfeiture of value-accretive business opportunities.
- The Group's financing costs may be adversely affected by interest rate volatility.

Why this risk might materialise

- Business volatility or business performance falls below expectations.
- Change in the macroeconomic environment (for example, commodity prices, exchange rates).
- Change in the Group's capital allocation and distribution policy.
- Variations in planned portfolio rationalisation or acquisition costs.
- Inadequate cash flow forecasting.
- Insufficient flexibility in short-term liquidity.
- A significant deterioration in the Group's credit rating or its ability to access capital.
- Financial assets may not be readily converted to cash without loss of value.

How the Group mitigates this risk

- Business planning, forecasting, performance management and cash flow forecasting processes.
- Flexible funding plans, including access to a minimum level of committed borrowing facilities, held with a diversified group of financial institutions as back-up liquidity.
- Selective use of hedging.
- Limits placed on the amount of borrowings that mature within any specific period.
- Surplus funds are invested primarily in short-term, highly liquid investments that are readily convertible to cash.
- The Group's Interest Rate Risk Management policy requires that substantially all borrowings are floating rate. Exceptions to this policy require approval from the Finance Committee. To take advantage of the current low interest rate environment, a substantial proportion of the Group's debt is currently held under fixed rate arrangements.

HUMAN RESOURCES CAPACITY AND CAPABILITY

Risk description

BG Group may not have enough people available with the right skills and experience, in the right parts of the organisation at the right time, and with the right culture and behaviours, to enable delivery of business objectives and plans.

What impact the materialisation of this risk might have on the Group

- Compromised ability of the Group to deliver its plans and strategy.
- Limit on the Group's ability to exploit opportunities or realise the value of projects.
- Impairment of the Group's future ability to attract and retain the best talent.

Why this risk might materialise

- Failure to attract, recruit, retain, motivate, develop or train employees.
- Misalignment of resource strategies with Group strategy and plans.

How the Group mitigates this risk

- Business plan process and alignment of resourcing model.
- Strategic alliances.
- Performance management processes.
- Competitive reward and incentivisation packages.
- Graduate Development Programme.
- Talent identification and related management development programmes.
- Succession planning.
- Outsourcing of non-core skills and activities.

PORTFOLIO CONCENTRATION**Risk description**

Over-concentration or inappropriate balance of the Group's portfolio such that disruption in one asset or revenue stream in the Group's portfolio may have a disproportionate impact on the Group as a whole.

What impact the materialisation of this risk might have on the Group

- Supply risk, especially from Brazil and Australia.
- Inability to meet supply contracts from Group production, requiring backfill of supply from the open market.
- Decline in demand for our products in key markets exposes us to the risk of unsold product and further downside price risk.
- BG Group fails to deliver its business plan and stated objectives, eroding shareholder value.

Why this risk might materialise

- Outcome of Group decision on: mergers, acquisitions and disposals; new country entry; commercial sales long-term contracts; or opportunity selection, project selection and sanction.
- Insufficient exploration success.
- Changes in external environment:
 - Political instability;
 - Partner instability;
 - Demand for Group products;
 - Inability to divest or sell down assets at an appropriate value;
 - Sudden move by a competitor; or
 - Transformative technological breakthrough in the industry.

How the Group mitigates this risk

- The Group's Value Assurance Framework stage-gate process and Capital Investment Process provide opportunities to identify, discuss and take into consideration, concentration risk.
- Executive management and Board review and approval processes.
- Strategy setting and strategic business planning process, including the Board Planning Conference, provide opportunity to set guidelines around the make-up of the Group portfolio.
- Portfolio management: reduce overexposure by divestment or investment.

REGULATION, LEGISLATION, LITIGATION AND COMPLIANCE**Risk description**

Contractual disputes and litigation, or breach of applicable laws and regulations, including those relating to anti-bribery and corruption by an employee, an associated party or someone acting on the Group's behalf.

What impact the materialisation of this risk might have on the Group

- Investigations, regulatory censure, fines or penalties.
- Litigation from industry partner, contractor or sovereign entity (see note 22 (E) to the Financial statements for details of current, material litigation).
- Reputational damage.
- Loss of Licence to Operate.
- Increased costs.
- Penalties, debarment from award or loss of government contracts or licences, and the curtailment, cessation or delay of projects.
- Decommissioning obligations or liabilities greater than expected.

Why this risk might materialise

- Legal risks not sufficiently identified in business planning or risk processes.
- Failure to anticipate changes in regulation.
- Ambiguity in interpretation of law or regulation.
- Failure to follow legal advice or guidance.
- Instances of fraud and corruption.
- Incomplete, ineffective or unenforceable documentation.
- Failure by partners or the Group to maintain effective anti-bribery and corruption programmes.

How the Group mitigates this risk

- Regulatory compliance systems, and legal and regulatory management framework.
- Internal education and training on legal and regulatory matters.
- Anti-bribery and corruption compliance programme, including training, policies and procedures, risk assessments and monitoring activities.
- Independent reporting lines within the Legal function for all Group lawyers.
- Legal Standards adopted across the Group.
- Quarterly due diligence exercise to identify legal issues of concern.
- Legal function participation in Group business planning, forecasting and risk processes.
- Independent Speak Up reporting system for any concerns.
- Advice from external legal counsel, including law firm panel arrangements.

IT, CYBER SECURITY AND RESILIENCE

Risk description

Failure or interruption of business-critical IT systems or digital infrastructure (including failure of systems in the production control environment). Compromise of, or attack on, Group computer networks.

What impact the materialisation of this risk might have on the Group

- Classified data could be unavailable or exposed to unauthorised parties.
- Breach of the Data Protection Act or other regulations, resulting in regulatory censure and penalties.
- Loss of competitive advantage.
- Reputational impact to strategic relationships.
- Non-compliance with legal or contractual requirements.
- Disruption of production or production reporting processes.

Why this risk might materialise

- State-sponsored industrial espionage.
- Social engineering attacks such as targeted phishing emails.
- Malicious software infections, including computer viruses, Trojans or ransomware.
- Insufficient technical security controls.
- BG Group employees' or third parties' failure to comply with BG Group security rules.

How the Group mitigates this risk

- Mandatory information security e-learning and other awareness activities.
- Design and implementation of standards and policies, for example, Information Security Standard, Acceptable Use Standard, Information Management Standard, Data & Control Architecture for Automation (DCAA) Standard.
- Regular system maintenance and monitoring.
- Hard disk encryption and security monitoring.
- Firewalls, virus protection, access control procedures.
- Security risk assessments for IT projects.
- Security incident response procedures.
- Disaster recovery plans.

CREDIT

Risk description

BG Group's counterparties (including sovereign entities and other entities on whom the Group depends directly or indirectly) may be unable to meet their financial or performance obligations.

What impact the materialisation of this risk might have on the Group

- A credit loss may be incurred, possibly in the form of:
 - Payment loss;
 - Mark-to-market loss; or
 - Performance issue: schedule delay and possible increased costs.
- Group liquidity may be impacted, for example if a bank fails.
- Delayed, or only partial recovery of, due receivables – adverse impact on cash flow.
- Potential write-offs and impairment.

Why this risk might materialise

- The Group may enter into agreements with third parties who are not creditworthy.
- Previously suitable counterparties' creditworthiness declines due to changed circumstances, particularly in a low oil price environment.
- Internal non-compliance with required process.
- Macroeconomic developments may reduce counterparties' creditworthiness (contagion and correlation risk, for example, financial crisis).

How the Group mitigates this risk

- Credit risk framework developed and operational.
- Credit support is considered where appropriate.
- Credit limits are applied to counterparties under relevant credit Policies and Standards.
- Credit due diligence procedures and Standards are in place and operational.
- Monitoring of credit exposures and overdue payments.

MACROECONOMIC AND GEO-POLITICAL DEVELOPMENTS

Risk description

The Group may not foresee or adapt to changes or disruptions in the external environment, including geo-political or macroeconomic developments.

What impact the materialisation of this risk might have on the Group

- Failure to meet Group business plans and externally stated expectations.
- Long-term value erosion.
- The Group's fundamental long-term business model may be threatened.

Why this risk might materialise

- Insufficient connections and network connectivity to stay abreast of developments in geo-politics, the macroeconomy, energy markets and industry.
- Lack of business intelligence.
- Not having employees with sufficient skills or insight.
- Failure to act upon known or identified external changes and changes due to internal decision-making processes, communication flows, or mis-interpretation of the information or trends.
- Over-focus on short-term deliverables or internal issues.

How the Group mitigates this risk

- Business planning and strategic planning processes.
- Quarterly external trends analysis and competitor monitoring.
- Analysis of the macroeconomy and energy markets.
- Analysis of political trends and risks in Licence to Operate strategies.
- Stakeholder engagement and management.
- Membership of industry and professional bodies.
- Building and maintaining a flexible and balanced portfolio.

ENVIRONMENT AND CLIMATE CHANGE

Risk description

Climate change may fundamentally alter business conditions and have a negative effect on demand for hydrocarbons. Release, emission or discharge to the natural environment beyond agreed or acceptable limits.

What impact the materialisation of this risk might have on the Group

- Lower demand for Group product and lower prices.
- Regulations altering hydrocarbon production economics.
- Increased cost of operations.
- Potential threat to Licence to Operate in event of major environmental incident, with limitations on future access to resources in environmentally sensitive areas. Clean up costs, fines and penalties.
- Damage to Group reputation.

Why this risk might materialise

- Domestic or international pressure to address climate change.
- Changes to policies and initiatives, including climate change policy, at national and/or international level.
- Major operational incident or accident, or breach of asset or well integrity. Note that in Brazil, the Group's oil spill exposure continues to grow as more oil is produced in the Santos Basin and shuttle tanker operations increase significantly.

How the Group mitigates this risk

- Participation in industry and government bodies, including collaborative initiatives to influence forward-looking climate change activities and contribute to the climate change debate, in line with the Group's Climate Change Public Position.
- Design of, and compliance with, HSSE policy and environmental standards based on best practice.
- Operation of environmental management systems, independently certified to ISO14001.
- Asset-level energy efficiency programmes and targets.
- Emergency response, crisis response and oil spill response plans.

IMPORTANT NOTES**RISK IDENTIFICATION AND ASSURANCE**

While BG Group has developed processes for identifying and managing risk, these processes provide reasonable, rather than absolute, assurance and are designed to help manage, rather than eliminate, risk. It is not possible to be certain that such processes will be successful in managing or mitigating these risks effectively or at all, not least because not all of these risks and uncertainties are within BG Group's control. In particular, BG Group may be limited in its ability to impose risk management systems and processes (and associated controls) in non-operated ventures. Systems of risk management and internal control are therefore no guarantee that all risks have been identified, or will not materialise, or that associated damage or losses will not occur.

In addition to the principal risks and uncertainties listed in this report, the Group may also be affected adversely by other risks as yet unforeseen or currently considered not to be material. Shareholders should consider the principal risks and uncertainties described in this section in conjunction with the **Legal notice** on the inside front cover.

INSURANCE

Some of the major risks involved in BG Group activities cannot reasonably and economically be insured. The transfer of risks to the insurance market may be affected and influenced by constraints on the availability of cover, market appetite and capacity, pricing, and the decisions of regulatory authorities. BG Group may incur significant losses from different types of risks that are not covered by insurance.

The Group maintains an insurance programme to provide some mitigation against significant losses, which, as is consistent with general industry practice, includes limited cover for physical damage, removal of debris, control of wells, re-drill, sudden and accidental pollution, and employer's and third-party liabilities. Policies purchased are subject to limits, deductibles and specific terms and conditions. In addition, premium costs are subject to changes based on a company's loss experience, the overall loss experience of the insurance markets accessed and capacity constraints. Insurance is, by its nature, contingent. As such, any particular insurance claim made might not result in a full recovery from insurers.

CORPORATE GOVERNANCE





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METHANE RITA ANDREA, QUEENSLAND CURTIS LNG, AUSTRALIA

The *Methane Rita Andrea* vessel arriving at Queensland Curtis LNG for first cargo. First LNG commenced loading at the end of December 2014.



CORPORATE GOVERNANCE CHAIRMAN'S OVERVIEW



“2014 has been a transitional year for the Group and one in which its governance practices have come under close scrutiny.”

ANDREW GOULD | CHAIRMAN

Good corporate governance is critical in helping to build a successful business that can be sustained over the longer term and through the cyclical markets in which we operate.

As Chairman, I am focused on ensuring that BG Group has a Board that works effectively and cohesively under my leadership, with the right range and balance of skills, expertise and attributes. I am confident that our governance processes, our culture of integrity and openness, and a diversity of perspective promote the necessary degree of constructive challenge by the Board of our Executive Directors and senior management. This has been all the more important in 2014 during my interim tenure as Executive Chairman.

2014 has been a transitional year for the Group and one in which its governance practices have come under close scrutiny. I believe that a company's governance arrangements must be set appropriately for the prevailing circumstances and, on occasions, they may require some flexibility to respond to the challenges that the company faces.

With the resignation of Chris Finlayson in April 2014, the Board requested that I assume the role of Executive Chairman on an interim basis while we conducted our search process for your new Chief Executive. At the conclusion of a lengthy and difficult succession process, in which we sought to reconcile the need to secure an exceptional candidate by providing a globally competitive remuneration package with the requirements of UK governance best practice, the Board was delighted to secure the appointment of someone of Helge Lund's exceptional experience and calibre.

I have now reverted to my role as Non-Executive Chairman. The relationship between the Chairman and the Chief Executive is a cornerstone of good governance, and I am confident that I will establish a positive and constructive working relationship with Helge as the Group's new Chief Executive.

As the governance arrangements for the Company revert to a more conventional form, the Board and I also look forward to building long-term relationships with our investors that are founded on trust and transparency through our regular and ongoing communications and engagement.

THE UK CORPORATE GOVERNANCE CODE

We are reporting this year against the 2012 version of the UK Corporate Governance Code (the Code) and related guidance. Except as referred to below, BG Group has complied with all relevant provisions of the Code throughout the year.

We have not complied with Code provision A.2.1, which states that there should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. In April 2014, Chris Finlayson resigned as Chief Executive and Executive Director with immediate effect. The Board considered carefully how best to manage the business while conducting an extensive global search for a world-class oil and gas chief executive. The Board agreed that, in these exceptional circumstances and given my industry experience and background, it was in the best interests of shareholders for me to step into the role of Executive Chairman on an interim basis until a permanent Chief Executive could be appointed. It was additionally agreed that, in recognition of best governance practice, I should step down as a member of the Remuneration Committee and as Chair of the Nominations Committee for the duration of my tenure as interim Executive Chairman.

On assuming my interim executive role, I took the opportunity to review the existing structure of the senior leadership team, and the manner and frequency of their interaction. As a result, the existing Executive sub-Committee structure was streamlined and the Executive Management Committee and Group Leadership Team were created. Efficiencies were also introduced to the Group's decision-making processes to aid the effective use of management time. Full details of the structure within which the Group has operated during 2014 are set out on pages 48 and 49 of this report and the biographies for the members of the Group Leadership Team who supported me during my tenure as interim Executive Chairman are set out on page 50.

APPOINTMENT OF HELGE LUND

The Group announced the appointment of Helge Lund as Chief Executive and Executive Director of BG Group on 15 October 2014, and Helge joined the Group on 9 February 2015.

The global search process was led by me and Sir John Hood as members of the Nominations Committee. John and I had the benefit of frequent support from, and participation of, other Non-Executive Directors and, as appropriate, the full Board in the overall management of the process.

Following the identification of Helge as the preferred candidate, the Board sought to agree a competitive remuneration package designed to promote the long-term success of the Company by aligning the variable components of Helge's remuneration with the Company's performance and the interests of shareholders. We consulted extensively with our shareholders on the proposed package and were made aware of a number of concerns. Based on this feedback and following discussions with Helge, on 1 December 2014 we announced revisions to the remuneration package that brought all elements of Helge's remuneration within the Company's remuneration policy approved by shareholders in May 2014. This removed the need for separate shareholder approval for the conditional award of shares previously proposed. The conditional share award was replaced by the proposal to grant an initial award of shares under the Company's Long-Term Incentive Plan (LTIP), which will be subject to Company performance conditions. Further details are set out in detail in the **Remuneration report** on page 74.

In our future deliberations as a Board (including with respect to future succession planning), we will be mindful of the lessons learnt from the process. As your Board, we have a duty to act in the best interests of shareholders in attracting the best possible talent to lead the Company. To that end, it is important that we can offer remuneration that is competitive in the international market for oil and gas executives in order to recruit and incentivise senior executives of an appropriate calibre to promote the long-term success of the Company. The Board recognises that there is a balance to be struck between meeting that business imperative and taking appropriate account of shareholder and public concern in the UK about the level of executive pay. In designing the original package for Helge, we must acknowledge that we did not strike the correct balance.

STRUCTURE OF THE REPORT

This report sets out how BG Group is governed and the key activities of the Board of Directors in promoting effective governance during 2014. Further information on how the Group complied with the UK Corporate Governance Code during 2014 is set out on pages 60 and 61.

The Board and I would like to express our gratitude to Helge himself for the active and constructive role that he played in finding a timely solution. We are also grateful to our shareholders for the support they offered for the appointment of Helge throughout the process, and for supporting the revised remuneration package.

Helge is an excellent appointment for the Company and its shareholders. He is ideally suited to lead BG Group in the next phase of its growth, and to accelerate the creation and delivery of value for our shareholders, while delivering the Group's business plans. He brings with him, from his time at Statoil, a proven track record as a leading industry executive. This includes a keen strategic focus and, critically, a strong commitment to a values-based culture and a leadership style that I believe will be key to driving the future success of the Group.

BUSINESS FOCUS

Throughout the year, the Board agenda was structured to allow for regular updates on the progress of our major growth projects in Australia and Brazil and the Group's prospective LNG investment decisions on Lake Charles, Canada and Tanzania. We also oversaw management's initiatives, even before the recent decline in commodity prices, to drive greater cost and capital efficiency within the business. We monitored the agreed disposals in relation to the QCLNG pipeline in Australia and the CATS pipeline in the North Sea. The Board worked closely with senior management, particularly the Chief Financial Officer and Chief Operating Officer, to ensure that the Group continued to make progress towards important project milestones during a critical year of delivery for the Group.

During 2014, the Board has remained heavily focused on ensuring that the Group's risk management and internal control systems are effective in underpinning robust decision making on major investments. As we move forward, the Board's challenge will be to oversee the integration of these systems with the Group's strategic priorities as they continue to evolve in light of a challenging commodity price environment and under new executive leadership. In 2015, the Board will continue to monitor how the appropriate

culture is being embedded throughout the organisation to support effective risk management and internal control, including through the Group's operating model and in its business plan and forecasting processes. Further detail is set out in the **Audit Committee report** on page 56.

I hope that the following pages of this report provide you with greater insight into the discussions held at the Board and its Committees during the year. They provide our view on Board performance in the year following the internal evaluation that was carried out by the Senior Independent Director.

DIVERSITY

As outlined in last year's Annual Report and Accounts, Peter Backhouse retired as planned at the conclusion of the 2014 Annual General Meeting (AGM), in recognition of his 14-year service.

Following the appointment of Helge Lund, the proportion of women on the Board will be 23%. The Board retains its aspiration, as set out in the Board Diversity Statement made in December 2013, to increase the proportion of women on the Board to 25% by 2015. However, the Board, supported by the Nominations Committee, continues to value diversity in its broadest sense when considering Non-Executive Director appointments and, in addition to considering gender and ethnicity, will look to achieve within the boardroom the appropriate balance of skills, experience, independence and knowledge of BG Group and the industry as a whole. Further details on the Group's gender diversity statistics as at 31 December 2014 are set out on page 52.

SHAREHOLDER ENGAGEMENT

As detailed above, the Board has undertaken extensive engagement with our shareholders during 2014 and hopes to continue this positive trend. The Board welcomes the launch of the Investor Forum, a group that has been established by a number of large investors with the objective of promoting a long-term approach to investment and creating a model for collective engagement with UK companies. We will seek opportunities to work with the various forums within the umbrella organisation. I also hope once again to meet with many of our retail shareholders at our

AGM in early May and full details of the Notice of that Meeting are set out on pages 146 and 147 of this Report.

CONCLUSION

During this challenging year, I have greatly valued the diverse and complementary range of skills and experience of my fellow Board members. All of our discussion and debate have taken place within a culture of openness, mutual trust and respect, and that cohesiveness has enabled us also to integrate successfully the recently appointed Non-Executive Directors. I would like to extend thanks to all of my fellow Board members, and in particular the Senior Independent Director, for their exceptional support and commitment during the course of 2014.

I would also like to extend my gratitude to the Group Leadership Team, who acted as an important check and balance during my tenure as interim Executive Chairman and on whose wide-ranging experience, expertise and capability I came to rely in 2014.

ANDREW GOULD
CHAIRMAN

CORPORATE GOVERNANCE

BOARD OF DIRECTORS



ANDREW GOULD, 68
CHAIRMAN

Appointed in 2011; Elected Chairman in 2012; interim Executive Chairman from April 2014 to February 2015

C F N *

Andrew brings to the Board his exceptional knowledge of the upstream oil and gas industry and a wealth of experience gained on the boards of a number of listed global companies.

A chartered accountant, Andrew was chairman and chief executive officer of Schlumberger, a leading oil and gas services company, from 2003 to 2011, during which time he successfully led a major restructuring of the group, retiring as chief executive in 2011 and chairman in April 2012. Until May 2012, Andrew was senior independent director of Rio Tinto plc.

Other appointments:

- King Abdullah University of Science and Technology
- I1 Energy Fund
- Royal Academy of Engineering Development advisory board
- Saudi Aramco



HELGE LUND, 52
CHIEF EXECUTIVE

Appointed in February 2015

C F

Helge has a proven track record as a leading chief executive in the oil and gas industry.

For more than 10 years before joining BG Group, Helge was the chief executive officer of Statoil, a multi-billion dollar international oil and gas company, operating in 36 countries. During this time, he led the transformation of the business into one of the world's leading oil and gas companies, that is now widely admired for its technical expertise, solid financial performance and strong, values-based culture.

Prior to Statoil, Helge was chief executive officer of Aker Kvaerner, an industrial conglomerate with operations in oil and gas and shipbuilding. He also served previously in the roles of deputy chief executive officer and chief financial officer at the pharmaceutical division of Hafslund Nycomed, an industrial conglomerate.

Other appointments:

- None



SIMON LOWTH, 53
CHIEF FINANCIAL OFFICER

Appointed in 2013

C F

Simon provides significant expertise to the Group in finance, capital allocation, value-based planning, portfolio management and strategy, gained through roles in a number of listed companies. Simon has relevant experience of the gas and power industry and a background in engineering.

Before joining BG Group, Simon was chief financial officer and executive director of AstraZeneca for six years, during which time he notably helped improve productivity, cash management and capital allocation during complex times.

Prior to that, Simon was chief financial officer and corporate strategy director at Scottish Power, following a number of roles with McKinsey & Company, ultimately as director of the UK Industrial Practice focusing on business strategy, mergers and acquisitions, capital management and operational performance improvement.

Other appointments:

- Standard Chartered plc



SIR JOHN HOOD KNZM, 63
SENIOR INDEPENDENT DIRECTOR

Appointed in 2007; Elected Senior Independent Director in 2014

A N * R S

John provides the Board and four Committees with expertise from his knowledge and deep experience of international business, and with analytical rigour arising from his leadership roles in higher education and research. BG Group's sustainability activities also benefit from John's philanthropic work with international non-governmental organisations.

John was formerly vice chancellor of the universities of Oxford and Auckland. He has held advisory roles for the New Zealand and British governments and has served as a director of New Zealand-based enterprises, including ABS Bank, Fonterra Cooperative Group and Tonkin & Taylor.

Other appointments:

- Environmental Defense Fund (UK Board)
- Rhodes Trustees
- Robertson Foundation
- Study Group Pty Limited
- URENCO Ltd
- WPP plc



VIVIENNE COX, 55
NON-EXECUTIVE DIRECTOR

Appointed in 2012

N R S

Vivienne has wide-ranging experience as an executive in the energy sector, and also works as a non-executive director with companies from a variety of industries, as well as with a number of philanthropic organisations. She provides valuable perspective to Board debates, and contributes constructively to the Group's strategic and sustainability discussions. Vivienne has participated in a number of events organised by the BG Group Women's Network.

Vivienne worked for BP from 1981 to 2009, latterly as executive vice president of gas, power and renewables. She was also chief executive of BP Alternative Energy.

Other appointments:

- Ministerial board of the Department for International Development
- Pearson plc
- Royal Academy of Engineering Development advisory board
- Vallourec SA



PAM DALEY, 62
NON-EXECUTIVE DIRECTOR

Appointed in January 2014

A

Pam's experience from her distinguished career in North America and internationally has brought new insight and perspective to the Board. Her renowned expertise in finance and law – especially mergers, acquisitions, joint ventures and business development arrangements – is a valuable addition to BG Group as it continues to pursue its strategy of more active portfolio management, capital discipline and monetisation of the Group's assets at different stages of their life cycles.

Pam joined General Electric Company (GE) in 1989 as tax counsel and held a variety of senior legal and business roles, latterly as senior vice president for corporate business development. Pam retired from GE on 1 January 2014. She was formerly a tax partner of the international law firm, Morgan, Lewis & Bockius.

Other appointments:

- BlackRock, Inc.
- The Juilliard School
- University of Pennsylvania Law School



MARTIN FERGUSON, 61
NON-EXECUTIVE DIRECTOR

Appointed in January 2014

S

Martin brings with him international expertise, particularly in the resources and energy sector. Martin's insight and experience in the development of Australia's natural gas industry and the growing LNG market in Asia will prove invaluable to the Board.

Martin is a former Australian federal minister for resources and energy, with a career in politics spanning 18 years. Prior to his election to the Australian House of Representatives in 1996, Martin was president of the Australian Council of Trade Unions.

Other appointments:

- Australian Petroleum Production and Exploration Association
- Cooperative Research Centre for Greenhouse Gas Technologies
- Seven Group Holdings



CAIO KOCH-WESER, 70
NON-EXECUTIVE DIRECTOR

Appointed in 2010

A N S

Caio's global financial, diplomatic and political experience is of significant value to the Board and he brings an in-depth knowledge of South America, and Brazil in particular.

Caio was German deputy minister of finance from 1999 to 2005, responsible for international finance (G7 Deputy), European economic and financial affairs, as well as capital markets, banking and insurance. He was also chairman of the supervisory board of the German Federal Financial Supervisory Authority (BaFin).

From 1973 to 1999, Caio was with the World Bank where he worked on Latin America, China, the Middle East and Africa.

Other appointments:

- Centre for European Reform
- Deutsche Bank Group
- European Climate Foundation
- The Royal Institute of International Affairs (Chatham House)

* Sir John Hood chaired the Nominations Committee from April 2014 to February 2015.



LIM HAW-KUANG, 61
NON-EXECUTIVE DIRECTOR
Appointed in 2013

A

Haw-Kuang has a wealth of expertise in the south east Asian energy markets, as well as in-depth knowledge of the Chinese oil and gas sector.

Haw-Kuang is the former executive chairman of Shell China. He joined Royal Dutch Shell in Malaysia in 1978 and became executive chairman in 2005. Prior roles with Shell included business development manager for the former Soviet Union and Sakhalin; chairman and managing director Malaysia; president, oil products Asia Pacific and Middle East; and Shell International vice president of corporate strategy and planning.

In 2011, he was honoured with the Great Wall Friendship Award, recognising his contribution to the city of Beijing.

Other appointments:

- Central Bank of Malaysia (Bank Negara Malaysia)
- China Council for International Cooperation on Environment and Development
- ENN Energy
- Ranhill Energy & Resources Bhd.
- Sime Darby Bhd.



SIR DAVID MANNING GCMG KCVO, 65
NON-EXECUTIVE DIRECTOR
Appointed in 2008

N S

David provides the Board with insight into international relations, gained through his distinguished career as a senior diplomat, and plays an important role as Chairman of the Sustainability Committee.

David was a member of the Foreign and Commonwealth Office for 35 years, serving in Warsaw, New Delhi, Paris, Moscow, Tel Aviv and Brussels. He retired from the Diplomatic Service in 2008 after four years as British ambassador to the USA.

Other appointments:

- Council of Lloyds of London
- Gatehouse Advisory Partners
- Lockheed Martin UK Holdings Ltd
- London School of Economics IDEAS advisory board
- The Royal Institute of International Affairs (Chatham House)



MARK SELIGMAN, 59
NON-EXECUTIVE DIRECTOR
Appointed in 2009

A R

Mark provides the Board and Audit Committee with relevant financial expertise, gained through a high-profile career in the UK investment banking sector. Mark is a chartered accountant. His work with the Regional Growth Fund and as an alternate member of the Takeover Panel provides the Board with invaluable insight into the wider corporate governance landscape.

Mark held senior roles at Barclays de Zoete Wedd and SG Warburg & Co, and is a former chairman of UK Investment Banking at Credit Suisse and a former member of the bank's Global Investment Banking Executive Board.

Other appointments:

- G4S plc
- Kingfisher plc
- Regional Growth Fund advisory panel
- The Takeover Panel



PATRICK THOMAS, 57
NON-EXECUTIVE DIRECTOR
Appointed in 2010

A R

Patrick brings global executive experience, including more than 35 years in the chemical industry, providing a wider perspective and increased balance to Board debate. Patrick has extensive experience of working in Asia Pacific.

Prior to joining the Bayer Group, Patrick spent seven years with the Huntsman Corporation, a US chemicals company, latterly as corporate executive vice president of Huntsman Matlin Patterson. Patrick held a number of positions with ICI Pharmaceuticals and Agrochemicals, including regional director for Europe, Africa and the Middle East, and was also global chief executive officer of ICI Polyurethanes.

Other appointments:

- Bayer MaterialScience AG
- European Institute for Industrial Leadership advisory board
- Oxford University Business Economics Programme Board
- PlasticsEurope



BARONESS HOGG, 68
NON-EXECUTIVE DIRECTOR
Appointed in 2005

S

Sarah's extensive career in government and with prominent regulatory bodies and major UK companies brings a highly valued contribution to the Board and its corporate governance.

Sarah is a former head of the Prime Minister's Policy Unit and second permanent secretary from 1990 to 1995. Until 2010, she was chairman of 3i Group and has been a non-executive director of several other FTSE 100 companies.

Sarah was Senior Independent Director of BG Group from 2009 to 2013.

Other appointments:

- HM Treasury
- John Lewis Partnership
- The Takeover Panel
- The Times Newspaper

COMPANY SECRETARY



STEVE ALLEN, 43

Steve is an experienced lawyer with an established knowledge of BG Group and its corporate functions. As Company Secretary, Steve is responsible for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are complied with. He is responsible to the Board, through the Chairman, for advising and keeping the Board apprised of all legislative, regulatory and governance matters and developments.

Prior to joining the Group in 2005, Steve was a corporate lawyer for Herbert Smith. He was appointed Company Secretary in 2011, having previously been Chief Counsel, Corporate, leading the team providing legal support for corporate functions.

CHRIS FINLAYSON

Chris resigned as Chief Executive on 27 April 2014.

PETER BACKHOUSE

Peter retired as a Non-Executive Director on 15 May 2014.

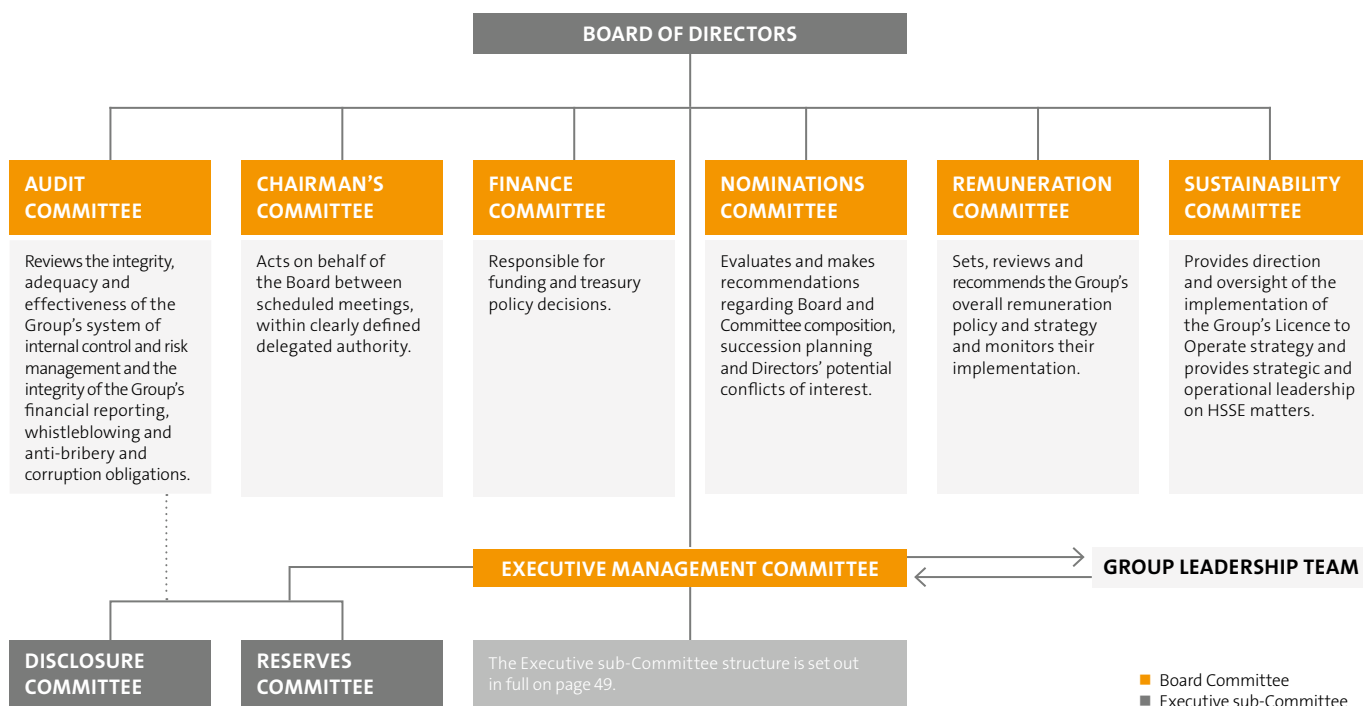
COMMITTEE MEMBERSHIP KEY

- | | |
|-----------------------------|-------------------------|
| A Audit | N Nominations |
| C Chairman's | R Remuneration |
| F Finance | S Sustainability |
| ■ Committee Chairman | |

CORPORATE GOVERNANCE

BOARD AND COMMITTEE STRUCTURE

The Board has several Committees which support the discharge of its duties. The structure of these Committees is set out below:



BOARD AND COMMITTEE ATTENDANCE IN 2014

Director	Committee appointments ^(a)	Board Meetings		General Meetings	Audit	Chairman's	Finance	Nominations	Remuneration	Sustainability
		Scheduled	Ad hoc ^(b)							
Andrew Gould ^{(c)(d)}	C F N	7/7	10/10	2/2		6/6	7/7	5/6	5/5	
Chris Finlayson ^(e)	C F	2/2	3/3			1/1	2/2			
Simon Lowth	C F	7/7	10/10	2/2		6/6	7/7			
Peter Backhouse ^(f)	S	3/3	3/3	1/1						2/2
Vivienne Cox ^(g)	N R S	6/7	10/10	2/2				5/6	6/7	3/4
Pam Daley	A	7/7	7/10	2/2	2/2					
Martin Ferguson	S	7/7	8/10	2/2						4/4
Baroness Hogg	S	7/7	9/10	2/2						3/4
Sir John Hood ^(h)	A N R S	7/7	9/10	2/2	6/6			6/6	7/7	4/4
Caio Koch-Weser	A N S	7/7	8/10	2/2	6/6			6/6		4/4
Lim Haw-Kuang	A	7/7	7/10	2/2	6/6					
Sir David Manning	N S	7/7	10/10	2/2				6/6		4/4
Mark Seligman ⁽ⁱ⁾	A R	7/7	9/10	2/2	6/6				6/7	
Patrick Thomas ^(j)	A R	5/7	9/10	2/2	5/6				7/7	

BOARD COMMITTEE MEMBERSHIP KEY

A Audit	N Nominations
C Chairman's	R Remuneration
F Finance	S Sustainability
■ Committee Chairman	

Attendance notes

- (a) All appointments stated are as at 31 December 2014.
- (b) In addition to scheduled meetings, the Board also held 10 ad hoc meetings during the year, principally in connection with the succession process for the new Chief Executive. Given the inherent short notice of these meetings, some Directors were unable to attend, but were fully briefed by the Chairman and/or Company Secretary on the matters to be discussed, and subsequently debriefed (as appropriate).
- (c) Andrew Gould stepped down as Chairman of the Nominations Committee and as a member of the Remuneration Committee following his appointment as interim Executive Chairman on 27 April 2014.
- (d) Andrew Gould was unable to attend the October 2014 Nominations Committee because of a personal engagement.
- (e) Chris Finlayson resigned as Chief Executive and Executive Director on 27 April 2014.
- (f) Peter Backhouse retired as a Non-Executive Director at the conclusion of the AGM on 15 May 2014.
- (g) Vivienne Cox was unable to attend the December 2014 Board and relevant sub-Committee meetings because of a prior engagement with the Board of Pearson plc where she is senior independent director.
- (h) Sir John Hood acted as interim Chairman of the Nominations Committee during Andrew Gould's term as interim Executive Chairman.
- (i) Mark Seligman was unable to attend the February 2014 Remuneration Committee because of a prior engagement with the Board of Kingfisher plc where he is senior independent director.
- (j) Patrick Thomas was unable to attend the March 2014 meetings of the Board and Audit Committee for medical reasons, and the June 2014 Board Meeting because of a family bereavement.

BOARD PLANNING CONFERENCE

In June 2014, the Board held a two-day Board Planning Conference to discuss the changing business environment for the Group. In particular, the Board considered key risks to the Group's growth plans. The Board considered the global macroeconomic and energy market outlook, industry and competitor trends, and the growth opportunities and challenges in BG Group's strategic business plan.

The Board also discussed in detail the performance of the Group's existing portfolio, key risks to delivery for the portfolio, the ongoing portfolio management strategy and different portfolio scenarios. A detailed discussion of the Group's exploration growth opportunities was also led by the Executive Vice President, Exploration. The Board also focused on management's initiative to step up the Group's internal communication

strategy, including preparation for a longer-term process of behavioural and cultural change within the organisation that would ultimately be led and embedded by the new Chief Executive.

BOARD FOCUS

WHAT THE BOARD ACHIEVED IN 2014	BOARD PRIORITIES FOR 2015
Strong oversight of safety and asset integrity performance.	Continue to drive improvements in safety and asset integrity.
Oversaw the succession process for the Group's new Chief Executive and the subsequent appointment of Helge Lund.	Support Helge Lund in his first year as Chief Executive, including in the formulation of the Group's long-term strategy, culture and vision.
Supported Andrew Gould during his tenure as interim Executive Chairman.	Monitor balance sheet strength and flexibility in the context of the Group's prospective investment and growth options and the lower commodity price environment.
Oversaw the delivery of key milestones, including first LNG production from QCLNG, new FPSOs onstream in Brazil and Iara Declaration of Commerciality in the fourth quarter, in line with the 2014 Group business plan.	Support management in the consistent and effective execution of the 2015 Group business plan and, in particular, delivery against the Group's Upstream production goals and LNG marketing objectives in the current low commodity price environment.
Successfully continued to pursue the Group's active portfolio management strategy, including the sale of a number of the Group's interests, including the CATS and QCLNG pipelines.	Continue to support the delivery of the Group's growth project in Brazil as production volumes continue to grow and capacity increases. In particular, monitor the Petrobras investigation, including the potential impact of supply chain disruption.
Retained focus on individual project risks, with a particular concentration on the risks present in Australia, Brazil and Egypt.	Oversee delivery of QCLNG Train 2.
Focused on short-term LNG supply portfolio balance.	Continue to provide oversight and direction in respect of the challenges faced by the Group's operations in Egypt.
Considered a road map to project sanction for Lake Charles, and project execution risks.	Focus on Board and senior management succession planning.
Reviewed the controls underpinning the Group's business planning, forecasting and investment decision-making processes and the Group's initiative to integrate, simplify and embed Group-wide risk assessment, management and reporting.	Continued focus on risk management and internal control and on ensuring that the appropriate associated culture has been embedded within the organisation.
Undertook two significant engagement programmes with key shareholders.	Focus on building strong relationships with the Group's shareholder base.

EXECUTIVE SUB-COMMITTEE STRUCTURE

As set out in the Chairman's introduction on page 04, on appointment as interim Executive Chairman, Andrew Gould revised the existing Group Executive Committee governance arrangements and put in place an Executive Management Committee (EMC) and a supporting sub-Committee structure to promote timely and effective decision making.

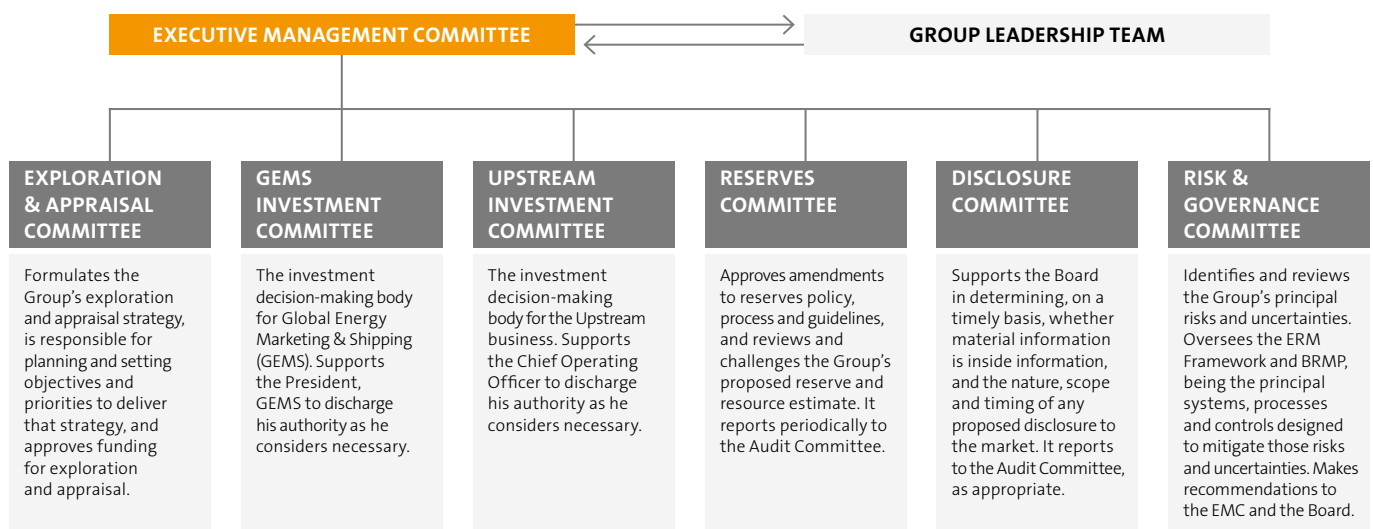
This structure is set out below and explains how the Group operated in 2014. This structure will be further reviewed by Helge Lund during 2015, and any revisions will be reported in the 2015 Annual Report and Accounts.

In addition to these changes in Committee structure, Andrew Gould established the Group Leadership Team (GLT) which comprised

senior leaders of the Group who met, when required, at the instigation of the interim Executive Chairman. The GLT was invited to attend the EMC for items of relevance and also attended strategy discussions.

Biographies for the members of the EMC and the wider GLT are set out on page 50.

The following Executive sub-Committees focus on particular aspects of the Group's business:



■ Board Committee ■ Executive sub-Committee

GROUP LEADERSHIP TEAM DURING 2014



BOARD AND EXECUTIVE SUB-COMMITTEE MEMBERSHIP KEY

- EM** Executive Management Committee
- D** Disclosure
- RE** Reserves
- E** Exploration & Appraisal
- R** Risk & Governance
- G** GEMS Investment
- U** Upstream Investment
- Sub-Committee Chairman

- Board Committee
- Executive sub-Committee

1. ANDREW GOULD, 68
CHAIRMAN**EM D ***

See full biography on page 46.

2. SIMON LOWTH, 53
CHIEF FINANCIAL OFFICER**EM D G R U**

See full biography on page 46.

3. SAMI ISKANDER, 49
CHIEF OPERATING OFFICER**EM E R U**

Sami has extensive global oil and gas expertise and is responsible for BG Group's global Upstream operations and is also currently responsible for BG Advance, which incorporates developments, operations, capital projects, well engineering, HSSE, climate change, IT, contracts and procurement, and technology.

Prior to joining the Group in 2008, Sami held a number of key leadership roles with Schlumberger, undertaking assignments in Latin America, the USA, Africa, Europe and the Middle East. He was appointed Chief Operating Officer in November 2013 and is also an independent board member of Pacific Drilling S.A.

4. GRAHAM VINTER, 59
GENERAL COUNSEL**D R**

Graham is a lawyer with a wealth of experience of global energy transactions and is responsible for the legal affairs of BG Group.

Prior to joining the Group in 2007, Graham spent 27 years with Allen & Overy, where he was a partner for just under 20 years and was global head of projects from 1996 to 2007. Graham is also a permanent non-voting attendee of the Executive Management Committee.

5. ROBERT BOOKER, 48
EXECUTIVE VICE PRESIDENT,
HUMAN RESOURCES

Robert brings significant human resources (HR) expertise and is responsible for all matters relating to HR strategy and policy.

Prior to joining BG Group in 2006, Robert worked as a senior HR consultant for Ernst & Young and Mercer Human Resource Consulting in the UK and Canada. He is a chartered accountant and an elected William Pitt Fellow of Pembroke College, Cambridge. Robert is also a trustee of Sparks, a children's medical research charity.

6. MALCOLM BROWN, 61
EXECUTIVE VICE PRESIDENT,
EXPLORATION**E**

Malcolm is a petroleum geologist with global exploration expertise and is responsible for BG Group's exploration worldwide.

Malcolm has worked in the oil and gas industry for more than 35 years. He joined British Gas in 1982 and has been responsible for worldwide exploration in the Group for 15 of the last 19 years. He is a fellow of the Geological Society London and currently chairman of the Petroleum Group.

7. SIR JOHN GRANT KCMG, 60
EXECUTIVE VICE PRESIDENT,
POLICY AND CORPORATE AFFAIRS

John brings a number of years' global mining and petroleum experience and is responsible for government and public affairs, communications, social performance and BG Group's Business Principles.

Before joining the Group in 2009, John had been president of BHP Billiton Europe since 2007. Prior to that he had been a member of the Diplomatic Service from 1976 to 2007, holding posts in Stockholm, Moscow and Brussels, where he was the UK's Permanent Representative to the European Union from 2003 to 2007.

8. STEVE HILL, 46
PRESIDENT, GEMS**G R**

Steve is responsible for BG Group's global LNG, natural gas and crude oil marketing and trading activities. He is based in Singapore, close to the rapidly growing energy markets in Asia. Previously, Steve established BG Group's LNG trading business in 2005 and he has also led the Group's long-term LNG marketing activities since 2007.

Steve joined BG Group in 2002 from ExxonMobil, where he served in various positions in trading and business development, located in the UK, Qatar, Singapore and the USA.

CHRIS COX

Chris stepped down as Executive Vice President, BG Advance on 13 November 2014.

MATT SCHATZMAN

Matt stepped down as Executive Vice President, GEMS on 30 May 2014.

BETSY SPOMER

SVP, Business Development served on the GLT between April and October 2014.

**HELGE LUND, 52**
CHIEF EXECUTIVE

Appointed in February 2015

Helge joined the Group on 9 February 2015 as Chief Executive and as an Executive Director.

In his first weeks with the Group, Helge took part in a series of site visits to Houston, Australia and Singapore, as well as spending time in the UK.

Helge's key focus during this time was meeting employees, key suppliers and partners, and he will set out his initial proposals regarding organisation and structure to the Board in the first half of 2015.

The 2015 Annual Report and Accounts will set out in detail the organisation structure put in place by Helge to support his management of the Group.

* Andrew Gould was a member of the Executive Management Committee and the Disclosure Committee during his interim Executive tenure.

BOARD EVALUATION

It is the Board's policy to invite external evaluation of the Board, its Committees and the role of individual Directors in alternate years. However, in view of the changes at Board and executive management level during 2014, it was agreed to delay the planned tender for Board evaluation services and the external evaluation process itself, until the new Chief Executive had joined the Board.

The 2014 Board evaluation process was facilitated by the Senior Independent Director and the Committee Chairmen and covered a number of areas, including: Board structure and composition (including diversity); Committees

and their operation; shareholder and stakeholder communication; induction and development; and risk management and internal control.

Dr Tracy Long of Boardroom Review, who conducted the 2012 external evaluation exercise, supported Sir John Hood in his framing of the conversations with fellow Directors and in collating and reviewing feedback. Dr Long is independent. Her only connection with BG Group is her work with the Board on evaluation.

The results of the evaluation concluded that, despite the challenging and transitional year for the Company, the Board continued to

operate effectively within an environment that is collegiate, cohesive and constructive. In addition, the Committee structure in place, together with the orderly and thoughtful refreshment of the Board in recent years, has ensured that an appropriate level of specialist support and assurance is available to the main Board.

A review of the progress against the 2013-14 objectives, together with an outline of the proposed 2015 initiatives as a result of this year's internal evaluation, is set out below.

EVALUATION SUMMARY

2013 EVALUATION RECOMMENDATIONS	2014 ACTIONS TAKEN
Further promotion of a more holistic, integrated and quantifiable discussion on risk and risk management at Board level.	During 2014, the Chief Financial Officer led a review of the Group's existing risk management processes. Following this review, risk management activity was integrated into existing business planning and forecasting assurance processes. The Board received briefings during the year relating to this integration and the Group's risk assessment methodology, which was also refined in 2014. The integrated output of the Group's 2014 Enterprise Risk Management process was presented to the Board in December 2014 to support and assure the assumptions made under the 2015 business plan. In 2015, the Board will focus on refining the governance, and risk management and internal control, processes leading to capital project sanction.
Regular reviews and consideration of learnings from past investments and projects.	Post investment appraisals and lessons learnt discussions were undertaken at a Group and asset level, and were raised to the Board, as appropriate. The lessons learnt from the sanction of the QCLNG project will be used to inform the framework of engagement with the Board on future major investment decisions. They will also influence the structure of the overall governance and assurance processes surrounding those decisions.
Continued focus on macroeconomic and market developments and the impact on the competitive landscape.	The outlook for energy markets and industry and competitor trends were key topics presented at the 2014 Board Planning Conference, with particular focus on the implications for BG Group and its peer group companies. Following this considered review, further updates were provided to the Board on a relevant basis during the year. The Board considered in detail the evolving commodity price environment and what specific oil price scenarios could mean operationally and financially for the Group.
- Enhancement of Board administration matters, including: - Development of a rolling agenda for Board dinners, with specific topics nominated for each; - Targeted use of external speakers to complement current Board debate; and - Further work to ensure timely delivery of Board papers that highlight issues for debate.	The Board has used Board dinners to discuss prospectively, and in a more informal setting, agenda items for future Board meetings. Board dinners were also used as part of the Chief Executive succession and induction process. Further work will be carried out in 2015 by the Chief Executive, in consultation with the Company Secretary, to redesign Board papers to be more succinct and focused in drawing out the key issues and risks to be debated.
Further direct engagement between Board members and the business through tailored site visits and smaller group engagements.	The Non-Executive Directors' site visit programme was launched during the year to facilitate engagement between Non-Executive Directors and senior management. Details of sites and projects visited are set out on page 53 of this report. The Chairman and Chief Financial Officer have additionally undertaken a number of site visits as a matter of course in 2014.
Focus on executive succession planning.	Succession planning activity in 2014 focused on the search for a new Chief Executive following the resignation of Chris Finlayson in April 2014. Wider succession planning initiatives will remain a focus in 2015 and beyond.

RECOMMENDATIONS FOR 2015

- Promote in-depth, focused debate at the Board Planning Conference by limiting the agenda to the consideration of a smaller number of strategic issues.
- Diarise time at each scheduled Board meeting to allow for the ongoing consideration of one strategic issue or risk identified at the Board Planning Conference.
- Support the Nominations Committee in extending its brief and agenda to encompass succession planning for all key leadership positions within the Company.
- Continue to support the Non-Executive Directors' site visit programme established during 2014.
- Build strong relationships with the Group's shareholder base, including through consultation on the Group's revised Long-Term Incentive Plan.
- Continue to develop a rolling agenda for Board dinners.

In advance of the scheduled external evaluation of the Board in 2015, a tender process will be carried out for Board evaluation services to support continued transparency and best practice. Details of the tender process will be included within the 2015 Annual Report and Accounts.

BOARD EFFECTIVENESS

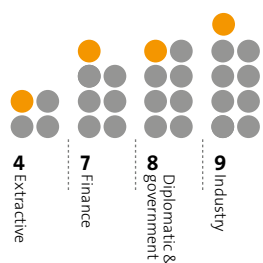
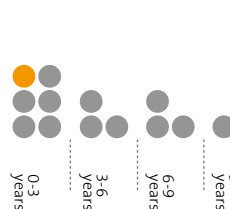
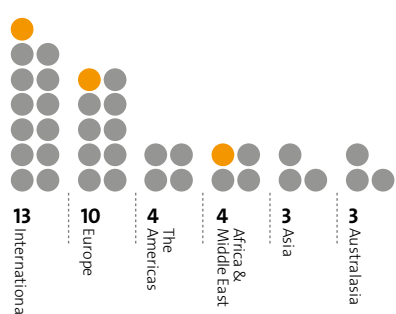
DIVERSITY

The Board continues to recognise that diversity is the key foundation for introducing different perspectives into Board debate and for better anticipating the risks and opportunities in building a long-term, sustainable business. Gender remains an important aspect of the overall diversity to which chairmen should have regard in establishing optimal Board balance and composition.

At BG Group, diversity is valued in its broadest sense and we retain a diverse mix of skills, experience, independence and knowledge, including corporate memory, on the Board. The Nominations Committee supports the Board in the consideration of diversity in relation to Board composition and succession planning. Further details are set out in the **Nominations Committee report** on page 54.

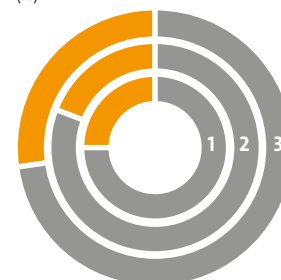
GENDER DIVERSITY DISCLOSURE

In accordance with reporting requirements set out in the Companies Act 2006 (the Act), disclosure is provided opposite in respect of gender diversity at Board level, senior management (including directors of subsidiary companies) and in the organisation as a whole, in each case as at 31 December 2014.

BY SECTOR EXPERIENCE^(a)
(by number)BY TENURE^(b)
(by number)BY GEOGRAPHICAL EXPERIENCE^(a)
(by number)

● At 31 December 2014 ● Additional Director from 1 January 2015 onwards

GENDER DIVERSITY WITHIN BG GROUP (%)



1. Board^(c) 75 | 25
2. Senior management^(d) 81 | 19
3. Whole organisation 73 | 27

● Male ● Female

- (a) Where a Director is considered to have experience in either multiple sectors or geographies, they have been recognised in all relevant areas.
- (b) Includes both Executive and Non-Executive Directors. For Directors in role at 31 December 2014, tenure is calculated in full years from date of appointment to 31 December 2014.
- (c) This diagram sets out gender diversity at Board level as at 31 December 2014. At the date of this report and noting the appointment of Helge Lund, these figures will have changed to 77 Male 23 Female.
- (d) BG Group considers that a more meaningful measure of senior management than that defined by the Act is employees in leadership positions, in line with the definition used within the Group's Diversity Statement. At 31 December 2014, 8% of employees in leadership positions were female.

INDUCTION

On joining BG Group, all Directors receive a full, formal induction programme, tailored to their specific requirements and delivered over a number of months. The Group's aim is to provide a deep understanding of BG Group's business and organisation, the Group's operations and the governance environment.

In 2014, the Group provided tailored programmes for Pam Daley, a Non-Executive Director and Audit Committee member, and Martin Ferguson, a Non-Executive Director and Sustainability Committee member. The tailored induction programme included an oversight of the Group's governance requirements, a detailed overview of the Group's operations and tailored discussions with key senior management to support both their main Board and Committee appointments.

TRAINING AND DEVELOPMENT

All Directors are expected to commit to continuing their development during their tenure, and the Chairman and Company Secretary meet annually with each Non-Executive Director to discuss their work with the Board and agree individual development goals.

The formal Non-Executive Director training and development programme established during 2014 has brought together a variety of informal internal discussion groups and briefings, formal teach-ins, technical updates and external training programmes, focused on supporting the Board in the discharge of their duties in a complex regulatory and business environment.

In addition, Non-Executive Directors are encouraged to participate in asset and site visits. Further details of this programme are set out on page 53.

The Company Secretary facilitates this programme and maintains individual training and development logs for each Non-Executive Director, to which the Chairman has access.

The Executive Directors also receive the benefit of formal teach-ins and technical updates provided at scheduled Board meetings and at a number of Audit and Remuneration Committee meetings each year, which aim to ensure that the full Board remains up-to-date with key developments in the business environment in which the Group operates.

The Board also received regular updates from Group functions such as Investor Relations, Policy and Corporate Affairs and HR. In addition, the Company Secretary provided the Board with regular updates during 2014 on the overall regulatory and corporate governance landscape and specific developments relevant to the Group, the Board and its Committees.

NON-EXECUTIVE DIRECTORS' SITE VISIT PROGRAMME

In fulfilment of a recommendation arising out of the 2013 Board evaluation process, the Group has sought to provide Non-Executive Directors with further opportunity for direct engagement with the business through tailored site visits which facilitate engagement on an individual level.

Non-Executive Directors are encouraged to strengthen and refresh their knowledge of the Group by visiting key assets when the time and opportunity allows. The Company Secretary discussed with each Director the assets that they would like to visit based on their knowledge of the business, expertise and Committee membership, and a programme of visits was agreed. Directors may also elect to accompany Executive Directors or senior management on scheduled visits.

An overview of the key visits made during the year is set out below.

ABERDEEN

Sir John Hood, Martin Ferguson and Sir David Manning accompanied **Sir John Grant**, Executive Vice President, Policy & Corporate Affairs, on a visit to the Europe E&P asset in Aberdeen. They received a number of briefings and technical updates on matters such as new regulation and fiscal reform led by the Asset General Manager and his senior leadership team and attended a site visit to Subsea 7's Wick Fabrication Site.

AUSTRALIA

Martin Ferguson, a member of the Sustainability Committee, attended a two-day training course at the Queensland Combined Emergency Services Academy at Whyte Island in the Port of Brisbane, Queensland. The course was specifically designed to provide the QCLNG team with a heightened awareness of the real risks of major accident events and what controls need to be in place to prevent them. The course uses practical demonstrations, role playing and modern learning techniques to provide a deeper awareness of major accident risks and provoke a personal commitment to help reduce the possibility of such an event occurring in the Group.

BRAZIL

Vivienne Cox, a member of the Sustainability Committee, visited the Group's project in Brazil, where she received business and operational briefings, as well as updates on matters of policy and corporate affairs. In addition to visiting the Group's offices, Vivienne attended site tours of two research and development facilities, the Research Center of Petrobras and the GE Brazil Global Research Center, both in Rio de Janeiro.

MYANMAR

The Chairman of the Sustainability Committee, **Sir David Manning**, and **Caio Koch-Weser** visited Myanmar where the Group acquired exploration licences during 2014. After meetings in Nay

Pyi Taw, the capital, with senior members of government, including the Vice-President and the Minister of Energy, they visited Yangon and met with representatives of civil society, academia and the international community. The meetings covered economic and political reform, preparations for the 2015 election, the nationwide ceasefire agreement, social investment and institutional capacity building in the country.

SINGAPORE

Lim Haw-Kuang, a member of the Audit Committee, visited the Group's Global Energy Marketing & Shipping operations based in Singapore and received briefings on a number of topics, including the LNG value chain and pricing challenges, together with an overview of the LNG supply portfolio.

TANZANIA

Pam Daley and **Patrick Thomas** accompanied the Chairman, **Andrew Gould**, and **Sami Iskander**, Chief Operating Officer, on a visit to Tanzania, where they attended engagements with key government, private sector and NGO personnel, including the President and the Minister of Energy. Additionally, they attended the opening of the LNG project office and visited the Group's logistics base at Mtwara and the drillship, Deep Sea Metro 1.

APPOINTMENT OF HELGE LUND

In April 2014, a rigorous process was launched to identify and recruit a new Chief Executive. The Board agreed that the appointment was sufficiently important to be considered as a matter by the full Board. The process was led by the Chairman and Senior Independent Director, with the regular engagement of, and interaction with, the Board as a whole.

The day-to-day search (including the initial identification of potential candidates) was managed by the Executive Vice President, Human Resources with the support of external consultants, Russell Reynolds who are independent and are signatories to the Voluntary Code of Conduct on gender diversity and best practice.

The Board as a whole considered the specific qualities they were looking for in a new Chief Executive, which included:

- A proven track record as a successful leader in the oil and gas, or a related, industry;
- Broad knowledge and demonstrable expertise of operating in international business;
- Credible relationships with relevant external stakeholders;

- Strong experience of working with governments and partners;
- Proven understanding and application of world-class portfolio management;
- A strong track record of project delivery; and
- Leadership within a strong, values-based culture.

The Board received regular updates on the status of the process and determined the shortlist of candidates against these criteria. Interviews of shortlisted candidates were held by Board members, with priority given to Nominations Committee members.

At the end of the process, the full Board approved the appointment of Helge Lund as Chief Executive on 15 October 2014.

Following the identification of Mr Lund as the preferred candidate, the Board sought to agree a competitive remuneration package to secure his appointment. Further details regarding the shareholder consultation process surrounding the remuneration arrangements are set out in the **Remuneration report**, page 62.

WHAT HELGE BRINGS TO THE ROLE

- **Education:** business management, Norwegian School of Economics, and Master of Business Administration, INSEAD Business School, France.
- **Experience:** more than 12 years as a Chief Executive and more than 10 years in the oil and gas industry.
- **International exposure:** international experience of operating in 36 countries.
- **Expertise:** business, financial, diplomatic, shareholder and government.
- **Industry experience:** oil and gas industry, pharmaceuticals, offshore construction and engineering.



“The Committee gave detailed consideration to the governance issues arising from Andrew Gould’s appointment as interim Executive Chairman.”

SIR JOHN HOOD | INTERIM CHAIRMAN OF THE NOMINATIONS COMMITTEE

The primary focus of the Committee during 2014 has been succession planning at Board level. This focus has been divided between short-term recommendations to support the management of the Group during Andrew Gould’s interim tenure as Executive Chairman and longer-term succession planning for Non-Executive roles.

ROLE OF THE COMMITTEE

The Committee reviews regularly and, where appropriate, makes recommendations to the Board regarding the balance of skills, experience, independence and knowledge on the Board, and in its Committees. Such review takes into account the Group’s current requirements, the results of the Board’s performance evaluation process and the future development of the Group. On an annual basis, the Committee considers the re-election of Directors prior to their recommended approval by shareholders. The terms of reference of the Committee can be found at www.bg-group.com/nominationscommittee

During 2014, the Committee invited a number of additional attendees to its meetings, including other Committee Chairmen, Non-Executive Directors and the Executive Vice President, Human Resources, to provide advice and enable the Committee to make informed decisions.

ACTIVITIES DURING THE YEAR

APPOINTMENT OF NEW CHIEF EXECUTIVE

The Committee judged that the succession process for the new Chief Executive was sufficiently important as to be elevated for consideration as a full Board matter. In scheduling meetings and interviews with prospective candidates, priority was given to Nominations Committee members. Further details are set out on page 75.

EXECUTIVE CHAIRMAN

The Committee gave detailed consideration to the governance issues arising from Andrew Gould’s appointment as interim Executive Chairman following the resignation of Chris Finlayson.

In assessing Andrew’s ability to manage the Group effectively under such exceptional circumstances, the Committee reviewed, in particular, Andrew’s external appointments, both in terms of his ongoing time commitment and any actual or perceived conflict of interest, and his Board sub-Committee membership. The Committee was satisfied that Andrew’s interim appointment would be manageable

in this context. However, in recognition of best governance practice, it was agreed that Andrew should step down as Chairman of the Committee and as a member of the Remuneration Committee during his interim executive tenure and that I be appointed interim Chairman of the Committee during this time.

Andrew committed to keep his external appointments under close review during his interim executive tenure and to raise any actual or perceived conflict with the Company Secretary. No such conflicts arose. In March 2015, on the recommendation of the Committee, the Board agreed that Andrew be re-appointed as Non-Executive Chairman for a further three-year term, subject to annual re-election by shareholders.

OVERALL BOARD COMPOSITION

Baroness Hogg’s decision to step down from the Audit and Nominations Committees, formed a key element of Board discussion on succession planning during the year. As part of their discussions, the Committee reviewed in detail the Board’s current bench-strength of skills and experience, to help identify qualities for inclusion in the profile of any future Non-Executive Director. Following its discussions, the Committee proposed the appointment of Pam Daley to the Audit Committee with effect from 1 August 2014.

Building on its previous work, the Committee agreed that the priorities for Board succession in 2015 are to: (i) identify a director with broad City, business, regulatory and government expertise; (ii) add additional financial and accounting expertise to the Audit Committee; (iii) consider the appointment of a former oil and gas executive who brings significant capital project execution experience; and (iv) identify potential candidates to succeed me as Senior Independent Director and as Chairman of the Remuneration Committee. The assessment for the succession to these last two roles will be made against a number of criteria including: level of external commitments; experience on the BG Group Board; shareholder and wider stakeholder engagement experience; and a detailed working knowledge of wider governance matters impacting UK listed companies.

DIVERSITY

The Committee values diversity in its broadest sense when considering appointments to the Board. In addition to considering gender,

ethnicity and other forms of diversity, the Committee looks to achieve the appropriate balance of skills, experience, independence and knowledge of BG Group and the industry as a whole amongst the Board, in order to support the Company’s current and likely future requirements.

Following the appointment of Helge Lund, the proportion of women on the Board is now 23%. In line with the recommendations of the Davies Report, the Committee continues to support the aspiration, set out in the Board Diversity Statement made in December 2013, to increase the proportion of women on the Board to 25% by 2015.

CONFLICTS OF INTERESTS

The Committee has monitored the external commitments of existing and potential Directors in relation to the independence provisions set out in the Code, and the requirements in relation to conflicts of interest as set out in the Act. In line with the statement on page 80, there are no matters in relation to Directors’ independence required to be disclosed in this report. During 2014, appropriate procedures to manage any actual, potential or perceived situational conflicts of interest that may arise were, at the Committee’s recommendation, put in place by the Board.

PERFORMANCE REVIEW

The Committee’s performance was assessed as part of the Board’s annual effectiveness review. It was concluded that the Committee operated effectively and the results of the review will be incorporated into the Committee’s processes and activities for 2015. In particular, the Committee will focus on working with Helge Lund to develop a comprehensive plan for senior executive leadership succession.

SIR JOHN HOOD

INTERIM CHAIRMAN OF THE NOMINATIONS COMMITTEE APRIL 2014 – FEBRUARY 2015

SUSTAINABILITY COMMITTEE



“The Committee has been encouraged by the progress in the definition and execution of the Group’s Environment and Climate Change strategy.”

SIR DAVID MANNING | CHAIRMAN OF THE SUSTAINABILITY COMMITTEE

In a challenging operating environment, the Committee has been pleased to note the continuing prioritisation of safety by management and employees. In support of this focus on safety, the Committee reviewed HSSE and asset integrity performance in the Group’s operations during the year. In particular, the Committee received briefings on a major safety stand down across the Group.

This stand down included a centrally produced video, with messages from the senior management team, together with interviews from individuals involved in recent incidents, and was supplemented in assets with locally produced material. The stand down was judged to be a considerable success and the Committee will continue to work with management to ensure that feedback received as part of this exercise is appropriately considered and actioned. In light of the continuing focus on safety, the Committee has been encouraged to note an improving trend in the Group’s KPI for safety, TRCF, which was 1.38 for the year against a target of 1.40 (2013: TRCF 1.64, against a target of 1.75). This performance indicator reflects continued good progress at QGC, where the number of incidents has continued to fall despite the asset moving into the challenging phase of commissioning and start-up.

During the year, the Committee also maintained a heavy focus on Licence to Operate risks inherent in new country entry and monitored the Group’s Licence to Operate mandate in existing countries of operation. In support of this focus, Caio Koch-Weser and I welcomed the opportunity to visit Myanmar with members of the team responsible for the progression of our interest in four exploration blocks located in the Rakhine Basin, offshore Myanmar. We reviewed the complex social and political considerations that accompany the development of those interests. Several members of the Committee also took time to visit the Aberdeen office to examine closely the changes in the UK Continental Shelf, particularly the impact of the Wood Review, new regulation and fiscal reform. Further details of visits undertaken by the Board during the year are set out on page 53.

2014 was a key year for the Group’s Environment and Climate Change strategy. Following feedback borne out of the 2013 Committee evaluation exercise, the Head of Environment now has a standing reporting line to the Committee and we have been encouraged by the progress in the definition and execution of the Group’s strategy.

In particular, we welcomed the lead taken by the Group in the Climate and Clean Air Coalition Oil and Gas Methane Partnership ahead of the public launch of the initiative in September 2014 at the UN Climate Summit. The Committee has also supported the joint focus on strategic initiatives by the Environment and Safety teams to harness new technology to support safer working practices.

SIR DAVID MANNING
CHAIRMAN OF THE
SUSTAINABILITY COMMITTEE

ROLE OF THE COMMITTEE

The Committee scrutinises BG Group’s work in engaging with its stakeholders in government, the political world, civil society, the media and the communities in areas where the Group already operates, or may operate in the future. This supports the establishment and maintenance of the Group’s Business Principles and its Licence to Operate Policy. Detailed terms of reference for the Committee can be found at www.bg-group.com/sustainabilitycommittee

RELEVANT SKILLS AND EXPERIENCE

During 2014, the Committee was comprised of solely Non-Executive Directors, who bring an independent objectivity to the Group’s sustainability agenda. This is complemented by the Directors’ broad range of skills, experience and knowledge in relation to international finance and business leadership, geo-political and socio-economic matters, and the extractive industries. The appointments of Martin Ferguson and Baroness Hogg to the Committee in January 2014 enhanced the Committee’s overall skill set in relation to Australian socio-political issues and UK government fiscal matters.

Meetings of the Committee are normally attended by the Executive Vice President, Policy and Corporate Affairs and the Executive Vice President, BG Advance, together with the Head of Safety and Asset Integrity, the Head of Environment and other members of senior management to support detailed discussion.

ACTIVITIES DURING THE YEAR

During 2014, the Committee’s key activities included:

- Considering the Group’s HSSE and asset integrity performance;
- Considering the changing socio-political environment in key assets and in potential new country entry opportunities;
- Meeting with Asset General Managers to understand in detail the socio-political challenges facing the business from an asset perspective;
- Reviewing the Group’s social investment strategy;
- Reviewing progress to develop projects to support the Group in meeting its target for GHG emissions intensity to 2017; and
- A deep-dive review into the Group’s methane emissions strategy.

2015 PRIORITIES AND PERFORMANCE REVIEW

The Sustainability Committee’s performance was assessed as part of the Board’s annual effectiveness review. It was concluded that the Committee operated effectively. In response to the findings of the review, the Committee will spend more time during 2015 undertaking in-depth reviews on technical subjects such as safety and asset integrity processes and systems.

The Committee will continue to focus in 2015 on evolving political, regulatory and environmental issues and risks, and looks forward to supporting Helge Lund in his consideration of sustainability matters as part of his overall review of the Group’s strategy and operations.



“The Committee has focused on supporting and challenging management to reach balanced judgements on impairments, risk management and the effectiveness of internal control processes.”

MARK SELIGMAN | CHAIRMAN OF THE AUDIT COMMITTEE

The Audit Committee has a fundamental role to play in reviewing, monitoring and challenging the effectiveness of BG Group's financial reporting and internal control processes. This has been a challenging year for the Group, notably in view of management transition and the impact of declining oil prices. The Committee has focused on supporting and challenging management to reach balanced judgements on impairments, risk management and the effectiveness of internal control processes.

This focus and challenge has taken several forms. The Committee considered whether the Group had robust systems and procedures in place for recognising assets and liabilities to ensure value is recorded accurately and fairly. To support this, the Committee also reviewed the Group's accounting systems, policies and procedures. Taking these into consideration, the Committee reviewed the judgements made by management to confirm that the financial statements produced during the year were reliable and provided the 'true and fair view' expected. The Committee also reviewed the Group's risk management processes and associated internal controls supported by Group Audit and the external auditor.

The Code invites the Committee to report on the significant issues considered during the year. Full details are contained on the opposite page, but from my perspective the most important were:

- **Issues considered in relation to the financial statements** – There were four key areas of judgement: the impact of the decline in commodity prices including the potential impact on asset recoverability and impairments; the impact of the Group's disposal programme; the recoverability of the Group's assets in Egypt, including receivables; and the recognition and measurement of deferred tax assets and uncertain tax positions; and
- **Enhancements to the Group's control environment** – Management review during the year identified and reported on a number of enhancements to the Group's external financial disclosures and financial controls. The Committee placed heavy focus on understanding and challenging the programme put in place by management to support these improvements. The ongoing monitoring and challenge of this plan will continue to form a key element of the Committee's focus during 2015.

The Committee has also paid close attention to the changes in UK regulation regarding risk management and going concern statements. In late 2014, the Financial Reporting Council (FRC) issued a new version of the UK Corporate Governance Code (the New Code) which will apply to the Group for the year ending 31 December 2015. The New Code introduces a new model regarding going concern and will ask the Board to consider whether it is appropriate to adopt the going concern basis of accounting and identify any material uncertainties to their ability to continue to do so. The New Code provides that the Board must state whether they believe that the Group will be able to continue in operation and meet its liabilities, taking account of the Group's current position and principal risks (the viability statement). The Committee has spent time during 2014 considering its readiness to provide such a statement. During 2015, this new requirement will be at the forefront of the Committee's mind as it monitors and reviews the Group's processes to support the methodology and data underlying these new statements.

During 2014, the Committee reviewed changes to the Group's risk management processes to integrate risk more fully into the Group's business planning and forecasting processes. The introduction of the New Code and revised related guidance supports the Committee's intention to review this further and challenge the processes in place to support the Group's management and reporting of risk and internal controls. In particular, we will focus during 2015 on ensuring that the Enterprise Risk Management (ERM) Framework operated by the Group has been sufficiently developed and embedded. In support of this principle, the Committee will review the Group's risk management processes and the supporting risk management culture to ensure that they are appropriately aligned to clear risk parameters set by Helge Lund, as incoming Chief Executive, and by the Board in support of the Group's strategic aims. These processes then provide the necessary basis for driving enhanced, consistent risk-based decision making.

COMMITTEE MEMBERSHIP

Baroness Hogg retired as a member of the Committee on 1 January 2014, following the completion of nine years of service with the Board. Sarah's work for the Committee was always of the highest order, and the value derived from her comments and challenges in meetings was very substantial. I am delighted that Pam Daley

joined the Committee on 1 August, 2014; Pam's contribution to the Committee is already much appreciated.

MARK SELIGMAN
CHAIRMAN OF THE AUDIT COMMITTEE

ROLE OF THE COMMITTEE

The Committee supports the Board in fulfilling its responsibilities in respect of: overseeing BG Group's financial reporting processes; reviewing, challenging and approving significant accounting judgements proposed by management; the way in which management ensures and monitors the adequacy of financial and compliance controls and business risk management and assurance processes; the appointment, remuneration, independence and performance of the Group's external auditor; and the independence and performance of Group Audit.

Details of the work carried out by the Committee in accordance with its terms of reference and in addressing significant issues are reported to the Board as a matter of course by the Chairman of the Committee and are described in this report. The terms of reference for the Committee can be found at www.bg-group.com/auditcommittee

Mark Seligman, a chartered accountant, has been determined by the Board as the member of the Committee having recent and relevant financial experience, as required by the Code. All members of the Committee are deemed to be independent and the Committee has concluded that its membership meets the requirements of the Code. Meetings during the year were normally attended by the interim Executive Chairman, the Chief Financial Officer, the Group Financial Controller, the Head of Group Audit and representatives of the external auditor.

PERFORMANCE REVIEW

The Audit Committee's performance was assessed as part of the Board's annual effectiveness review. It was concluded that the Committee operated effectively. In response to the findings of the review, Committee members will meet individually with members of management and the external auditor during 2015 to support their ongoing understanding of the Group's evolving control environment.

KEY AREAS OF FOCUS

Set out in the table below is a summary of key matters considered by the Committee during 2014. Key issues covered by the Committee are reported the following day to the subsequent meeting of the Board, and the Board also receives copies of the minutes of each meeting.

ISSUE	KEY CONSIDERATIONS	THE ROLE OF THE COMMITTEE	CONCLUSION
REFERENCE CONDITIONS	In response to the significant decrease in global commodity prices, the Group's reference conditions for the purpose of business planning, investment decision-making and impairment testing were reviewed in depth. This review also considered the stress tests applied to the Group's assessment of going concern.	The Committee reviewed the processes and mechanisms in place to support the determination of the Group's reference conditions and going concern stress tests, in light of the decrease in global commodity prices and challenged management's judgements and assumptions in this regard.	The Committee supported management's judgements and assumptions regarding the impact of the sharp deterioration in commodity prices during the second half of 2014 which led to the recognition of significant impairment charges in Q4, as set out below. The Committee further supported management's assessment of the Group's status as a going concern for the year ended 31 December 2014.
IMPAIRMENT INDICATORS	The Group's procedures and IFRS require the performing of a continual review of potential impairment triggers and an annual review of previously impaired assets. During 2014, particular consideration was given to Australia, Egypt, the North Sea, Tunisia and the USA.	The Committee reviewed and challenged assumptions made by management in their assessment of impairment indicators and charges. They also sought assurances from Ernst & Young LLP (EY) that they concurred with assumptions underpinning management's judgement in each case and that all judgements had been undertaken in a timely and appropriate manner. The Committee reviewed management's determinations in relation to the Group's business forecast in Australia, including the potential impact of the disposal of the Group's interest in pipeline assets announced in Q4 of 2014.	As part of the Group's Q4 and full-year results process, the Group recognised non-cash post-tax impairment charges totalling \$5.9 billion. The Committee reviewed and concurred with management that the sale of the QCLNG pipeline, announced in December 2014, would result in a post-tax impairment of the Group's remaining QCLNG assets of \$1.8 billion, following the categorisation of the pipeline as held for sale.
DEFERRED TAX ASSETS AND UNCERTAIN TAX POSITIONS	The Group regularly reviews the judgements and assumptions associated with the recognition of significant deferred tax asset positions. Separately, the main areas of judgement in relation to key tax positions are reviewed on a regular basis and adjustments are made to keep provisions within a reasonable range of outcomes.	The Committee reviewed management's assumptions and challenged the main areas of judgement relating to significant uncertain tax positions and, with support from EY, agreed that, while this remained a matter of judgement, the view formed by management was reasonable. The Committee also received updates on changes to the Group's tax provisioning processes and applications to support the consistent application of tax policies, procedures and calculations across all jurisdictions.	The Committee continued to support management's judgements and assumptions in relation to deferred tax assets and uncertain tax positions as being reasonable. The Committee will continue to review work performed during 2015 to further enhance and embed the Group's revised tax provisioning processes.
CONTROLS ENHANCEMENT	Management undertook a programme of enhancements to the Group's external financial disclosures and financial controls during 2014 to ensure alignment with best practice.	The Committee, supported by Group Audit and the external auditor, reviewed the actions taken to enhance the Group's financial controls, together with the key elements of a longer-term enhancement programme instigated by the Chief Financial Officer during Q4 2014. The Committee also reviewed the additional activities undertaken during Q4 2014 to provide enhanced assurance over the 2014 year-end financial statements.	The Committee was satisfied with enhancements made by management during the year and will continue to work with management during 2015 to ensure that the appropriate focus and resource is given to the continuation of this initiative.
RESERVES AUDIT AND VALUATION CONTRACT	The Group receives independent assurance of the Group's estimates of its gas and oil reserves and resources profile of certain assets. During late 2013, the Reserves Committee approved the continued combination of reserves and valuation work in a single contract, and retendering of the contract in early 2014.	The Committee received ongoing briefings on the progress of the tender and reviewed both the process followed to compile the shortlist and the agreement of the preferred assurance provider.	Miller & Lents were selected as the Group's independent assurance provider during Q2 2014 and they presented an overview of their services to the Committee in October 2014. A further deep-dive discussion on the Miller & Lents review of the external evaluation of Lula and Cernambi reserves was held by the Committee in early 2015.

ACTIVITIES DURING THE YEAR

The Committee has an annual forward agenda, developed from its terms of reference, with standing items that the Committee considers at each meeting, in addition to any specific matters arising, and topical business or financial items on which the Committee has chosen to focus. The work of the Committee in 2014 principally fell into three main areas:

ACCOUNTING, TAX AND FINANCIAL REPORTING

- Reviewing the integrity of the quarterly, half-year and annual financial statements and the attendant significant financial reporting judgements and disclosures;
- Considering the liquidity risk and the basis for preparing the quarterly, half-year and annual financial statements on a going concern basis, and reviewing the related disclosures in the Annual Report and Accounts;
- Considering the incoming provisions of the New Code regarding going concern and viability statements that will apply to the year ending 31 December 2015 and reviewing the applicability of current processes in light of this new requirement;
- Reviewing updates on accounting matters, including consideration of relevant accounting standards and underlying assumptions;

- Reviewing the processes to assure the integrity of the Annual Report and Accounts, in particular:
 - the reserves and resources booking process;
 - the management representation letter to the external auditor;
 - the disclosures in relation to internal controls, risk management, principal risks and uncertainties and the work of the Committee;
 - that the information presented in the report, when taken as a whole, is fair, balanced and understandable and contains the information necessary for shareholders to assess the Company's performance, business model and strategy;
 - the effectiveness of the disclosure controls and procedures designed to ensure that the Annual Report and Accounts complies with all relevant legal and regulatory requirements; and
 - the process designed to ensure the external auditors are aware of all 'relevant audit information', as required by Sections 418 and 419 of the Act.

RISK MANAGEMENT AND INTERNAL CONTROLS

- Assessing the effectiveness of the Group's internal control environment and making recommendations to the Board;
- Considering reports from Group Audit;
- Considering the level of alignment between the Company's key risks and internal audit programme;

- Reviewing the resources of the Group Audit function and considering and approving the scope of the Group Audit programme;
- Considering the effectiveness of Group Audit;
- Considering reports from the external auditor on their assessment of the control environment;
- Reviewing the Group's approach to cyber security; and
- Reviewing matters reported to the external whistleblowing hotline and a report from the Ethical Conduct Compliance Unit (ECCU) encompassing a report on fraud.

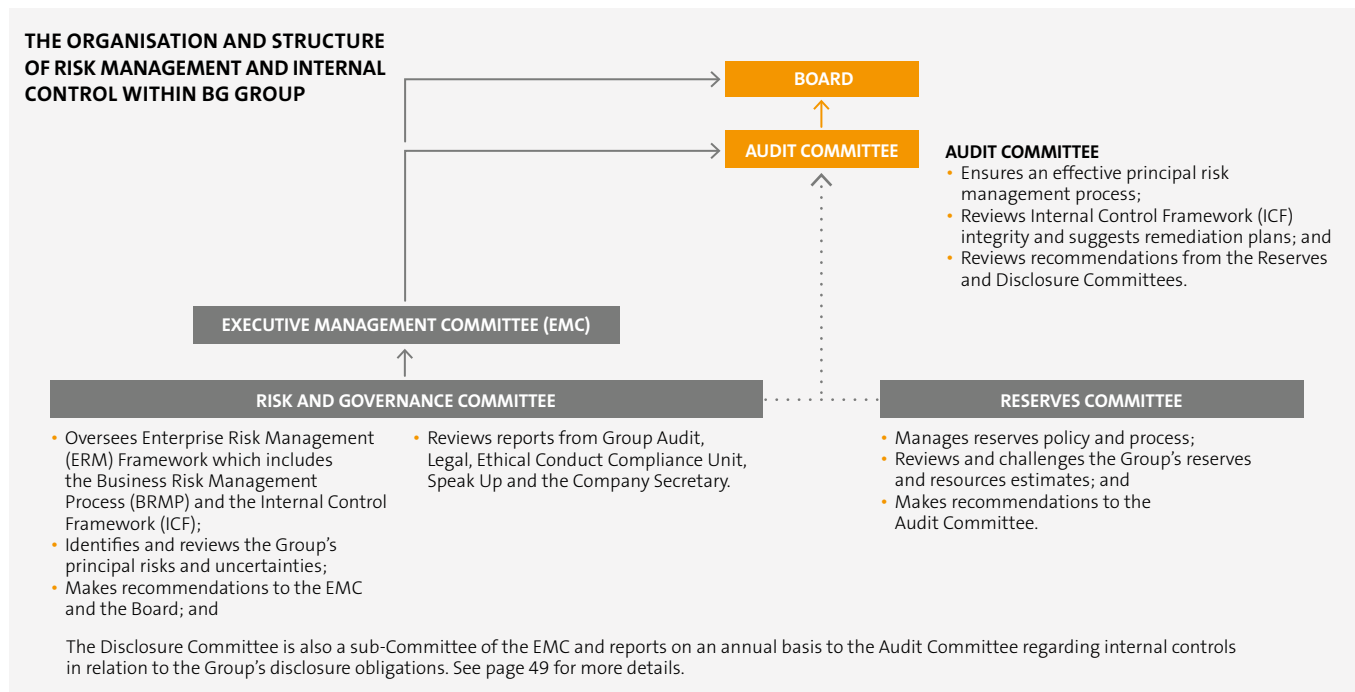
EXTERNAL AUDITOR

- Considering and approving the audit approach and scope of the audit undertaken by EY as external auditor and the fees for the same;
- Agreeing reporting materiality thresholds;
- Reviewing reports on audit findings;
- Considering and approving letters of representation issued to EY; and
- Considering the independence of EY and their effectiveness, taking into account:
 - non-audit work undertaken by the external auditor;
 - feedback from a survey targeted at various stakeholders; and
 - the Committee's own assessment.

GOVERNANCE FRAMEWORK

BG Group operates within a Governance Framework that encompasses three key areas:

(1) organisation and structure; (2) risk management and internal control; and (3) independent assurance.



Further detail on the Group's organisation and structure is set out on page 48. The terms of reference of each Board Committee are available to download from www.bg-group.com/governance

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group's approach to risk management and internal control is articulated and managed through the Enterprise Risk Management (ERM) Framework for which the Board has ultimate responsibility. The effective operation of the ERM Framework is considered to be fundamental to the achievement of the Group's strategic objectives. During 2014, the Board reviewed with management the process for identifying principal risks and uncertainties and evaluating the way in which these are controlled and mitigated, monitored and managed.

Enterprise Risk Management Framework

Additional details on the Group's approach to risk management are set out on pages 34 to 41.

In defining the Group's risk appetite, the Board and management determine which of the risks and uncertainties the Group is willing to accept and manage. During 2014, the Group's ERM Framework has continued to mature and a more robust process was defined to identify and approve the principal risks and uncertainties. The Group's quarterly risk process has been further integrated with the Group's business planning, forecasting and performance management processes, resulting in more regular reviews of key risks and design of, and operation of assurance over, preventative and containment controls (mitigations).

The Board, upon the advice of the Audit Committee, has reviewed the Group's system of risk management and internal control for the period 1 January 2014 to the date of this report, and is satisfied that they are effective and that the Group complies in this respect with Internal Control: Guidance to Directors (formerly the Turnbull Guidance).

Continued focus in 2015 will be given by the Audit Committee to the Group's controls enhancement programme, which is designed to reinforce accountabilities and enhance assurance coverage over key financial controls. During early 2015, the Board and Audit Committee will

also focus on the scope and frequency of risk management and internal control reporting (and associated assurance) in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014), with the objective of full compliance with the New Code (and related guidance) for the 2015 Annual Report and Accounts.

BG Group's ability to assess, influence and control the risk management and internal control environment within its joint ventures varies and, in some cases, may be limited, as disclosed in the **Principal risks and uncertainties** on page 36. The Group endeavours to influence joint ventures to adopt improved standards, controls and procedures where BG Group feels current practices do not adequately address significant risks, or result in sub-optimal performance.

BG Group's system of risk management and internal control provides reasonable, rather than absolute, assurance against material loss or misstatement and is designed to manage, rather than eliminate, the risk of fraud or failure to achieve business objectives. Projections of any evaluation of effectiveness to future periods are subject to the risk that the system of internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

INTERNAL CONTROL FRAMEWORK

The Internal Control Framework (ICF) is a key element of the Group's overall ERM Framework, and sets the framework within which the Group operates. Compliance with Policies and Standards is mandatory to help ensure that BG Group achieves business objectives in a safe manner and in accordance with its Business Principles. The Executive Management Committee (EMC) oversees compliance with the Business Principles by ensuring the ICF contains the appropriate Policies and Standards. The Board's conclusion on the effectiveness of the Group's system of risk management and internal control is reached following completion of a robust tiered assurance process which culminates in the EMC review and approval of the Letters of Assurance (LoAs). Members of the Group Leadership Team (GLT) and the Company Secretary have each signed an LoA addressed to the interim Executive Chairman providing assurance in respect of the application of the Business Principles, Internal Controls, Financial Controls Assurance Programme, Business Risk Management Process (BRMP) and the Fraud Risk Standard in their areas of the business. Each LoA is supported by the results of the year-end disclosure process, which requires management-level reporting to the GLT and Company Secretary assessing compliance with the Standards applicable to their areas of responsibilities, and the reporting of any potential material weaknesses or significant deficiencies in the Group's internal control environment.

The Audit Committee receives regular updates on the Group's Speak Up Policy through which it aims to create the climate and opportunity for employees and third parties to voice genuinely held concerns about behaviour or decisions that they perceive to be contrary to the BG Group Business Principles or the mandatory elements of the system of internal control. The Committee also receives regular updates on any incidents of fraud and accompanying investigations as well as maintaining oversight of the Group's compliance with the Fraud Risk Management Standard.

The Audit Committee also considers regular reports from Group Audit, the HSSE/Asset Integrity Audit, ECCU, Group Risk and other assurance providers across BG Group, and the results of the Audit Committee discussions are formally reported to the Board.

During 2014, work continued on the Integrated Assurance Framework (IAF) which aligns planned or completed assurance and audit activities to key risks and key controls reported through the BRMP.

INDEPENDENT ASSURANCE

Independent assurance augments the Group's governance. There are three key pillars of independent assurance: Group audit, external audit, and reserves and resources assurance.

GROUP AUDIT

Group Audit provides assurance to the Board, Audit Committee, EMC and management, and in particular:

- Provides objective, independent assurance and advice to Group management and the Audit Committee on the effective and efficient operation of the governance and internal control processes in place to identify and manage business risks; and
- As part of BG Group's integrated approach to risk, assurance and audit, acts as a 'third line of defence' through its coordinating role in monitoring the effectiveness of both management controls and other assurance activities in addressing business risk.

Group Audit gives particular regard to the ongoing evaluation of the efficacy of the ICF in governing BG Group's financial controls and reporting processes.

EXTERNAL AUDITOR

The Audit Committee manages the relationship with the Group's external auditor, on behalf of the Board. The Company last undertook a tender for external audit services during 2012 and, as a result of this tender, EY were appointed by shareholders as the Group's external auditor in 2013 and were re-appointed in 2014.

During the year, the Committee carried out its annual assessment of the auditor and reported to the Board on its findings. To support this assessment, Committee members and relevant members of management were invited to complete a questionnaire on their views about the auditor's performance during the year. The feedback received was reviewed by management and reported to the Committee. In addition, the Committee reviewed the Financial Reporting Council's Audit Quality Review Team report on the 2013/14 inspection of EY. After taking these reports into consideration, together with the auditor's report on their approach to audit quality and transparency, the Committee concluded that the auditor demonstrated appropriate qualifications and expertise and remained independent of BG Group, and that the audit process was effective.

The Committee also reviewed the auditor's engagement letter and determined the remuneration of the auditor in accordance with the authority given to it by shareholders. The Committee considered the auditor's remuneration to be appropriate.

It is proposed that EY be re-appointed as auditor of the Company at the next AGM in May 2015 and, if so re-appointed, that they will hold office until the conclusion of the next general meeting of the Company at which accounts are laid. Further details are set out in the **Notice of Annual General Meeting** on page 146.

The Group will continue the practice of the rotation of the audit engagement partner at least every five years, and all other partners and senior management will be required to rotate at least every seven years.

The **Independent auditor's report** to shareholders is set out on page 84.

NON-AUDIT FEES

The Committee believes that non-audit work may only be undertaken by the external auditor in limited circumstances. The Committee monitors the target that non-audit fees do not exceed 15% of the total audit fee in any year.

Focus is given to ensuring that engagement for non-audit services does not: (i) create a conflict of interest; (ii) place the auditor in a position to audit their own work; (iii) result in the auditor acting as a manager or employee; or (iv) put the auditor in the role of advocate for BG Group.

The Committee regularly reviews the nature of non-audit work performed by the auditor and the volume of that work. An analysis of fees paid in respect of audit and non-audit services provided by the external auditor for the past two years is disclosed on page 102. Having undertaken a review of the non-audit services provided during the year, the Committee is satisfied that these services were provided efficiently by the external auditor as a result of their existing knowledge of the business and did not prejudice their independence or objectivity.

RESERVES AND RESOURCES ASSURANCE

The Group obtains independent assurance of the Group's estimates of its gas and oil reserves and resources, including the resources profile of certain assets. This assurance provides a key benchmark by which the Reserves Committee and the Audit Committee can then assess the validity of the judgements made in the calculation of the Group's reserves and resources. During 2014, the Reserves Committee agreed that it was appropriate to continue to combine reserves audit and valuation work in a single contract and conducted a detailed tender of that work that was overseen by the Audit Committee. As a result of that tender process, Miller & Lents were selected to provide independent assurance of the Group's reserves and resources.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Listing Rules stipulate that listed companies must include in their annual report a statement of whether the company has complied with all the relevant provisions of the UK Corporate Governance Code (the Code), which can be found at www.frc.org.uk

During 2014, it has not been possible to comply fully with the Code. The notes below are intended to assist with the evaluation of the Group's compliance during 2014 and to explain areas of non-compliance and the processes put in place to support the continuation of best governance principles.

A. LEADERSHIP

A.1 THE ROLE OF THE BOARD

The Board is responsible to BG Group's shareholders for promoting the long-term success of the Group and the operation of effective governance arrangements. The steps the Board takes to facilitate this are outlined in the **Corporate Governance report** set out on pages 44 to 81.

The Board oversees the Group's strategy and ensures that necessary resources are available, and that the appropriate risk management controls, processes and culture are in place to deliver it. As well as oversight, responsibility for financial performance, internal control and risk management of the Group, there is a full list of the matters reserved to the Board for decision which is published at www.bg-group.com/governance

The Board held seven scheduled meetings during 2014 and holds additional meetings, as required. In 2014, the number of ad hoc meetings of the Board was significantly higher than normal in view principally of the Chief Executive search process. All Directors are expected, wherever possible, to attend all Board and relevant Committee meetings in addition to general meetings of the Company, including the AGM. Details of Board and Board Committee attendance for 2014 are set out on page 48.

All Directors are covered by the Group's Directors' and Officers' Insurance policy.

A.2 DIVISION OF RESPONSIBILITIES

The Board supports the separation of the roles of the Chairman and Chief Executive. The key responsibilities which are attributable to each role are clearly defined and are published at www.bg-group.com/ChairmanandChiefExecutive

The Chairman leads the Board and is responsible for the balance and composition of the Board and its Committees, enabling them to operate effectively. The Chief Executive is expected to lead the business and manage the Group within the authorities delegated by the Board to develop and implement strategy successfully.

On 27 April 2014, Chris Finlayson resigned as Chief Executive and Executive Director with immediate effect. Following the recommendation of the Nominations Committee, it was agreed that it was in the best interests of the Group that Andrew Gould step into the role of Executive Chairman on an interim basis. In accordance with the requirements of the Code and governance best practice, Andrew Gould stepped down as Chairman of the Nominations Committee and as a member of the Remuneration Committee for the duration of his interim executive tenure.

The Board was keen to resume full compliance with the Code at the earliest reasonable opportunity, but equally recognised that it was in the Group's best interests to devote appropriate time in order to identify an exceptional Chief Executive candidate.

With effect from 9 February 2015, Helge Lund was appointed as Chief Executive and Executive Director and Andrew Gould resumed his previous role as Non-Executive Chairman, and the division of responsibilities between the roles of Chairman and Chief Executive was reinstated.

A.3 THE CHAIRMAN

The Chairman manages the Board and, in consultation with the Company Secretary, sets the Board's agenda for the year. Board meetings are arranged to ensure sufficient time is available for the discussion of all items and the Board meets annually for a planning conference at which strategic issues are considered in depth. Details of the 2014 Board Planning Conference are set out on page 48.

In accordance with the Code, the Chairman was independent on appointment and the ongoing test of independence for the Chairman is not appropriate.

A.4 NON-EXECUTIVE DIRECTORS

Sir John Hood was Senior Independent Director during 2014. The responsibilities of the Senior Independent Director include meeting major shareholders as an alternative contact to the Chairman, Chief Executive or Chief Financial Officer. The role is clearly established and a description of the key responsibilities is published at www.bg-group.com/SID. The Senior Independent Director is expected to commit three to four days per year to the role and will commit significantly more in exceptional years such as 2014. This is in addition to the expected time commitment of a Non-Executive Director.

In accordance with the Code, Non-Executive Directors are urged to challenge constructively and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

As part of the internal evaluation in 2014, Sir John Hood and the Non-Executive Directors considered, without the Chairman present, the Chairman's performance. The next performance evaluation will take place during 2015 as part of the externally facilitated Board evaluation. Whilst Andrew Gould was interim Executive Chairman, Sir John Hood also met with his fellow Non-Executive Directors without the Executive Directors being present on several occasions during 2014, and individually with each Non-Executive Director.

During the year, the Directors had no unresolved concerns about the running of the Company or any proposed action. It is Company policy that any such unresolved concern must be recorded in the Board minutes.

B: EFFECTIVENESS

B.1 THE COMPOSITION OF THE BOARD

At 31 December 2014, there were 10 Non-Executive Directors on the Board, together with the interim Executive Chairman and one Executive Director.

Following Mr Lund's appointment as Chief Executive and Executive Director on 9 February 2015, there are now two Executive Directors and 10 Non-Executive Directors, in addition to the Chairman. On appointment, Mr Lund joined the Chairman's Committee and the Finance Committee.

During 2014, the Board reviewed the overall balance of skills, experience, independence and knowledge of Board and Committee members and their diversity, including gender, and subsequently made a number of changes to ensure that Committee membership was both compliant and appropriately refreshed. Following this review, Vivienne Cox and Caio Koch-Weser joined the Nominations Committee, Martin Ferguson and Baroness Hogg joined the Sustainability Committee and, later in 2014, Pam Daley joined the Audit Committee. During his interim executive tenure, Andrew Gould stepped down as Chairman of the Nominations Committee and as a member of the Remuneration Committee. Further details in relation to the changes made to the composition of the Board and Committees are set out in the **Nominations Committee report** on page 54.

The Board considers all of its Non-Executive Directors to be independent and free of any business relationships that could compromise the exercise of independent and objective judgement. In accordance with the Code, the Board undertakes an annual review of the independence of its Non-Executive Directors.

Chris Finlayson resigned from the Board on 27 April 2014 and Peter Backhouse retired as a Non-Executive Director on 15 May 2014, at the conclusion of the AGM.

By the date of the 2015 AGM, Baroness Hogg will have served on the Board for 10 years. In accordance with the Code, the Board has determined that Baroness Hogg has retained independence of character and judgement and has not formed associations with the Company that might compromise her ability to exercise independent judgement, notwithstanding her length of service.

B.2 APPOINTMENTS TO THE BOARD

Mr Lund was appointed as Chief Executive and Executive Director on 9 February 2015. The succession process and ultimate appointment were overseen by the Board. Further details are set out in the Chairman's introductory note on pages 44 and 45. Further details concerning the Board's policies on diversity and succession are set out on pages 52 and 54.

B.3 COMMITMENT

During 2014, the Board considered the external commitments of its Chairman, Senior Independent and other Non-Executive Directors and is satisfied that these do not conflict with their duties and time commitments as Directors of the Company. It is the Company's policy to allow each Executive Director to accept one non-executive directorship of another company.

B.4 DEVELOPMENT

A full induction programme is provided to all Directors appointed to the Board, which takes into account their qualifications and experience. Details of the induction programmes provided to Pam Daley and Martin Ferguson are set out on page 52. A tailored induction programme

for Helge Lund was planned by the Company Secretary in early 2015 and will be reported in the 2015 Annual Report.

Each year, the Directors receive a number of teach-ins in order to update and refresh their skills and knowledge. During 2014, a Non-Executive Directors' site visit programme was established to support familiarity with the Group's operations. Details of some of the development activities provided in 2014 are set out on pages 52 and 53. The Directors also met individually with the Company Secretary (in consultation with the Chairman), to discuss and agree their training and development needs.

B.5 INFORMATION AND SUPPORT

The Directors have full access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense if they believe it may be required in the furtherance of their duties.

The Company Secretary is responsible to the Board on a number of issues and full details of the Company Secretary's responsibilities are published at www.bg-group.com/governance. The removal of the Company Secretary is a matter for the Board as a whole.

Guidelines are in place and are subject to frequent review concerning the content, timeliness and presentation of Board and Committee papers from management to ensure that the Board is briefed effectively. During 2014, the required format for Board reports was updated to provide Directors with enhanced qualitative narrative.

B.6 EVALUATION

In 2014, performance evaluations of the Board, its Committees and individual Directors were carried out internally. External evaluation last took place in 2012 and will take place again in 2015, now Mr Lund has joined the Board. The 2014 evaluation considered independence, conflicts of interest, balance of skills, knowledge of the Company and all types of diversity. Further details of the evaluation, together with recommendations for 2015, can be found on page 51. In support of transparency and best practice, a tender process will be held for Board evaluation services ahead of the 2015 external evaluation of the Board.

As part of this internal evaluation, the Non-Executive Directors evaluated the performance of the Chairman.

Following the evaluation, the Directors concluded that the Board and its Committees operated effectively and that each Director continues to contribute effectively and demonstrate commitment to their role (including the necessary time commitment).

B.7 ELECTION/RE-ELECTION

Each Director is subject to election at the first AGM following their appointment, and re-election at each subsequent AGM. Accordingly, Helge Lund will stand for election at the 2015 AGM. The Directors unanimously recommend the re-election of all other members of the Board. Full biographical details for all Directors can be found on pages 46 and 47.

C. ACCOUNTABILITY

C.1 FINANCIAL AND BUSINESS REPORTING

A statement of the Directors' responsibilities regarding the Financial statements, including the status of the Group as a going concern, is set out on page 81, with an explanation of the Group's strategy and business model, together with relevant risks and performance metrics, which are set out on pages 2 to 41.

A further statement is provided on page 81, confirming that the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

In undertaking their respective roles, the Board and the Audit Committee noted the output of The Sharman Inquiry on going concern and liquidity risk assessments and, in late 2014, the publication of a new version of the Code which will apply to the Group for the year ending 31 December 2015. Further details on these considerations are set in the **Audit Committee report** on page 56.

C.2 RISK MANAGEMENT AND INTERNAL CONTROL

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Further details can be found on pages 34 to 41.

The Board determines the Company's risk appetite and has established risk management and internal control systems. At least annually, the Board undertakes a review of their effectiveness. Further details are set out on pages 58 and 59.

BG Group operates a reasonable, rather than absolute, assurance system designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

C.3 AUDIT COMMITTEE AND AUDITOR

The **Audit Committee report** on pages 56 to 59 sets out details of the composition of the Committee, including the expertise of members, and outlines how the Committee has discharged its responsibilities during 2014.

The Board has delegated a number of responsibilities to the Audit Committee, including: oversight of the Group's financial reporting processes; management of the external auditor; and management of internal risk management processes. Full details are set out in the terms of reference for the Committee, published at www.bg-group.com/auditcommittee

D. REMUNERATION

D.1 THE LEVEL AND COMPONENTS OF REMUNERATION

The **Remuneration report** on pages 62 to 77 outlines the activities of the Committee during 2014 and sets out the Company's Directors' Remuneration Policy table, including relevant remuneration components and how they support the achievement of the strategic objectives of the Group. The Annual Remuneration Report outlines the implementation of remuneration during 2014 (including salary, bonus and share awards) and payments for loss of office paid to Directors.

The Board believes that the Group's current Remuneration Policy, as approved by shareholders at the 2014 AGM, remains appropriate and fit for purpose.

D.2 PROCEDURE

The Board has delegated a number of responsibilities to the Remuneration Committee, including the setting of the Group's overall remuneration policy and strategy, as well as the remuneration arrangements for the Executive Directors, EMC and GLT.

Full details are set out in the terms of reference for the Committee published at www.bg-group.com/remunerationcommittee

During 2014, no individual was present when their own remuneration was being discussed.

E. RELATIONS WITH SHAREHOLDERS

E.1 DIALOGUE WITH SHAREHOLDERS

The Board recognises that meaningful engagement with its institutional and retail shareholders is integral to the continued success of the Company.

Throughout 2014, members of the Board have sought actively to engage with shareholders on a number of occasions, through meetings, presentations and roadshows.

E.2 CONSTRUCTIVE USE OF GENERAL MEETINGS

The AGM will be held on 5 May 2015 and is an opportunity for shareholders to vote on certain aspects of Group business, in person. The Board values the AGM as an opportunity to meet with those shareholders able to attend and to take their questions.

The Notice of AGM is sent to all shareholders who have requested to receive hard copy documentation from the Company and is set out on pages 146 to 147 of this report or may be viewed at www.bg-group.com/NOM

In September 2014, the Financial Reporting Council (FRC) published a new version of the Code (the New Code) and related guidance related to risk management and internal control. The New Code applies to the Group from 1 January 2015. While reporting under the existing Code in relation to 2014, BG Group is committed to operating in accordance with the highest standards of corporate governance and has worked since the publication of the New Code to put in place processes and procedures to allow ongoing compliance with the New Code. Details of this compliance will be set out in the 2015 Annual Report and Accounts.

CORPORATE GOVERNANCE REMUNERATION REPORT



“The Committee recognises that 2014 has been a particularly important year for the Company on remuneration matters, and is grateful for the high level of engagement from shareholders.”

SIR JOHN HOOD | CHAIRMAN OF THE REMUNERATION COMMITTEE

As the Chairman noted in his introduction to this Corporate Governance report, the Company's approach to executive remuneration came under close scrutiny in 2014.

Over the past 18 months, BG Group has renewed the executive management of the Company, and our remuneration approach has reflected the need to bring new leaders into the business.

In the lead up to our AGM in May, we engaged with shareholders about a parallel share award made to Simon Lowth, the Group's new Chief Financial Officer, in respect of our agreement to buy out the value of the awards he had forfeited on leaving his previous employer.

In the autumn, we proposed a conditional share award to Helge Lund, the Group's new Chief Executive, and consulted widely with shareholders in the run-up to the General Meeting specially convened to approve that award. Following feedback from our shareholders regarding the conditional share award, the Board revised the original package, with the agreement of Helge, to bring all elements of his remuneration within the Company's Directors' Remuneration Policy approved by shareholders in May 2014.

In both cases, the Board and the Remuneration Committee's major consideration was to act in the best interests of shareholders by securing executive talent of the appropriate calibre and to promote the long-term success of the Company.

In the case of Simon, our objective was to retain the services of a proven and highly capable Chief Financial Officer to provide essential stability in the financial leadership of the Company after three changes in that position within a three-year period. Simon is making a major contribution to the future success of the Company. While the Directors' Remuneration Policy received strong support at the 2014 AGM (93.7% for and 6.3% against), a significant proportion of shareholders voted against the implementation report (67.2% for and 32.8% against). Through consultations with shareholders, both before and since the AGM, the Committee understands that this relatively low level of support arose primarily as a result of the parallel award that was made to the Chief Financial Officer to honour the value of the original buy-out of the awards forfeited on leaving his previous employer. The Committee recognises that the

parallel award was unusual and understands the concerns expressed by shareholders. Further detail on the rationale for the parallel award is set out in the main body of the report.

In the case of Helge, our objective was to offer remuneration that was competitive in the international market for oil and gas executives. There is a difficult balance to be struck between meeting that objective and taking appropriate account of shareholder and public concern in the UK about the level of executive pay. The Board recognises that, in designing the original package for Helge, it did not strike the correct balance. The Board is grateful to Helge for working actively and constructively with us to find a timely solution, and to shareholders for the support received for the revised package. A summary of the remuneration arrangements of the new Chief Executive is set out to the right of this letter.

Both these cases have underlined how important it is that the Board and the Remuneration Committee are engaged with, and attentive to, the views of shareholders, and we will redouble our efforts in that regard in 2015 and beyond.

During the 10-month period following the resignation of Chris Finlayson as Chief Executive and Helge starting in the position, Andrew Gould served as interim Executive Chairman of BG Group. Despite taking on significant additional responsibilities, the Committee determined that the Chairman should not receive any additional remuneration or fees for this period; a decision with which the Chairman agreed.

During 2014, the Committee had several opportunities to consult widely with our shareholders on remuneration matters, both generally and on specific issues.

In response to feedback received and to reflect developing market trends, the Committee introduced the following changes during 2014:

- Reducing the level of vesting at threshold Company performance for annual Long Term Incentive Plan (LTIP) Performance Share Awards from 25% to 15% (which results in a reduction of the threshold vesting level from 150% to 90% of base salary for the Chief Executive), which, at the time of the revision, was beneath the median threshold vesting level for the non-financial services FTSE 30 constituents; and

- Extending the application of the two-year holding period for LTIP Performance Share Awards from 50% to 100% of net vested shares after the three-year performance period, so that the performance period and holding period of five years in total applies to the whole award.

Through consultation with a number of our shareholders during 2014, it was also evident that certain shareholders favoured a basket of Company performance metrics applying to the LTIP Performance Share Awards, rather than a single metric dependent solely on relative total shareholder return (TSR).

The single TSR metric was well-suited to the first phase of BG Group's development, during which the Company was judged principally on its ability to add value through discovering resource. However, as we now shift the Company's focus to improving return on capital and delivering earnings and cash flow growth, the Board believes it is appropriate that the Company performance metrics for the BG Group LTIP reflect this.

Following an extensive consultation exercise with major shareholders during February 2015, we have revised the LTIP performance conditions for future awards so that they are based on a basket of metrics comprising 50% relative TSR, 25% cash flow (earnings before interest, tax, depreciation and amortisation (EBITDA)) and 25% return on capital (return on average capital employed (ROACE)) and that appropriately challenging targets are set at threshold and stretch. The expected value of the BG Group LTIP awards will be broadly unchanged. These changes are all within the Directors' Remuneration Policy approved by shareholders in May 2014 and the Remuneration Committee considers that the structure for future LTIP awards, using a basket of metrics that are clearly linked to the evolving strategic priorities of the Group, will serve to incentivise the senior management of the Company to achieve exceptional financial and business performance, and will thereby promote the long-term success of the Company. Further details are set out in the following report.

During 2014, as highlighted by the Chairman in his review, the Company made strong progress, particularly at our key growth assets in Australia and Brazil, and posted a solid year in terms of operating performance and delivered E&P and LNG volumes, while also improving the Company's safety performance. The Committee reviewed the outcome of the 2014 annual bonus scorecard for senior management in this context. After careful consideration, the Committee determined that the business performance scorecard outcome of 69.9% (compared to 42.5% at target and a maximum of 85%) should apply, before considering individual performance for the remaining 15%. Further details of the targets and performance for each of the metrics are set out in the following report.

For the LTIP award granted in 2011 that was due to vest in 2014, the threshold level of performance was not attained and no award vested.

As the markets in which we operate change, and Helge reviews the strategy for the Group with the Board, the Remuneration Committee will keep the Company's remuneration arrangements under review to ensure that they continue to incentivise the senior management of the Company to achieve exceptional financial and business performance over the longer term. We look forward to continuing our dialogue on remuneration matters and will provide updates in this report as these matters evolve. The Committee recognises that 2014 has been a particularly important year for the Company on remuneration matters, and is grateful for the high level of engagement from shareholders.

SIR JOHN HOOD
CHAIRMAN OF THE
REMUNERATION COMMITTEE

CHIEF EXECUTIVE – HELGE LUND

The Company announced on 15 October 2014 that Helge Lund would be appointed as Chief Executive. On 1 December 2014, following consultation with shareholders, the key elements of Mr Lund's reward arrangements were announced. These arrangements, which are summarised below, will apply from the date of his employment as Chief Executive on 9 February 2015 and are consistent with BG Group's Directors' Remuneration Policy, which was approved by shareholders at the May 2014 AGM.

BASE SALARY

£1.5 million, fixed for the first five years of employment.

PENSION

A cash payment in lieu of pension and equivalent to 30% of salary, also fixed for the first five years of employment.

BONUS (ANNUAL INCENTIVE SCHEME)

Target 100% of base salary.
Maximum 200% of base salary.

LONG-TERM INCENTIVE PLAN

An initial grant with an EPV on award of approximately £4.6 million, and a face value of approximately £10.6 million.

An annual grant with a face value on award of up to £9 million (six times salary) and, for 2015, an EPV of up to £4 million.

A one-off buy-out of forfeited variable Statoil pay in BG Group shares valued at approximately £750 000.

OTHER

A one-off relocation allowance up to a maximum net value of £480 000.

Mr Lund has indicated that he intends to hold all shares that vest to him (net of tax) for the duration of his employment with BG Group.

REMUNERATION REPORT – GLOSSARY OF TERMS

These terms or acronyms are used in the following report:

Acronyms

AGM	Annual General Meeting
AIS	Annual Incentive Scheme, the Group's annual bonus plan
CSOS	Company Share Option Scheme, a legacy plan under which share options were previously granted
DBP	Deferred Bonus Plan
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
EPV	Estimated present value, a measure of the economic or fair value of a share award
GLT	Group Leadership Team
HMRC	HM Revenue & Customs
HSSE	Health, safety, security and environment
LTIP	Long-Term Incentive Plan
PSA	Performance Share Award, an award granted under the LTIP which is subject to performance conditions other than in exceptional circumstances
ROACE	Return on average capital employed
SIP	Share Incentive Plan, an HMRC approved plan for UK employees
TRCF	Total recordable case frequency
TSR	Total shareholder return
VBDP	Voluntary Bonus Deferral Plan

DIRECTORS' REMUNERATION POLICY

OUR REMUNERATION STRUCTURE

DIRECTORS' REMUNERATION POLICY REPORT

The Directors' Remuneration Policy (the Policy) was approved by shareholders at the AGM in May 2014. No changes to the Policy are proposed and so there will be no vote on the Policy at the 2015 AGM.

However, for convenience, we are including the Policy

table on these pages. The full Policy, as approved by shareholders, can be found in last year's Remuneration report and on the BG Group website at www.bg-group.com/remunerationpolicy

PURPOSE AND LINK TO STRATEGY OPERATION

FIXED PAY

BASE SALARY

To attract and retain talent to help achieve our strategic objectives.

Paid monthly and, usually, reviewed annually with any increases taking effect from 1 April. The review involves the consideration of market position relative to relevant comparator groups, including our sector peers and non-financial services FTSE 30 constituents, and is also influenced by:

- The Executive Director's role,

experience and performance;

- Business performance, the wider market and economic conditions; and
- The range of salary increases applying across the Group in similar inflationary environments.

The Committee may review and adjust salaries other than in the course of the annual review, including where

an Executive Director's role or market positioning changes significantly. Where the change in role is on an interim basis, the Committee may determine that, instead of an increase in salary, a non-pensionable interim allowance is payable, the level of which will be informed by those factors influencing salary reviews.

BENEFITS

To attract and retain talent to help achieve our strategic objectives.

Benefits typically include life assurance, income protection, personal accident insurance, annual leave, financial counselling and medical insurance. Executive Directors may be provided with additional benefits, such as on-site fitness facilities, on the same basis as other employees. Flexible benefit arrangements may be offered, including

a company car or cash in lieu of a company car and, where appropriate to assist with their roles, chauffeur services may also be provided.

Executive Directors are also eligible to participate in our all-employee share plans, currently the Share Incentive Plan and the Sharesave Plan, on the same basis as other employees.

Executive Directors are covered under the terms of the Company's directors' and officers' liability insurance.

PENSION

To attract and retain talent to help achieve our strategic objectives.

Executive Directors can choose to participate in the relevant local defined contribution pension arrangement or receive cash in lieu, or a combination thereof.

Employees who joined BG Group in the UK prior to April 2007 may be deferred members of the UK defined benefit pension arrangement which

was closed to future accrual on 31 December 2013.

VARIABLE PAY

ANNUAL INCENTIVE SCHEME

Delivered in the form of cash awards, automatic deferral into DBP share awards and/or voluntary deferral into VBDP share awards.

Designed to reward the achievement of the strategic and operational business priorities for the financial year.

The DBP and VBDP are designed to provide further alignment with the interests of shareholders.

The AIS is reviewed prior to the start of each financial year to ensure the bonus opportunity, performance measures and weightings are appropriate and continue to support the strategic and operational business priorities for the forthcoming financial year. Stretching financial and non-financial performance measures and targets are set at the start of each financial year.

Actual AIS awards are determined by a two-stage process. Firstly, performance is assessed against the agreed measures and targets. Secondly, the Committee reviews these results in the context of individual performance and the underlying performance of and prospects for the business. If the Committee considers that the stage one outcome does not reflect the performance or prospects of the

Company appropriately, it may adjust the stage one outcome, downwards or upwards, within the overall AIS limits, at its discretion.

AIS awards are subject to automatic and/or voluntary deferral into awards over BG Group shares. For AIS awards in excess of 100% of base salary, the excess is automatically deferred for three years into share awards over BG Group shares under the DBP, which accrue dividend equivalents.

Forfeiture and malus provisions apply to the vesting of DBP awards, which may be reduced in circumstances where the Company becomes aware of misconduct or performance issues relevant to the bonus award year, or if the individual ceases to be an Executive Director or employee as a result of misconduct. Forfeiture and malus provisions apply to VBDP awards,

which may be reduced if the individual ceases to be an Executive Director or employee as a result of misconduct.

Executive Directors are also able voluntarily to defer a proportion of their AIS award into awards over BG Group shares under the VBDP, which is available to other employees. VBDP awards vest three months after the date of grant. Dividend equivalents accrue on VBDP awards.

The number of shares comprising DBP or VBDP awards is calculated using the average share price over the three or five dealing days preceding the date of grant. The automatic and voluntary deferral arrangements are reviewed periodically and may be altered or removed by the Committee.

Details for the Executive Directors for the period under review are set out in the **Annual Remuneration report** on page 66.

LONG-TERM INCENTIVE PLAN

Awards over BG Group shares

Designed to align the interests of Executive Directors with those of shareholders by rewarding the Executive Directors for value growth over the longer term.

In accordance with the rules of the LTIP, the Committee may grant PSAs, and/or Market Value Options to Executive Directors. To date, the Committee has granted only PSAs to Executive Directors. The award levels and performance conditions on which vesting will be dependent are reviewed annually to ensure they remain appropriate. A number of factors are considered when determining the level of any award, including the position of the Executive Director's overall reward package relative to the market, the Executive Director's performance and experience, the face value and EPV of the proposed award, and plan dilution limits.

EPV is a measure of the economic or fair value of an award. The measure takes account of the performance conditions, the risk that the performance conditions might not be met and the risk that awards may be forfeited. EPV is calculated independently by the Committee's advisers. The face value of an award is equal to the number of shares, or shares under option, multiplied by the relevant share price at grant.

PSAs vest over a period set by the Committee, which will normally be three years from the date of grant. Dividend equivalents accrue on PSAs. For 2013 and later LTIP PSAs, a proportion of the net vested shares on vesting are

subject to a further holding period, during which forfeiture and malus provisions apply. The number of shares that will be released at the end of this holding period may be reduced in circumstances where the Company becomes aware of misstatement of the financial accounts, individual misconduct or performance issues. At grant, the Committee sets the length of the holding period and the proportion of net vested shares subject to the holding period. For the life of this Policy, these will be at least two years and at least 50% respectively (*n.b. implemented from 2014 as 100%*).

OPPORTUNITY	PERFORMANCE MEASURES
Base salary increases will be applied in line with the outcome of the review. Maximum salary increases to Executive Directors will be within the range of those awarded to other employees in similar inflationary environments, other than where it is appropriate to recognise performance showing significant progression within the role or a material	change in the responsibilities of the role. The level of base salary paid, and any interim allowance, will vary by role and will be no more than is necessary to attract and retain Executive Directors with the necessary experience and skills. Details for the Executive Directors for the period under review are set out in the Annual Remuneration report on page 66. Individual and business performance is considered in reviewing and setting base salary.
Benefit values vary by role and are reviewed by reference to market position periodically. The maximum level of benefits will be no more than is necessary to attract and retain Executive Directors with the necessary experience and skills. Executive Directors will be reimbursed for business expenses relating to the performance of their duties, including	travel, accommodation and subsistence. Occasional travel, accommodation and subsistence expenses will be reimbursed and may be grossed up for any tax due where the Company requires Executive Directors' spouses or partners to travel. Details for the Executive Directors for the period under review are set out in the Annual Remuneration report on page 66. Some benefits, such as life assurance, are calculated by reference to base salary.
Executive Directors can choose a pension contribution or receive cash in lieu, or a combination thereof, up to 30% of base salary. No current Executive Director is a	deferred member of the UK defined benefit pension arrangement. Details for the Executive Directors for the period under review are set out in the Annual Remuneration report on page 66. Calculated by reference to base salary.
The AIS offers a maximum opportunity of up to 200% of base salary, with target and threshold opportunities of up to 100% and up to 45% of base salary, respectively. Each year, the Committee determines maximum, target and threshold AIS opportunities, which may vary by role, on an individual basis, within those scheme limits. Employees who are not members of the GLT are eligible for an additional 10% award of the amount deferred	under the VBDP that vests, provided their voluntary award is deferred for at least three years. Where employees with these awards subsequently become members of the GLT, it is the Company's policy to honour the awards in accordance with their terms, which may differ from the terms of awards granted under this Policy. Individual limits for the Executive Directors receiving an award for the period under review are set out in the Annual Remuneration report on page 66. The performance measures selected for the year, and their relative weighting, may vary each year depending upon strategic and operational business priorities. The performance of each Executive Director is measured against their individual objectives for the year which, as part of their operational objectives, include challenging budget and stretch targets in key operational areas. Performance measures may be selected from externally reported financial measures, such as EPS and ROACE, other internal financial measures, such as working capital targets, and/or operational measures, such as project performance and HSSE. The Committee has the flexibility to vary the weightings and to select alternative or additional measures over the life of this Policy to ensure that the AIS is aligned to the strategic and operational priorities of the business for the forthcoming financial year, subject to maintaining a weighting of at least 50% for externally reported financial measures, such as EPS and ROACE. Details of the performance measures for the period under review are set out in the Annual Remuneration report on page 67.
Awards granted to individuals under the LTIP are subject to the following annual limits: - An overall EPV limit of 300% of base salary; and - The face value of each type of award cannot exceed 600% of base salary. Both limits may be exceeded in exceptional circumstances, such as recruitment or retention, at the Committee's discretion. In such exceptional circumstances, the maximum annual value is an overall EPV limit of 575% of base salary, other than for buy-out awards on, or in connection with, recruitment. This limit has been determined following a review of the upper quartile of awards to the chief executives of the non-financial services	FTSE 30 constituents and the median of awards to the chief executives of the Group's sector peers. The maximum opportunity for threshold performance is 25% of the award granted (<i>n.b. implemented from 2014 as 15%</i>), above which straight-line vesting applies. Employees who are not Executive Directors may receive awards without performance conditions. Where employees with these awards subsequently become Executive Directors, it is the Company's policy to honour the awards in accordance with their terms, which may differ from the terms of awards granted under this Policy. LTIP awards vest in accordance with the plan rules and vesting is usually subject to the following conditions: - Continued employment; - The individual's performance not having fallen significantly below that expected at the date of grant; and - The Company's performance over a three-year performance period, which will usually start with the month of grant for TSR. Performance measures are reviewed each year by the Committee and selected to focus Executive Directors on the strategic business priorities and the interests of shareholders over the longer term. To ensure that the LTIP rewards value creation over the longer term, the Committee has the flexibility to vary the weighting of the TSR performance measure and to set the weighting of other measures, which are externally reported financial measures, such as EPS and ROACE. Over the life of this Policy, relative TSR will be retained as a performance measure and this performance measure will have a weighting of at least 50%. Buy-out awards on recruitment may be granted without performance conditions and/or a holding period at the Committee's discretion. Details of the performance measure for the period under review are set out in the Annual Remuneration report on page 68.

The following section of this report provides details of the implementation of the Directors' Remuneration Policy for the year ended 31 December 2014.

EXECUTIVE DIRECTORS' TOTAL REMUNERATION

	Year	Salary £'000	Benefits £'000	Pension £'000	Bonus £'000	LTIP – annual award £'000	LTIP – on-hire award £'000	Total remuneration £'000
Executive Directors								
Chris Finlayson, resigned as Chief Executive on 27 April 2014	2014	325	44	98	–	–	–	467
	2013	975	105	293	1 145	–	–	2 518
Simon Lowth, appointed Chief Financial Officer from 2 December 2013	2014	725	33	218	877	–	–	1 853
	2013	58	3	18	n/a	–	675	754

SALARY

When awarding salary increases, the Committee considers, among other factors, the salary increases applied elsewhere in the Group and, for UK-based Executive Directors, the increases applied for UK employees. As part of the annual Group-wide salary review, no annual salary increases were applied in April 2014 for UK-based employees, including the Executive Directors.

	Increase in year %	Salary £'000	Pro-rated %	Salary received in year £'000
Chris Finlayson	nil	975	33%	325
Simon Lowth	nil	725	100%	725

BENEFITS

Benefits include life assurance, income protection, personal accident insurance, company car or cash in lieu of company car, chauffeur services, spousal travel, relocation, financial counselling, medical insurance and any taxable business expenses, including the applicable tax.

	SIP Flex Share allocations £'000	Spousal travel £'000	Other benefits £'000	Total benefits £'000
Chris Finlayson	–	10	34	44
Simon Lowth	3	–	30	33

PENSIONS

The Executive Directors can choose a defined contribution pension contribution or receive cash in lieu, or a combination thereof, at a rate of up to 30% of salary.

	Pensionable salary received in year £'000	Cash in lieu %	Cash in lieu of pension £'000
Chris Finlayson	325	30	98
Simon Lowth	725	30	218

BONUS

For an individual's AIS award, the Committee's determination of the business performance outcome is added to the individual's performance outcome and the resulting percentage figure is applied to their bonus opportunity range, with a 50% outcome resulting in a target award and a 100% outcome resulting in a maximum award.

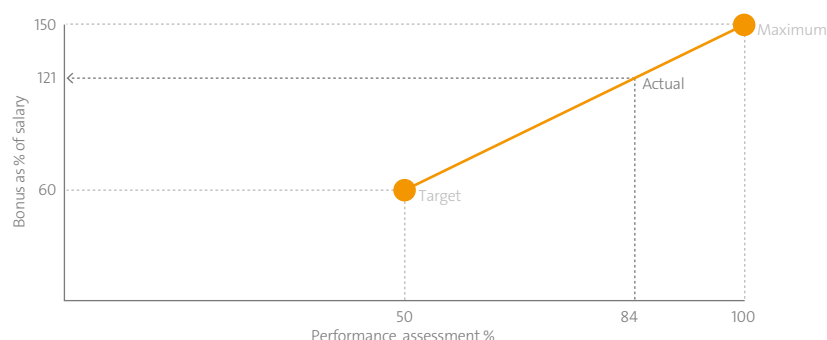
For the Chief Financial Officer (the only Executive Director to receive a bonus for the financial year), the bonus opportunity for a target award is 60% of salary and increases on a linear basis to 150% of salary for a maximum award.

The combined business and individual performance outcome for the Chief Financial Officer was determined as 84% and results in a bonus award of 121% of salary, as shown on the graph.

	Bonus potential as % of salary		Actual bonus awarded as a % of salary	Bonus		Total bonus £'000
	Target	Maximum		Cash £'000	Deferred £'000	
Simon Lowth	60	150	121	725	152 ^(a)	877

(a) 17% of the total bonus was deferred as the excess over 100% of salary is automatically made in the form of a DBP award in accordance with the Directors' Remuneration Policy.

DETERMINATION OF ACTUAL BONUS



PROCESS FOR DETERMINING BONUS

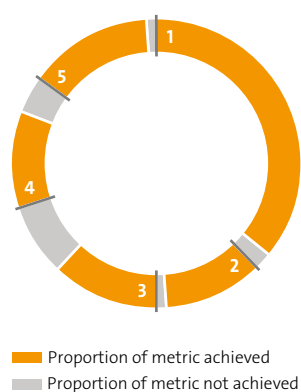
The following business performance metrics operated for the 2014 financial year:

- Group EPS – Actual Business Performance results were adjusted to exclude the effects of changes in upstream prices, material exchange rates and contracted LNG prices.
- Group ROACE – Actual post-tax Business Performance results (adjusted as for Group EPS above but excluding net finance income/costs on net borrowings/funds) are expressed as a percentage of average Group capital employed. Average Group capital employed was calculated by averaging the positions at the start and end of the year, excluding the impact of any material impairments. Group capital employed is the aggregate of total equity (excluding commodity financial instruments and associated deferred tax) and net borrowings/funds (in both cases adjusted to exclude the effects of changes in upstream prices, material exchange rates and contracted LNG prices).
- Project performance – In-year performance on all Board-sanctioned projects, both operated and non-operated, was assessed against a range of indicators, including in-year cost and on-schedule performance relative to plan.
- Group HSSE – Performance was assessed against a balanced scorecard of measures and targets across a broad range of leading and lagging indicators, including, for example, TRCF and the actioning of audit findings.

Individual performance was assessed against individual objectives for the year.

For the 2014 incentive year, the Committee followed the two-stage review process outlined in the Directors' Remuneration Policy. This involved, for each metric, a review of performance against targets and, secondly, consideration of the outcomes of the first stage in the context of the underlying performance of the business.

For the 2014 incentive year, the Annual Incentive Scheme performance metric outcomes in determining the Chief Financial Officer's bonus were as follows (all Company performance measures are Group-wide):



Metric	Performance outcome	Target outcome (%)	Weighting and maximum outcome (%)	Performance assessment (%)
1. Group EPS	Normalised EPS was 120c, which was ahead of a target of 105c and slightly beneath a maximum of 122c. Reported Group EPS was 118.4c.	19	38	36
2. Group ROACE	Normalised ROACE was 8.9%, which was ahead of a target of 7.8% and slightly beneath a maximum of 9.1%. Reported Group ROACE was 9.7%.	6	12	11
3. Project performance	Good progress was made during the year on Board-sanctioned projects, particularly in Australia and Brazil, and performance was assessed as between target and maximum.	10	20	12
4. Group HSSE	Performance was assessed against the HSSE balanced scorecard set at the start of the year as between target and maximum, with all the scorecard indicators at or ahead of target, apart from greenhouse gas emissions arising from a temporary increase in flared gas associated with commissioning QCLNG.	7.5	15	11
5. Individual performance	Individual performance was assessed against the objectives set for the year as well above target and slightly beneath maximum, in view of the strong performance in a challenging first year.	7.5	15	14
Total		50	100	
Overall assessment				84

AWARDS UNDER THE DEFERRED BONUS PLAN GRANTED DURING 2014

As disclosed in the 2013 Remuneration report, the 2013 bonus awards to Executive Directors were made in the form of share awards under the DBP. Awards under the DBP are not subject to Company performance conditions, but vest at the end of the deferral period subject to continued employment.

Awards under the Deferred Bonus Plan granted during 2014

Executive Directors	Bonus year	Date of grant	End of deferral period	Share price at grant ^(a) £	Face value (at date of grant) £'000
Chris Finlayson ^(b)	2013	18 Mar 2014	17 Mar 2015	10.74	975
	2013	18 Mar 2014	17 Mar 2017	10.74	170 ^(c)
Simon Lowth ^(d)	n/a	n/a	n/a	n/a	n/a

(a) Granted in the form of nil-cost options based on the average share price over the five dealing days preceding the date of grant.

(b) All the DBP awards granted during the year to Chris Finlayson lapsed on 27 April 2014 on his resignation.

(c) For awards in excess of 100% of salary, the excess is automatically deferred for three years in accordance with the Directors' Remuneration Policy.

(d) Simon Lowth was not eligible to receive a 2013 bonus as he joined BG Group on 2 December 2013.

LONG TERM INCENTIVE PLAN**LTIP performance shares vesting during 2014**

The PSAs granted to Chris Finlayson in 2011 and due to vest in September 2014 lapsed on 27 April 2014 when he resigned and ceased to be a Director. As Simon Lowth did not join the Group until December 2013, he did not receive a 2011 PSA grant. Accordingly, no PSAs vested for Executive Directors during the year.

For other participants, the performance period for the 2011 PSAs ended on 31 August 2014. None of the shares awarded vested, and the awards lapsed in full on 2 September 2014. BG Group's TSR performance relative to the weighted index was measured by the

independent TSR monitoring service of Alithos Limited and reviewed by Kepler Associates. This analysis indicated that BG Group had underperformed the index. The Committee

considered the underlying financial performance of the Group, and concluded that none of the PSAs granted in September 2011 should vest.

	At time of grant September 2011		At vesting September 2014		Market value £'000	Dividend equivalent £'000	Total LTIP award £'000
	Face value £'000	Number of shares	% vesting	Number of shares			
Chris Finlayson	2 581	202 303	—	—	—	—	—
Simon Lowth	n/a	n/a	n/a	n/a	n/a	n/a	n/a

OUTSTANDING AWARDS**LTIP PERFORMANCE SHARES GRANTED IN 2014**

Executive Directors	Date of grant	End of performance period	Face value of shares awarded as a % of salary	EPV of awards £'000	Share price at grant £ ^(a)	Maximum shares awarded	Face value (at date of grant) £'000	Number of shares received if threshold performance achieved (15%) ^(b)
Chris Finlayson	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Simon Lowth	4 Sept 2014	31 Aug 2017	454	1 450	12.11	272 126	3 295	40 818

(a) Granted in the form of nil-cost options based on the average share price over the five dealing days preceding the date of grant. Once vested, the options are exercisable until the seventh anniversary of the vesting date, but will be automatically exercised on an employee leaving BG Group if not already exercised.

(b) Assuming continuing employment until the normal vesting date and excluding any dividend equivalents.

OTHER OUTSTANDING AWARDS

During 2013, awards relating to shares were granted to Simon Lowth on recruitment as the Chief Financial Officer. These awards were to buy out the share awards forfeited on leaving his previous employer and the awards were made on the same basis as the 2013 PSAs granted under the LTIP. See page 69 for a description of the PSA performance conditions and see page 70 for details of the further parallel award granted in 2014.

Executive Director	Date of grant	End of performance period	Face value of shares awarded as a % of salary	EPV of awards £'000	Share price at grant £ ^(a)	Maximum shares awarded	Face value (at date of grant) £'000	Number of shares received if threshold performance achieved (25%) ^(b)
Simon Lowth	11 Dec 2013	30 Nov 2016	454	1 448	12.27	268 255	3 291	67 063
	11 Dec 2013	30 Nov 2016	700	2 234	12.27	413 854	5 078	103 463

(a) Based on the average share price over the five dealing days preceding the date of grant.

(b) Assuming continuing employment until the normal vesting date and excluding any dividend equivalents.

PERFORMANCE ASSESSMENT

As in 2013, for PSAs granted during 2014 and subject to performance conditions, TSR performance was the only performance measure, with performance measured over a three-year performance period commencing on the first day of the calendar month in which the award was made and with no retest

provision. For awards granted in September 2014, the three-year performance period runs from 1 September 2014 to 31 August 2017. Subject to the review of the Committee, the level of PSAs vesting depends on BG Group's TSR performance over this period relative to the TSR performance of a weighted index of a selection of oil and gas industry peers.

The constituents of the index are reviewed annually to ensure the most comparable peer group companies are used. The constituents of the index for 2014 and for the three prior years are shown in the table below.

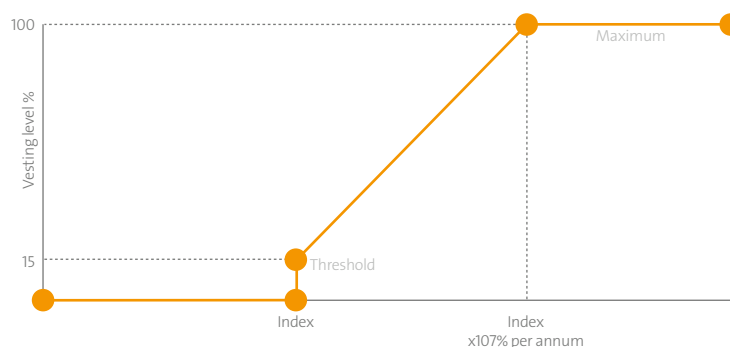
TSR constituents – index for Performance Share Awards

Company	2014	2013	2012	2011
Anadarko Petroleum Corp.	✓	✓	✓	✓
Apache Corporation	✓	✓	✓	✓
BP plc	✓	✓	✓	✓
Canadian Natural Resources Limited	✓	✓	✓	✓
Cenovus Energy Inc.	✓	✓	✓	✓
Chevron Corporation	✓	✓	✓	✓
ConocoPhillips	✓	✓	✓	✓
Devon Energy Corporation	✓	✓	✓	✓
Encana Corporation				✓
Eni S.p.A.	✓	✓	✓	✓
EOG Resources Inc.	✓	✓	✓	✓
Exxon Mobil Corporation	✓	✓	✓	✓
Hess Corporation	✓	✓		✓
Marathon Oil	✓	✓	✓	
Occidental Petroleum Corp.	✓	✓	✓	✓
Repsol S.A.	✓	✓	✓	✓
Royal Dutch Shell plc	✓	✓	✓	✓
Statoil ASA	✓	✓	✓	✓
Suncor Energy Inc.	✓	✓	✓	✓
Total S.A.	✓	✓	✓	✓
Tullow Oil plc			✓	
Woodside Petroleum Ltd.	✓	✓	✓	✓

The performance targets and vesting levels of the 2014 PSAs are illustrated in the table and graph below.

BG Group's performance relative to index TSR performance	Level of vesting (%)
Less than the TSR performance of the index	0
Equal to the TSR performance of the index	15
Exceeds the TSR performance of the index by 7% pa or more ^(a)	100
Exceeds the TSR performance of the index but by less than 7% pa ^(a)	Linear sliding scale (between 15% and 100% vesting)

(a) The TSR performance calculation is multiplicative; that is, if the index grows from 100% to 110% over three years, then BG Group is required to move from 100% to 134.75% (that is 110% x 107%) to achieve maximum vesting.

PERFORMANCE SHARE AWARDS – TSR PERFORMANCE AND VESTING LEVELS (%)

See page 74 for a summary of the performance conditions for 2015 PSAs.

OUTSTANDING AWARDS CONTINUED

RECRUITMENT AWARDS GRANTED DURING 2014

As disclosed in the 2013 Remuneration report, a parallel recruitment award was made to the Chief Financial Officer in March 2014.

BG Group faced a considerable challenge in securing a permanent Chief Financial Officer with suitable oil and gas sector, and UK listed company, experience following the retirement of Fabio Barbosa from the Board due to ill health. Simon Lowth joined BG Group on 2 December 2013 and received buy-out awards that were granted on 11 December 2013. The buy-out awards did no more than match the expected value of the awards foregone in leaving his former employer and were made in the form of PSAs subject to a TSR condition measured over three years. Following the Group's announcement on 27 January 2014 regarding impairments and lower production

expectations, and the subsequent share price drop, there was a significant possibility that the buy-out awards would not vest at all, since the TSR condition of the original awards became significantly more challenging to achieve. The concern was not with the share price movement itself but with the implications for the challenging TSR performance condition. In considering the matter, the Committee concluded that Mr Lowth could have had no knowledge in advance of joining the Group of the underlying circumstances or events that led to the announcement of 27 January 2014 ahead of joining and was in no way responsible for the factors that caused the impairments and the lower production expectations contained within the announcement. The Board and the Committee considered it to be in the best interests of BG Group and its shareholders

in securing the financial leadership of the Group to ensure that the agreed value of the original buy-out awards was honoured. The Committee consulted with a number of key shareholders on the matter and they were supportive. The Committee therefore proceeded to grant the parallel award on the basis that the vesting of this parallel award will be reduced by the proportion of the original buy-out awards that vest. If the initial award were to vest in full, then the parallel award would lapse entirely. The parallel award is not subject to Company performance conditions but will vest at the end of the vesting period subject to continued employment. As an award over shares, the parallel award retains a high level of alignment with the interests of shareholders going forward.

Recruitment awards granted during 2014

Executive Director	Date of grant	End of vesting period	Face value of shares awarded as a % of salary	EPV of awards as a % of salary	Share price at grant £ ^(a)	EPV of awards £'000	Face value (at date of grant) £'000
Simon Lowth	18 Mar 2014	30 Nov 2016	590	508	10.74	3 682	4 282

(a) Granted in the form of nil-cost options based on the average share price over the five dealing days preceding the date of grant. Once vested, the options are exercisable until the seventh anniversary of the vesting date, but will be automatically exercised on Mr Lowth leaving BG Group to the extent not already exercised.

SHAREHOLDINGS

DILUTION

In the event that all options and awards outstanding as at 31 December 2014 under BG Group's LTIP vest (such awards to be satisfied by the re-issue of treasury shares or by the issue of new shares), and all CSOS options (a legacy plan under which options are currently satisfied by the issue of new shares) are exercised, the resulting issue of new shares and re-issue of treasury shares would amount to 0.56% of the issued ordinary share capital (excluding treasury shares) at that date.

The exercise of options under BG Group's Sharesave Plan 2008 is satisfied by the issue of new shares. If the total number of options outstanding under these plans as at 31 December 2014 had been exercised on that date, the resultant issue of shares would have represented 0.06% of the total ordinary share capital (excluding treasury shares) then in issue.

Partnership and Flex Share awards made under the SIP during 2014 were satisfied by the re-issue of treasury shares. These awards represented 0.01% of the issued ordinary share capital (excluding treasury shares) as at 31 December 2014.

BG Group's intention is to continue to satisfy the future exercise of options and vesting of awards under the above share plans by the issue of new shares and re-issue of treasury shares as described above.

As at 31 December 2014, the BG Group Employee Share Trust held 2 830 140 shares and the BG Group New Employee Share Trust, which held no shares during 2014, was closed during 2014.

EXECUTIVE DIRECTORS' INTERESTS IN SHARES AT 31 DECEMBER 2014

The table below shows the Executive Directors' (and their connected persons') interests in ordinary shares, which include all shares held beneficially, together with those interests in shares that have vested, and that are no longer subject to deferral or performance conditions, and that may be included as an interest in shares under BG Group's shareholding guidelines.

Executive Directors	Interests in ordinary shares ^(a)		Value £'000 ^(c)	Salary £'000 ^(d)
	As at 1 Jan 2014	As at 31 Dec 2014 ^(b)		
Chris Finlayson	51 514	51 581	591	975
Simon Lowth	28 913	29 177	252	725

(a) Interests in ordinary shares include ordinary shares acquired pursuant to the BG Group SIP (vested and unvested).

(b) Or at date of ceasing to be an Executive Director, if earlier.

(c) The value of shareholdings is based on the closing price of a BG Group ordinary share on 31 December 2014, or at the date of ceasing to be an Executive Director, if earlier.

(d) Salary is annual salary as at 31 December 2014, or date of ceasing employment, if earlier.

There have been no changes in Mr Lowth's interests in ordinary shares between 31 December 2014 and 18 March 2015.

SUMMARY OF EXECUTIVE DIRECTORS' OVERALL INTERESTS IN BG GROUP SHARES

Executive Directors	Type	Lapsed during 2014	Exercised during 2014	Outright or vested as at ^(a) 31 Dec 2014	Unvested as at ^(a) 31 Dec 2014	Unvested and subject to performance conditions as at ^(a) 31 Dec 2014	Total as at ^(a) 31 Dec 2014
Chris Finlayson	Shares	—	—	50 454	—	—	50 454
	Nil-cost options ^(b)	992 645	—	—	—	—	—
	Sharesave options ^(c)	1 756	—	—	—	—	—
	Share Incentive Plan	264	—	1 127	—	—	1 127
Simon Lowth	Shares	n/a	n/a	28 913	—	—	28 913
	Nil-cost options ^(b)	—	—	—	—	1 352 936	1 352 936
	Sharesave options ^(c)	—	—	—	—	—	—
	Share Incentive Plan	—	—	—	264	—	264

(a) Or at date of ceasing to be an Executive Director, if earlier.

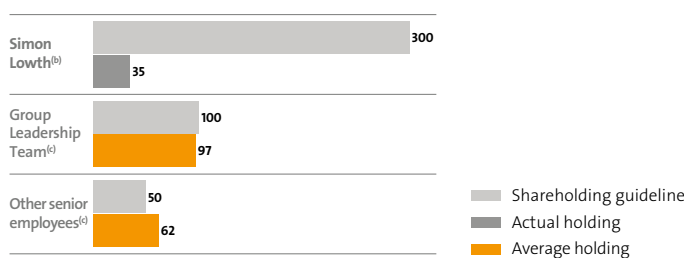
(b) The Executive Directors' interests in shares under awards made in the form of nil-cost options are stated before the operation of any applicable withholdings for tax and social security, which would typically arise when a vested award is exercised. The current maximum UK withholding is 47%. Awards in the form of nil-cost options are made to eligible UK employees under the LTIP, DBP and VBDB. Dividend equivalents are included for exercised and vested awards.

(c) Options granted under the BG Group plc Sharesave Plan 2008. The exercise price of these options was set at 80% of the market value of a share at the invitation date.

SHAREHOLDING GUIDELINES

The Committee has adopted guidelines for Executive Directors and GLT members and certain other senior employees to encourage substantial long-term share ownership. These specify that Executive Directors should build up, and then retain, a holding of shares with a value equivalent to 300% of salary. The required holding for other members of the GLT is 100% of salary and for certain other senior employees is 50% of salary. The guidelines require that, in relation to LTIP and DBP awards, vested shares (net of tax) should be retained by the individual until the required shareholding level is reached.

The chart sets out the percentage of salary held in shares by the Chief Financial Officer as compared with the guidelines. The chart also shows for other members of the GLT and senior employees the average actual shareholding as a percentage of salary.

SHAREHOLDINGS AT 31 DECEMBER 2014 AGAINST GUIDELINES^(a)
(% of salary)

(a) As at the date of ceasing to be an Executive Director, Chris Finlayson held shares with a value equivalent to 61% of salary.

(b) In post for less than five years.

(c) Some in post for less than five years.

Under the shareholding guidelines, vested nil-cost option awards under the LTIP, VBDB and DBP are included. They are included net of the withholding for tax and social security

which would have been made had they been exercised at the year end. For UK employees, the withholding applied is the current UK maximum of 47%.

EXTERNAL APPOINTMENTS

To broaden the experience of Executive Directors, they are able to accept one external appointment as a non-executive director of another company provided that permission is sought from the Board in advance. Any external appointment must not conflict with the Director's duties and commitments to BG Group. Any fees from such appointments

may be retained by the individual Executive Director.

Between 1 January 2014 and 27 April 2014, while Chief Executive, Chris Finlayson received fees of £14 333 in connection with serving as a non-executive director of Lloyds Register Group Limited.

The Chief Financial Officer, Simon Lowth, served as a non-executive director of Standard Chartered plc throughout 2014, and received annual fees of £130 000 during 2014 in connection with this appointment.

No other non-executive director appointments are currently held by the Chief Financial Officer.

PAYMENTS FOR LOSS OF OFFICE AND PAYMENTS TO FORMER DIRECTORS

CHRIS FINLAYSON

Chris Finlayson ceased to be a director of BG Group plc on 27 April 2014. A payment of £1 267 500 (less any deductions the Company was required to make) was made to Mr Finlayson on 15 May 2014 in accordance with the notice period provision of his contract. The gross amount was equal to Mr Finlayson's salary plus an amount in lieu of pension contributions at 30% of salary for the period of notice that he was not required to work. Any unvested

share awards made to Mr Finlayson under the BG Group plc LTIP and the BG Group plc DBP lapsed in full on 27 April 2014.

MARTIN HOUSTON

Martin Houston ceased to be a Director of BG Group on 13 November 2013 and retired from the Group on 28 February 2014. On 20 August 2014, Mr Houston exercised 514 share options under the Sharesave Plan at a gain of £1 596. Following this transaction,

Mr Houston had no remaining awards under the Sharesave Plan.

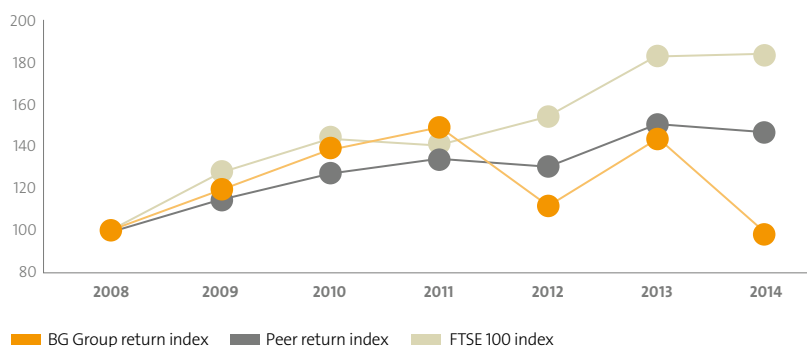
OTHER FORMER DIRECTORS

During 2014, other than as previously disclosed, the total of payments made to former Directors in respect of or as a result of their employment as a Director did not exceed £10 000 per individual, the de minimis level set by BG Group for disclosure purposes.

HISTORICAL TSR PERFORMANCE

The graph shows the growth in value of a hypothetical £100 holding invested over six years in each of BG Group shares, the FTSE 100 index and the 2014 LTIP index of oil and gas industry peers.

The FTSE 100 was chosen as this is a recognised broad equity market index of which BG Group is a member. The calculations are in accordance with the Large & Medium-Sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013 (the Regulations).

HISTORICAL TSR PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER**CHANGE IN CHIEF EXECUTIVE'S REMUNERATION**

The table shows the Chief Executive's remuneration over the same six-year period as the TSR graph above.

For 2014, the remuneration of the interim Executive Chairman is included for the period from 28 April 2014 following the resignation of the Chief Executive. Andrew Gould did not receive any additional remuneration as interim Executive Chairman.

Year – Chief Executive	CEO total remuneration £'000	Annual variable element award rates against maximum opportunity	LTIP vesting rates against maximum opportunity
2014 – Chris Finlayson	467	0%	0%
2014 – Andrew Gould (interim Executive Chairman)	487	–	–
2013 – Chris Finlayson	2 518	59%	0%
2012 – Sir Frank Chapman	5 411	0% ^(a)	44%
2011 – Sir Frank Chapman	7 912	69%	62%
2010 – Sir Frank Chapman	9 840	74%	87%
2009 – Sir Frank Chapman	10 318	70%	100%

(a) At the request of the Executive Directors, they received no bonuses for 2012.

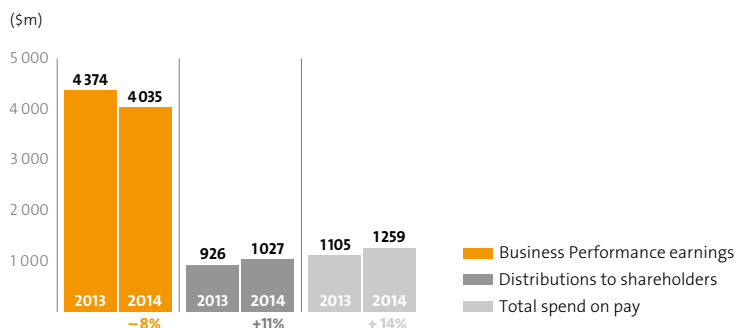
The table provides a comparison of the percentage year-on-year change from 2013 to 2014 in elements of the Chief Executive's reward package relative to the Group's general UK employee population, which represents a sizeable portion of the Group's global employee population and the most relevant employee comparator group for the UK-based Chief Executive.

Chief Executive	Salary	Benefits	Bonus
Chief Executive ^(a)	–17%	–54%	–100%
UK employees of the Group	1.5%	2%	40%

(a) Comparing figures for Chris Finlayson as Chief Executive until 27 April 2014 and Andrew Gould as interim Executive Chairman from 28 April 2014 with those for Chris Finlayson as Chief Executive for 2013.

RELATIVE IMPORTANCE OF SPEND ON PAY

The chart details BG Group's Business Performance earnings as a measure of the Group's operating performance, distributions to shareholders and total Group-wide expenditure on pay for all employees (including benefits, pension, variable pay, termination payments and social security), for the last two financial years. The average number of employees in 2014 was 5 143 (2013: 5 536).

RELATIVE IMPORTANCE OF SPEND ON PAY

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman's remuneration was reviewed during 2014 and the other Non-Executive Directors' fees were last reviewed in 2012. The current Non-Executive Directors' fees, effective since 1 June 2012 following the last change, and Chairman's annual fee, effective since 16 May 2012 following the last change, are summarised opposite.

Chairman's fee	£725 000
Non-Executive Directors' basic fee	£82 000
Committee membership fee (excluding Nominations Committee)	£8 000
Chairman – Audit Committee	£28 000
Chairman – Remuneration Committee	£25 000
Chairman – Sustainability Committee	£20 000
Senior Independent Director	£30 000

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' TOTAL REMUNERATION

Individual remuneration for the year to 31 December

	Salary/fees £		Taxable benefits £ ^(a)		Total £	
	2014	2013	2014	2013	2014	2013
Non-Executive Directors						
Andrew Gould (Chairman)	725 000	725 000	5 592	2 571	730 592	727 571
Peter Backhouse	33 629	90 000	15 229	–	48 858	90 000
Vivienne Cox	98 000	98 000	6 261	–	104 261	98 000
Pamela Daley	85 333	–	44 111	–	129 444	–
Martin Ferguson	90 000	–	24 291	–	114 291	–
Baroness Hogg	90 000	120 000	4 921	–	94 921	120 000
Sir John Hood	153 000	123 000	13 015	–	166 015	123 000
Caio Koch-Weser	98 000	98 000	11 079	–	109 079	98 000
Lim Haw-Kuang	90 000	73 361	22 033	–	112 033	73 361
Sir David Manning	102 000	102 000	4 675	–	106 675	102 000
Mark Seligman	118 000	115 032	4 700	–	122 700	115 032
Patrick Thomas	98 000	98 000	25 567	–	123 567	98 000

(a) Taxable benefits include reasonable travel, accommodation and subsistence expenses, including any applicable tax, incurred when undertaking their duties as a BG Group Director, and may on occasion include necessary spousal travel in support of the business.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' INTERESTS IN ORDINARY SHARES

The Chairman and Non-Executive Directors' interests in ordinary shares of BG Group plc (Shares) at the start and at the end of the financial year, or at date of retirement if earlier, are set out below.

	Interests in ordinary shares		
	As at 1 Jan 2014	As at 31 Dec 2014 ^(a)	As at 18 Mar 2015 ^(b)
Andrew Gould	65 000	65 000	65 000
Peter Backhouse	27 500	27 500	n/a
Vivienne Cox	1 507	3 818	4 577
Pam Daley	–	14 200	32 000
Martin Ferguson	–	–	57
Baroness Hogg	16 253	17 976	18 466
Sir John Hood	8 795	8 795	8 795
Caio Koch-Weser	3 600	3 600	3 600
Lim Haw-Kuang	2 419	3 751	5 087
Sir David Manning	2 731	3 247	3 412
Mark Seligman	17 789	21 076	22 126
Patrick Thomas	2 677	7 302	8 780

(a) Peter Backhouse retired from the Board on 15 May 2014.

(b) Pam Daley purchased Shares jointly with her husband on 12 February 2015, and on 16 March 2015 Vivienne Cox, Martin Ferguson, Baroness Hogg, Lim Haw-Kuang, Sir David Manning, Mark Seligman and Patrick Thomas purchased Shares through the Non-Executive Directors' Share Purchase Programme.

There have been no other changes in the Chairman and Non-Executive Directors' interests in ordinary shares between 31 December 2014 and 18 March 2015.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2015

LONG TERM INCENTIVE PLAN

Through consultation with a number of our shareholders during 2014, it was evident that certain shareholders favoured that a basket of Company performance metrics apply to the LTIP PSAs, rather than a single metric dependent solely on relative TSR. The single TSR metric was well-suited to the first phase of BG Group's development, during which the Company was judged principally on its ability to add value through discovering resource. However, as we now shift the Company's focus to improving return on capital and delivering earnings and cash-flow growth, the Board

believes it is appropriate that the Company performance metrics for the LTIP reflect this.

Following consultation with major shareholders during February 2015, we have revised the LTIP performance conditions for future awards so that they are based on a basket of metrics. These changes are all within the Company's remuneration policy approved by shareholders in May 2014 and the Committee considers that the structure for future LTIP awards, using a basket of metrics that are clearly linked to the evolving strategic priorities of the Group, will serve to incentivise the senior management

of the Company to achieve exceptional financial and business performance, and will thereby promote the long-term success of the Company. Further details of the metrics, the structure of the awards and the targets are set out below. As the LTIP outcome will be derived, in part, from reported financial metrics (EBITDA and ROACE) that are based on completed financial years (1 January to 31 December), it is proposed to move from a September to a May grant date, which will allow the vesting period to align more closely with the relevant period of Company performance.

2015 LTIP PERFORMANCE METRICS	KPI	WEIGHTING	LINK TO STRATEGY
TSR	✓	50%	• Prioritising safety and asset integrity • Disciplined financial approach
EBITDA	New	25%	• World-class exploration • Excellence in project development and execution
ROACE^(a)	New	25%	• Maximising value through supply and market positions

✓ – Existing KPI, see page 18 **NEW** – Included as a KPI for 2015 and forward, see page 19.

(a) Following the inclusion of ROACE as a metric for the LTIP, the Committee considered whether it was appropriate to retain ROACE as a metric for the 2015 AIS (at a 12% weighting) and decided that it was a sufficient value driver for the Group's business for it to be retained as an AIS metric for 2015. The Committee will review the overall balance of the metrics across the AIS and the LTIP for 2016 following the conclusion of the Chief Executive's review of the Group's longer-term strategy with the Board.

Performance metric	Measurement of performance	Performance targets	Determination of vesting outcome
TSR	Measured on a relative basis compared to a sector peer group.	Threshold performance is performance at the median of the peer group. Maximum performance is performance that exceeds the median of the peer group by 7% on a compounded annual basis. The peer group for the 2015 award comprises: Anadarko Petroleum Corp.; Apache Corporation; BHP Billiton Plc; BP plc; Chevron Corporation; ConocoPhillips; Devon Energy Corporation; Eni S.p.A.; EOG Resources Inc; Exxon Mobil Corporation; Hess Corporation; Marathon Oil; Novatek; Occidental Petroleum Corp.; Repsol S.A.; Royal Dutch Shell plc; Statoil ASA; Total S.A.; Tullow Oil plc; and Woodside Petroleum Ltd.	For each metric, 15% of the portion of the award will vest for threshold performance, increasing on a linear basis to 100% for maximum performance.
EBITDA	Measured by the cumulative performance of the Company over the three-year period on an absolute basis, normalising for commodity prices and material exchange rate movements.	The targets for threshold vesting for EBITDA set by the Committee are informed by the forecast level of performance of the Company and the targets for maximum vesting are set at a level that the Committee considers represents a significant challenge for the Company to achieve.	
ROACE	Measured by the average annual performance of the Company over the three-year period on an absolute basis, normalising for commodity prices and material exchange rate movements.	The targets for threshold vesting for ROACE set by the Committee are informed by the forecast level of performance of the Company and the targets for maximum vesting are set at a level that the Committee considers represents a significant challenge for the Company to achieve.	

ADDITIONAL INFORMATION ON 2015 LTIP PERFORMANCE METRICS

TSR

The TSR peer group was reviewed and updated to include the most relevant comparator companies.

Seventeen of the 20 companies in the 2015 peer group were also included in the 2014 peer group for assessing TSR performance. For a listing of peer group companies for prior years see page 69.

EBITDA and ROACE

The Committee considers that it would be detrimental to disclose the performance targets for EBITDA and ROACE before the completion of the financial years to which

they apply, as such disclosure would provide the Company's competitors with confidential information on the timing of key projects and may adversely impact the Group's ability to optimise its marketing activities. It may also require the Company to provide earlier disclosure of material events that may or may not impact on the EBITDA and ROACE forecasts informing the LTIP targets. In accordance with the approved remuneration policy, the targets will be disclosed following the completion of the financial years to which they apply, when they are no longer commercially sensitive.

However, the Committee will include qualitative intra-cycle disclosures during the LTIP performance period of the forecasted level of vesting for each of the LTIP metrics to inform ongoing dialogue with shareholders on the linkage between performance and pay.

The targets for EBITDA and ROACE will be adjusted by the Committee for any acquisitions or disposals during the performance period on a consistent basis by reference to a framework of principles agreed with the Board. These adjustments will be explained when the targets are disclosed following the end of the performance period.

RECRUITMENT OF THE CHIEF EXECUTIVE

Following the identification of Helge Lund, during 2014, as the preferred Chief Executive candidate, the Board and the Committee sought to structure and agree a competitive remuneration package that in its design would promote the long-term success of the Company, by aligning the variable components of Mr Lund's remuneration with the Company's performance and the interests of shareholders. We consulted extensively with our shareholders on the proposed package and were made aware of a number of concerns, particularly relating to the proposed conditional share award. Based on this feedback and following discussions with Mr Lund, on 1 December 2014 we announced revisions to the remuneration package that brought all elements of Mr Lund's remuneration within the Directors' Remuneration Policy, approved by shareholders in May 2014. The conditional share award was replaced by an initial award of shares under the Company's LTIP, which will be subject to the LTIP Company performance conditions based on the basket of metrics as described above. On 9 February 2015, Mr Lund joined the Company as Chief Executive and, on 9 March 2015, Mr Lund was granted the initial award as an LTIP PSA over 1 141 011 shares

in the form of a conditional award of shares subject to the 2015 LTIP performance conditions. At grant, the expected value of the initial award was approximately £4.6 million and the face value was approximately £10.6 million.

On 9 March 2015, Mr Lund was also granted an award of 31 735 shares to buy out the 2014 bonus foregone on leaving his former employer. The award vested immediately and the resulting shares (net of tax) were retained by Mr Lund in accordance with the shareholding guidelines. On 9 March 2015, Mr Lund was also granted an award over 48 976 shares in the form of a conditional award of shares to buy out the share awards foregone on leaving his former employer. The award is subject to continued employment but without Company performance conditions consistent with the awards being bought out. The face value of these awards at grant was approximately £750 000 and their expected value is no more than the value of the bonus and share awards foregone. Further details of these awards will be provided in the 2015 Remuneration report.

Mr Lund has indicated that he intends to hold all shares that vest to him (net of tax) for the duration of his employment with BG Group.

BONUS (ANNUAL INCENTIVE SCHEME)

At its December 2014 meeting, the Remuneration Committee considered the design of the AIS for 2015. The Committee determined that the AIS continues to incentivise the achievement of the Company's strategic and business priorities appropriately and, accordingly, the Committee retained the same performance measures and weightings for the 2015 AIS, as described on page 67 for the 2014 AIS. Stretching AIS performance targets were determined by reference to the Board-approved budget for 2015. The Committee expects to follow the same two-stage review process as in prior years, to review the performance outcomes for each metric and the overall outcome in the context of the underlying performance and prospects of the business.

In accordance with the approved remuneration policy, the AIS targets will be disclosed following the completion of the financial year, when they are no longer commercially sensitive.

OTHER MATTERS

Additional detail on any other remuneration matters relating to 2015 that have yet to be determined, including any reviews of salaries for Executive Directors or fees for Non-Executive Directors and any LTIP grants, will be provided in the disclosures that will form part of the 2015 Annual Report and Accounts.

OTHER DISCLOSURES**EXECUTIVE DIRECTORS' SERVICE CONTRACTS AS AT 18 MARCH 2015**

Details of the service contracts of the current Executive Directors are set out below:

Executive Directors	Contract date	Notice period
Helge Lund ^(a)	15 Oct 14	1 year
Simon Lowth	3 Jul 13	1 year

(a) Helge Lund was appointed as Executive Director and Chief Executive on 9 February 2015. He is subject to election as a Director by shareholders at the 2015 AGM.

The Company's policy is to include change of control provisions in the Executive Directors' service contracts. The Committee considers that these provisions assist with recruitment and retention and that their inclusion is therefore in the best interests of shareholders. Should an Executive Director's employment be terminated within 12 months of a change of control, they are entitled to liquidated damages equal to one year's gross salary plus 30% of base salary (as a pension contribution or as cash in lieu of pension) less any deductions the employer is required to make. The Committee considers this to be a genuine pre-estimate of loss.

Additionally, all the Company's share plans contain provisions relating to a change of control. In general, outstanding awards and options would normally vest and become exercisable on a change of control, to the extent that any performance conditions have been satisfied at that time. If the Committee considers it appropriate, given the circumstances of the change of control, time apportionment may also apply.

GOVERNANCE AND ADVISERS TO THE REMUNERATION COMMITTEE

REMUNERATION COMMITTEE'S RESPONSIBILITIES

The Committee's principal responsibilities are:

- Setting, reviewing and recommending to the Board for approval the Group's overall remuneration policy and strategy;
- Setting, reviewing and approving the remuneration arrangements (including any bonuses, incentive payments, share awards, pension and benefit arrangements, and termination payments) of the Chairman, Chief Executive and Executive Directors;
- Reviewing and approving the remuneration arrangements (including any bonuses, incentive payments, share awards, pension and benefit arrangements, and termination payments) of members of the GLT who are not Executive Directors, and the Company Secretary; and
- Reviewing and approving the rules of (and any significant amendment to) any LTIP (whether cash or share-based), DBP, cash-based incentive plan, or share plan, subject to final approval by the Board and/or shareholders, where necessary.

The full terms of reference of the Committee can be found on the BG Group website at www.bg-group.com/remunerationcommittee and copies are available on request.

See page 48 for the Directors who were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were considered.

During the year, the Committee also invited the following individuals to attend on certain occasions to provide advice to the Committee to enable it to make informed decisions:

- Interim Executive Chairman;
- Chief Executive;
- Executive Vice President, Human Resources; and
- Head of Reward.

The Company Secretary attended meetings as secretary to the Committee.

No individual was present when their own remuneration was being discussed.

The Committee also meets without management present and receives independent executive remuneration advice and information from external advisers (see table opposite).

EXTERNAL ADVISERS AND FEES

KEPLER ASSOCIATES*	During the year, Kepler Associates provided the Committee with advice on market trends, incentive schemes and other remuneration matters.	Kepler Associates was formally re-appointed by the Committee in 2012 as adviser to the Committee, following a competitive selection process. Kepler does not provide any other services to the Group, and the Committee is satisfied that the advice it received was objective and independent.	£132 951 on the basis of time incurred, and expenses.
TOWERS WATSON*	During the year, the Committee received market information from Towers Watson.	Towers Watson also provided general compensation and benefits information, general consultancy services to the Group and actuarial advice to the Trustees of the BG Pension Scheme. Towers Watson was selected by the Company and the Committee is satisfied that the market information it received was objective and independent.	£20 500 on the basis of time incurred, and expenses.
ALITHOS LIMITED*	During the year, Alithos Limited, an independent TSR monitoring service, provided the Committee with reports on the Company's TSR performance relative to the relevant indices.	Alithos also provided reports to the Group on BG Group's TSR performance and on its sector peers. Alithos was selected by the Company and the Committee is satisfied that the information it received was independent and objective.	£26 750 on the basis of a fixed fee for the requested reports.
SLAUGHTER AND MAY*	During the year, Slaughter and May provided the Committee with legal advice on certain matters relating to executive remuneration.	Slaughter and May was selected by the Committee Chairman from a shortlist of legal firms that do not provide any other services to the Group, and the Committee is satisfied that the advice it received was objective and independent.	£2 500 on the basis of time incurred, and expenses.

* Kepler Associates, Towers Watson, Alithos Limited, and Slaughter and May have given, and not withdrawn, their consent to the issue of this document with the inclusion of the reference to their respective names in the form and context in which they appear.

SHAREHOLDER VOTING

The table sets out actual voting in respect of our previous Remuneration report.

The percentage of votes against the 2013 Annual Statement and Annual Report on Remuneration is discussed further in the **Committee Chairman's introduction** on page 62 of this report.

	For	Against	Abstain ^(a)
2013 Directors' Remuneration Policy (2014 AGM)	2 109m (94%)	142m (6%)	63m
2013 Annual Statement and Annual Report on Remuneration (2014 AGM)	1 543m (67%)	753m (33%)	51m

(a) A vote abstained is not a vote in law and is not counted in the calculation of the proportion of votes 'For' or 'Against' a resolution.

AUDIT NOTES

In accordance with Section 421 of the Companies Act 2006 and the Regulations, the following sections of the report have been audited: Executive Directors' total remuneration; scheme interests awarded during the year; payments to former Directors; Executive Directors' interests in shares; Non-Executive Directors' remuneration; Non-Executive Directors' interests in ordinary shares; and the table and notes in the Pensions section of the report. The remaining sections are not subject to audit.

By order of the Board



SIR JOHN HOOD
CHAIRMAN OF THE
REMUNERATION COMMITTEE

18 March 2015

Registered office:
100 Thames Valley Park Drive,
Reading, Berkshire RG6 1PT

Registered in England & Wales No. 3690065

There are a number of legal and regulatory requirements with which BG Group must comply, such as the Companies Act 2006 (the Act), the Listing Rules (LRs) and the Disclosure and Transparency Rules (DTRs), which are addressed in this section.

INCORPORATION AND CONSTITUTION

BG Group plc is domiciled in England and incorporated in England and Wales under Company Number 3690065.

The Company's Articles of Association (the Articles) may only be amended by a special resolution at a general meeting of shareholders and are available online at www.bg-group.com

SHARE CAPITAL

The Company's share capital consists of ordinary shares with a nominal value of 10p each. Details of the Company's share capital, together with details of the movements in the share capital during the year, are set out in note 21 on page 125.

SHAREHOLDERS' RIGHTS AND OBLIGATIONS

Rights and restrictions applying to the Company's shares are as follows:

- **Restrictions on shareholders' rights** – Subject to the Articles, and unless the Directors decide otherwise, if a shareholder has failed to supply information about interests in shares after receiving a notice properly issued by the Company, the shareholder shall not be entitled to attend or vote at a shareholders' meeting for as long as the default continues. Any person who acquires these shares is subject to the same restrictions. In addition, if the shareholder's interest represents 0.25% or more of the existing shares further restrictions apply.
- **Restrictions on holding securities** – There are no restrictions under the Articles or under UK law that either restrict the rights of UK resident shareholders to hold, or limit the rights of non-resident or foreign shareholders to hold, or vote, the Company's ordinary shares.
- **Transfer** – There are no restrictions on the transfer of shares beyond those required by applicable law, under the Articles or under any applicable share dealing code.
- **Voting** – Subject to any special rights or restrictions, at any general meeting on a poll, every shareholder on the Register not less than 48 hours (excluding non-working days) before the time fixed for a general meeting, will have one vote for every share that they hold. Shareholders may cast votes either personally or by proxy and a proxy need not be a shareholder. Under the Articles, only shareholders who have paid the Company all calls, and all other sums,

relating to their shares that are due at the time of the meeting, may attend and vote. The detail relating to the appointment of proxies and registration of voting instructions is set out on page 150.

- **Alteration of share capital and variation of rights** – the shareholders can by ordinary resolution: (a) consolidate, or consolidate and then divide, all or any of the Company's share capital into new shares of a larger nominal amount than the existing shares; and (b) divide some or all of the Company's share capital into shares that are of a smaller nominal value than the existing shares. The Company may reduce or vary the rights attaching to its share capital by special resolution. However, such matters are subject to the relevant provisions of the Articles and applicable law and regulations. Further details in relation to rights and restrictions applying to the Company's shares are set out in the Articles.

PROFIT AND DIVIDENDS

The shareholders can declare final dividends by ordinary resolution. No dividend can exceed the amount recommended by the Directors. Dividends are paid based on the amounts that have been paid up on the shares in the relevant period.

The Directors can recommend that the shareholders pass an ordinary resolution to direct all or part of a dividend to be paid by distributing specific assets. The Directors must give effect to such a resolution. The Company may invest unclaimed dividends, or these may be forfeited, subject to the relevant provisions of the Articles.

The Trustees of the BG Group plc Employee Share Trust and the BG Group Share Incentive Plan have waived their right to receive dividends over 2 830 140 and 3 185 ordinary shares respectively, as at 31 December 2014. For the year ended 31 December 2014, the total loss for the Group before tax was \$2 330 million (2013: \$3 889 million profit). A final dividend of 14.37 cents per ordinary share is proposed (2013: 15.68 cents), making a full-year dividend for 2014 of 28.75 cents (2013: 28.75 cents). The results are dealt with more fully in the **Financial statements** on pages 82 to 139.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following voting interests in the ordinary share capital of the Company, disclosable under DTR 5, had been notified to the Directors:

BlackRock Inc.	225 763 559	6.61%
Norges Bank	172 504 519	5.05%
Capital Group Companies Inc	117 636 921	3.45%

No change in voting interests in the ordinary share capital of the Company, disclosable under the DTRs, has been notified to the Directors between 31 December 2014 and 18 March 2015.

SIGNIFICANT CONTRACTS – CHANGE OF CONTROL

There are a number of agreements that take effect, alter or terminate upon a change of control of BG Group following a takeover bid.

It is possible that the Republic of Kazakhstan may claim to have a right to acquire the Group's interest in the Final Petroleum Sharing Agreement governing the operation of the Karachaganak gas and condensate field (BG Group currently 29.25%) (or the shares in the company holding that interest) in the event of a change of control of BG Group following a takeover bid.

In certain specific circumstances, it is possible that BG Group's partners in BM-S-9 (Petrobras and Repsol Sinopec Brasil) have a right of first refusal to acquire BG Group's interest in the Consortium which holds the concession of BM-S-9 (BG Group currently holds 30% of such Consortium) in the event of a change of control of BG Group plc.

As at 31 December 2014, BG Energy Holdings Limited had committed borrowing facilities with a number of financial institutions in an aggregate amounts of (i) \$7.3 billion, which are undrawn and (ii) \$2.2 billion, which are drawn.

When taken together, these facilities are significant to the ongoing liquidity of the Group and repayment or cancellation of any or all of them may be demanded upon a change of control of BG Group.

No other agreements that take effect, alter or terminate upon a change of control of BG Group following a takeover bid are considered to be significant in terms of their potential impact on the business of the Group as a whole.

RESEARCH AND DEVELOPMENT

In 2014, BG Group invested \$90.1 million in research and development (R&D) projects, up from \$76.5 million in 2013. 2014 saw the contracting of the Sustainable Gas Institute (\$15 million over five years) with Imperial College London and its subsequent launch by the Rt Hon Michael Fallon MP, Minister of State for Energy. The Sustainable Gas Institute develops innovative solutions that will help reduce environmental liabilities, increase energy efficiency and investigate the role of gas in sustainable energy systems. The Institute at Imperial College works in conjunction with centres of excellence in Brazil to conduct

research on three strategic themes of gas innovations, energy efficiency and carbon capture, storage and use. A further significant development was the commitment to fund an additional 100 Science Without Borders scholarships in support of the Brazilian government's flagship initiative. This federal programme aims to build academic capacity in Brazil by providing Brazilian fellows, at undergraduate, Doctorate and Post Doctorate levels, the opportunity to study at world-class, international universities on the subjects of science, technology, engineering and mathematics (STEM) and creative industries. The multidisciplinary technology hubs continued to deliver R&D projects and execute field trials to support carbonate reservoir evaluation in Brazil, coal seam gas operations in Australia and BG Group's exploration activities.

At the end of 2014, circa \$185 million is currently committed in contracted R&D projects of up to five years duration. Completion of the construction of the Global Technology Centre in Rio de Janeiro is expected in the first quarter of 2015.

GREENHOUSE GAS EMISSIONS

The BG Group scope 1 and 2 greenhouse gas (GHG) emissions from Group-operated businesses for 2014 were 7.6 mt CO₂e and 260 kt CO₂e, respectively, compared with 7.0 mt CO₂e and 15.1 kt CO₂e, respectively in 2013. Our combined operated scope 1 and 2 GHG emissions intensity for the year was 19.8 mt of CO₂e per mmbœ, compared with 17.5 mt CO₂e per mmbœ in 2013, an increase of 13%. CO₂e emissions on an equity share basis, including operations where BG Group is an investor but not an operator, were 8.5 mt CO₂e in 2014, compared with 8.3 mt CO₂e in 2013. Emissions intensity rose from 2013 to 2014 by 9%, from 22.6 to 24.7 mt CO₂e per mmbœ.

The Group reports in line with the GHG Protocol Corporate Accounting and Reporting Standard (2004) and the IPIECA Oil and Gas Industry Voluntary Guidance on Sustainability Reporting (2010). All of the Group's operated and joint-operated businesses report quarterly on fuel use, flaring, venting and fugitives into a central environmental database to calculate carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) emissions. In respect of Operated emissions, the Group reports 100% of data where it is the operator and 50% of the data where it is joint operator. It reports from offices with more than 100 people and/or from those sites capable of influencing and monitoring GHG emissions.

The Group uses emission factors supplied by the IPIECA/API/OGP Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions (2011) wherever they are available, in line with good industry practice. These

emission factors are built into the calculations in our environmental reporting database as default values. While the Group uses generic emission factors as a default, it aims to improve the accuracy of calculations by inputting other information specific to the fuel and the facility in question, as different fuel compositions will result in different emission levels.

The calculation BG Group uses to derive scope 1 (direct) GHGs from all emissions sources is: GHG (or CO₂e) = CO₂ + (CH₄ × 21) + (N₂O × 310). These are the three Kyoto protocol gases relevant to the Group's businesses. The Group calculates scope 2 (indirect) CO₂ emissions from electricity consumption in our operated businesses by applying a country-specific default emission (grid) factor from IEA CO₂ Emissions from Fuel Combustion (2012 Edition), Electricity and Heat Generation, IEA, Paris. These are updated in our database on an annual basis.

In respect of equity share emissions, the Group reports GHG emissions from operated, joint-operated, and non-operated businesses in which we have an interest, calculated on an equity-share basis. We collect GHG emissions data from our non-operated business on an annual basis. Total GHG emissions per facility are multiplied by our financial stake (%) in the facility to calculate our equity share emissions. This data is then summed and reported at Group level.

We use emissions intensity per unit of gross production (mmbœ) as a ratio to relate emissions to our activities. Emissions intensity is an indication of the energy efficiency of a facility or process. This normalisation allows us to see whether our activities are more or less carbon intensive. Gross production data includes gross upstream production, liquefaction and regasification volumes, electricity production, shipping cargoes and throughput volumes from pipelines converted into mmbœ using default calculation values for all activities.

BRANCHES

BG Group, through various subsidiaries, has established branches in a number of different countries in which the business operates.

EMPLOYEES

- **Engagement** – Employees are informed about significant business issues, BG Group's performance, and other matters of concern to them, using webcasts, the Group's intranet and in-house publications, as well as at face-to-face briefing meetings at each business location. When appropriate, consultation with employee and union representatives also takes place. Employees are given an opportunity to become shareholders in the Company and many participate in BG Group's share plans.

- **Disabilities** – BG Group takes a positive approach to equality and diversity. The Group remains committed to the full and fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Where existing employees become disabled, our policy is to provide continuing employment and training wherever practicable. The Group encourages its partners to take a similar approach to these issues where Group Policies or Standards are not able to be implemented directly.

APPOINTMENT AND REMOVAL OF DIRECTORS

The Board may appoint any person to be a Director of the Company and such Director shall hold office only until the next AGM, when he or she shall be eligible for re-appointment by the shareholders. The Articles provide that, at each AGM, all these Directors who were elected, or last re-elected a Director at or before the AGM held in the third calendar year before the current year shall automatically retire from office. However, in accordance with the provisions of the Code, all Directors of the Company are subject to annual re-election.

DONATIONS

- **Charitable** – During 2014, BG Group donated around \$1.6 million to registered charities in the UK. More information on the Group's social performance and social investment activities can be found in the 2013 Sustainability Report, available online at www.bg-group.com/sustainability
- **Political** – The Group's policy is not to make donations for political purposes. In 2014, no donations were made to any EU member state for political purposes, nor contributions made to any non-EU political parties.

DIRECTORS' POWERS

The Directors are empowered to exercise all the powers of the Company subject to any restrictions in the Articles, the Act and any special resolution.

- **Repurchase of shares** – The Company did not repurchase shares during the year or make any shares the subject of a charge. At the 2014 AGM, the Company was given authority to make market purchases of up to 340 942 562 of its own issued share capital at a maximum price per share of the higher of: (i) 105% of the average middle market closing price of the shares for the five business days prior to the relevant purchase; and (ii) an amount equal to the higher of the price of the last independent trade and the highest independent bid for an ordinary share. This authority will expire at the conclusion of the 2015 AGM and approval from shareholders will be sought at that meeting to renew the authority for a further year.

- **Pre-emptive rights and new issues** – At the 2014 AGM, the Directors were given the power to allot shares up to a maximum nominal amount of £113 647 520, representing approximately 1/3 of the Company's issued share capital (excluding treasury shares) as at 19 March 2014, together with ordinary shares outstanding under BG Group's share option schemes. This authority will expire at the conclusion of the 2015 AGM and approval from shareholders will be sought at that meeting to renew the authority for a further year.
- **Borrowing powers** – So far as the Act allows, the Directors can exercise all the powers of the Company to: (a) borrow money; (b) issue debentures and other securities; and (c) give any form of guarantee or security for any debt, liability or obligation of the Company or of any third party, subject to the limits (as defined in the Articles). Such limits may be exceeded if the Company's consent has been given in advance by an ordinary resolution passed at a general meeting.

DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place to manage Directors' conflicts of interest and potential conflicts of interest, which the Board considers operate effectively. All Directors have a duty to avoid situations that conflict with the interests of the Group. Directors are required to notify BG Group when they become aware of a conflict of interest or potential conflict of interest. Once notified, all matters are considered by the Nominations Committee and an appropriate recommendation is made to the Board on whether to authorise such conflict of interest or potential conflict of interest. Certain safeguards apply when the Directors consider the conflict of interest or potential conflict of interest: (a) only Directors who have no interest in the matter are able to take the relevant decision; (b) in taking any decision, the Directors must act in a way that they consider, in good faith, will be most likely to promote the Company's success; and (c) the Directors are able to impose limits or conditions when giving such authorisation, if they think this is appropriate.

DIRECTORS' INDEMNITIES AND INSURANCE

BG Group maintains liability insurance for its Directors and officers. The Directors, Company Secretary and members of the GLT have also been granted a qualifying third-party indemnity, under the Act, which remains in force. Neither the Company's indemnity nor insurance provides cover in the event that the indemnified individual is proved to have acted fraudulently or dishonestly.

DIRECTORS' REPORT – PRINCIPAL DISCLOSURES

The Directors' report comprises pages 2 to 81.

The following information, which forms part of the Directors' report, can be found on the pages detailed:

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DISCLOSURES REQUIRED UNDER UK LISTING RULE 9.8.4

The majority of the disclosures required under LR 9.8.4 are not applicable to BG Group. In accordance with LR 9.8.4C, the table below sets out the location of the disclosures presented for those requirements that are applicable:

Applicable sub-paragraph within LR 9.8.4	Disclosure provided
(1) Interest capitalised by the Group	107
(2) Publication of unaudited financial information	Not applicable
(4) Details of long-term incentive schemes only involving a Director	64
(5) Waiver of emoluments by a Director	Not applicable
(6) Waiver of future emoluments by a Director	Not applicable
(7) Non pro-rata allotments for cash (issuer)	Not applicable
(8) Non pro-rata allotments for cash (major subsidiaries)	Not applicable
(9) Parent participation in a placing by a listed subsidiary	Not applicable
(10) Contracts of significance	Not applicable
(11) Provision of services by a controlling shareholder	Not applicable
(12) Shareholder waivers of dividends	78
(13) Shareholder waivers of future dividends	78
(14) Agreements with controlling shareholders	Not applicable

CORPORATE GOVERNANCE DISCLOSURE STATEMENT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FINANCIAL STATEMENTS AND ACCOUNTING RECORDS

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration report and the Financial statements in accordance with applicable law and regulations.

The Companies Act 2006 (the Act) requires the Directors to prepare Financial statements for each financial year. Under the Act, the Directors have prepared the Group and the parent Company Financial statements in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Act. The Financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

The Directors consider that, in preparing the **Financial statements** on pages 82 to 139, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and all applicable accounting standards have been followed. The Company has complied with UK disclosure requirements in this report, in order to present a consistent picture to all shareholders.

The Directors have responsibility for ensuring that the Company keeps accounting records that disclose with reasonable accuracy the financial position of the Company and of the Group and that enable them to ensure that the Financial statements and the Directors' Remuneration report comply with the Act and, as regards the Group Financial statements, Article 4 of the International Accounting Standard Regulation.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of BG Group and to prevent and detect fraud and other irregularities, and have adopted a control framework for application across the Group.

The Directors, having prepared the Financial statements, have asked the auditor to take whatever steps, and to undertake whatever inspections, they consider to be appropriate for the purposes of enabling them to give their audit report. The Directors confirm that the Audit Committee continues to review the adequacy of the system of internal control adopted by BG Group.

A copy of the Financial statements of the Company is placed on the BG Group website. The work carried out by the auditor does not involve consideration of the maintenance of the BG Group website and, accordingly, the auditor accept no responsibility for any changes that may have occurred to the Financial statements since they were initially presented on the website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Rule 4.1.12 of the DTRs, each of the Directors, the names and functions of whom are set out on pages 46 and 47, confirms that to the best of his or her knowledge:

- The BG Group Financial statements, which have been prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The management report represented by the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

The Directors have concluded that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess BG Group's performance, business model and strategy in accordance with the UK Corporate Governance Code.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

As required by Sections 418 and 419 of the Act, each of the Directors has approved this report and confirmed that, so far as they are aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

GOING CONCERN

BG Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 2 to 41. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, as well as the Group's objectives, policies and processes for managing capital, are described on pages 28 to 33. Financial risk management objectives, details of financial instruments and hedging activities, and exposures to credit risk and liquidity risk are described in note 18, pages 117 to 123. The Directors consider that the Group's business activities and financial resources ensure that it is well placed to manage its business risks successfully.

The Directors are satisfied that:

- The Group's and the Company's activities are sustainable for the foreseeable future, and that the business is a going concern; and
- That it is appropriate to continue to adopt a going concern basis in the preparation of the Financial statements.

THE BOARD'S REVIEW OF THE SYSTEM OF INTERNAL CONTROL

The Board has responsibility for the Group's overall approach to risk management and internal control and considers their effectiveness to be fundamental to the achievement of the Group's strategic objectives. During 2014, the Board reviewed with management the process for identifying, evaluating and managing the principal risks faced by the Company.

The Board, upon the advice of the Audit Committee, has reviewed the Group's risk management and internal controls systems for the period 1 January 2014 to the date of this report, and is satisfied that they are effective and that the Group complies in this respect with the Internal Control: Guidance to Directors (formerly the Turnbull Guidance).

Continued focus in 2015 will be given by the Audit Committee to the Group's controls enhancement programme, which is designed to refresh accountabilities with respect to financial controls assurance and testing. During early 2015, the Board and Audit Committee will also focus on the scope and frequency of risk management and internal control reporting (and associated assurance) in accordance with the Financial Reporting Council's: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014), with the objective of full compliance with the September 2014 edition of the Code (and related guidance) for the 2015 Annual Report and Accounts.

BG Group's ability to assess, influence and control the risk management and internal control environment within its joint ventures varies and, in some cases, may be limited, as disclosed in the **Principal Risks and Uncertainties** on page 34. The Group endeavours to influence joint ventures to adopt improved standards, controls and procedures where BG Group feels current practices do not adequately address significant risks, or result in sub-optimal performance.

By order of the Board

HELGE LUND
CHIEF EXECUTIVE
18 March 2015

SIMON LOWTH
CHIEF FINANCIAL OFFICER

Registered office: 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT, United Kingdom

FINANCIAL STATEMENTS





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KARACHAGANAK PROCESSING COMPLEX, KAZAKHSTAN.

BG Group is joint operator of the giant Karachaganak field in north-west Kazakhstan. The field covers an area of more than 280 square kilometres where some 395 wells have been drilled. Only 10% of the hydrocarbons initially in place have been produced to date.



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BG GROUP PLC

OUR OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. Our opinion on the Financial statements

In our opinion:

- the Financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group's Financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the parent Company Financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group's Financial statements, Article 4 of the IAS Regulation.

2. What we have audited

We have audited the Financial statements of BG Group plc for the year ended 31 December 2014, which comprise:

- the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and parent Company balance sheets, the Consolidated and parent Company statements of changes in equity, the Consolidated and parent Company cash flow statements; and
- the Principal accounting policies and the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the parent Company Financial statements, as applied in accordance with the provisions of the Companies Act 2006.

3. Our approach to planning our audit

UNDERSTANDING BG GROUP'S BUSINESS



Understand BG Group's business, strategy and business model

We obtain an understanding of BG Group and the environment in which it operates by review, enquiry, analytical procedures, observation and inspection.

RISK OF MATERIAL MISSTATEMENT



Identify and assess the risks of material misstatement

We perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement, including those relating to significant risks (see section 4).

MATERIALITY



Determine materiality and performance materiality

When establishing our overall audit strategy, we determine materiality for the financial statements as a whole. In so doing, we make judgements about the size of misstatements that will be considered material (see section 5)

SCOPE

Determine the scope of our audit

Our scope is tailored to the particular circumstances of our audit of BG Group and is influenced by our assessed risks of material misstatement and determination of materiality (see section 6).

4. Our assessment of risk of material misstatement

We identified the following risks that have had the greatest effect on: our overall audit strategy; our allocation of resources in the audit; and directing the efforts of the engagement team.

RISKS	OUR RESPONSE TO THESE RISKS	WHAT WE REPORTED TO THE AUDIT COMMITTEE
The recent decline in crude oil prices has had a significant impact on the Group Financial statements and disclosures. The lower outlook has resulted in material impairments of assets. A significant judgement is oil price assumptions, both in the short and long-term. Commodity price assumptions impact many areas of financial reporting, including estimation of oil and gas reserve volumes, impairment assessment and decommissioning provision estimates.	In 2014, around three quarters of the output of BG Group's gas assets was sold under contracts linked to oil prices. We therefore focused our analysis principally on oil prices. In assessing the appropriateness of management's oil price assumptions, we have compared their price assumptions with the latest market evidence available, including forward curves, broker's estimates and other long-term price forecasts.	The available market evidence shows that there is a wide range of expectations as to the oil price over the next 5 years. Beyond 2020 brokers expect prices to recover, although not to levels experienced over the last three years. BG Group's oil price assumptions are comfortably within the range of analyst expectations and other market data, including the range of what we understand other market participants are considering as a long-term oil price.
Estimation of oil and gas reserves requires significant judgement and assumptions by management and engineers. These estimates have a material impact on the Financial statements, particularly: impairment testing; depreciation, depletion and amortisation (DD&A); decommissioning provisions; and going concern. There is technical uncertainty in assessing reserve quantities and complex contractual arrangements dictating BG Group's share of reserves, particularly the Production Sharing Contracts (PSCs) and joint venture arrangements in place. This technical uncertainty is even higher in the case of unconventional hydrocarbons.	Our audit procedures have focused on management's estimation process, including whether bias exists in the determination of reserves and resources. Our procedures included: - assessing the competence and objectivity of both internal and external specialists involved in the estimation process; - ensuring that significant additions or reductions in proved reserves were compliant with BG Group's Reserves and Resources Technical Standards and Guidelines; - testing group-wide controls over the reserves review process; and - discussing and ensuring that any reserve revisions were consistent with our understanding.	Based on our procedures we consider that the reserves estimations are a reasonable basis for estimating reserves in-place for impairment testing, calculating DD&A, the determination of decommissioning dates and in considering going concern.
The assessment of the existence of any indicators of impairment of the carrying amount of non-current exploration and production assets is judgemental. In the event that indicators are identified, the assessment of the recoverable amounts of the assets is also judgemental. Overall there has been a material impairment charge that has been recognised during 2014. The impairment charge has primarily been driven by the significant reduction in commodity prices and reduced outlook for the long-term assumed oil and gas prices.	The principal indicator of impairment was the decline in the oil price. We engaged our business modelling and valuation specialists to assist us in the audit of the impairment charge. Separately, we audited the inputs to impairment models, including the commodity prices, production profiles, cash flow projections, capital expenditure, operating expenditure, risk weightings and discount rates. Our procedures included: - understanding the variations in future production to historical data; - comparing future operating expenditure to historical expenditure and ensuring that variations are in line with our expectations; - comparing the inflation and exchange rate assumptions to external market data; and - an independent assessment of the discount rate.	Based on our procedures, we believe the impairment charge is appropriate and well within an acceptable range. Furthermore, based on our audit procedures, we believe that the cash flow projections estimated are reasonable, the assumptions are supportable and the range of economic conditions that could exist over the remaining useful lives of the assets have appropriately been considered.
The overdue amount from the Egyptian government at the year end was \$0.7 billion. Given the political and economic uncertainty in Egypt we continue to focus on the recoverability of this overdue amount.	We challenged management's assessment as to the recoverability of the receivable. We gained an understanding of the local environment in Egypt and monitored its impact on operations. We confirmed the receivables balance and agreed the receipts to supporting documentation. We critically evaluated management's assessment of the recoverability of asset balances. We considered cash received during the year, average grid take for the year, the status of price re-negotiations with the Egyptian government, general developments in Egypt, the anticipated time over which the outstanding amount is expected to be repaid and the currency that those payments are anticipated to be made in.	Based on the overall balance of the quantitative and qualitative factors, we believe that the overdue Egyptian receivable of \$0.7 billion remains recoverable. In forming our view we have taken into account the significant lump sum cash payments that have been received during the year and the positive developments that have taken place during the year on price re-negotiation. We consider the pre-tax charge of \$100 million relating to the downward re-measurement of the receivable to reflect the time value of money to be appropriate.
There are material deferred tax assets recognised as at the balance sheet date. These assets primarily relate to tax losses and are recognised on the basis that there will be taxable profit within the Group to utilise these losses. The assets are primarily in Australia, the US and the UK. The Australian element was previously unrecognised.	We have audited the forecast taxable profits that underpin the recognition of the deferred tax assets, in particular the taxable profits of the Australian, US and UK businesses. Our procedures included: - understanding the income sources supporting the future taxable profits; - ensuring that the assumptions are consistent with those tested as part of the impairment testing; and - confirming as to whether the tax losses are restricted against the source of future profits or are required to be utilised within a certain timeframe.	We are satisfied there is sufficient certainty over the ability of the company to utilise these losses and that recognition of the related deferred tax assets is appropriate.

4. Our assessment of risk of material misstatement continued

RISKS	OUR RESPONSE TO THESE RISKS	WHAT WE REPORTED TO THE AUDIT COMMITTEE
The Group has a number of material uncertain tax positions, which are subject to judgement in relation to interpretation of tax regulations and estimation in recording a provision for any potential cash outflow.	We considered management's interpretation and application of relevant tax law and challenged the appropriateness of management's assumptions and estimates in relation to uncertain tax positions. To assist us in assessing a number of uncertain tax positions, we engaged our tax specialists to advise us on the tax technical issues in order to form a view of the risk of challenge to certain tax treatments adopted.	We believe that the amount provided by management is appropriate and well within an acceptable range.
Going concern assessment, particularly in light of the recent oil price decline and decrease in forward prices.	Our audit procedures included: • agreeing the assumed cash flows to the business plan, walking through the business planning process and testing the central assumptions to external data; • considering the impact of any delays in the receipt of cash proceeds from the Group's asset disposals; • confirming, through enquiry, the consistent application of the cash flow at risk methodology to assess the sensitivity of the underlying assumptions used in the going concern review; and • agreeing the standby facilities to underlying agreements and assessing the concentration risk.	Based on the results of our procedures, we are of the opinion that the Group has prepared a robust assessment that has considered appropriate sensitivities and stress scenarios, in particular a delay in receiving the cash from anticipated disposals. In assessing the robustness of the assessment, we have taken assurance from the level to which oil prices would have to fall for a sustained period for the stressed scenario to become a reality. We consider the decision to prepare the Financial statements on a going concern basis is appropriate.

5. Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the Financial statements. For the purposes of determining whether the Financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the Financial statements, would be changed or influenced.

We initially determined materiality for the Group to be \$300 million (2013: \$375 million), which is approximately 5% (2013: 5%) of Business Performance* profit before tax, and approximately 1% (2013: 1%) of total equity. We have calculated materiality with reference to the Group's Business Performance as we consider this to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. This is on the basis that Business Performance excludes one-off items and fair value measurement of commodity contracts. It is the key earnings measure discussed when the Group presents the financial results. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. Our evaluation of materiality requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

The oil price declined significantly during the course of our audit. The significant decline was in the fourth quarter of the year and did

not have a significant impact on the full year Business Performance. However, there have been a number of material impairments, which have been audited individually and in full.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% (2013: 50%) of planning materiality, namely \$150 million (2013: \$187 million). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level of \$300 million.

Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was \$30 million to \$113 million. This is set out in more detail in section 6 below.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$15 million (2013: \$18 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

6. An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of that materiality determined our audit scope. The factors that we considered when assessing

the scope of the Group audit and the level of work to be performed at each location included the following: the financial significance and specific risks of the location; and the effectiveness of the control environment and monitoring activities, including Group-wide controls and recent internal audit findings.

Following our assessment of the risk of material misstatement to the Group Financial statements, we selected seven components (2013: seven) which represent the principal business units within the Group's two reportable segments and account for 78% (2013: 80%) of the Group's total assets and 75% (2013: 75%) of the Group's Business Performance pre-tax profit.

The components selected, together with the allocated performance materiality, were as follows:

Location and allocated performance materiality	\$ million
Australia (full audit)	113
Brazil (specific audit procedures)	30
Egypt (specific audit procedures)	30
UK & Norway (full audit)	56
GEMS (full audit)	90
Kazakhstan (full audit)	56
Treasury (specific audit procedures)	98

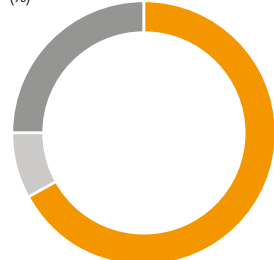
Four of these locations were subject to a full audit (2013: four), whilst at the remaining three (2013: three) specific audit procedures were performed, including full audit of the accounts that were impacted by our assessed risks of material misstatement. For the remaining components, we performed other procedures to confirm there were no significant risks of material misstatement in the Group Financial statements. For those items excluded from Business Performance, primarily impairment charges, we applied a similar approach whereby our in-scope component audit

* 'Business Performance' excludes discontinued operations, disposals, certain re-measurements and impairments and certain other exceptional items.

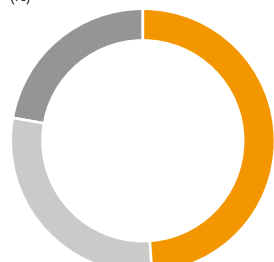
teams performed audit procedures on items generated at the locations including Australia, Egypt and North Sea pre-tax impairment charges. The Group audit team performed procedures on the remaining items including the US and Tunisia pre-tax impairment charges and tax items.

The charts below illustrate the coverage obtained from the work performed by our component teams:

**BUSINESS PERFORMANCE:
PROFIT BEFORE TAX
(%)**



**TOTAL ASSETS
(%)**



The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits each of the locations where the Group audit scope was focused at least once every two years and the most significant of them at least once a year. For all full audit components, in addition to the location visit, the Group audit team reviewed key working papers and participated in the component team's planning, including the component team's discussion of fraud and error.

7. Our opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- the information given in the Strategic report and the Directors' report for the financial year for which the Financial statements are prepared is consistent with the Financial statements.

8. Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under International Standards on Auditing (ISAs) (UK and Ireland) we are required to report to you if, in our opinion, information in the Annual Report and Accounts is:

- materially inconsistent with the information in the audited Financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company Financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 81, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

9. The scope of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

10. The scope of our audit of the Financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial statements sufficient to give reasonable assurance that the Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

11. The respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 81, the Directors are responsible for the preparation of the Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Allister Wilson

ALLISTER WILSON
SENIOR STATUTORY AUDITOR

for and on behalf of Ernst & Young LLP,
Statutory Auditor

London

18 March 2015

Notes:

- The maintenance and integrity of the BG Group plc web site is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Financial statements since they were initially presented on the web site.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BASIS OF PREPARATION

The Financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS), and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union. In addition, the Financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial statements have been prepared primarily using historical cost principles except that, as disclosed in the accounting policies below, certain items, including derivatives, are measured at fair value.

BASIS OF CONSOLIDATION

The Financial statements comprise a consolidation of the accounts of the Company and its subsidiary undertakings and incorporate the results of its share of joint ventures and associates using the equity method of accounting. All inter-company transactions are eliminated on consolidation. Consistent accounting policies have been used to prepare the consolidated Financial statements.

Most of BG Group's exploration and production (E&P) activity is conducted through joint operations. The Group recognises its own share of the assets, liabilities, revenues, expenses and cash flows associated with these joint operations.

The results of undertakings acquired or disposed of are consolidated from or to the date when control passes to or from the Company. For the Company Financial statements only, investments in subsidiary undertakings are stated at cost less any provision for impairment.

PRESENTATION OF RESULTS

BG Group presents its results in the income statement to separately identify the contribution of disposals, certain re-measurements, impairments and certain other exceptional items in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business; see note 1, page 98 and note 9, page 110.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates. BG Group believes that the accounting policies associated with reserves, impairment, depreciation, exploration expenditure, decommissioning costs and tax are the policies where changes in estimates and assumptions could have a significant impact on the Financial statements.

Reserves, commodity prices, impairment and depreciation

One factor that affects the calculation of depreciation and impairment in particular is the estimation of hydrocarbon reserves and resources. BG Group's estimates of reserves and resources of gas and oil are reviewed and, where appropriate, updated quarterly. They are also subject to periodic review by external petroleum engineers. A number of factors impact on the amount of gas and oil reserves and resources, including the available reservoir data, commodity prices and future costs, and the amount is subject to periodic revision as these factors change. BG Group estimates that a 1% change throughout 2014 in the estimation of proved, proved developed and proved plus probable reserves associated with producing fields would have changed the 2014 depreciation charge by \$24 million.

BG Group uses a range of short and long-term assumptions to determine the net present value of future cash flows for use in impairment reviews unless short-term market assumptions are more appropriate to the asset under review. Particular assumptions that impact the calculations are commodity prices, reserves estimates, exchange rates, discount rates and the value of risked exploration acreage. Pages 34 to 41 include further detail in relation to commodity prices and reserves estimates.

In 2014, the Group recognised a pre-tax impairment charge of \$9.0 billion (post-tax \$5.9 billion) relating to Upstream activities in Australia, Egypt and certain other assets. Of the total pre-tax impairment of \$9.0 billion, \$5.5 billion (post-tax \$3.4 billion) resulted predominately from commodity price declines, \$2.7 billion (post-tax \$1.8 billion) related to the QCLNG Pipeline Pty Limited disposal and \$0.8 billion (post-tax \$0.7 billion) related primarily to reserves downgrades.

In Australia, the total pre-tax non-cash impairment charge was \$6.8 billion (post-tax \$4.5 billion) driven mainly by a reduction in the Group's assumptions of future commodity prices and the disposal of QCLNG Pipeline Pty Limited. The impairment is sensitive to assumptions including commodity prices, foreign exchange (movements in the Australian Dollar relative to the US Dollar), timely ramp up of production, third-party gas purchases required to maintain full LNG production in both QCLNG trains, successful exploration of intangible assets and the discount rate applied to cash flow projections. Any adverse changes in these assumptions could result in an additional impairment in the next financial year.

In Egypt, the total pre-tax non-cash impairment charge was \$0.8 billion (post-tax \$0.7 billion), principally driven by further reserve downgrades reflecting underlying reservoir performance.

The impairment is sensitive to assumptions including the level of domestic gas diversions, the sanctioning of future investment projects, the continued repayment of the domestic receivables and the discount rate applied to cash flow projections. Any adverse changes in these assumptions could result in an additional impairment in the next financial year.

Elsewhere, the reduction in the Group's assumptions of future commodity prices resulted in pre-tax non-cash impairment charges in the North Sea of \$0.6 billion (post-tax \$0.2 billion), Tunisia of \$0.5 billion (post-tax \$0.3 billion) and the USA of \$0.2 billion (post-tax \$0.1 billion). These impairments are sensitive to assumptions including commodity prices.

Egypt receivables

The Egyptian government continues to demonstrate its commitment to repay outstanding debts to the energy industry. After partial repayments of the Group's outstanding debt during 2014, the amount owed by Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales as at 31 December 2014 was \$0.9 billion (2013: \$1.2 billion), of which \$0.7 billion (2013: \$0.5 billion) was overdue. The Group considers that the current receivable balance remains fully recoverable as cash payments from EGPC continue to be received, however in 2014 a \$100 million pre-tax (post-tax \$79 million) charge was recognised relating to the downward re-measurement of the receivable balance to reflect the time value of money associated with the outstanding debt based on a revised assumed repayment profile. The recoverability of the receivable balance depends on the business environment in Egypt, the Group's continued investment plans and the volume of gas available for export, together with the outcome of ongoing negotiations with EGPC.

Exploration expenditure

Expenditure on unproved gas and oil reserves within intangible assets is reviewed at least annually to confirm the Group's continued right and intent to explore, develop or otherwise realise value from these assets. As at 31 December 2014 BG Group held a balance of \$3 014 million (2013: \$3 752 million) relating to expenditure on unproved gas and oil reserves within intangible assets. Capitalised exploratory well costs included within this total amounted to \$2 525 million (2013: \$3 058 million). Unsuccessful exploration expenditure written off to the income statement in 2014 was \$237 million (2013: \$394 million). Capitalised exploratory well costs relate to areas where further work is being undertaken on geological and geophysical assessment, development design and commercial arrangements.

Decommissioning costs

The recognition and measurement of decommissioning provisions involves the use of estimates and assumptions. These include: the existence of a legal or constructive obligation to decommission, based on current legislation, contractual or regulatory requirements or best practice; the risk-free discount rate used to determine the net present value of the liability; the estimated cost of decommissioning based on internal and external engineering estimates and reports; and the payment dates of expected decommissioning costs which are uncertain and are based on economic assumptions surrounding the useful economic lives of the fields concerned. Actual costs could differ from estimated costs due to changes in legislation, regulations, technology, price levels and the expected date of decommissioning.

On the basis that all other assumptions in the calculation remain the same as at 31 December 2014, a 10% increase in the cost estimates used to assess the final decommissioning obligations would result in an increase to the decommissioning provision of circa \$450 million, and a 1% increase in the discount rate would result in a decrease to the decommissioning provision of circa \$800 million. These changes would be principally offset by a change in the value of the associated asset, resulting in no material change to the consolidated net assets.

Current and deferred tax

BG Group is subject to income taxes in numerous jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group periodically evaluates situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities. In estimating these provisions consideration is taken of the strength of the technical arguments, the local statute of limitations, likely scope for double tax relief, and whether penalties and interest could apply.

Deferred tax assets are recognised for deductible temporary differences, unutilised tax losses and unused tax credits to the extent that realisation of the related tax benefit through future taxable income is probable. To determine the future taxable income, reference is made to the latest available profit forecasts. This requires assumptions regarding future profitability and is therefore inherently uncertain. Significant items where the Group has relied on estimates of future taxable income include a deferred tax asset in respect of the US tax group amounting to \$1 298 million (2013: \$1 056 million) and a deferred tax asset relating to the Australian tax group amounting to \$2 167 million (2013: \$nil).

SIGNIFICANT ACCOUNTING POLICIES**Exploration expenditure**

BG Group uses the 'successful efforts' method of accounting for exploration expenditure.

Exploration expenditure, including licence acquisition costs, is capitalised as an intangible asset when incurred and certain expenditure, such as geological and geophysical exploration costs, is expensed. A review of each licence or field is carried out, at least annually, to ascertain whether commercial reserves have been discovered.

For conventional E&P activities, intangible exploration and appraisal expenditure is reclassified to property, plant and equipment on the determination of proved reserves. This is the point when exploration and appraisal activities become a development project and reflects the importance of individual well performance and reserves to conventional E&P projects. By comparison, unconventional coal seam and shale gas activities have a relatively short exploration and appraisal phase and are more focused on the average deliverability of a large number of wells over an entire licence area rather than the performance and reserves associated with individual wells. Accordingly, BG Group uses the determination of proved plus probable reserves as the point at which exploration and appraisal expenditure on unconventional E&P activities is reclassified to property, plant and equipment. This approach is consistent with the methodology used to depreciate assets associated with these activities.

Exploration expenditure transferred to property, plant and equipment is subsequently depreciated on a unit of production basis. Exploration expenditure deemed to be unsuccessful is written off to the income statement.

Depreciation and amortisation

Freehold land is not depreciated. Other property, plant and equipment, except exploration and production assets, is depreciated on a straight-line basis at rates sufficient to write off the historical cost less residual value of individual assets over their estimated useful economic lives. Asset lives and residual values are reassessed annually.

The depreciation periods for the principal categories of assets are as follows:

Freehold and leasehold buildings	up to 50 years
Plant and machinery	5 to 40 years
Motor vehicles and office equipment	up to 10 years

Exploration and production assets associated with conventional activities are depreciated from the commencement of commercial production in the fields concerned, using

the unit of production method based on the proved developed reserves of those fields, except that a basis of total proved reserves is used for acquired interests and for facilities.

Exploration and production assets associated with unconventional activities, including coal seam and shale gas, are depreciated from the commencement of commercial production in the fields concerned, using the unit of production method based on proved plus probable reserves, together with the estimated future development expenditure required to develop those reserves.

Intangible assets in respect of contractual rights are recognised at cost less amortisation. They are amortised on a straight-line basis over the term of the related contract.

Changes in depreciation and amortisation estimates are dealt with prospectively.

Decommissioning costs

Where a legal or constructive obligation has been incurred, provision is made for the net present value of the estimated cost of decommissioning at the end of the producing lives of assets.

When this provision gives access to future economic benefits, an asset is recognised and then subsequently depreciated in line with the life of the underlying producing asset, otherwise the costs are charged to the income statement. The unwinding of the discount on the provision is included in the income statement within finance costs. Any changes to estimated costs or discount rates are dealt with prospectively.

Impairment of non-current assets

Non-current assets subject to depreciation or amortisation are reviewed for impairments whenever events or other changes in circumstances indicate that the carrying amount may not be recoverable. Expenditure on unproved gas and oil reserves is assessed for impairment when facts and circumstances suggest that its carrying amount exceeds its recoverable amount.

Any impairment of non-current assets (excluding financial assets) is calculated as the difference between the carrying values of cash-generating units (including associated goodwill) and their recoverable amount, being the higher of the estimated value in use or fair value less costs of disposal at the date the impairment charge is recognised. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis. Fair value less costs of disposal is based on the best evidence available to the Group, and may include appropriate valuation techniques, market data or sales of comparable assets.

For the purposes of impairment testing, exploration and production assets may be aggregated into appropriate cash-generating units based on considerations including geographical location, the use of common facilities and marketing arrangements.

Financial instruments

Derivative financial instruments are initially recognised and subsequently re-measured at fair value.

Derivative financial instruments utilised by BG Group's treasury operations include interest rate swaps, foreign currency swaps, cross-currency interest rate swaps, forward rate agreements and forward exchange contracts.

Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies. Gains and losses arising from the re-measurement of these financial instruments are either recognised in the income statement or deferred in other comprehensive income depending on the type of hedging relationship. When a hedging instrument is sold or expires, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the hedged transaction is recognised in the income statement or is no longer expected to occur. Movements in the fair value of derivative financial instruments not included in hedging relationships are recognised in the income statement.

Loans held by the Group are initially measured at fair value and subsequently carried at amortised cost, except where they form the underlying transaction in an effective fair value hedge relationship when the carrying value is adjusted to reflect fair value movements associated with the hedged risks. Such adjustments are reported in the income statement.

Other financial instruments such as receivable balances are measured at amortised cost less impairments.

Commodity instruments

Within the ordinary course of business BG Group routinely enters into sale and purchase transactions for commodities. The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements. Such contracts are not within the scope of IAS 39.

Certain commodity contracts have pricing terms that bring them into the scope of IAS 39. In addition, commodity instruments are used to manage certain price exposures in respect of optimising the timing and location of physical gas, LNG and oil commitments.

These contracts are recognised on the balance sheet at fair value with movements in fair value recognised in the income statement.

The Group uses various commodity-based derivative instruments to manage some of the risks arising from fluctuations in commodity prices. Such contracts include physical and net-settled forwards, futures, swaps and options. Where these derivatives have been designated as cash flow hedges of underlying commodity price exposures, certain gains and losses attributable to these instruments are deferred in other comprehensive income and recognised in the income statement when the underlying hedged transaction crystallises or is no longer expected to occur.

All other commodity contracts within the scope of IAS 39 are measured at fair value with gains and losses taken to the income statement. Gas and oil contracts and related derivative instruments associated with the physical purchase and re-sale of third-party gas are presented on a net basis within other operating income.

Revenue recognition

Revenue associated with E&P sales (of natural gas, crude oil and petroleum products) is recorded when title passes to the customer. Revenue from the production of natural gas and oil in which BG Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts (entitlement method).

Sales of LNG and associated products are recognised when title passes to the customer. LNG shipping revenue is recognised over the period of the relevant contract.

All other revenue is recognised when title passes to the customer.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax, determined using currently enacted or substantively enacted tax laws.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

OTHER ACCOUNTING POLICIES

Property, plant and equipment excluding decommissioning assets

All property, plant and equipment is carried at depreciated historical cost. Additions represent new, or replacements of specific components of property, plant and equipment. Finance costs associated with borrowings used to finance major capital projects are capitalised up to the point at which the asset is ready for its intended use.

Inventories

Inventories, including inventories of gas, LNG and oil held for sale in the ordinary course of business, are stated at weighted average historical cost less provision for deterioration and obsolescence or, if lower, net realisable value.

Foreign currencies

The currency in which the Group presents its consolidated and parent Company Financial statements is US Dollars. The functional currency of the Company is Pounds Sterling. The exchange rates of US Dollar to Pound Sterling over the periods included in this Annual Report and Accounts are as follows:

US\$/UK£ exchange rate	2014	2013	2012	2011	2010
Closing rate	1.5593	1.6563	1.6255	1.5541	1.5657
Average rate	1.6545	1.5640	1.5848	1.6079	1.5489

On consolidation, assets and liabilities denominated in currencies other than US Dollars are translated into US Dollars at closing rates of exchange. Non-US Dollar trading results of the parent Company, subsidiary undertakings, jointly controlled entities and associates are translated into US Dollars at average rates of exchange. Differences resulting from the retranslation of the opening net assets and the results for the year are recognised in other comprehensive income.

Any differences arising from 1 January 2003, the date of transition to IFRS, are presented as a separate component of equity.

Share capital, share premium and other reserves are translated into US Dollars at the historical rates prevailing at the date of the transaction.

Exchange differences on monetary assets and liabilities arising in individual entities are taken to the income statement, including those in respect of inter-company balances unless related to exchange differences on items that form part of a net investment in a foreign operation. These differences are taken to reserves until the related investment is disposed of. All other exchange movements are dealt with through the income statement.

Leases

Assets held under finance leases are capitalised and included in property, plant and equipment at the lower of fair value and the present value of the minimum lease payments as determined at the inception of the lease. The obligations relating to finance leases, net of finance charges in respect of future periods, are determined at the inception of the lease and included within borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect the constant rate of interest on the remaining balance of the obligation for each accounting period.

BG Group has certain long-term arrangements under which it has acquired all of the capacity of certain property, plant and equipment. In circumstances where it is considered that the Group has the majority of the risks and rewards of ownership of the plant, the arrangement is considered to contain a finance lease.

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

Pensions

The amount recognised on the balance sheet in respect of liabilities for defined benefit pension and post-retirement benefit plans represents the present value of the obligations offset by the fair value of plan assets.

The cost of providing retirement pensions and related benefits is charged to the income statement over the periods benefiting from the employees' services. Current service costs are reflected in operating profit and net interest costs are reflected in finance costs in the period in which they arise. Actuarial gains and losses are recognised in full as they occur in other comprehensive income.

Contributions made to defined contribution pension plans are charged to the income statement when payable.

Share-based payments

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the related share options or share allocations. The cost is based on the fair value of the options or shares allocated and the number of awards expected to vest. The fair value of each option or share is determined using either the share price on the date of the grant or a Monte Carlo projection model, depending on the type of award. Market-related performance conditions are reflected in the fair value of the share. Non-market-related performance conditions are allowed for using a separate assumption about the number of awards expected to vest; the final charge made reflects the number actually vesting.

ACCOUNTING DEVELOPMENTS DURING 2014
IFRS 10 'Consolidated Financial Statements'

The IASB issued IFRS 10 in May 2011. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be consolidated. The standard also provides additional guidance to assist in the determination of control. Adoption of this standard has not had a material impact on the Group's Financial statements.

IFRS 11 'Joint Arrangements'

The IASB issued IFRS 11 in May 2011. The standard aims to provide a more substance-based reflection of joint arrangements in the financial statements by focusing on the rights and obligations of the arrangement rather than the legal form. Adoption of this standard has not had a material impact on the Group's Financial statements.

IFRS 12 'Disclosure of Interests in Other Entities'

The IASB issued IFRS 12 in May 2011. The standard introduces new and comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and structured entities. New and revised disclosures in accordance with this standard are presented in note 13 on page 113 and note 25 on page 130.

Other amendments

A number of other amendments to accounting standards issued by the IASB are applicable from 1 January 2014. They have not had a material impact on the Group's Financial statements for the year ended 31 December 2014.

ACCOUNTING DEVELOPMENTS
NOT YET ADOPTED

The following standards and amendments have been issued by the IASB up to the date of this report and in some cases have not yet been endorsed by the European Union.

IFRS 9 'Financial Instruments'

The IASB issued the final version of IFRS 9 in July 2014, which reflects all phases of the financial instruments project. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial instruments and hedge accounting, and will be adopted by the Group when it becomes mandatory in the European Union. BG Group is currently reviewing the standard to determine the likely impact on the Group's Financial statements.

IFRS 15 'Revenue from Contracts with Customers'

The IASB issued IFRS 15 in May 2014. The standard establishes a five-step model that will apply to revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct

the use and obtain the benefits from the good or service. Revenue is recognised based on the consideration to which the Group expects to be entitled. IFRS 15 will be adopted by the Group when it becomes mandatory in the European Union. BG Group is currently reviewing the standard to determine the likely impact on the Group's Financial statements.

Amendment to IFRS 11 'Joint Arrangements'

The IASB issued an amended IFRS 11 in May 2014. The amendment requires an acquisition of an interest in a joint operation that is a business as defined in IFRS 3, 'Business Combinations', to apply the relevant IFRS 3 principles for business combinations accounting, and applies to both the acquisition of an initial interest in a joint operation and the acquisition of any additional interest. The amendment will be applied prospectively by the Group when it becomes mandatory in the European Union.

Other revisions and amendments

Other revisions and amendments are not expected to have a material impact on the Group's Financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

	Note	2014			2013		
		Business Performance \$m	Disposals, re-measurements and impairments \$m	Total \$m	Business Performance \$m	Disposals, re-measurements and impairments \$m	Total \$m
Group revenue	1	19 289	—	19 289	19 192	—	19 192
Other operating income	1, 4	257	403	660	(91)	210	119
Group revenue and other operating income	1	19 546	403	19 949	19 101	210	19 311
Operating costs	2, 4	(13 391)	(181)	(13 572)	(11 981)	154	(11 827)
Profits and losses on disposal of non-current assets and impairments	4	—	(8 120)	(8 120)	—	(3 817)	(3 817)
Operating profit/(loss)^(a)	1	6 155	(7 898)	(1 743)	7 120	(3 453)	3 667
Finance income	4, 5	153	—	153	104	65	169
Finance costs	4, 5	(262)	(644)	(906)	(283)	—	(283)
Share of post-tax results from joint ventures and associates	1	222	(56)	166	336	—	336
Profit/(loss) before taxation		6 268	(8 598)	(2 330)	7 277	(3 388)	3 889
Taxation	4, 6	(2 233)	3 512	1 279	(2 903)	1 219	(1 684)
Profit/(loss) for the year from continuing operations	1, 4	4 035	(5 086)	(1 051)	4 374	(2 169)	2 205
Profit/(loss) for the year from discontinued operations	7	—	7	7	—	245	245
Profit/(loss) for the year		4 035	(5 079)	(1 044)	4 374	(1 924)	2 450
Profit attributable to:							
Shareholders (earnings)	1	4 035	(5 079)	(1 044) ^(b)	4 374	(1 933)	2 441 ^(b)
Non-controlling interest	1	—	—	—	—	9	9
		4 035	(5 079)	(1 044)	4 374	(1 924)	2 450
Earnings per ordinary share continuing operations (cents)							
Basic	9	118.4	(149.2)	(30.8)	128.6	(63.8)	64.8
Diluted	9	118.4	(149.2)	(30.8)	128.0	(63.5)	64.5
Earnings per ordinary share discontinued operations (cents)							
Basic		—	0.2	0.2	—	6.9	6.9
Diluted		—	0.2	0.2	—	6.9	6.9
Total earnings per ordinary share (cents)							
Basic		118.4	(149.0)	(30.6)	128.6	(56.9)	71.7
Diluted		118.4	(149.0)	(30.6)	128.0	(56.6)	71.4
Total operating profit/(loss) including share of pre-tax operating results from joint ventures and associates ^(c)	1	6 537	(7 954)	(1 417)	7 616	(3 453)	4 163

(a) Operating profit/(loss) is before share of results from joint ventures and associates.

(b) Comprises earnings from continuing operations of \$(1 051)m (2013: \$2 205m) and from discontinued operations of \$7m (2013: \$236m).

(c) This measurement is shown by BG Group as it is used as a means of measuring the underlying performance of the business.

For information on dividends paid and proposed in the year see note 8, page 110.

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 131 form part of these accounts.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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for the year ended 31 December	2014 \$m	2013 \$m
Profit/(loss) for the year	(1 044)	2 450
Items that may be reclassified to the income statement:		
Fair value (losses)/gains on cash flow hedges	(71)	121
Transfers to income statement on cash flow hedges ^(a)	33	146
Fair value (losses)/gains on net investment hedges	(574)	198
Fair value movements on available-for-sale assets	(17)	(8)
Tax on cash flow and net investment hedges ^(b)	125	(90)
Currency translation adjustments ^(c)	(223)	(2 875)
Other items:		
Re-measurement of defined benefit pension obligation	(163)	(48)
Tax on re-measurement of defined benefit pension obligation	45	–
Other comprehensive income/(charge) for the year, net of tax^(d)	(845)	(2 556)
Total comprehensive income/(charge) for the year	(1 889)	(106)
Attributable to:		
Shareholders	(1 889)	(115)
Non-controlling interest	–	9
	(1 889)	(106)

(a) During 2014, a pre-tax loss of \$33m (2013: \$108m) was transferred from the hedging reserve to revenue to match against the underlying transactions and a pre-tax loss of \$nil (2013: \$38m) was transferred from the hedging reserve related to the disposal of an associate.

(b) Includes a tax credit relating to cash flow hedges of \$9m (2013: \$54m charge) and a tax credit relating to net investment hedges of \$116m (2013: \$36m charge).

(c) In 2014, \$nil (2013: \$119m gain) was transferred to the income statement as part of the profit/(loss) on disposal of non-US Dollar denominated operations.

(d) Includes other comprehensive income in respect of joint ventures and associates of \$(29)m (2013: \$20m).

The loss for the financial year for the Company was \$(6)m (2013: \$1m profit). Total comprehensive income/(charge) for the Company was \$(361)m (2013: \$121m). As permitted by section 408 of the Companies Act 2006, no income statement or statement of comprehensive income is presented for the Company.

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 131 form part of these accounts.

FINANCIAL STATEMENTS

BALANCE SHEETS

as at 31 December	Note	The Group		The Company	
		2014 \$m	2013 \$m	2014 \$m	2013 \$m
Assets					
Non-current assets					
Goodwill	10	—	25	—	—
Other intangible assets	11	3 135	3 864	—	—
Property, plant and equipment	12	35 855	42 225	—	—
Investments in subsidiary undertakings	13	—	—	4 104	4 288
Investments	13	3 547	2 933	—	—
Deferred tax assets	6	3 949	1 397	2	10
Trade and other receivables	15	1 068	777	—	—
Commodity contracts and other derivative financial instruments	18	287	623	—	—
		47 841	51 844	4 106	4 298
Current assets					
Inventories	14	1 194	838	—	—
Trade and other receivables	15	5 042	6 900	1 786	2 881
Current tax receivable		151	77	35	47
Commodity contracts and other derivative financial instruments	18	235	107	—	—
Cash and cash equivalents	16	5 295	6 208	—	—
		11 917	14 130	1 821	2 928
Assets classified as held for sale	7	2 088	—	—	—
Total assets		61 846	65 974	5 927	7 226
Liabilities					
Current liabilities					
Borrowings	17	(1 586)	(475)	—	—
Trade and other payables	19	(4 768)	(5 631)	(48)	(51)
Current tax liabilities		(1 412)	(1 831)	—	—
Commodity contracts and other derivative financial instruments	18	(128)	(297)	—	—
		(7 894)	(8 234)	(48)	(51)
Non-current liabilities					
Borrowings	17	(15 921)	(17 054)	—	—
Trade and other payables	19	(136)	(150)	—	—
Commodity contracts and other derivative financial instruments	18	(253)	(173)	—	—
Deferred tax liabilities	6	(2 946)	(4 120)	—	—
Retirement benefit obligations	24	(258)	(168)	—	—
Provisions for other liabilities and charges	20	(5 235)	(4 115)	—	—
		(24 749)	(25 780)	—	—
Liabilities associated with assets classified as held for sale	7	(63)	—	—	—
Total liabilities		(32 706)	(34 014)	(48)	(51)
Net assets		29 140	31 960	5 879	7 175

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 131 form part of these accounts.

as at 31 December	Note	The Group		The Company	
		2014 \$m	2013 \$m	2014 \$m	2013 \$m
Equity					
Ordinary shares	21	579	579	579	579
Share premium		691	663	691	663
Hedging reserve		(7)	22	—	—
Translation reserve		(1 467)	(786)	(223)	132
Other reserves		2 710	2 710	1 203	1 203
Retained earnings		26 634	28 772	3 629	4 598
Total equity		29 140	31 960	5 879	7 175

The accounts on pages 88 to 131 were approved by the Board and signed on its behalf on 18 March 2015 by:



SIMON LOWTH
CHIEF FINANCIAL OFFICER

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 131 form part of these accounts.

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY

The Group	Called up share capital \$m	Share premium account \$m	Hedging reserve \$m	Translation reserve ^(a) \$m	Other reserves ^(b) \$m	Retained earnings ^(c) \$m	Total \$m	Non-controlling interest \$m	Total \$m
As at 1 January 2013	578	619	(191)	1 927	2 710	27 248	32 891	57	32 948
Total comprehensive income for the year	—	—	213	(2 713)	—	2 385	(115)	9	(106)
Profit for the year	—	—	—	—	—	2 441	2 441	9	2 450
Hedges, net of tax	—	—	213	162	—	—	375	—	375
Available-for-sale assets, net of tax	—	—	—	—	—	(8)	(8)	—	(8)
Defined benefit pension obligation, net of tax	—	—	—	—	—	(48)	(48)	—	(48)
Currency translation adjustments	—	—	—	(2 875)	—	—	(2 875)	—	(2 875)
Adjustment for share schemes	—	—	—	—	—	85	85	—	85
Tax in respect of share schemes ^(d)	—	—	—	—	—	19	19	—	19
Dividends	—	—	—	—	—	(952)	(952)	—	(952)
Disposal of non-controlling interest	—	—	—	—	—	—	—	(66)	(66)
Issue of shares ^(e)	1	44	—	—	—	—	45	—	45
Net purchase of own shares	—	—	—	—	—	(13)	(13)	—	(13)
As at 31 December 2013	579	663	22	(786)	2 710	28 772	31 960	—	31 960
Total comprehensive income for the year	—	—	(29)	(681)	—	(1 179)	(1 889)	—	(1 889)
Loss for the year	—	—	—	—	—	(1 044)	(1 044)	—	(1 044)
Hedges, net of tax	—	—	(29)	(458)	—	—	(487)	—	(487)
Available-for-sale assets, net of tax	—	—	—	—	—	(17)	(17)	—	(17)
Defined benefit pension obligation, net of tax	—	—	—	—	—	(118)	(118)	—	(118)
Currency translation adjustments, net of tax	—	—	—	(223)	—	—	(223)	—	(223)
Adjustment for share schemes	—	—	—	—	—	71	71	—	71
Tax in respect of share schemes ^(d)	—	—	—	—	—	(3)	(3)	—	(3)
Dividends	—	—	—	—	—	(1 027)	(1 027)	—	(1 027)
Issue of shares ^(e)	—	28	—	—	—	—	28	—	28
As at 31 December 2014	579	691	(7)	(1 467)	2 710	26 634	29 140	—	29 140

The Company	Called up share capital \$m	Share premium account \$m	Translation reserve \$m	Other reserves ^(b) \$m	Retained earnings \$m	Total \$m
As at 1 January 2013	578	619	12	1 203	5 473	7 885
Total comprehensive income for the year ^(f)	—	—	120	—	1	121
Adjustment for share schemes	—	—	—	—	85	85
Tax in respect of share schemes ^(d)	—	—	—	—	4	4
Dividends	—	—	—	—	(952)	(952)
Issue of shares ^(e)	1	44	—	—	—	45
Net purchase of own shares	—	—	—	—	(13)	(13)
As at 31 December 2013	579	663	132	1 203	4 598	7 175
Total comprehensive income for the year ^(f)	—	—	(355)	—	(6)	(361)
Adjustment for share schemes	—	—	—	—	71	71
Tax in respect of share schemes ^(d)	—	—	—	—	(7)	(7)
Dividends	—	—	—	—	(1 027)	(1 027)
Issue of shares ^(e)	—	28	—	—	—	28
As at 31 December 2014	579	691	(223)	1 203	3 629	5 879

(a) As at 31 December 2014, includes currency translation losses of \$9m (2013: \$20m gains) relating to joint ventures and associates.

(b) Other reserves, which are not distributable, represent the difference between the carrying value of subsidiary undertaking investments and their respective capital structures following the restructuring and refinancing in 1999.

(c) As at 31 December 2014, includes retained earnings in respect of joint ventures and associates of \$660m (2013: \$771m).

(d) This consists of current tax of \$5m (2013: \$9m) and deferred tax of \$(8)m (2013: \$10m) in the Group and current tax of \$nil (2013: \$3m) and deferred tax of \$(7)m (2013: \$1m) in the Company.

(e) The issue of shares relates to amounts issued to employees under employee share option schemes for a cash consideration of \$28m (2013: \$45m).

(f) Comprises loss for the year of \$(6)m (2013: \$1m profit) and currency translation adjustments of \$(355)m (2013: \$120m).

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 131 form part of these accounts.

FINANCIAL STATEMENTS

CASH FLOW STATEMENTS

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for the year ended 31 December	Note	The Group		The Company	
		2014 \$m	2013 \$m	2014 \$m	2013 \$m
Profit/(loss) before taxation^(a)		(2 321)	4 147	(1)	(3)
Finance income		(153)	(170)	(13)	(17)
Finance costs		906	284	—	—
Share of post-tax results from joint ventures and associates		(166)	(335)	—	—
Operating profit/(loss)		(1 734)	3 926	(14)	(20)
Depreciation of property, plant and equipment		2 788	2 946	—	—
Amortisation of other intangible assets		11	9	—	—
Share-based payments		62	74	3	11
Fair value movements in commodity-based contracts		(354)	(98)	—	—
Profits and losses on disposal of non-current assets and impairments ^(b)		8 120	3 576	—	—
Unsuccessful exploration expenditure written off		237	394	—	—
Decrease in provisions for liabilities and retirement benefit obligations		(94)	(129)	—	—
Movements in working capital:					
Increase in inventories		(272)	(29)	—	—
Decrease/(increase) in trade and other receivables		993	(618)	—	—
Increase in trade and other payables		258	234	—	—
Cash generated/(used) by operations		10 015	10 285	(11)	(9)
Income taxes (paid)/received		(2 616)	(2 468)	8	(5)
Net cash inflow/(outflow) from operating activities		7 399	7 817	(3)	(14)
Cash flows from investing activities					
Dividends received		179	147	—	—
Proceeds from disposal of subsidiary undertakings and investments ^(c)		800	774	—	—
Proceeds from disposal of property, plant and equipment and intangible assets ^(d)		55	3 827	—	—
Purchase of property, plant and equipment and intangible assets		(8 510)	(10 605)	—	—
Repayments from joint ventures and associates		41	73	—	—
Interests in subsidiaries, joint ventures and associates, and other investments		(892)	(610)	—	—
Other loan repayments		111	112	—	—
Net cash outflow from investing activities		(8 216)	(6 282)	—	—
Cash flows from financing activities					
Interest paid		(620)	(675)	—	—
Interest received		64	115	—	—
Dividends paid		(1 024)	(923)	(1 024)	(923)
Net proceeds from issue of new borrowings ^(e)		2 086	2 713	—	—
Repayment of borrowings		(625)	(1 093)	—	—
Issue of shares		28	45	28	45
Movements in own shares		—	(13)	—	(13)
Funding movements with subsidiary		—	—	999	904
Net cash (outflow)/inflow from financing activities		(91)	169	3	13
Net (decrease)/increase in cash and cash equivalents		(908)	1 704	—	(1)
Cash and cash equivalents at 1 January	16	6 208	4 520	—	2
Effect of foreign exchange rate changes		(5)	(16)	—	(1)
Cash and cash equivalents at 31 December	16	5 295	6 208	—	—

(a) Profit before taxation from discontinued operations was \$9m (2013: \$258m).

(b) Profits and losses on disposal of non-current assets and impairments include a profit from discontinued operations of \$nil (2013: \$241m).

(c) 2014 includes proceeds from the sale of the Central Area Transmission System pipeline and associated infrastructure in the UK North Sea of \$797m. 2013 includes proceeds from the disposal of Gujarat Gas Company Limited of \$259m (net of cash held at the date of disposal of \$84m), TGGT of \$240m and the Group's remaining 20% equity in GNL Quintero of \$172m.

(d) 2014 includes proceeds of \$53m from the sale and lease back of ships. 2013 includes proceeds of \$3 633m from the disposal of certain interests in upstream coal seam gas tenements in Australia and equity interests in the QCLNG project Train 1 liquefaction facility.

(e) Includes net cash flows relating to short maturity financing.

The cash flows above are inclusive of discontinued operations (see note 7, page 109).

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 131 form part of these accounts.

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION

BG Group's reportable segments are those used by the Group's Board and management (the 'Chief Operating Decision Maker' as defined in IFRS 8 'Operating Segments') to run the business and are based on differences in the Group's products and services. Segment information is presented on the same basis as that used for internal reporting purposes. BG Group has two principal operating and reporting segments; Upstream and LNG Shipping & Marketing. Upstream comprises exploration, development, production, liquefaction and marketing of hydrocarbons. LNG Shipping & Marketing combines the development and use of LNG import facilities with the purchase, shipping and sale of LNG and regasified natural gas. The Group's remaining Transmission and Distribution businesses, principally Mahanagar Gas in India, and certain corporate activities are included in the Other activities segment.

Intra-Group sales are settled at market prices and are generally based on the same prices as those charged to third parties (arm's length principle). Group revenue, profit for the year, depreciation, amortisation and impairment and capital investment attributable to BG Group activities are shown on pages 98 to 101, analysed by operating segment.

The presentation of BG Group's results under IFRS separately identifies the effect of the re-measurement of certain financial instruments, profits and losses on the disposal and impairment of non-current assets and certain other exceptional items. Results excluding discontinued operations and disposals, certain re-measurements and impairments and certain other exceptional items ('Business Performance') are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business. Further information on Business Performance is given on page 142.

The disposals, re-measurements and impairments column includes unrealised gains and losses in respect of certain gas sales contracts classified as derivatives under IAS 39, commodity instruments that represent economic hedges but do not qualify for hedge accounting, and financial instruments used to manage foreign exchange and interest rate exposure. Where these instruments represent economic hedges but cannot be designated as hedges under IAS 39, unrealised movements in fair value, together with foreign exchange movements associated with the underlying borrowings and foreign exchange movements in respect of certain inter-company balances, are recorded in the income statement and disclosed separately as 'disposals, re-measurements and impairments'. The separate presentation of these items best reflects the underlying performance of the business since it distinguishes between the temporary timing differences associated with re-measurements under IAS 39 rules and actual realised gains and losses.

Under IFRS the results from jointly controlled entities (joint ventures) and associates are presented net of tax and finance costs on the face of the income statement. BG Group also presents the operating profit of the Group including results of joint ventures and associates before interest and tax, as this approach provides additional information on the source of the Group's operating profits.

Reconciliations between the Total Results and Business Performance, and operating profit including and excluding the results of joint ventures and associates are provided on pages 99 and 100. The geographical information provided for external revenue is based on country of production. Further information is given in the **Supplementary information** on page 132.

GROUP REVENUE

Analysed by operating segment

for the year ended 31 December	External revenue		Intra-Group revenue		Total Group revenue	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Group revenue^(a)						
Upstream	11 161	11 455	701	688	11 862	12 143
LNG Shipping & Marketing	8 121	7 730	3	31	8 124	7 761
Other activities	7	7	–	–	7	7
Segmental revenue	19 289	19 192	704	719	19 993	19 911
Less: Intra-Group revenue	–	–	(704)	(719)	(704)	(719)
Group revenue	19 289	19 192	–	–	19 289	19 192

(a) External revenue attributable to the UK is \$3 168m (2013: \$3 270m). External revenue attributable to non-UK countries is \$16 121m (2013: \$15 922m). Included in the Upstream segment is revenue of \$2 441m attributable to Brazil representing 13% of Group external revenue (2013: \$1 281m, 7%) and \$1 716m attributable to Kazakhstan representing 9% of Group external revenue (2013: \$2 090m, 11%). Further geographical information on the Group's E&P revenues can be found in **Supplementary information – gas and oil (unaudited)** on page 132. LNG Shipping & Marketing revenues are not considered reliant on individual countries since they are associated with the global deployment of the Group's portfolio of flexible LNG supplies.

External revenue in respect of a single external customer amounted to \$1 596m (2013: \$2 198m), recognised in the Upstream segment. These revenues are associated with the sale of marketable commodities and over 95% are secured by letters of credit; accordingly, this single customer is not considered to represent a concentration of business risk to the Group. For further information on credit risk see the Group's **Principal risks and uncertainties**, page 34 and note 18, page 117.

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION CONTINUED

PROFIT FOR THE YEAR

Analysed by operating segment

for the year ended 31 December	Business Performance		Disposals, re-measurements and impairments ^(c)		Total	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Group revenue	19 289	19 192	—	—	19 289	19 192
Other operating income ^{(a)(b)}	257	(91)	403	210	660	119
Group revenue and other operating income	19 546	19 101	403	210	19 949	19 311
Operating profit/(loss) before share of results from joint ventures and associates^(c)						
Upstream	3 615	4 531	(8 182)	(3 815)	(4 567)	716
LNG Shipping & Marketing	2 526	2 617	205	363	2 731	2 980
Other activities	14	(28)	79	(1)	93	(29)
	6 155	7 120	(7 898)	(3 453)	(1 743)	3 667
Share of pre-tax operating results from joint ventures and associates						
Upstream	332	436	(56)	—	276	436
LNG Shipping & Marketing	18	26	—	—	18	26
Other activities	32	34	—	—	32	34
	382	496	(56)	—	326	496
Total operating profit/(loss)						
Upstream	3 947	4 967	(8 238)	(3 815)	(4 291)	1 152
LNG Shipping & Marketing	2 544	2 643	205	363	2 749	3 006
Other activities	46	6	79	(1)	125	5
	6 537	7 616	(7 954)	(3 453)	(1 417)	4 163
Net finance (costs)/income						
Finance income	153	104	—	65	153	169
Finance costs	(262)	(283)	(644)	—	(906)	(283)
Share of joint ventures and associates	(24)	(24)	—	—	(24)	(24)
	(133)	(203)	(644)	65	(777)	(138)
Taxation						
Taxation	(2 233)	(2 903)	3 512	1 219	1 279	(1 684)
Share of joint ventures and associates	(136)	(136)	—	—	(136)	(136)
	(2 369)	(3 039)	3 512	1 219	1 143	(1 820)
Profit/(loss) for the year from continuing operations	4 035	4 374	(5 086)	(2 169)	(1 051)	2 205
Profit for the year from discontinued operations	—	—	7	245	7	245
	4 035	4 374	(5 079)	(1 924)	(1 044)	2 450
Profit attributable to:						
Shareholders (earnings)	4 035	4 374	(5 079)	(1 933)	(1 044)	2 441
Non-controlling interest	—	—	—	9	—	9
	4 035	4 374	(5 079)	(1 924)	(1 044)	2 450

(a) Business Performance Other operating income includes gains on the Group's 2014 oil hedging programme, the results of the purchase and re-sale of third-party gas and income arising from optimisation activities undertaken by the Group's LNG Shipping & Marketing operations. Information on Disposals, re-measurements and impairments Other operating income is given in note 4, page 105.

(b) Business Performance Other operating income is attributable to segments as follows: Upstream \$164m (2013: \$15m) and LNG Shipping & Marketing \$93m (2013: \$(106)m).

(c) Disposals, re-measurements and impairments Operating profit/(loss) before share of results from joint ventures and associates includes:

(i) Disposals and impairments of \$(8 120)m (2013: \$(3 817)m), attributable to segments as follows: Upstream \$(8 315)m (2013: \$(3 941)m), LNG Shipping & Marketing \$216m (2013: \$140m) and Other activities \$(21)m (2013: \$(16)m);

(ii) Re-measurements of \$403m (2013: \$210m), attributable to segments as follows: Upstream \$287m (2013: \$33m), LNG Shipping & Marketing \$10m (2013: \$177m) and Other activities \$106m (2013: \$nil); and

(iii) Other operating costs of \$(181)m (2013: \$154m gain), attributable to segments as follows: Upstream \$(154)m (2013: \$93m gain), LNG Shipping & Marketing \$(21)m (2013: \$46m gain) and Other activities \$(6)m (2013: \$15m gain).

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION CONTINUED**PROFIT FOR THE YEAR CONTINUED****Analysed by operating segment**

for the year ended 31 December	Business Performance		Disposals, re-measurements and impairments		Total	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Total operating profit/(loss)						
Upstream	3 947	4 967	(8 238)	(3 815)	(4 291)	1 152
LNG Shipping & Marketing	2 544	2 643	205	363	2 749	3 006
Other activities	46	6	79	(1)	125	5
	6 537	7 616	(7 954)	(3 453)	(1 417)	4 163
Less: share of pre-tax operating results from joint ventures and associates					(326)	(496)
Add: share of post-tax results from joint ventures and associates					166	336
Net finance costs					(753)	(114)
Profit/(loss) before taxation					(2 330)	3 889
Taxation					1 279	(1 684)
Profit/(loss) for the year from continuing operations					(1 051)	2 205
Profit for the year from discontinued operations					7	245
					(1 044)	2 450

JOINT VENTURES AND ASSOCIATES**Analysed by operating segment**

for the year ended 31 December	Share of pre-tax operating results from joint ventures and associates		Share of net finance costs and tax from joint ventures and associates		Share of post-tax results from joint ventures and associates	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Upstream	276	436	(146)	(139)	130	297
LNG Shipping & Marketing	18	26	(4)	(6)	14	20
Other activities	32	34	(10)	(15)	22	19
Continuing operations	326	496	(160)	(160)	166	336
Discontinued operations	—	1	—	(2)	—	(1)
	326	497	(160)	(162)	166	335

DEPRECIATION, AMORTISATION AND IMPAIRMENT**Analysed by operating segment**

for the year ended 31 December	Depreciation and Amortisation		Impairment ^(a)		Total	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Upstream	2 652	2 793	8 956	4 029	11 608	6 822
LNG Shipping & Marketing	143	158	—	—	143	158
Other activities	4	3	—	30	4	33
Continuing operations	2 799	2 954	8 956	4 059	11 755	7 013
Discontinued operations	—	1	—	—	—	1
	2 799	2 955	8 956	4 059	11 755	7 014

(a) Further details of impairments are given in note 4, page 105.

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION CONTINUED**CAPITAL INVESTMENT****Analysed by operating segment**

for the year ended 31 December	Capital expenditure ^(a)		Capital investment ^(b)	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Upstream	8 867	11 597	9 759	12 206
LNG Shipping & Marketing	6	27	6	28
Other activities	4	–	4	–
Continuing operations	8 877	11 624	9 769	12 234
Discontinued operations	–	10	–	10
	8 877	11 634	9 769	12 244

(a) Comprises expenditure on property, plant and equipment and other intangible assets.

(b) Comprises expenditure on property, plant and equipment, other intangible assets and investments.

As at 31 December 2014, the Group non-current assets balance (excluding derivative financial instruments, deferred tax assets and finance lease receivable) of \$43 433m (2013: \$49 690m) included an amount attributable to the UK of \$5 798m (2013: \$8 246m). The amount attributable to non-UK countries was \$37 635m (2013: \$41 444m) and included \$16 148m (2013: \$21 828m) attributable to Australia representing 37% (2013: 44%) of the Group total and \$8 022m (2013: \$5 262m) attributable to Brazil representing 18% of the Group total (2013: 11%).

2 OPERATING COSTS

Included within the Group's operating costs charged to the income statement were the following items:

	2014 \$m	2013 \$m
Raw materials, consumables and finished goods	3 552	3 062
Employee costs (see note 3(C), page 103)	1 259	1 096
Less: Own work capitalised	(340)	(295)
Employee costs included within other operating charges below	(140)	(116)
Employee costs included within net finance costs	(7)	(11)
	772	674
Depreciation and amortisation		
Depreciation of Property, plant and equipment	2 788	2 945
Amortisation of Other intangible assets	11	9
	2 799	2 954
Other operating charges:		
Unsuccessful exploration expenditure written off	237	394
Other exploration expenditure ^(a)	514	317
Total exploration expenditure	751	711
Operating lease rentals	701	653
Research and development	90	76
Net foreign exchange (gains)/losses on operating activities	(8)	(31)
Other costs ^(b)	4 915	3 728
Continuing operations total	13 572	11 827

(a) Broadly equivalent to cash flows attributable to operating activities arising from exploration and evaluation.

(b) Includes certain E&P lifting, storage, marketing, royalty, tariff and general administration costs (see **Supplementary information – gas and oil (unaudited)** page 132).

2 OPERATING COSTS CONTINUED**AUDITOR'S FEES AND SERVICES**

Ernst & Young LLP has served as BG Group's independent external auditor for the two-year period ended 31 December 2014. The external auditor is subject to re-appointment at the Annual General Meeting, see the **Notice of Annual General Meeting** on page 146.

The following table presents the aggregate fees for professional services and other services rendered by the external auditor to BG Group:

	2014 \$m	2013 \$m
Fees payable to the Group's auditor for the audit of both the parent Company and the Group's Annual Report and Accounts	2.5	2.5
Fees payable to the Group's auditor and its associates for other services:		
The audit of the parent's subsidiaries	2.2	2.0
Audit related assurance services ^(a)	1.1	1.2
	3.3	3.2
Total fees payable for audit services	5.8	5.7
Other assurance services	0.1	0.1
All other services ^(b)	0.3	0.3
	6.2	6.1

(a) Audit related assurance services includes costs relating to the interim review and regulatory reporting.

(b) All other services includes fees billed for attestation services, consultations concerning financial accounting and reporting standards, and other advice.

3 DIRECTORS AND EMPLOYEES**A) DIRECTORS' REMUNERATION**

	2014 \$000	2013 \$000
Fees to Non-Executive Directors and interim Executive Chairman	2 947	2 586
Salaries ^(a)	3 834	3 367
Benefits ^(b)	423	317
Bonuses ^(c)	1 200	801
Share-based payments ^(d)	3 444	6 002
Fees and benefits in respect of former Directors	7	18
	11 855	13 091

(a) Salaries for 2014 include termination payments of \$2 097 000 (2013: \$nil).

(b) In addition, in 2014, no Directors (2013: two) had pension benefits accruing under defined benefit schemes and two Directors (2013: three) received cash in lieu of their pension totalling \$521 000 (2013: \$527 000).

(c) Bonus figures for 2014 represent payments under the Annual Incentive Scheme (AIS) in respect of the 2014 incentive year which will be made in 2015. Bonus figures for 2013 represent payments under the AIS in respect of the 2013 incentive year which were made in 2014. Bonuses for 2014 include remuneration in the form of awards under the Voluntary Bonus Deferral Plan (VBDFP). Bonuses exclude remuneration in the form of mandatorily deferred shares under the Deferred Bonus Plan (DBP) (2014: \$251 000; 2013: \$1 872 000).

(d) Share-based payments include a charge for mandatorily deferred shares awarded to the Directors under the DBP in respect of the previous incentive years.

For further information please see the **Remuneration report** on page 62.

B) KEY MANAGEMENT COMPENSATION

During 2014, the Group's governance arrangements were revised and, in place of the Group Executive Committee (GEC), a new Executive Management Committee (EMC) was established, along with a wider Group Leadership Team (GLT). See **Corporate Governance report**, page 44, for further details.

The key management compensation analysed below for 2014 represents amounts in respect of the Directors and the executive officers, defined as members of the GEC and, subsequently, both the EMC and the GLT, and the Company Secretary. For 2013, the analysis reflects the Group's previous governance structure, and represents amounts in respect of the Directors and the executive officers, defined as the GEC and the Company Secretary.

	2014 \$000	2013 \$000
Fees to Non-Executive Directors and interim Executive Chairman	2 947	2 586
Salaries ^(a)	11 078	8 831
Benefits	817	653
Bonuses ^(b)	6 952	1 477
Pension charge ^(c)	2 158	3 110
Share-based payments ^(d)	14 746	15 984
	38 698	32 641

(a) Salaries for 2014 include termination payments of \$3 021 000 (2013: \$nil).

(b) Bonus figures for 2014 include payments under the AIS in respect of the 2014 incentive year which will be made in 2015. Bonus figures for 2013 represent payments under the AIS in respect of the 2013 incentive year which were made in 2014. Bonuses for 2014 and 2013 include remuneration in the form of awards under the VBDFP. Bonuses exclude remuneration in the form of mandatorily deferred shares under the DBP (2014: \$746 000; 2013: \$4 327 000).

(c) Includes benefits accruing under defined benefit schemes and cash in lieu of pensions.

(d) Share-based payments include a charge for mandatorily deferred shares awarded to key management under the DBP in respect of the previous incentive years.

3 DIRECTORS AND EMPLOYEES CONTINUED**C) EMPLOYEE COSTS**

	The Group	
	2014 \$m	2013 \$m
Wages and salaries ^(a)	896	829
Social security costs	69	67
Pension charge ^(b)	65	(19)
Share-based payments (see note 3(E) below)	56	91
Other including incentive schemes ^(c)	173	137
	1 259	1 105
Less: attributable to discontinued operations	–	(9)
Continuing operations	1 259	1 096

(a) Includes termination payments.

(b) The pension charge for the year ended 31 December 2014 includes a curtailment gain of \$nil (2013: \$154m) and a \$7m charge (2013: \$11m) which is presented within finance costs (see note 24, page 127).

(c) Includes payments under the AIS and remuneration in the form of awards under the VBDP.

In 2014, employee costs of \$919m (2013: \$810m) were charged to the income statement and \$340m (2013: \$295m) were capitalised.

D) AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2014 Number	2013 Number
Upstream	4 779	4 887
LNG Shipping & Marketing	364	361
Discontinued operations	–	288
	5 143	5 536

E) SHARE-BASED PAYMENTS

	The Group	
	2014 \$m	2013 \$m
Equity-settled share-based payments:		
Group share awards	40	47
Performance Share Awards	15	20
Other share awards ^(a)	10	9
	65	76
Cash-settled share-based payments	(9)	15
	56	91

(a) The charge for other share awards excludes an amount of \$6m (2013: \$9m) relating to shares and nil-cost options awarded under the VBDP, which was transferred to equity during 2014. This expense was recognised in the income statement during 2013 as part of the AIS charge. The number of awards made was 0.3m (2013: 0.5m).

Group share awards

Group share awards under the Group's Long-Term Incentive Plan (LTIP) will normally vest three years after the date of grant, subject to continued employment and the individual employee's performance. Awards are in the form of shares (2014: 1.6m shares; 2013: 1.7m shares) or nil-cost options (2014: 1.5m options; 2013: 1.7m options). The costs in respect of these awards are charged to the income statement over the vesting period, based on the fair value of the shares and options at the award date. Dividend equivalents accrue on the award during the vesting period. Accordingly, the fair value of the shares and options awarded is based on the market value of the shares on the award date, which was £12.09 per share in 2014 (2013: £12.69 per share).

Performance Share Awards

Details of Performance Share Awards under the Group's LTIP are given on pages 64 and 65. Awards are in the form of shares (2014: 0.3m shares; 2013: 0.6m shares) or nil-cost options (2014: 2.0m options; 2013: 3.0m options). The costs in respect of these awards are charged to the income statement over the vesting period, based on the fair value of the shares and options at the award date, adjusted for the probability of market-related performance conditions being achieved. The fair value of shares and options awarded during the year is estimated using a Monte Carlo projection model with the following assumptions: share price on date of issue of £12.11 (2013: £12.71), exercise price of £nil (2013: £nil), a risk-free rate of 1.20% (2013: 0.81%) and a vesting period of three years (2013: three years). The model also contains assumptions for both the Group and each member of the industry peer group (set out on page 69) in respect of volatility, average share price growth and share price correlation. Expected volatility was determined by calculating the historical volatility of the share price over the previous three-year period. Share price correlation was determined by calculating the historical correlation of the share price over the previous three-year period. Average share price growth was determined from historical growth over the previous year. Dividend equivalents accrue on the award during the vesting period. The fair value of shares and options awarded during the year was £4.73 per share (2013: £6.13 per share).

3 DIRECTORS AND EMPLOYEES CONTINUED**E) SHARE-BASED PAYMENTS CONTINUED****Other share awards**

The charge for Other share awards includes awards made under the DBP, the Sharesave Plan, the Share Incentive Plan and the Share Award Plan.

The DBP operates in conjunction with the AIS and is described on pages 64 and 65. Awards are in the form of shares (2014: nil shares; 2013: 0.1m shares) or nil-cost options (2014: 0.3m options; 2013: nil options). The charge to the income statement in respect of these awards was \$3m in 2014 (2013: \$2m) and is based on the market value of the shares at the award date, which was £10.74 in 2014 (2013: £11.72).

The charge to the income statement in respect of the Sharesave Plan is based on the fair value of the share options at the grant date and the likelihood of allocations vesting under the scheme. The charge was \$1m in 2014 (2013: \$2m). The fair value of the share options granted is determined using a Black-Scholes option pricing model and was £2.10 in 2014 (2013: £3.36).

In 2014, awards of 0.3m shares (2013: 0.3m shares) were made in conjunction with the Group's UK Flexible Benefits Plan, an element of the Share Incentive Plan. The charge to the income statement in respect of these awards was \$4m in 2014 (2013: \$4m) and is based on the market value of the shares at the grant date, which was £11.34 in 2014 (2013: £10.79).

The Share Award Plan was an award in 2013 in the form of shares or nil-cost options with a three-year vesting period. In 2014, no awards were made under this plan (2013: 0.1m shares and 0.3m nil-cost options). The charge to the income statement in respect of these awards was \$2m in 2014 (2013: \$1m). The fair value of the shares and options awarded is based on the market value of the shares at the grant date, which was £12.19 in 2013.

Cash-settled share-based payments

Cash-settled share-based payments arise when the Group incurs a liability to transfer cash amounts that are based on the price (or value) of the Company's shares. Most of the charge in respect of cash-settled share-based payments relates to social security costs on share awards which have not vested or, in the case of share options, have not been exercised. The charge to the income statement is based on the fair value of the awards outstanding at the balance sheet date, multiplied by the current employer's social security rate.

F) SUMMARY OF MOVEMENTS IN SHARE AWARDS AND SHARE OPTIONS

	Share awards under the LTIP m	Nil-cost options under the LTIP m	Sharesave Plan options m	CSOS options m	Other nil-cost options ^(a) m
2013					
Outstanding as at 1 January 2013	5.1	12.5	1.6	10.1	0.9
Granted	2.3	4.7	0.2	–	0.8
Vested	(1.1)	n/a	n/a	n/a	n/a
Exercised	n/a	(1.1)	(0.3)	(4.0)	(0.2)
Forfeited	(1.0)	(3.7)	(0.1)	(0.1)	–
Outstanding as at 31 December 2013	5.3	12.4	1.4	6.0	1.5
Exercisable as at 31 December 2013	n/a	1.9	–	6.0	1.1
Option price range as at 31 December 2013 (£)	n/a	n/a	8.63-11.10	3.47-7.92	n/a
Weighted average remaining contractual life	n/a	8yrs 5mths	2yrs 5mths	2yrs 6mths	4yrs 9mths
Option price range for exercised options (£)	n/a	n/a	8.63-11.10	2.71-7.92	n/a
Weighted average share price at the date of exercise for options exercised in the year (£)	n/a	11.95	11.57	12.10	12.16
2014					
Outstanding as at 1 January 2014	5.3	12.4	1.4	6.0	1.5
Granted	1.9	3.5	1.0	–	0.5
Vested	(1.0)	n/a	n/a	n/a	n/a
Exercised	n/a	(0.9)	(0.2)	(2.3)	(0.2)
Forfeited	(1.9)	(3.6)	(0.3)	(0.1)	(0.1)
Outstanding as at 31 December 2014	4.3	11.4	1.9	3.6	1.7
Exercisable as at 31 December 2014	n/a	2.2	–	3.6	1.2
Option price range as at 31 December 2014 (£)	n/a	n/a	8.30-11.10	4.99-7.92	n/a
Weighted average remaining contractual life	n/a	8yrs 2mths	2yrs 7mths	1yr 9mths	4yrs 5mths
Option price range for exercised options (£)	n/a	n/a	8.74-11.10	3.47-7.92	n/a
Weighted average share price at the date of exercise for options exercised in the year (£)	n/a	11.82	11.63	11.52	11.89

(a) Comprises nil-cost options awarded under the DBP, Share Award Plan and VBDP.

G) WEIGHTED AVERAGE EXERCISE PRICE OF SHARE OPTIONS

	2014 Sharesave Plan options £	2014 CSOS options £	2013 Sharesave Plan options £	2013 CSOS options £
Outstanding as at 1 January	9.43	6.38	9.14	6.13
Granted	8.30	–	10.22	–
Exercised	10.00	5.69	8.65	5.76
Forfeited	9.64	6.71	9.51	5.51
Outstanding as at 31 December	8.72	6.82	9.43	6.38
Exercisable as at 31 December	n/a	6.82	8.63	6.38

4 DISPOSALS, RE-MEASUREMENTS AND IMPAIRMENTS

BG Group has separately identified profits and losses related to disposals of non-current assets, certain re-measurements of financial instruments, impairments of non-current assets and certain other exceptional items. A reconciliation of results before and after disposals, re-measurements and impairments is given in note 1, page 98.

	2014 \$m	2013 \$m
Other operating income:		
Re-measurements of commodity-based contracts	297	210
Other	106	–
	403	210
Operating costs	(181)	154
Profits and losses on disposal of non-current assets and impairments:		
Disposals of non-current assets	967	253
Impairments	(8 956)	(4 059)
Other	(131)	(11)
	(8 120)	(3 817)
Finance income	–	65
Finance costs	(644)	–
Share of post-tax results from joint ventures and associates	(56)	–
	(8 598)	(3 388)
Taxation	3 512	1 219
Loss for the year from continuing operations	(5 086)	(2 169)

OTHER OPERATING INCOME

Re-measurements included within Other operating income amount to a credit of \$297m (2013: \$210m), of which a credit of \$280m (2013: \$34m) represents non-cash mark-to-market movements on certain gas contracts. While the activity surrounding these contracts involves the physical delivery of gas, the contracts fall within the scope of IAS 39 and meet the definition of a derivative instrument. In addition, re-measurements include a net \$17m credit (2013: \$176m) representing unrealised mark-to-market movements associated with economic hedges, including a credit of \$17m (2013: \$nil) associated with Brent oil swaps partially hedging the Group's exposure to commodity prices in 2014. Further information on commodity instruments is given in note 18, page 117. Other operating income comprises \$106m credit (2013: \$nil) in respect of final settlement of a legacy treaty dispute relating to investments formerly held by the Group.

OPERATING COSTS

Operating costs in 2014 include a pre-tax charge of \$100m (post-tax \$79m) relating to the downward re-measurement of trade receivables in Egypt to reflect the time value of money associated with the outstanding debt based on a revised assumed repayment profile. In addition, there was a pre-tax charge of \$81m (post-tax \$62m) primarily relating to restructuring costs in the UK, Egypt and Australia. Operating costs in 2013 comprised a curtailment gain of \$154m in respect of the closure of the BG Group UK defined benefit pension scheme to future accrual of benefits on 31 December 2013. Further information on the pension scheme is given in note 24, page 127.

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS

2014

Disposal of non-current assets

BG Group completed the sale of its 62.78% equity interest in the Central Area Transmission System (CATS) gas pipeline and associated infrastructure in the UK North Sea for total consideration of \$797m, resulting in a pre and post-tax profit on disposal of \$782m in the Upstream segment.

The Group completed the sale of six LNG steam vessels, which were previously held as finance leases and have subsequently been leased back under operating leases, for total gross consideration of \$930m (net cash proceeds were \$53m after repayment of the finance lease liabilities and settlement of associated cross-currency interest rate swaps and interest rate swaps). This resulted in a pre-tax profit on disposal of \$216m (post-tax \$170m) in the LNG Shipping & Marketing segment.

Other disposals resulted in a pre-tax charge of \$31m (post-tax \$18m) in the Upstream segment.

Impairments

There was a pre-tax impairment charge of \$8 956m (post-tax \$5 928m) relating to Upstream activities in Australia, Egypt and certain other assets. This was driven mainly by the significant fall in global commodity prices and reflects a recent forward Brent price curve for five years, reverting to the Group's long-term price assumption for impairment testing of \$90 real from 1 January 2020.

The Group used the fair value less costs of disposal method to calculate the recoverable amount of the cash-generating units (CGU) consistent with a level 3 fair value measurement as defined in note 18, page 117. In determining the fair value, the Group used a post-tax discount rate of 8% based on the Group weighted average cost of capital. Where appropriate, cash flows were adjusted to take into account any specific country risks.

In Australia, the total pre-tax non-cash impairment charge was \$6 824m (post-tax \$4 540m) in the Upstream segment. The Group has entered into an agreement to sell its wholly-owned subsidiary QCLNG Pipeline Pty Limited and, as a result, the remaining QCLNG assets were subject to a pre-tax impairment charge of \$2 747m (post-tax \$1 828m) principally reflecting the increase in tariffs payable to third parties post-completion. The remaining pre-tax impairment charge of \$4 077m (post-tax \$2 712m) in Australia was driven primarily by a reduction in the Group's assumptions of future commodity prices. The recoverable amount of the CGU, excluding QCLNG Pipeline Pty Limited which is classified as held for sale, is \$15.0bn.

4 DISPOSALS, RE-MEASUREMENTS AND IMPAIRMENTS CONTINUED**Impairments** *continued*

In Egypt, there was a pre-tax impairment charge of \$790m (post-tax \$737m) in the Upstream segment, principally driven by further reserve downgrades reflecting underlying reservoir performance and the Group's expectation of limited LNG exports from Egyptian LNG for the foreseeable future. The recoverable amount of the CGU is \$0.8bn.

Elsewhere, the reduction in the Group's assumptions of future commodity prices resulted in pre-tax impairment charges of \$1 342m (post-tax \$651m) in the Upstream segment. The most significant impairment charges were in the North Sea \$566m pre-tax (post-tax \$172m), Tunisia \$450m pre-tax (post-tax \$255m) and the USA \$227m pre-tax (post-tax \$148m). Other impairments in 2014 resulted in pre-tax impairment charges of \$99m (post-tax \$76m).

Other

Other write-offs and provisions for certain other exceptional items resulted in a pre-tax charge to the income statement of \$131m (post-tax \$95m).

2013**Disposal of non-current assets**

BG Group completed transactions with China National Offshore Oil Corporation (CNOOC) for the sale of certain interests in the QCLNG project in Australia for total consideration of \$3 801m, resulting in a pre and post-tax profit on disposal of \$31m in the Upstream segment, and the sale of its 50% holding in TGGT in the USA for a total consideration of \$257m, resulting in a pre-tax profit on disposal of \$187m (post-tax \$98m) in the Upstream segment.

The Group completed the sale of its remaining 20% equity in the Quintero LNG regasification facility in Chile for a total consideration of \$176m. This resulted in a pre-tax profit on disposal of \$140m (post-tax \$107m) in the LNG Shipping & Marketing segment.

The Group completed the sale of all its interests in the Cotton Valley formation to EXCO Resources for \$131m. This resulted in a pre and post-tax profit on disposal of \$10m in the Upstream segment. Other disposals resulted in a pre and post-tax profit of \$11m, comprising \$1m pre and post-tax charge in the Upstream segment and \$12m pre and post-tax profit in the Other activities segment.

A pre-tax charge of \$126m (post-tax \$83m) was recognised in the Upstream segment following the relinquishment of land licences in the US Lower 48 region.

Impairments

The Group used the fair value less costs of disposal method to calculate the recoverable amount of the cash-generating units (CGU) consistent with a level 3 fair value measurement as defined in note 18, page 117. In determining the fair value, the Group used a post-tax discount rate of 8% based on the Group weighted average cost of capital and acreage valuations for intangible assets in the USA. Where appropriate, cash flows were adjusted to take into account any specific country risks.

As a result of reserves revisions and revised expectations of the value of its Egyptian operations given continuing uncertainty over the business environment in country, the Group reviewed the recoverable amount of its assets in Egypt. This resulted in a pre-tax impairment charge of \$2 000m (post-tax \$1 286m) in the Upstream segment.

In addition, against the backdrop of lower forward gas market prices, lower production expectations based on well performance and a continued low rig count, the Group reviewed the recoverable amount of certain assets associated with the shale gas business in the USA. This resulted in a pre-tax impairment charge of \$1 700m (post-tax \$1 105m) in the Upstream segment.

A \$171m pre-tax impairment charge (post-tax \$94m) was recognised against certain other Upstream assets as a result of a reserves revision. Other impairments resulted in a pre-tax charge to the income statement of \$188m (post-tax \$85m): \$158m (post-tax \$55m) in the Upstream segment and \$30m pre and post-tax in the Other activities segment.

Other

Other write-offs and provisions for certain other exceptional items resulted in a pre-tax charge to the income statement of \$11m (post-tax \$5m).

FINANCE INCOME AND COSTS

Re-measurements presented in finance income and costs include mark-to-market movements on certain derivatives used to hedge foreign exchange and interest rate risk and foreign exchange movements on borrowings and certain inter-company balances.

SHARE OF POST-TAX RESULTS FROM JOINT VENTURES AND ASSOCIATES

A pre and post-tax charge of \$56m (2013: \$nil) was recognised in the Upstream segment in respect of the Group's share of a write-off of assets under construction in Brazil following the bankruptcy of a contractor.

TAXATION

Taxation includes a credit of \$3 028m (2013: \$1 489m) as a result of the impairment charges, and a net credit of \$449m (2013: \$nil) resulting from a number of exceptional one-off and prior period taxation items. These items included the full recognition of taxable losses in Australia following first LNG production at QCLNG and exceptional prior period adjustments and one-off changes to tax positions in a number of jurisdictions.

5 FINANCE INCOME AND COSTS

	2014 \$m	2013 \$m
Interest receivable ^(a)	153	104
Net fair value gains and losses on derivatives and fair value hedge adjustments ^(b)	–	65
Finance income	153	169
Interest payable ^(c)	(548)	(577)
Finance lease charges	(92)	(108)
Interest capitalised ^(d)	532	522
Unwinding of discount on provisions and pension assets and liabilities ^(e)	(154)	(120)
Net fair value gains and losses on derivatives and fair value hedge adjustments ^(b)	(644)	–
Finance costs	(906)	(283)
Net finance costs – continuing operations	(753)	(114)

(a) Interest receivable includes net exchange gains of \$49m (2013: \$nil).

(b) Comprises \$26m loss (2013: \$65m gain) associated with fair value hedge adjustments, \$238m loss (2013: \$nil) in respect of mark-to-market movements on derivatives, \$236m gain (2013: \$136m loss) on foreign exchange movements on borrowings and \$616m loss (2013: \$136m gain) on foreign exchange movements on certain inter-company balances.

(c) Interest payable includes net exchange losses of \$nil (2013: \$44m).

(d) Finance costs associated with the Group's central borrowings used to finance major capital projects, are capitalised up to the point that the project is ready for its intended use. The weighted average interest cost applicable to these borrowings is 3.4% per annum (2013: 3.8%). Tax relief for capitalised interest is approximately \$162m (2013: \$121m).

(e) Relates to the unwinding of the discount on provisions and amounts in respect of pension obligations which represent the unwinding of discount on the plans' net deficit.

6 TAXATION

	2014 \$m	2013 \$m
Current tax		
UK corporation tax and petroleum revenue tax	869	1 385
Overseas tax	1 321	1 524
Total current tax	2 190	2 909
Deferred tax	(3 469)	(1 225)
Total tax (credit)/charge – continuing operations	(1 279)	1 684

The total tax (credit)/charge reconciles with that calculated using the statutory UK corporate tax rate of 21.49% (2013: 23.25%):

	2014 \$m	2013 \$m
Profit/(loss) before taxation	(2 330)	3 889
Tax on profit/(loss) before taxation at UK statutory corporation tax rate	(501)	904
Effect on tax charge of:		
Non tax-deductible or non-taxable items	(145)	(529)
Overseas taxes at different rates to UK statutory rate	(478)	562
North Sea taxes at different rates to UK statutory rate	380	415
Petroleum revenue tax	2	11
Effect of changes in tax rate on deferred tax balances	–	(68)
Adjustment recognised for current tax of prior periods	(194)	(179)
Adjustment recognised for deferred tax of prior periods	(35)	105
(Recognition)/derecognition of deferred tax	(183)	103
Other items	(125)	360
Total tax (credit)/charge – continuing operations	(1 279)	1 684

Certain comparative amounts shown in the reconciliation of total tax have been reclassified. There is no change to the tax amounts reported in the income statement, balance sheet or cash flow statement. The tax charge in the 2013 Annual Report and Accounts was reconciled using a blended UK rate comprised of the UK tax rates for both UK North Sea and other UK activities.

The tax credit relating to disposals, re-measurements, impairments and other items is \$3 512m (2013: \$1 219m). This consists of a tax charge on unrealised re-measurements of \$8m (2013: \$166m), a tax credit on one-off and prior year taxation adjustments of \$449m, and a tax credit on disposals, impairments and other items of \$3 071m (2013: \$1 385m).

6 TAXATION CONTINUED

The net movement in deferred tax assets and liabilities is shown below:

	Accelerated tax depreciation \$m	Decommissioning \$m	Unused tax losses \$m	Other temporary differences ^(a) \$m	Total \$m
As at 1 January 2013	(8 205)	817	3 114	459	(3 815)
Credit/(charge) for the year	2 306	(269)	(706)	(108)	1 223
Charge to equity and other comprehensive income	—	—	—	(80)	(80)
Currency translation adjustments	(89)	—	25	11	(53)
Disposals	2	—	—	—	2
As at 31 December 2013	(5 986)	548	2 433	282	(2 723)
Credit/(charge) for the year	2 130	189	1 510	(360)	3 469
Charge to equity and other comprehensive income	—	—	—	163	163
Currency translation adjustments	400	(42)	(306)	13	65
Disposals	60	(31)	—	—	29
As at 31 December 2014	(3 396)	664	3 637	98	1 003

	2014 \$m	2013 \$m
Deferred tax liabilities	(2 946)	(4 120)
Deferred tax assets	3 949	1 397
Net deferred tax asset/(liability) as at 31 December	1 003	(2 723)

(a) Other temporary differences include deferred petroleum revenue tax, retirement benefit obligations and certain provisions.

Deferred tax assets are recognised for deductible temporary differences, unutilised tax losses and unused tax credits to the extent that realisation of the related tax benefit through future taxable income is probable. To determine the future taxable income, reference is made to the latest available profit forecast which takes into account production volumes, LNG Shipping & Marketing supply volumes and commodity prices in the relevant jurisdictions. This requires assumptions regarding future profitability and is therefore inherently uncertain.

Certain comparative amounts shown in the analysis of deferred tax by category of temporary differences have been reclassified. There is no change to the tax amounts reported in the income statement, balance sheet or cash flow statement.

	2014 \$m	2013 \$m
Temporary differences for which no deferred tax asset has been recognised		
Deductible temporary differences	2 211	840
Unused tax losses	2 192	3 233
Tax credits	554	464
Total deferred tax assets not recognised	4 957	4 537

To the extent unutilised, \$7m of the unused tax losses will expire within 5 years (2013: \$9m) and \$849m of the unused tax losses will expire between 6 and 20 years (2013: \$1 219m).

The aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates, for which deferred tax liabilities have not been recognised, is approximately \$5m (2013: \$6m). No liability has been recognised in respect of these differences either because no liability is expected to arise on distribution under applicable tax legislation or because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

As at 31 December 2014, the Company had a deferred tax asset of \$2m (2013: \$10m).

7 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Following the decision to dispose of the majority of the Group's Transmission and Distribution assets in 2012, certain businesses have been treated as discontinued. In 2013, the Group completed the sale of its interest in Gujarat Gas Company Limited (GGCL) in India.

RESULTS FROM DISCONTINUED OPERATIONS

	2014 \$m	2013 \$m
Revenue	–	236
Operating costs	9	(218)
Operating profit	9	18
Share of post-tax results from joint ventures and associates	–	(1)
Profit before tax	9	17
Taxation	(2)	(15)
Profit after tax	7	2
Profits and losses on disposal of non-current assets and impairments	–	241
Taxation	–	2
Post-tax profits and losses on disposal of non-current assets and impairments	–	243
Profit for the year from discontinued operations	7	245

CASH FLOWS RELATING TO DISCONTINUED OPERATIONS

	2014 \$m	2013 \$m
Profit before tax	9	17
Share of post-tax results from joint ventures and associates	–	1
Depreciation of property, plant and equipment	–	1
Increase in provisions	–	1
Movements in working capital	45	120
Cash generated by operations	54	140
Income taxes paid	–	(6)
Net cash inflow from operating activities	54	134
Net cash outflow from investing activities	–	(8)
Net cash outflow from financing activities	(58)	(112)
Net (decrease)/increase in cash and cash equivalents	(4)	14

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS

In 2013, the sale of the Group's investment in GGCL in India for gross consideration of \$422m resulted in a pre and post-tax profit of \$245m, being the gross consideration less net assets of \$194m, recycling to the income statement of currency translation losses of \$46m, the derecognition of the non-controlling interest of \$64m and \$1m of other costs.

Other disposals and impairments in 2013 resulted in a pre-tax charge of \$4m (post-tax charge of \$2m).

ASSETS HELD FOR SALE

The Group as at 31 December	2014 \$m	2013 \$m
Property, plant and equipment	2 078	–
Trade and other receivables	10	–
Assets classified as held for sale	2 088	–
Trade and other payables	(27)	–
Provisions for other liabilities and charges	(36)	–
Liabilities associated with assets classified as held for sale	(63)	–
Net assets classified as held for sale	2 025	–

Assets held for sale as at 31 December 2014 comprised QCLNG Pipeline Pty Limited in the Upstream segment and two LNG vessels in the LNG Shipping & Marketing segment, the disposals of which are expected to complete in the first half of 2015.

8 DIVIDENDS

	2014			2013		
	\$m	Cents per ordinary share	Pence per ordinary share	\$m	Cents per ordinary share	Pence per ordinary share
Prior year final dividend, paid in the year	547	15.68	9.51	478	14.26	9.03
Interim dividend, paid in the year	480	14.38	8.47	448	13.07	8.51
Total dividend, paid in the year	1 027	30.06	17.98	926	27.33	17.54
Proposed final dividend for the year ended 31 December 2014^(a)	490	14.37	9.52			

(a) The proposed final dividend was announced on 3 February 2015 in US Dollars, with a Pounds Sterling equivalent. It is paid to shareholders in Pounds Sterling. The total amount payable in US Dollars has been determined based on the shares in issue as at 31 December 2014 that are eligible for the dividend. The total amount payable in US Dollars may vary, depending on movements in exchange rates between February 2015 and May 2015, when the dividend will be paid.

The proposed final dividend for the year ended 31 December 2014 of 14.37 cents per share takes the 2014 full-year dividend to 28.75 cents per share.

The final dividend of 15.68 cents per ordinary share (\$547m) in respect of the year ended 31 December 2013 was paid on 30 May 2014. The interim dividend was paid on 12 September 2014. The proposed final dividend of 14.37 cents per ordinary share (\$490m) in respect of the year ended 31 December 2014 is payable on 22 May 2015 to all shareholders on the register at the close of business on 24 April 2015.

9 EARNINGS PER ORDINARY SHARE – CONTINUING OPERATIONS

Earnings per ordinary share has been calculated by dividing the earnings for the year for the continuing operations of the Group of \$(1 051)m (2013: \$2 205m) by 3 408m (2013: 3 402m), being the weighted average number of ordinary shares outstanding during the year. The average number of shares outstanding excludes treasury shares and shares held by employee share plans. Earnings per ordinary share excluding disposals, re-measurements and impairments has been presented in order to reflect the underlying performance of the Group.

	2014		2013	
	\$m	Basic earnings per ordinary share cents	\$m	Basic earnings per ordinary share cents
Earnings excluding disposals, re-measurements and impairments	4 035	118.4	4 374	128.6
Disposals, re-measurements and impairments (see note 4, page 105)	(5 086)	(149.2)	(2 169)	(63.8)
Earnings including disposals, re-measurements and impairments	(1 051)	(30.8)	2 205	64.8

The earnings figure used to calculate diluted earnings per ordinary share is the same as that used to calculate earnings per ordinary share given above, divided by 3 408m, being the weighted average number of ordinary shares in issue during the year. A reconciliation of the weighted average number of ordinary shares used as the denominator in calculating the basic and diluted earnings per ordinary share is given below. In 2014, potentially issuable ordinary shares are excluded from the diluted earnings per ordinary share calculation, as their inclusion would decrease the loss per ordinary share.

	2014 Shares m	2013 Shares m
Basic	3 408	3 402
Dilutive potential ordinary shares:		
Equity instruments outstanding during the year ^(a)	–	17
Diluted basis	3 408	3 419
Diluted earnings per ordinary share (excluding disposals, re-measurements and impairments) (cents)	118.4	128.0
Diluted earnings per ordinary share (including disposals, re-measurements and impairments) (cents)	(30.8)	64.5

(a) The weighted average number of anti-dilutive equity instruments excluded from the calculation of diluted earnings per ordinary share was 15m at 31 December 2014.

10 GOODWILL

The Group	2014 \$m	2013 \$m
Cost and net book value as at 1 January	25	24
Currency translation adjustments	(2)	1
Charge for impairment (see note 4, page 105)	(23)	–
Cost and net book value as at 31 December	–	25

For the purpose of impairment testing, goodwill is allocated to cash-generating units; these represent the lowest level at which goodwill is monitored. The Group tests goodwill annually for impairment or more frequently if there are indications that it might be impaired. During the year there was a goodwill impairment charge of \$23m (2013: \$nil) recognised as a consequence of the significant fall in global commodity prices.

11 OTHER INTANGIBLE ASSETS

The Group	Expenditure on unproved gas and oil reserves		Other ^(a)		Total	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Cost as at 1 January	4 800	4 782	373	377	5 173	5 159
Additions	746 ^(b)	1 341 ^(b)	24	–	770	1 341
Disposals and unsuccessful exploration expenditure ^(c)	(256)	(810)	–	–	(256)	(810)
Transfers to property, plant and equipment	(100)	(298)	–	–	(100)	(298)
Other movements	8	(16)	(3)	–	5	(16)
Currency translation adjustments	(175)	(199)	(1)	(4)	(176)	(203)
Cost as at 31 December	5 023	4 800	393	373	5 416	5 173
Amortisation as at 1 January	(1 048)	(438)	(261)	(252)	(1 309)	(690)
Charge for the year	–	–	(11)	(9)	(11)	(9)
Charge for impairment (see note 4, page 105)	(961)	(665)	–	–	(961)	(665)
Disposals and transfers	–	55	–	–	–	55
Amortisation as at 31 December	(2 009)	(1 048)	(272)	(261)	(2 281)	(1 309)
Net book value as at 31 December	3 014	3 752	121	112	3 135	3 864

(a) Other includes capacity rights in the Caspian Pipeline Consortium export pipeline which are amortised on a straight-line basis over the term of the contract and have an average remaining useful life of 23 years (2013: 24 years). Other also includes the contractual rights in respect of the purchase of LNG regasification services and related gas sales. These rights are amortised on a straight-line basis over the term of the contract.

(b) Broadly equivalent to cash flows attributable to investing activities arising from exploration and evaluation.

(c) Disposals and unsuccessful exploration expenditure includes \$232m of intangible assets written off (2013: \$394m).

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings \$m	Plant and machinery \$m	Motor vehicles and office equipment \$m	Exploration and production \$m	Total \$m
Cost as at 1 January 2014	138	11 735	1 869	52 117	65 859
Additions	—	994	213	6 900	8 107
Disposals, transfers and other movements ^(a)	—	(650)	(22)	49	(623)
Currency translation adjustments	(9)	(88)	(99)	(2 084)	(2 280)
Reclassified as held for sale	—	(2 157)	—	—	(2 157)
Cost as at 31 December 2014	129	9 834	1 961	56 982	68 906
Accumulated depreciation as at 1 January 2014	(49)	(938)	(1 035)	(21 612)	(23 634)
Charge for the year ^(b)	—	(145)	(213)	(2 436)	(2 794)
Charge for impairment ^(b) (see note 4, page 105)	(12)	(1 228)	(25)	(6 792)	(8 057)
Disposals and transfers	—	252	24	569	845
Currency translation adjustments	3	31	60	416	510
Reclassified as held for sale	—	79	—	—	79
Accumulated depreciation as at 31 December 2014	(58)	(1 949)	(1 189)	(29 855)	(33 051)
Net book value as at 31 December 2014^{(c)(d)(e)}	71	7 885	772	27 127	35 855

The Group

	Land and buildings \$m	Plant and machinery \$m	Motor vehicles and office equipment \$m	Exploration and production \$m	Total \$m
Cost as at 1 January 2013	148	10 945	1 704	48 838	61 635
Additions	—	1 904	179	8 210	10 293
Disposals, transfers and other movements ^(a)	—	(1 073)	(5)	(2 677)	(3 755)
Currency translation adjustments	(10)	(41)	(9)	(2 254)	(2 314)
Cost as at 31 December 2013	138	11 735	1 869	52 117	65 859
Accumulated depreciation as at 1 January 2013	(48)	(784)	(844)	(16 034)	(17 710)
Charge for the year ^(b)	—	(149)	(193)	(2 613)	(2 955)
Charge for impairment ^(b) (see note 4, page 105)	—	—	—	(3 124)	(3 124)
Disposals and transfers	—	(2)	5	200	203
Currency translation adjustments	(1)	(3)	(3)	(41)	(48)
Accumulated depreciation as at 31 December 2013	(49)	(938)	(1 035)	(21 612)	(23 634)
Net book value as at 31 December 2013^{(c)(d)(e)}	89	10 797	834	30 505	42 225

(a) Includes, within Exploration and production, a transfer from other intangible assets of \$100m (2013: \$298m).

(b) Depreciation charge and charge for impairment is attributable to continuing and discontinued operations as follows:

	Depreciation		Impairment	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Continuing operations	2 794	2 954	8 057	3 124
Discontinued operations	—	1	—	—
	2 794	2 955	8 057	3 124

(c) The Group's net book value includes capitalised interest of \$1 398m (2013: \$1 225m) comprising Exploration and production \$873m (2013: \$838m) and Plant and machinery \$525m (2013: \$387m).

A deferred tax liability is recognised in respect of this taxable temporary difference at current enacted rates.

(d) Includes the net book value of decommissioning assets of \$2 908m (2013: \$2 432m) and expenditure on Plant and machinery and Exploration and production assets under construction of \$10 739m (2013: \$23 405m).

(e) The net book value of assets capitalised and held under finance leases is shown below and comprises \$1 073m (2013: \$1 884m) included in Plant and machinery and \$228m (2013: \$64m) included in Exploration and production:

as at 31 December	2014 \$m	2013 \$m
Cost	1 963	2 738
Accumulated depreciation	(662)	(790)
Net book value	1 301	1 948

Details of BG Group's gas and oil reserves are given in **Supplementary information – gas and oil (unaudited)** on page 132.

13 INVESTMENTS

The Group
as at 31 December

	2014 \$m	2013 \$m
Joint ventures	796	840
Associates	2 709	2 015
Other investments ^(a)	42	78
	3 547	2 933

(a) Includes an investment in Drillsearch Energy Limited and Azure Midstream Energy, LP (Azure).

During 2014, a charge for impairment of \$168m was recorded against the carrying value of associates (2013: \$270m).

There were no material acquisitions or disposals in 2014. In 2013, the Group disposed of its entire 50% equity holding in TGGT, a joint venture midstream company operating in east Texas and north Louisiana, to Azure. The Group received net cash of \$240m along with a \$17m stake in Azure, equating to an approximate 3% equity holding.

JOINT VENTURES AND ASSOCIATES INFORMATION

The Group does not have any individually material joint ventures or associates. Analysis of BG Group's share of profit and comprehensive income from individually immaterial joint ventures and associates in aggregate is shown below:

For the year ended 31 December	Joint ventures		Associates	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Share of profit from continuing operations	80	112	86	224
Share of total comprehensive income	80	112	86	224

As at 31 December 2014, the Group's joint ventures had placed contracts for capital expenditure, the Group's share of which amounted to \$23m (2013: \$27m). As at 31 December 2014, the Group had no contingent liabilities in respect of its joint ventures or associates (2013: \$nil).

Further information on principal subsidiary undertakings, joint ventures, associates and material joint operations is given in note 25, page 130.

The Company

	Subsidiary undertakings	
	2014 \$m	2013 \$m
As at 1 January	4 288	4 130
Capital contribution ^(a)	70	74
Currency translation adjustments	(254)	84
As at 31 December	4 104	4 288

(a) Represents the fair value of equity instruments granted to subsidiaries' employees arising from equity-settled employee share schemes.

14 INVENTORIES

The Group as at 31 December	2014 \$m	2013 \$m
Raw materials and consumables	613	448
Finished goods for resale	581	390
	1 194	838

15 TRADE AND OTHER RECEIVABLES

as at 31 December	The Group		The Company	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<i>Amounts falling due within one year</i>				
Trade receivables	1 228	2 283	–	–
Amounts owed by Group undertakings	–	–	1 786	2 881
Amounts owed by joint ventures and associates (see note 23, page 126)	42	69	–	–
Other receivables	1 225	1 488	–	–
Prepayments	387	787	–	–
Accrued income	2 160	2 273	–	–
	5 042	6 900	1 786	2 881
<i>Amounts falling due after more than one year</i>				
Trade receivables	460	449	–	–
Other receivables	608	328	–	–
	1 068	777	–	–
	6 110	7 677	1 786	2 881

Trade receivables are stated net of provisions. When management considers the recovery of a receivable to be improbable, a provision is made against the carrying value of the receivable. The movement in this provision is as follows:

The Group	2014 \$m	2013 \$m
Provision as at 1 January	41	60
Charge/(credit) to the income statement	17	(19)
Provision as at 31 December	58	41

As at 31 December 2014, \$928m (2013: \$754m) of trade and other receivables were past due but not provided for; an analysis of these receivables is as follows:

The Group	2014 \$m	2013 \$m
Less than three months past due	134	129
Between three and six months past due	196	185
Between six and 12 months past due	42	241
More than 12 months past due	556	199
	928	754

Included within past due but not impaired receivables is a balance of \$729m (2013: \$525m) with Egypt General Petroleum Corporation (EGPC) of which \$24m has been received post year end. This balance, and the analysis of trade and other receivables past due but not provided for above, does not include a further \$100m downward re-measurement of the carrying amount in 2014, to reflect the time value of money associated with the outstanding debt based on a revised assumed repayment profile. The net amount of trade and other receivables past due but not provided for after this re-measurement is \$828m.

The remaining balance relates to a diversified number of independent customers, \$22m of which has been received post year end. For further information on the credit risk associated with trade receivables, including the EGPC balance, see note 18, page 117.

16 CASH AND CASH EQUIVALENTS

as at 31 December	The Group	
	2014 \$m	2013 \$m
Cash at bank and in hand	371	597
Cash equivalent investments	4 924	5 611
	5 295	6 208

Cash and cash equivalents comprise cash in hand, deposits with a maturity of three months or less and other short-term money market deposit accounts that are readily convertible into known amounts of cash.

Included within cash and cash equivalent investments is an amount equivalent to \$390m (2.8bn Egyptian Pounds) which, due to foreign exchange restrictions, is not immediately available to the Group other than for funding local cash expenditure.

For information on the interest rate composition of the Group's financial assets see note 18, page 117.

17 BORROWINGS
GROSS BORROWINGS

The Group as at 31 December		2014 \$m	2013 \$m
<i>Amounts falling due within one year</i>			
Bonds			
2.5% US Dollar 350m bond due December 2015		349	—
Fair value hedge adjustments		1	—
		350	—
Loans from financial institutions		1 169	414
Obligations under finance leases		67	61
		1 586	475
<i>Amounts falling due after more than one year</i>			
Bonds and other loans			
2.5% US Dollar 350m bond due December 2015		—	349
2.875% US Dollar 750m bond due October 2016		749	748
5.125% Pound Sterling 500m bond due December 2017		779	827
Floating rate US Dollar 300m bond due September 2018		300	300
3.0% Euro 1 000m bond due November 2018		1 209	1 376
3.625% Euro 500m bond due July 2019		603	686
3.625% Euro 250m bond due July 2019		308	352
3.94% Hong Kong Dollar 370m bond due October 2019		48	48
4.0% US Dollar 650m bond due December 2020		644	643
4.0% US Dollar 1 350m bond due October 2021		1 339	1 338
1.25% Euro 775m bond due November 2022		935	—
5.125% Pound Sterling 750m bond due December 2025		1 157	1 228
2.25% Euro 800m bond due November 2029		964	—
3.5% Euro 100m bond due October 2033		118	134
5.0% Pound Sterling 750m bond due November 2036		1 144	1 214
5.125% US Dollar 900m bond due October 2041		881	880
6.5% Pound Sterling 600m bond due November 2072 ^(a)		932	990
6.5% US Dollar 500m bond due November 2072 ^(a)		497	497
6.5% Euro 500m bond due November 2072 ^(a)		603	686
Fair value hedge adjustments		175	172
		13 385	12 468
Loans from financial institutions		1 076	2 242
Obligations under finance leases		1 460	2 344
		15 921	17 054
Gross borrowings		17 507	17 529

(a) These bonds are long-dated, subordinated securities which although accounted for as debt, incorporate some features typical of equity, such as potential coupon deferral. The Group may, at its sole discretion, redeem all, but not part, of the securities at their principal amount on 30 November 2017, 30 November 2022 or any subsequent coupon date thereafter to maturity.

17 BORROWINGS CONTINUED**NET BORROWINGS^(a)**

The Group as at 31 December	2014 \$m	2013 \$m
<i>Amounts falling due within one year</i>		
Cash and cash equivalents	5 295	6 208
Trade and other receivables ^(b)	–	38
Borrowings	(1 586)	(475)
Commodity contracts and other derivative financial instruments ^(c)	6	(11)
	3 715	5 760
<i>Amounts falling due after more than one year</i>		
Borrowings	(15 921)	(17 054)
Trade and other receivables ^(b)	172	134
Commodity contracts and other derivative financial instruments ^(c)	36	550
	(15 713)	(16 370)
Net borrowings	(11 998)	(10 610)

(a) Net borrowings are defined on page 143.

(b) Trade and other receivables comprise a finance lease receivable of \$172m (2013: \$172m). See Note 18, page 117.

(c) Commodity contracts and other derivative financial instruments comprise treasury financial derivatives of \$42m (2013: \$539m).

The following table shows a reconciliation of net borrowings:

The Group	2014 \$m	2013 \$m
Net borrowings as at 1 January	(10 610)	(10 624)
Net (decrease)/increase in cash and cash equivalents	(908)	1 704
Cash inflow from changes in borrowings	(1 461)	(1 620)
Inception of finance leases	(247)	(103)
Disposal of finance leases	923	–
Currency translation and other re-measurements	305	(53)
Movement in net borrowings classified as held for sale	–	86
Net borrowings as at 31 December	(11 998)	(10 610)

As at 31 December 2014, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately \$0.3bn (2013: \$0.6bn), including BG Group shareholder loans of approximately \$0.4bn (2013: \$0.7bn). These net borrowings are included in BG Group's share of the net assets in joint ventures and associates.

MATURITY AND INTEREST RATE PROFILE OF THE GROUP'S BORROWINGS

The following tables analyse the Group's gross borrowings. These are repayable as follows:

Gross borrowings (including obligations under finance leases)	Fixed rate borrowings		Total gross borrowings	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Within one year	417	61	1 586	475
Between one and two years	827	413	1 078	1 655
Between two and three years	73	818	1 424	1 068
Between three and four years	78	66	1 833	1 471
Between four and five years	1 009	1 452	1 058	2 005
After five years	7 816	10 236	10 528	10 855
	10 220	13 046	17 507	17 529

For the purpose of the table above, borrowings with an initial maturity within one year, such as commercial paper, are treated as floating rate.

As part of its interest rate risk strategy, the Group has entered into swaps. The disclosure above is presented after the effect of these swaps. Further information on the fair value of the swaps is included in note 18, page 117.

The weighted average post-swap interest rate of borrowings as at 31 December 2014 was 3.7% (2013: 4.0%). Post-swap fixed-rate borrowings mature between 2015 and 2072 (2013: mature between 2014 and 2072).

17 BORROWINGS CONTINUED

Obligations under finance leases pre-swap	Minimum lease payments		Obligations under finance leases	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
Amounts due:				
Within one year	162	154	67	61
Between one and five years	654	672	275	278
After five years	1 904	2 966	1 185	2 066
Less: future finance charges	(1 193)	(1 387)	—	—
	1 527	2 405	1 527	2 405

The Group has finance lease obligations in respect of infrastructure and LNG ships. These lease obligations expire between 2024 and 2039 (2013: expire between 2024 and 2038).

CURRENCY COMPOSITION OF THE GROUP'S BORROWINGS

The following table analyses the currency composition of the Group's borrowings:

	2014 \$m	2013 \$m
Currency:		
Pound Sterling	5 296	6 477
US Dollar	7 205	7 667
Euro	4 778	3 253
Other	228	132
	17 507	17 529

The disclosure above does not include the impact of certain currency swaps as these are separately recognised under IAS 39 and presented in note 18, page 117. As at 31 December 2014, the Group had swapped \$2 291m (2013: \$2 437m) of Pound Sterling borrowings into US Dollars, \$4 778m (2013: \$3 253m) of Euro borrowings into US Dollars and \$50m (2013: \$50m) of other currencies into US Dollars.

COMPOSITION OF THE GROUP'S UNDRAWN COMMITTED FACILITIES

The Group has undrawn committed borrowing facilities, in respect of which all conditions have been met, as follows:

	2014 \$m	2013 \$m
Expiring:		
Within one year ^(a)	2 102	—
Between one and two years	2 180	—
Between two and three years	3 040	2 180
Between three and four years	—	3 040
	7 322	5 220

(a) Undrawn committed facilities expiring within one year as at 31 December 2014 comprise a £250m revolving bank borrowing facility (which was fully drawn as at 31 December 2013) and a further credit facility provided by an export credit agency, which was executed during 2014 and of which \$1.7 billion was undrawn at 31 December 2014. While the opportunity to draw upon this credit facility expires within one year, drawn funds are repaid in equal semi-annual instalments commencing after more than one year and ending after more than five years.

18 FINANCIAL INSTRUMENTS

TREASURY INSTRUMENTS

The Group is exposed to credit risk, interest rate risk, exchange rate risk and liquidity risk. As part of its business operations, the Group uses derivative financial instruments (derivatives) in order to manage exposure to fluctuations in interest rates and exchange rates. The Group enters into interest rate derivatives to manage the fixed and floating composition of its debt. The Group enters into currency exchange rate derivatives to hedge certain currency cash flows and to adjust the currency composition of its assets and liabilities. Certain agreements are combined currency and interest swap transactions, described as cross-currency interest rate derivatives. The Group's policy is to enter into interest or currency exchange rate derivatives only where these are matched by an underlying asset, liability or transaction.

Further information on treasury risks is contained in the **Principal risks and uncertainties** section, pages 34 to 41.

COMMODITY INSTRUMENTS

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities. The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements. Such contracts are not within the scope of IAS 39.

Certain gas sales contracts fall within the scope of IAS 39. These contracts include pricing terms that are based on a variety of commodities and indices. They are recognised in the balance sheet at fair value with movements in fair value recognised in the income statement.

18 FINANCIAL INSTRUMENTS CONTINUED**COMMODITY INSTRUMENTS CONTINUED**

Certain short-term market traded contracts for the purchase and subsequent resale of third-party commodities are within the scope of IAS 39 and are recognised in the balance sheet at fair value with movements in fair value recognised in the income statement. The Group uses various commodity-based derivative instruments to manage some of the risks arising from fluctuations in commodity prices. Such contracts include physical and net-settled forwards, futures, swaps and options. Where these derivatives have been designated as cash flow hedges of underlying commodity price exposures, certain gains and losses attributable to these instruments are deferred in other comprehensive income and subsequently recognised in the income statement when the underlying hedged transaction crystallises. Commodity derivatives that are not part of a hedging relationship are recognised in the balance sheet within Other commodity derivatives at fair value, with movements in fair value recognised in the income statement.

Further information on commodity price exposure is contained in the **Principal risks and uncertainties** section, pages 34 to 41.

AMOUNTS RECOGNISED IN RESPECT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Group as at 31 December	2014		2013	
	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m
Included in the balance sheet:				
Interest rate derivatives	102	(61)	127	(42)
Currency exchange rate derivatives	—	(3)	20	(17)
Cross-currency interest rate derivatives	183	(179)	495	(44)
Gas contracts	82	(14)	—	(208)
Other commodity derivatives	155	(124)	88	(159)
	522	(381)	730	(470)

As at 31 December 2014, the Group also held non-derivative available-for-sale financial assets of \$42m (2013: \$61m) which are recognised in the balance sheet at fair value.

As at 31 December 2014, the Group had deposited cash of \$119m (2013: \$110m) and received cash of \$16m (2013: \$7m) in respect of collateral and margin payments associated with the use of commodity derivatives.

Derivative financial instruments expected to be realised within one year are presented within current assets and current liabilities. All other derivative financial instruments are classified as non-current. The maturity profile of derivative financial instruments is as follows:

	2014		2013	
	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m
Within one year	235	(128)	107	(297)
Between one and five years	103	(163)	237	(122)
After five years	184	(90)	386	(51)
	522	(381)	730	(470)

The notional principal amounts of derivative financial instruments are as follows:

	2014				2013			
	Within one year \$m	Between one and five years \$m	After five years \$m	Total \$m	Within one year \$m	Between one and five years \$m	After five years \$m	Total \$m
Interest rate derivatives	1 300	780	2 200	4 280	9	2 194	3 253	5 456
Currency exchange rate derivatives	599	—	—	599	1 263	47	—	1 310
Cross-currency interest rate derivatives	—	4 461	3 285	7 746	—	3 113	2 815	5 928
Other commodity derivatives	10 394	5 723	—	16 117	15 047	4 636	232	19 915

The notional principal amounts of gas contracts are \$293m (2013: \$690m). The amounts in respect of other commodity derivatives represent the gross combination of notional principals relating to all purchase and sale contracts and accordingly do not show the extent to which these contracts may offset. These notional principal amounts give an indication of the scale of derivatives held, but do not reflect the risks that the Group is exposed to from their use.

18 FINANCIAL INSTRUMENTS CONTINUED**VALUATION**

All financial instruments that are initially recognised and subsequently re-measured at fair value have been classified in accordance with the hierarchy described in IFRS 13 'Fair Value Measurement'.

Fair value measurement hierarchy

The fair value hierarchy, described below, reflects the significance of the inputs used to determine the valuation of financial assets and liabilities measured at fair value.

Level 1 fair value measurements are those derived directly from quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 fair value measurements are those including inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. The fair value of the Group's interest rate and currency exchange rate derivatives and the majority of the Group's commodity derivatives are calculated from relevant market prices and yield curves at the balance sheet date and are therefore based solely on observable price information. These instruments are not directly quoted in active markets and are accordingly classified as Level 2 in the fair value hierarchy.

Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data. Where observable market valuations of commodity contracts are unavailable, the fair value on initial recognition is the transaction price and is subsequently determined using the Group's forward planning assumptions for the price of gas, other commodities and indices. Due to the assumptions underlying their fair value, certain gas contracts are categorised as Level 3 in the fair value hierarchy. These contracts contain an underlying linkage to oil prices, and one of the assumptions used for their valuation is that observable commodity prices are liquid for four years (2013: four years). The fair values of the commodity contracts are calculated using the market yield curve at the balance sheet date.

The Group as at 31 December 2014	Financial assets				Financial liabilities			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Interest rate derivatives	—	102	—	102	—	(61)	—	(61)
Currency exchange rate derivatives	—	—	—	—	—	(3)	—	(3)
Cross-currency interest rate derivatives	—	183	—	183	—	(179)	—	(179)
Gas contracts	—	—	82	82	—	(14)	—	(14)
Other commodity derivatives	43	73	39	155	(69)	(9)	(46)	(124)
	43	358	121	522	(69)	(266)	(46)	(381)

as at 31 December 2013	Financial assets				Financial liabilities			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Interest rate derivatives	—	127	—	127	—	(42)	—	(42)
Currency exchange rate derivatives	—	20	—	20	—	(17)	—	(17)
Cross-currency interest rate derivatives	—	495	—	495	—	(44)	—	(44)
Gas contracts	—	—	—	—	—	(144)	(64)	(208)
Other commodity derivatives	3	51	34	88	(28)	(74)	(57)	(159)
	3	693	34	730	(28)	(321)	(121)	(470)

As at 31 December 2014, the Group also held available-for-sale financial assets of \$42m (2013: \$61m), the fair value of which is determined using Level 1 fair value measurements.

Level 3 fair value measurements

The movements in the year associated with financial assets and liabilities, measured at fair value and determined in accordance with Level 3, are shown below:

	Total	
	2014 \$m	2013 \$m
Fair value as at 1 January	(87)	(8)
Total gains or losses recognised in the income statement	139	(85)
Reclassification to Level 2	8	—
Settlements	19	3
Currency translation adjustments	(4)	3
Fair value as at 31 December	75	(87)

Total gains or losses recognised in the income statement are presented in Other operating income.

As at 31 December 2014, the potential pre-tax change in the fair value of gas contracts, assuming a \$20 per barrel change (2013: \$10 per barrel) in the Brent price assumption, was \$79m (2013: \$53m). A reasonably foreseeable change in the valuation assumptions underlying other commodity derivatives would not significantly change their fair value measurement.

18 FINANCIAL INSTRUMENTS CONTINUED**FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS**

The Group	2014 \$m	2013 \$m
Included in the income statement ^(a) :		
Interest rate and currency exchange rate derivatives not in a designated hedge relationship ^(b)	(176)	18
Interest rate derivatives designated as fair value hedges	—	(56)
Cross-currency interest rate derivatives designated as fair value hedges ^(b)	(71)	66
Ineffectiveness on net investment hedges	10	(6)
Gas contracts	280	34
Other commodity derivatives not in a designated hedge relationship	73	42
Continuing operations	116	98

(a) Includes \$57m gain (2013: \$112m loss) recognised as Other operating income within Business Performance.

(b) These amounts are offset by foreign exchange gains or losses on the underlying borrowings.

Fair value losses of \$17m (2013: \$8m) on available-for-sale financial assets are included within other comprehensive income.

HEDGE ACCOUNTING

In line with the Group's risk management policies, certain derivative and non-derivative instruments are designated as hedges of currency, interest rate and commodity price exposures in accordance with IAS 39.

Fair value hedges

As at 31 December 2014, the Group held a number of interest rate derivatives and cross-currency interest rate derivatives designated as hedges of the fair value risk associated with the Group's fixed rate debt. The hedged items and the related derivatives have the same critical terms to ensure that they are an effective hedge under IAS 39. The fair value of derivative instruments designated as fair value hedges outstanding as at 31 December 2014 is \$(8)m (2013: \$66m). During 2014, adjustments of \$(26)m (2013: \$65m) have been made to hedged items in respect of the risks being hedged.

Cash flow hedges

The Group has forward commodity contracts, currency exchange rate derivatives, interest rate derivatives and cross-currency interest rate derivatives designated as hedges of highly probable forecast purchases and sales, and of interest flows and currency exposure on Group debt. As at 31 December 2014, an unrealised pre-tax loss of \$42m (2013: \$4m) was deferred in other comprehensive income in respect of effective cash flow hedges. The hedged transactions are expected to occur within 19 years (2013: 24 years) and the associated gains and losses deferred in other comprehensive income will be released to the income statement as the underlying transaction crystallises. As at 31 December 2014, deferred pre-tax losses of \$13m (2013: \$nil) are expected to be released to the income statement within one year. The fair value of derivative instruments designated as cash flow hedges outstanding as at 31 December 2014 is \$(30)m (2013: \$174m).

The **Consolidated statement of comprehensive income**, page 93, identifies the amounts that have been transferred from other comprehensive income in respect of transactions completed during the year. These items are reported within the income statement to match against the underlying transaction.

Hedges of net investments in foreign operations

As at 31 December 2014, certain borrowings and currency derivatives have been designated as hedges of the currency risk associated with net investments in foreign operations. The portion of gains or losses on the hedging instruments determined to be an effective hedge are transferred to other comprehensive income to offset the gains or losses arising on the retranslation of net investments in foreign subsidiaries. The pre-tax loss on effective hedging instruments deferred within other comprehensive income as at 31 December 2014 is \$45m (2013: \$529m gain). The fair value of financial instruments designated as hedges of net investments in foreign operations outstanding as at 31 December 2014 is \$(5 682)m (2013: \$(5 681)m).

FINANCIAL ASSETS (EXCLUDING NON-INTEREST BEARING SHORT-TERM RECEIVABLES)

The Group's financial assets consist of cash and cash equivalents of \$5 295m (2013: \$6 208m), loans made to joint ventures and associates of \$353m (2013: \$714m), a finance lease receivable of \$172m (2013: \$172m), available-for-sale assets of \$42m (2013: \$61m), other long-term investments of \$nil (2013: \$17m), receivables due within one year of \$520m (2013: \$640m) and receivables due after more than one year of \$519m (2013: \$571m).

The currency and interest rate profile of financial assets is as follows:

The Group	2014				2013			
	Fixed rate financial assets \$m	Floating rate financial assets \$m	Non-interest bearing assets \$m	Total \$m	Fixed rate financial assets \$m	Floating rate financial assets \$m	Non-interest bearing assets \$m	Total \$m
Currency:								
Pound Sterling	—	—	—	—	—	—	361	361
US Dollar	231	6 295	22	6 548	231	7 563	34	7 828
Other	—	328	25	353	—	145	49	194
	231	6 623	47	6 901	231	7 708	444	8 383

18 FINANCIAL INSTRUMENTS CONTINUED**FINANCIAL ASSETS (EXCLUDING NON-INTEREST BEARING SHORT-TERM RECEIVABLES) CONTINUED**

Within floating rate financial assets, cash and cash equivalents earn interest at the relevant market rates. Periodic interest rate determinations in respect of floating rate loans to joint ventures and associates generally comprise London Interbank Offered Rate (LIBOR) plus or minus an agreed margin. As at 31 December 2014, floating rate receivables and loans to joint ventures and associates had an effective interest rate of between 1.27% and 4.52% (2013: between 1.26% and 4.00%) and are expected to expire between 2015 and 2022 (2013: between 2015 and 2020). The maturity profile of non-interest bearing loans to joint ventures and associates cannot be practicably estimated as repayments are based on the performance of the individual joint venture or associate.

As at 31 December 2014, fixed rate assets expire between 2016 and 2024 (2013: 2016 and 2024) and have effective interest rates of between 6% and 15% (2013: 6% and 14%).

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements:

The Group Financial assets as at 31 December 2014	Amounts offset			Amounts not offset		Net
	Gross assets \$m	Gross liabilities offset \$m	Net presented in the balance sheet \$m	Financial instruments \$m	Cash collateral received \$m	\$m
Derivative financial assets	1 098	(658)	440	(123)	(16)	301
Other receivables	82	(82)	—	—	—	—
Trade receivables	906	(166)	740	—	(4)	736
	2 086	(906)	1 180	(123)	(20)	1 037

The Group Financial liabilities as at 31 December 2014	Amounts offset			Amounts not offset		Net
	Gross liabilities \$m	Gross assets offset \$m	Net presented in the balance sheet \$m	Financial instruments \$m	Cash collateral paid \$m	\$m
Derivative financial liabilities	(1 121)	740	(381)	123	5	(253)
Trade payables	(718)	166	(552)	—	9	(543)
	(1 839)	906	(933)	123	14	(796)

The Group Financial assets as at 31 December 2013	Amounts offset			Amounts not offset		Net
	Gross assets \$m	Gross liabilities offset \$m	Net presented in the balance sheet \$m	Financial instruments \$m	Cash collateral received \$m	\$m
Derivative financial assets	1 198	(492)	706	(48)	(33)	625
Other receivables	76	(76)	—	—	—	—
Trade receivables	864	(314)	550	—	(21)	529
	2 138	(882)	1 256	(48)	(54)	1 154

The Group Financial liabilities as at 31 December 2013	Amounts offset			Amounts not offset		Net
	Gross liabilities \$m	Gross assets offset \$m	Net presented in the balance sheet \$m	Financial instruments \$m	Cash collateral paid \$m	\$m
Derivative financial liabilities	(923)	568	(355)	48	37	(270)
Trade payables	(560)	314	(246)	—	—	(246)
	(1 483)	882	(601)	48	37	(516)

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty typically requires net settlement of the relevant financial assets and liabilities. In the absence of such a requirement, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will be required or have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes: failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within a specified cure period after notice of such failure is given to the party; or bankruptcy.

FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS

The following financial instruments are measured at historical or amortised cost and have fair values that differ from their book values:

The Group	2014		2013	
	Book value \$m	Fair value \$m	Book value \$m	Fair value \$m
Financial instruments held or issued to finance the Group's operations:				
Long-term borrowings	(15 921)	(17 770)	(17 054)	(18 510)

The fair values of long-term borrowings are within Level 1 (\$14 387m) and Level 2 (\$3 383m) of the fair value hierarchy and have been estimated based on quoted market prices where available, or by discounting all future cash flows by the relevant market yield curve at the balance sheet date.

18 FINANCIAL INSTRUMENTS CONTINUED**THE COMPANY**

The Company's financial instruments are all denominated in Pounds Sterling and consist of short-term receivables of \$1 786m (2013: \$2 881m) and short-term payables of \$48m (2013: \$51m). Short-term receivables comprise amounts owed by Group undertakings, of which \$1 768m (2013: \$2 858m) earns interest at LIBOR minus an agreed margin. The remaining short-term receivables of \$18m (2013: \$23m) were non-interest bearing. Short-term payables are due within one year and are non-interest bearing. The fair value of the financial instruments approximates book value.

FINANCIAL RISK FACTORS

The principal financial risks arising from financial instruments are commodity price risk, exchange rate risk, interest rate risk and credit and liquidity risk. Additional quantitative information and market sensitivities in relation to certain principal market risks are included in the following sections.

Liquidity risk

The Group limits the amount of borrowings maturing within any specific period and the Group's financial assets are primarily held as short-term, liquid investments that are readily convertible into known amounts of cash. These measures reduce liquidity risk. The Group proposes to meet its financing commitments from the operating cash flows of the business, existing cash and cash equivalent investments, proceeds from asset disposals and borrowings from a range of sources which are expected to include money and debt capital markets, government lending agencies and existing committed lines of credit. The undiscounted contractual cash flows receivable/(payable) under financial instruments as at the balance sheet date are as follows:

The Group as at 31 December 2014	Within one year \$m	Between one and two years \$m	Between two and five years \$m	After five years \$m	Total \$m
<i>Non-derivative financial liabilities</i>					
Borrowings	(2 251)	(1 737)	(6 083)	(24 231)	(34 302)
Short-term payables	(1 509)	–	–	–	(1 509)
	(3 760)	(1 737)	(6 083)	(24 231)	(35 811)
<i>Outflows from derivative financial instruments</i>					
Currency and interest rate derivatives	(310)	(327)	(4 963)	(4 254)	(9 854)
Gross-settled commodity derivatives	(1 213)	(291)	(559)	(234)	(2 297)
Net-settled commodity derivatives	(5)	–	–	–	(5)
	(1 528)	(618)	(5 522)	(4 488)	(12 156)
Non-derivative financial assets and inflows from derivative financial instruments	9 197	1 438	5 560	4 490	20 685
Total as at 31 December 2014	3 909	(917)	(6 045)	(24 229)	(27 282)
The Group as at 31 December 2013	Within one year \$m	Between one and two years \$m	Between two and five years \$m	After five years \$m	Total \$m
<i>Non-derivative financial liabilities</i>					
Borrowings	(1 150)	(1 977)	(6 864)	(25 750)	(35 741)
Short-term payables	(1 878)	–	–	–	(1 878)
	(3 028)	(1 977)	(6 864)	(25 750)	(37 619)
<i>Outflows from derivative financial instruments</i>					
Currency and interest rate derivatives ^(a)	(374)	(317)	(3 898)	(3 612)	(8 201)
Gross-settled commodity derivatives	(1 232)	(397)	(276)	–	(1 905)
Net-settled commodity derivatives	(49)	(17)	(12)	–	(78)
	(1 655)	(731)	(4 186)	(3 612)	(10 184)
Non-derivative financial assets and inflows from derivative financial instruments ^(a)	12 172	1 728	4 701	4 582	23 183
Total as at 31 December 2013^(a)	7 489	(980)	(6 349)	(24 780)	(24 620)

(a) The Group has amended the comparative disclosures in order to present both principal and interest settlement amounts gross where the pay and receive legs of a derivative will be settled separately, including currency exchange, interest rate and cross-currency interest rate derivatives.

18 FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL RISK FACTORS CONTINUED

Credit risk

Credit risk is managed on a Group basis. Credit risk in financial instruments arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures of commercial counterparties including exposures in respect of outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum long-term credit rating of 'A' are normally accepted as a counterparty and credit limits are established based primarily on the credit ratings, although other credit assessment factors that determine credit quality, including the external environment, are taken into account when considering the awarding of or maintenance of a limit. Similarly if a commercial counterparty is independently credit rated, the rating is primarily used to determine credit quality and limits, with other relevant assessment factors also considered. If there is no independent credit rating, credit quality is assessed in accordance with credit policies that take account of the counterparty's financial position and other similar factors. Exposures are monitored by the relevant Group businesses and at a Group level.

As at 31 December 2014, the Group's maximum credit risk exposure (after the impact of any netting arrangements) under currency and interest rate related derivatives was \$167m (2013: \$570m) and commodity related derivatives \$79m (2013: \$65m). The Group's credit risk exposure under receivables and other financial assets is represented by the book values. The Group considers its portfolio for credit related concentration risks where risks may result from strategic investments, commercial relationships or sales of product in a variety of locations. Mitigation may be considered where appropriate to diversify or reduce risk profile.

The Egyptian government continues to demonstrate its commitment to repay outstanding debts to the energy industry. Following partial repayments of the Group's outstanding debt during 2014, the amount owed by Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales as at 31 December 2014 was \$0.9bn (2013: \$1.2bn), of which \$0.7bn (2013: \$0.5bn) was overdue. The Group considers that the current receivable balance remains fully recoverable as direct cash payments from EGPC continue to be received, however in 2014 a \$100 million pre-tax (\$79 million post-tax) charge was recognised relating to the downward re-measurement of the receivable balance to reflect the time value of money associated with the outstanding debt based on a revised assumed repayment profile. The recoverability of the receivable balance depends on the business environment in Egypt, the Group's continued investment plans and the volume of gas available for export, together with the outcome of ongoing negotiations with EGPC.

Market risk

Financial instruments used by the Group that are affected by market risks primarily comprise cash and cash equivalents, borrowings and derivative contracts. The principal market variables that affect the value of these financial instruments are UK and US interest rates, US Dollar to Pound Sterling exchange rates, UK and US gas prices, and Japan Custom-cleared Crude (JCC) and Brent oil prices. The table below illustrates the indicative post-tax effects on the income statement and other comprehensive income of applying reasonably foreseeable market movements to the Group's financial instruments at the balance sheet date.

The Group	Market movement		Business Performance		Disposals, re-measurements and impairments		Other comprehensive income/(charge)	
	2014	2013	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
UK interest rates	+ 100 basis points	+ 100 basis points	(6)	(18)	(1)	(10)	(142)	(140)
US interest rates	+ 100 basis points	+ 100 basis points	(1)	29	50	97	140	203
US\$/UK£ exchange rates	+ 20 cents	+ 20 cents	10	—	(376)	(208) ^(a)	1 506	1 635 ^(a)
UK gas prices	+ 20 pence/therm	+ 10 pence/therm	—	—	(48)	(12)	—	—
US gas prices	+ 1 \$/mmbtu	+ 1 \$/mmbtu	2	(14)	84	—	—	(2)
JCC/Brent prices	+ 20 \$/bbl	+ 10 \$/bbl	—	—	(62)	(39)	—	—
The Company								
UK interest rates	+ 100 basis points	+ 100 basis points	14	22	—	—	—	—

(a) The Group has undertaken a review of the methodology used to calculate foreign exchange rate sensitivities and has chosen to utilise a more granular approach in the sensitivity calculation of intra-group exposures. The Group has amended the comparative disclosures for foreign exchange rate sensitivities reported in 2013 from a \$144m loss to a \$208m loss for disposals, re-measurements and impairments and from a \$357m gain to a \$1 635 gain for other comprehensive income.

The above sensitivity analysis is based on the Group's financial assets, liabilities and hedge designations as at the balance sheet date and indicates the effect of a reasonable increase in each market variable. The effect of a corresponding decrease in these variables is approximately equal and opposite. The following assumptions have been made:

- the sensitivity includes a full year's change in interest payable and receivable from floating rate borrowings and investments based on the post-swap amounts and composition as at the balance sheet date;
- fair value changes from derivative instruments designated as cash flow or net investment hedges are considered fully effective and are recorded in other comprehensive income;
- fair value changes from derivative instruments designated as fair value hedges are considered fully effective and entirely offset by adjustments to the underlying hedged item; and
- fair value changes from derivatives not in a hedge relationship are recorded in the income statement.

19 TRADE AND OTHER PAYABLES

as at 31 December	The Group		The Company	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m
<i>Amounts falling due within one year</i>				
Trade payables	894	1 459	—	—
Amounts owed to Group undertakings	—	—	23	28
Amounts owed to joint ventures and associates (see note 23, page 126)	258	109	—	—
Other payables ^(a)	357	310	25	23
Accruals and deferred income	3 259	3 753	—	—
	4 768	5 631	48	51
<i>Amounts falling due after more than one year</i>				
Other payables	—	—	—	—
Accruals and deferred income	136	150	—	—
	136	150	—	—
	4 904	5 781	48	51

(a) As at 31 December 2014, Group payables include \$16m (2013: \$35m) relating to share-based payment transactions, of which \$10m (2013: \$22m) relates to awards that have already vested, and \$165m (2013: \$140m) relating to amounts provided in 2014 for payments to eligible employees under bonus schemes, including the BG Group Annual Incentive Scheme (AIS).

20 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

The Group	Decommissioning		Other		Total	
	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
As at 1 January	3 662	3 767	453	415	4 115	4 182
Charge for the year	17	63	172	98	189	161
Unwinding of discount	146	107	2	2	148	109
Additions	714	993	56	—	770	993
Change in discount rate	808	(764)	—	—	808	(764)
Disposals	(119)	(295)	—	—	(119)	(295)
Currency translation and other adjustments	(504) ^(a)	(134)	110 ^(b)	(2)	(394)	(136)
Amounts used	(83)	(75)	(139)	(58)	(222)	(133)
Unused provisions credited to the income statement	—	—	(24)	(2)	(24)	(2)
Reclassified as assets held for sale	(36)	—	—	—	(36)	—
As at 31 December	4 605	3 662	630	453	5 235	4 115

(a) Includes a movement of \$(272)m due to a change in inflation assumptions (2013: \$nil).

(b) Includes \$138m reclassified from elsewhere on the balance sheet.

A brief description of each provision together with estimates of the timing of expenditure is given below:

DECOMMISSIONING COSTS

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed at least annually and engineering estimates and reports are updated periodically. Provision is made for the estimated cost of decommissioning at the balance sheet date, to the extent that current circumstances indicate BG Group will ultimately bear this cost. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions surrounding the useful economic lives of the fields concerned. Useful economic lives of fields are affected by the estimation of hydrocarbon reserves and resources, which is in turn impacted by available reservoir data, commodity prices and future costs. Payments (on a discounted basis) of \$705m (2013: \$828m) are currently anticipated within one to five years; \$1 093m (2013: \$829m) within six to 10 years; and \$2 807m (2013: \$2 005m) over 10 years.

OTHER

The balance as at 31 December 2014 includes provisions for onerous contracts of \$111m (2013: \$146m), field-related payments of \$124m (2013: \$51m), insurance costs of \$107m (2013: \$67m) and costs associated with disposals and restructuring of \$119m (2013: \$112m). The payment dates are uncertain, but are expected to be between 2015 and 2018 (2013: 2014 and 2018).

21 CALLED UP SHARE CAPITAL

as at 31 December	Number of shares		2014 \$m	2013 \$m
	2014 m	2013 m		
Issued and fully paid up				
Equity:				
Ordinary shares of 10p each	3 621	3 619	579	579

For information on the rights and restrictions applying to the Company's shares see **Other disclosures section** on page 78.

During the year, the Company allotted 2.51m ordinary shares of 10p each (2013: 4.38m ordinary shares) with an aggregate nominal value of \$416 703 (2013: \$689 768) in connection with exercises of share options issued under the Company Share Option Scheme (CSOS) and the Sharesave Plan. The consideration received on these allotments amounted to \$28m (2013: \$45m).

At 31 December 2014, the Company held 209.9m (2013: 212.7m) of its own shares. The market value of these shares as at 31 December 2014 was \$2 831m (2013: \$4 572m). The Company made the following transactions in respect of its own shares:

- (i) During 2014, the Company made no purchases of its own ordinary shares. During 2013, the Company purchased 0.7m of its own ordinary shares for the Long-Term Incentive Plan (LTIP), for aggregate consideration of \$13m including transaction costs, which had a nominal value of \$105 838 and represented less than 0.1% of the called up share capital at 31 December 2013.
- (ii) During 2014, the Company transferred 2.8m (2013: 3.2m) of its ordinary shares to eligible employees in accordance with the terms of the Share Incentive Plan, the LTIP and Global Partnership Plan. The shares transferred had a nominal value of \$469 193 (2013: \$496 056) and represented approximately 0.1% (2013: 0.1 %) of the called up share capital at 31 December 2014. The cost of shares transferred was \$22m (2013: \$43m).
- (iii) The maximum number of shares held during the year was 212.7m ordinary shares (2013: 215.5m), representing approximately 5.9% (2013: 6.0%) of the called up share capital at 31 December 2014, and having a nominal value of \$35 233 224 (2013: \$32 722 390).

22 COMMITMENTS AND CONTINGENCIES

A) CAPITAL EXPENDITURE

As at 31 December 2014, the Group had contractual commitments for future capital expenditure amounting to \$4 195m (2013: \$6 235m) of which \$3 998m related to acquisition of property, plant and equipment (2013: \$5 770m) and \$197m related to intangible exploration assets (2013: \$465m).

Included in the amount for contractual commitments for future capital expenditure is \$1 388m (2013: \$1 921m) relating to commitments under operating leases split between amounts due within one year \$723m (2013: \$970m), and amounts due between one and five years \$665m (2013: \$951m).

B) DECOMMISSIONING COSTS ON DISPOSED ASSETS

BG Group has contingent liabilities in respect of the future decommissioning costs of gas and oil assets disposed of to third parties should they fail to meet their remediation obligations. The amounts of future costs associated with these contingent liabilities could be significant. The Group has obtained indemnities and/or letters of credit against the estimated amount of certain of these potential liabilities.

C) FUTURE EXPLORATION WELL COSTS

As at 31 December 2014, certain petroleum licences in which BG Group has an interest contained outstanding uncontracted obligations to drill exploration and appraisal wells. The uncontracted cost attributable to the Group in respect of these capital commitments is estimated to be \$384m (2013: \$806m).

D) LEASE COMMITMENTS

Commitments under operating leases to be expensed to the income statement as at 31 December were as follows:

The Group	Land and buildings		Vessels and other		FPSOs		Total	
	2014 \$m	Restated ^(a) 2013 \$m	2014 \$m	Restated ^(a) 2013 \$m	2014 \$m	Restated ^(a) 2013 \$m	2014 \$m	Restated ^(a) 2013 \$m
Amounts due:								
Within one year	70	72	542	395	282	162	894	629
Between one and five years	203	191	2 369	1 851	1 579	1 120	4 151	3 162
After five years	152	204	1 718	2 146	2 695	2 102	4 565	4 452
	425	467	4 629	4 392	4 556	3 384	9 610	8 243

(a) The Group has amended the comparative lease commitment disclosure for 'Land and buildings', 'Vessels and other' and 'FPSOs' to exclude certain operating and maintenance costs, to reflect a shorter minimum lease term for certain FPSOs, to remove four FPSO leases from the disclosure and ensure that the net commitment of the Group is shown. The impact of excluding these amounts on the previously disclosed 2013 comparative was to reduce operating lease commitments for 'Land and buildings' from \$549m to \$467m, 'Vessels and other' from \$6 057m to \$4 392m and FPSOs from \$13 009m to \$3 384m.

Certain expenditure under operating leases is recovered from third parties under partnership agreements and is excluded from the table above. The longest dated lease, in respect of an FPSO, expires in 2029 (2013: expires in 2029).

22 COMMITMENTS AND CONTINGENCIES CONTINUED**E) LEGAL PROCEEDINGS**

In August 2009 two separate tax deficiency notices were issued against Petrobras based on alleged irregularities in connection with the import of equipment and rigs on behalf of the BM-S-9 Consortium (Petrobras (45% – Operator), BG E&P Brasil (30%) and Repsol Sinopec Brasil (25%)). BG Group's potential liability arises from indemnity provisions in favour of Petrobras, as set out in the Joint Operating Agreement.

The first tax deficiency notice was issued due to the São Paulo State Tax Authority's allegation that Petrobras cannot enjoy lower tax rates in the importation of a rig. Petrobras challenged this decision through the administrative courts (this appeal was rejected); and in the judicial branch, in which the first instance and second instance (February 2014) courts declared and upheld that the São Paulo State Tax Authority was not competent to decide unilaterally where customs clearance takes place or to consider if the Consortium would be entitled to the special tax treatment. These rulings were positive decisions for the Consortium. The São Paulo State Tax Authority appealed the second instance judicial decision to the Brazilian Superior Court of Justice and a final decision is expected within the next three years.

The second tax deficiency notice was issued by the São Paulo Tax Authority reflecting their view that Petrobras should have recorded transfers of goods to and from a rig as if the offshore rig and the onshore base were two distinct branches of Petrobras. As such, the authorities are charging a penalty. Petrobras has appealed an unfavourable decision in the administrative courts and a decision is expected in 2015. If the appeal by Petrobras is rejected, it is anticipated that judicial proceedings will be brought in a manner similar to the first tax deficiency notice referred to above and that this matter may take up to five years to be resolved.

In 2014 tax assessments were issued against Petrobras in respect of the charter/services contract split for FPSOs, offshore service vessels and rig hire for the years 2008, 2009 and 2010. Some of these FPSOs, vessels and rigs were allocated to the BM-S-9 and BM-S-11 consortia. Defences and administrative appeals were submitted by Petrobras and are pending.

BG Group's Australian subsidiary is defending claims brought by an unincorporated joint venture between McConnell Dowell Constructors (Aust) Pty Limited and Consolidated Contracting Company Australia Pty Limited (together, 'MCJV'). MCJV is the main contractor for the Export and Narrows pipelines project. In March 2014, MCJV initiated ICC arbitration proceedings relating to project variations, delay and completion of milestones. The arbitral panel has been constituted and an indicative timetable for the arbitration set. The full hearing of the matter is not expected before Q4 2015. The claim has been retained by BG Group in the sales process of QCLNG Pipeline Pty Limited.

Various issues have been in dispute for a number of years with the Government of India in relation to the interpretation of the production sharing contracts for the Panna/Mukta and Tapti fields and related matters. Arbitration proceedings are ongoing.

It is not practicable at this time to estimate the financial effects (other than for the tax deficiency notices); given the uncertainties relating to the amounts and timing of any economic inflows or outflows and the possibility of any reimbursements in relation to the outstanding legal proceedings detailed above. An amount for the tax deficiency notices has been included within the other contingency liabilities amount in subsection (F) below.

The Company and its subsidiaries are, or may from time to time be, in connection with current or past operations, involved in a number of legal or arbitration proceedings, including, for example, claims, suits, actions, investigations and/or inquiries relating to commercial, tax, environmental or other matters, with third parties or governmental or regulatory authorities. While the outcome of some of these matters cannot readily be foreseen, it is currently considered that they will be resolved without material effect on the net asset position as set out in these Financial statements.

F) CONTINGENT LIABILITIES

The amount of contingent liabilities as at 31 December 2014 (mainly the provision of guarantees, indemnities, contingent decommissioning obligations or warranties to third parties and various legal or arbitration proceedings in connection with the current and prior operations of the Group) amounted to \$7 188m (2013: \$7 144m), of which \$224m (2013: \$242m) related to the Company.

23 RELATED PARTY TRANSACTIONS

In the normal course of business BG Group provides goods and services to, and receives goods and services from, its joint ventures and associates.

The Group received and incurred the following income and charges from its joint ventures and associates:

for the year ended 31 December

	2014		2013 Restated ^(a)	
	Income \$m	Charges \$m	Income \$m	Charges \$m
LNG cargo purchases, sales and other related costs	118	(720)	108	(601)
Shipping, transportation costs and other related costs	2	(23)	5	(47)
E&P operating costs	–	(298)	–	(149)
	120	(1 041)	113	(797)

(a) On the adoption of IFRS 11 'Joint Arrangements', the Group has reclassified the comparative disclosures given in 2013 to exclude relationships that are now deemed to be 'Joint Operations' and fall outside of the scope of IAS 24 'Related Party Disclosures'. The impact of excluding these items were as follows: LNG cargo purchases, and other related costs from \$717m to \$601m, Shipping, transportation and other related income from \$90m to \$5m and Shipping, transaction costs and other related costs from \$113m to \$47m.

BG Group provides certain guarantees in respect of its obligations to its joint ventures and associates, and its share of obligations undertaken by its joint ventures and associates, in the normal course of business.

As at 31 December 2014, a debtor balance of \$42m (2013: \$69m) (see note 15, page 114) and a creditor balance of \$258m (2013: \$109m) (see note 19, page 124) were outstanding with these parties.

23 RELATED PARTY TRANSACTIONS CONTINUED

In addition, BG Group provides financing to some of these parties by way of loans. As at 31 December 2014, loans of \$353m (2013: \$714m) were due from joint ventures and associates. These loans are accounted for as part of BG Group's investment in joint ventures and associates and disclosed in note 13, page 113. Interest of \$9m (2013: \$10m) was charged on these loans during the year at interest rates of between 1.25% and 3.99% (2013: 1.26% and 4.06%). The maximum debt outstanding during the year was \$714m (2013: \$715m).

BG Group has a finance lease arrangement with a joint venture company. As at 31 December 2014, the obligation was \$130m (2013: \$135m). Interest of \$7m (2013: \$9m) was paid during the year in respect of this lease. The lease expires in 2027.

BG Group has operating lease arrangements with associate companies in respect of FPSOs. As at 31 December 2014, the obligation was \$3 846m (2013 restated: \$2 649m). Charges paid during the year in respect of these leases are presented as E&P operating costs in the table. The last of these leases expires in 2029 (2013: 2029).

William Backhouse, the son of Peter Backhouse, a former Non-Executive Director who resigned during 2014, was employed by BG International Limited, a wholly owned subsidiary of BG Group plc. Peter Backhouse is regarded as interested in the contract of employment by virtue of his relationship with William Backhouse. The terms and conditions of William Backhouse's employment are consistent with others employed in a similar role.

As at 31 December 2014, a debtor balance of \$1 786m (2013: \$2 881m) (see note 15, page 114) and a creditor balance of \$23m (2013: \$28m) (see note 19, page 124) were outstanding between BG Group plc and other Group undertakings.

BG Group plc grants equity instruments to subsidiaries' employees in respect of equity-settled employee share schemes. In 2014, the fair value of equity instruments charged to the income statement was \$70m (2013: \$74m).

24 PENSIONS AND POST-RETIREMENT BENEFITS

In the year ended 31 December 2014, a number of the Group's UK employees were members of the BG Pension Scheme (BGPS), a defined benefit registered pension plan established under trust. The Trustee is BG Group Pension Trustees Limited. The BGPS is funded to cover future pension liabilities in respect of service up to the closure of the scheme. It is subject to an independent valuation at least every three years, on the basis of which the independent qualified actuary certifies the rate of employers' contributions that, together with the returns on the BGPS's assets, are expected to be sufficient to fund the benefits payable.

In common with all workplace pension schemes in the UK, the BGPS is subject to regulation by The Pensions Regulator. The Trustee is responsible for overall management and governance of the BGPS, including compliance with all applicable legislation and regulations. The Trustee also has responsibility for investment of the BGPS's assets, following consultation with the Group.

The BGPS closed to future accrual of benefits on 31 December 2013 and all active members became deferred pensioners with pensions calculated based on salaries up until the point of closure for such active members. These deferred pensions are generally revalued in line with movements in the Retail Prices Index. Certain benefits relating to individual transfers-in and purchases of additional pensionable service by employees retain a link to pensionable salary post-closure. The closure of the scheme to future accruals resulted in a curtailment gain of \$154m, recognised in the 2013 income statement (see note 4, page 105).

The last full independent actuarial valuation of the BGPS for funding purposes showed that the aggregate market value of the plan assets at 31 March 2014 was £1 540m, representing 97% of the accrued liabilities. The next full funding valuation is expected to be performed with an effective date of 31 March 2017. As part of the funding agreement in respect of the 2011 actuarial valuation and the closure of the BGPS to future accrual of benefits, the Group and the Trustee established a Pension Funding Partnership (PFP) to address the deficit and to provide greater security to the Trustee.

In December 2013, the Group acquired an interest in the PFP for £110m. It also contributed £350m to the BGPS and the Trustee used this to purchase its interest in the PFP. The PFP has an interest in loans secured on four of the Group's LNG ships, the proceeds from which the PFP will use to make annual distributions of £33m to the BGPS for 15 years and to pay a capital sum in 2028 of £172m which will be used, if necessary, to fund any deficit in the BGPS at that time, measured on a 'self-sufficiency' funding basis. In December 2014, BG Group entered into an agreement for the sale of two of these LNG ships for proceeds of \$460 million. Consequently, the majority of the proceeds from this sale will be utilised to support the funding of the BGPS.

The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these financial statements. Separate accounts for the PFP are not required to be, and have not been, filed at Companies House.

For scheme funding purposes, the Trustee's interest in the PFP is treated as an asset which reduces the BGPS actuarial funding deficit. However, the PFP is not a plan asset under IAS 19 for the purposes of the Group's consolidated financial statements and therefore does not reduce the deficit on an IAS 19 accounting basis.

The Group is exposed to a number of risks relating to the BGPS. For example, additional contributions may be required if the life expectancy of the members increases or if investments underperform, compared with the assumptions adopted at the last valuation of the BGPS.

The BGPS holds a diversified investment portfolio (see table on page 129), primarily comprising quoted investments, spread across five investment managers. The portfolio remains weighted towards growth assets, with the benchmark allocation to these assets maintained at 60% during the year. As at 31 December 2014, the BGPS held unquoted assets valued at \$4m (2013: \$3m) through its absolute return investment in the Lansdowne Developed Markets Fund.

The BG Supplementary Benefits Scheme (BGSBS) provides benefits broadly in excess of the 'lifetime allowance'. This defined benefit plan is an unfunded, non-registered arrangement. The BGSBS was closed to future accrual of benefits on 31 December 2013, the same date as benefit accrual ceased in the BGPS.

24 PENSIONS AND POST-RETIREMENT BENEFITS CONTINUED

The Group has a small number of defined benefit plans outside the UK which are not material in Group terms.

Independent actuaries reported on the financial position of the BGPS and the BGSBS as at 31 December 2014 in accordance with the requirements of IAS 19. The fair value of plan assets, the present value of plan liabilities and the net balance sheet liability were as follows:

as at 31 December	2014 \$m	2013 \$m
Fair value of plan assets	2 004	1 927
Present value of liabilities	(2 262)	(2 095)
Net balance sheet liability	(258)	(168)

The following table shows the movements in the defined benefit obligation (DBO), the fair values on plan assets and the net defined benefit obligation in the period, separately identifying the impact on the income statement and other comprehensive income:

	Defined benefit obligation	2014 \$m Fair values on plan assets	Net defined benefit obligation	Defined benefit obligation	2013 \$m Fair values on plan assets	Net defined benefit obligation
At 1 January	(2 095)	1 927	(168)	(1 886)	1 598	(288)
Pension (cost)/ credit to income statement:						
Current service cost	–	–	–	(63)	–	(63)
Past service cost	15	–	15	–	–	–
Curtailment gain	–	–	–	154	–	154
Net interest	(92)	85	(7)	(83)	72	(11)
Subtotal recognised in the income statement:	(77)	85	8	8	72	80
Remeasurement gains/(losses) in other comprehensive income:						
Return on plan assets (excluding amounts included in net interest)	–	119	119	–	158	158
Actuarial changes arising from changes in financial assumptions	(225)	–	(225)	(210)	–	(210)
Actuarial changes arising from changes in demographic assumptions	(75)	–	(75)	–	–	–
Experience adjustments	18	–	18	4	–	4
Currency translation adjustments	124	(116)	8	(55)	47	(8)
Subtotal recognised in Other Comprehensive Income:	(158)	3	(155)	(261)	205	(56)
Benefits paid	68	(68)	–	45	(45)	–
Contributions by employees	–	–	–	(1)	1	–
Contributions by employer	–	57	57	–	96	96
At 31 December	(2 262)	2 004	(258)	(2 095)	1 927	(168)

Also recognised in the consolidated income statement was a \$73m charge (2013: \$60m) in relation to defined contribution schemes within continuing operations and \$nil (2013: \$1m) within discontinued operations.

As at 31 December 2014, \$2 187m of the DBO relates to the funded BGPS (2013: \$2 021m) and \$75m relates to the unfunded BGSBS (2013: \$74m).

The weighted average duration of the DBO as at 31 December 2014 is 22 years. As at 31 December 2014, \$1 554m of the DBO relates to deferred pensioners and \$708m relates to pensions in payment.

The valuations as at 31 December were based on the following significant assumptions^(a):

	2014 %	2013 %
Rate of price inflation and benefit increases ^(b)	3.1	3.4
Discount rate	3.7	4.5

(a) Due to the closure of the BGPS to future accrual of benefits on 31 December 2013 the future increase in earnings is no longer considered a significant assumption.

(b) Rate of increase of the majority of deferred pensions and pensions in payment in excess of any Guaranteed Minimum Pension element.

The assumptions set out in the table above are those applicable to Pounds Sterling, being the currency in which the plans are denominated.

If the discount rate used for the valuation of the BGPS and BGSBS was reduced by 0.1% to 3.6%, the DBO would increase by \$49m.

A 0.1% increase in the inflation rate would have a similar impact on the DBO.

24 PENSIONS AND POST-RETIREMENT BENEFITS CONTINUED

In determining the DBO as at 31 December 2014, mortality assumptions are based on the 'Self Administered Pension Schemes' (SAPS) S2 series (light) tables with a 98% multiplier for males and a 91% multiplier for females issued by the Institute and Faculty of Actuaries, appropriate to each member's year of birth, with an allowance for projected longevity improvements in line with the CMI's 'core projection' model (2013 version), with a long-term rate of improvement of the projected mortality rates of 1.5% per annum. Based on these assumptions, the life expectancies of pensioners on the measurement date and also of pensioners in 10 years time are as follows:

as at 31 December	Life expectancy of pensioners (years)			
	2014		2013	
	2014	2024	2013	2023
Male age 60	28.8	30.0	28.3	29.0
Male age 65	23.9	24.9	23.6	24.2
Female age 60	30.6	31.8	29.4	30.2
Female age 65	25.6	26.8	24.6	25.4

If the life expectancy of a member currently age 60 was increased by one year, with consistent changes for members at other ages, the DBO in respect of the BGPS and BGSBS would increase by \$61m.

As at 31 December, the fair value of plan assets was as follows:

	2014		2013	
	Percentage of plan assets %	Value \$m	Percentage of plan assets %	Value \$m
Equities ^(a)	38	753	38	733
Absolute return strategies	15	305	16	305
Index-linked gilts	30	590	29	551
Corporate bonds	10	204	10	196
Property funds	7	146	7	131
Money market funds and cash	—	6	—	11
Fair value of plan assets		2 004		1 927

(a) Equities are invested across a globally diversified range of funds which track benchmark general industry indices in each market.

25 PRINCIPAL SUBSIDIARY UNDERTAKINGS, JOINT VENTURES, ASSOCIATES AND MATERIAL JOINT OPERATIONS

The principal subsidiary undertakings, joint ventures and associates listed in accordance with the Companies Act 2006, are those that in the opinion of the Directors principally affect the figures shown in the Financial statements. A full list of subsidiary undertakings, joint ventures and associates is included in the Annual Return of BG Group plc filed with the Registrar of Companies. The Group does not have any individually material joint ventures or associates requiring disclosure under IFRS 12.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

as at 31 December 2014	Country of incorporation	Location of operation	Activity
BG International (AUS) Limited Partnership	Australia	Australia	Exploration and production
QCLNG Common Facilities Company Pty Limited	Australia	Australia	LNG manufacture
QCLNG Pipeline Pty Limited	Australia	Australia	Gas infrastructure
QCLNG Train 2 Pty Limited	Australia	Australia	LNG manufacture
QGC (Infrastructure) Pty Limited	Australia	Australia	Exploration and production
QGC Pty Limited (QGC)	Australia	Australia	Exploration and production
QGC Train 1 Pty Limited	Australia	Australia	LNG manufacture
BG E&P Brasil Ltda.	Brazil	Brazil	Exploration and production
BG Bolivia Corporation	Cayman Islands	Bolivia	Exploration and production
BG Exploration and Production India Limited	Cayman Islands	India	Exploration and production
BG Egypt S.A.	Cayman Islands	Egypt	Exploration and production
BG Delta Limited	England and Wales	Egypt	Exploration and production
BG Energy Capital plc	England and Wales	UK	Financing company
BG Energy Holdings Limited ^(a)	England and Wales	UK	Group holding company
BG Energy Trading Limited	England and Wales	UK	Oil marketing
BG Gas Marketing Limited	England and Wales	UK ^(b)	LNG marketing
BG Global Energy Limited ^(c)	England and Wales	UK ^(b)	Exploration and production/LNG marketing
BG Hasdrubal Limited	England and Wales	Tunisia	Exploration and production
BG International Limited	England and Wales	UK ^(b)	Holding company/Exploration and production
BG International (CNS) Limited	England and Wales	UK	Exploration and production
BG Karachaganak Limited	England and Wales	Kazakhstan	Holding company/Exploration and production
BG North Sea Holdings Limited	England and Wales	UK	Holding company/Exploration and production
BG Trinidad and Tobago Limited	England and Wales	Trinidad and Tobago	Exploration and production
BG Tunisia Limited	England and Wales	Tunisia	Exploration and production
Methane Services Limited	England and Wales	UK ^(b)	LNG shipping
BG Norge Limited	England and Wales	UK and Norway	Exploration and production
BG Tanzania Limited	England and Wales	Tanzania	Exploration and production
BG Asia Pacific Pte. Limited	Singapore	Singapore ^(b)	Exploration and production
BG Singapore Gas Marketing Pte. Limited	Singapore	Singapore	LNG marketing
BG Energy Finance, Inc.	USA	USA	Financing company
BG Energy Merchants, LLC	USA	USA	Gas marketing
BG LNG Services, LLC	USA	USA	LNG regasification
BG LNG Trading, LLC	USA	UK ^(b)	LNG marketing
BG Production Company (PA), LLC	USA	USA	Exploration and production
BG US Production Company, LLC	USA	USA	Exploration and production

(a) Shares are held by the Company; others are held by subsidiary undertakings.

(b) This is the primary country of operation; however, the company also operates across several other countries.

(c) BG International (NSW) Limited was renamed BG Global Energy Limited on 8 October 2014.

All the above are wholly owned.

25 PRINCIPAL SUBSIDIARY UNDERTAKINGS, JOINT VENTURES, ASSOCIATES AND MATERIAL JOINT OPERATIONS CONTINUED

JOINT VENTURES AND ASSOCIATES

as at 31 December 2014	Country of incorporation and location of operation	Activity	Group holding %
Joint ventures			
Atlantic LNG 2/3 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	LNG manufacture	32.5
Dragon LNG Group Limited	England and Wales	LNG regasification	50.0
Mahanagar Gas Limited	India	Gas distribution	49.8
Associates			
Guará B.V.	Netherlands ^(a)	Leasing	30.0
Tupi B.V.	Netherlands ^(a)	Leasing	25.0
Atlantic LNG Company of Trinidad and Tobago	Trinidad and Tobago	LNG manufacture	26.0
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	LNG manufacture	28.9

(a) Guará B.V. and Tupi B.V. are incorporated in the Netherlands and operate in Brazil.

MATERIAL JOINT OPERATIONS

The following joint operations are considered individually material to the Group.

as at 31 December 2014	Principal place of business	Activity
West Delta Deep Marine ^(a)	Egypt	Exploration and production
Karachaganak ^(b)	Kazakhstan	Exploration and production

(a) West Delta Deep Marine concession is operated by Burullus Gas Company S.A.E. in which the Group has a 25% interest.

(b) Karachaganak concession is operated by Karachaganak Petroleum Operating B.V. in which the Group has a 29.25% interest.

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SUPPLEMENTARY INFORMATION – GAS AND OIL (UNAUDITED)

From the year ended 31 December 2013 onwards BG Group has adopted the reserves definitions and guidelines consistent with the internationally recognised Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers, known as the SPE-PRMS, in accordance with recommendations issued by the European Securities and Markets Authority (ESMA). Prior to this, BG Group had voluntarily used the SEC definition of proved reserves and of probable reserves (from 2009), to report proved gas and oil reserves and disclose certain unaudited supplementary information.

In accordance with the SPE-PRMS guidelines, BG Group uses gas and crude oil price forecasts that are based on its reference conditions to determine reserves estimates. Therefore reserves (proved and probable) as at 31 December 2014 are measured in accordance with SPE-PRMS definitions and guidelines.

Information in this section is grouped on a geographical basis as shown below:

- Australia;
- Africa – Algeria, Egypt, Kenya, Madagascar, Tanzania and Tunisia;
- Asia – China, India, Kazakhstan, Myanmar and Thailand;
- North America and the Caribbean – Aruba, Honduras, Trinidad and Tobago and the USA;
- South America – Bolivia, Brazil, Colombia and Uruguay; and
- Europe – Norway and the UK.

The Corporate Reserves Group (CRG) is a central multidisciplinary group of reserves experts with an average of 20 years' experience in the oil and gas industry which provides an independent review of all reserves and discovered resources bookings and revisions proposed by assets to the Reserves Committee which in turn reports to the Audit Committee. The Head of the CRG, Dr. Carolina Coll has more than 25 years of diversified experience in the oil and gas industry. She has a degree in physics and a PhD in petroleum engineering.

She is a past member of the Society of Petroleum Engineers Oil and Gas Reserves Committee, a member of the SPE Joint Committee on Reserves Evaluation Training, a member of the SPE London Board, a member of the United Nations Economic Commission for Europe Expert Group on Resource Classification and a member of the SPE Carll, Lucas & Uren Award Committee.

Total additions and revisions to proved reserves during the year were 295 mmbob. This comprised technical revisions due to new data and field performance updates (124 mmbob increase), extensions, discoveries and reclassifications (180 mmbob increase), acquisitions and disposals (8 mmbob decrease) and the net effect of price movements (1 mmbob decrease). Production in the period was 221 mmbob.

Gas and oil reserves cannot be measured exactly since estimation of reserves involves subjective judgement. Therefore, all estimates are subject to revision. Changes in gas and oil prices in fields subject to Production Sharing Contracts (PSCs) may result in changes to entitlements and therefore proved reserves.

PROVED RESERVES

Proved reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations.

Proved developed reserves are those reserves that can be expected to be recovered through existing wells and with existing equipment and operating methods. Proved undeveloped reserves comprise total proved reserves less total proved developed reserves.

PROBABLE RESERVES

Probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves.

DISCOVERED RESOURCES

Discovered resources are defined by BG Group as the best estimate of discovered recoverable hydrocarbons where commercial and/or technical maturity is such that the initiation of development is subject to certain conditions and therefore sanction is not expected within the next few years.

RISKED EXPLORATION

Risk exploration resources are defined by BG Group as the best estimate (mean value) of recoverable hydrocarbons from undiscovered accumulations multiplied by the chance of success.

TOTAL RESOURCES

Total resources are defined by BG Group as the aggregate of proved and probable reserves plus discovered resources and risked exploration. Total resources may also be referred to as total reserves and resources.

A) RESERVES

All information for periods up to 31 December 2012 is presented under SEC methodology. Information for 31 December 2013 is presented under both SEC and SPE-PRMS methodology. Information from 31 December 2013 is presented under SPE-PRMS methodology.

ESTIMATED NET PROVED RESERVES OF NATURAL GAS

	Australia bcf	Africa bcf	Asia bcf	North America and the Caribbean bcf	South America bcf	Europe bcf	Total bcf
As at 31 December 2011 (SEC):	2 717	2 403	2 032	2 623	2 100	979	12 854
Movement during the year (SEC):							
Revisions of previous estimates ^(a)	–	(250)	87	(339)	8	(50)	(544)
Extensions, discoveries and reclassifications	805	–	16	79	57	1	958
Production	(55)	(342)	(185)	(331)	(60)	(90)	(1 063)
Disposals of reserves-in-place	–	–	(22)	–	–	–	(22)
	750	(592)	(104)	(591)	5	(139)	(671)
As at 31 December 2012 (SEC):	3 467	1 811	1 928	2 032	2 105	840	12 183
Movement during the year (SEC):							
Revisions of previous estimates ^(a)	544	(277)	9	129	169	(35)	539
Extensions, discoveries and reclassifications	–	(45)	27	(71)	–	(13)	(102)
Production	(55)	(297)	(185)	(275)	(72)	(83)	(967)
Disposals of reserves-in-place	(791)	–	–	(65)	–	–	(856)
	(302)	(619)	(149)	(282)	97	(131)	(1 386)
As at 31 December 2013 (SEC):	3 165	1 192	1 779	1 750	2 202	709	10 797
Revisions of previous estimates ^(b)	5	11	51	81	6	(1)	153
Extensions, discoveries and reclassifications	1 091	–	–	–	–	–	1 091
As at 31 December 2013 (SPE-PRMS):	4 261	1 203	1 830	1 831	2 208	708	12 041
Movement during the year (SPE-PRMS):							
Revisions of previous estimates ^(a)	(1)	(172)	99	(124)	37	(18)	(179)
Extensions, discoveries and reclassifications	479	(25)	7	(5)	74	–	530
Production	(74)	(183)	(172)	(224)	(100)	(88)	(841)
Disposals of reserves-in-place	–	–	–	–	–	(1)	(1)
	404	(380)	(66)	(353)	11	(107)	(491)
As at 31 December 2014 (SPE-PRMS)	4 665	823	1 764	1 478	2 219	601	11 550^(c)

(a) Includes effect of oil and gas price changes on PSCs.

(b) Includes the effect of changing from SEC price assumptions to SPE-PRMS reference prices, including impact on PSCs.

(c) Estimates of proved natural gas reserves at 31 December 2014 includes fuel gas of 1 289 bcf (2013: 1 031 bcf).

Note: Conversion factor of 6 bcf of gas to 1 mmboe.

ESTIMATED NET PROVED DEVELOPED RESERVES OF NATURAL GAS

	Australia bcf	Africa bcf	Asia bcf	North America and the Caribbean bcf	South America bcf	Europe bcf	Total bcf
As at 31 December 2011 (SEC)	575	1 254	1 851	1 349	392	728	6 149
As at 31 December 2012 (SEC)	503	1 181	1 858	1 387	709	684	6 322
As at 31 December 2013 (SPE-PRMS)	509	758	1 791	993	850	573	5 474
As at 31 December 2014 (SPE-PRMS)	1 539	476	1 719	724	849	503	5 810

ESTIMATED NET PROBABLE RESERVES OF NATURAL GAS

	Australia bcf	Africa bcf	Asia bcf	North America and the Caribbean bcf	South America bcf	Europe bcf	Total bcf
As at 31 December 2011 (SEC)	6 565	1 425	920	1 342	1 157	355	11 764
As at 31 December 2012 (SEC)	5 788	1 170	1 137	1 416	1 550	452	11 513
As at 31 December 2013 (SPE-PRMS)	2 930	3 894	636	1 350	1 435	394	10 639
As at 31 December 2014 (SPE-PRMS)^(a)	2 145	3 412	759	1 385	1 142	411	9 254

(a) Estimates of probable natural gas reserves at 31 December 2014 includes fuel gas of 689 bcf (2013: 607 bcf).

A) RESERVES CONTINUED**ESTIMATED NET PROVED RESERVES OF OIL**

'Oil' includes crude oil, condensate and natural gas liquids.

	Australia mmbbl	Africa mmbbl	Asia mmbbl	North America and the Caribbean mmbbl	South America mmbbl	Europe mmbbl	Total mmbbl
As at 31 December 2011 (SEC):	–	24.7	259.8	5.1	630.3	185.5	1 105.4
Movement during the year (SEC):							
Revisions of previous estimates ^(a)	–	(1.2)	17.1	(0.6)	100.3	4.8	120.4
Extensions, discoveries and reclassifications	–	–	0.2	–	228.1	8.9	237.2
Production	–	(4.5)	(27.5)	(0.5)	(9.5)	(21.3)	(63.3)
Disposals of reserves-in-place ^(b)	–	–	0.8	–	–	–	0.8
	–	(5.7)	(9.4)	(1.1)	318.9	(7.6)	295.1
As at 31 December 2012 (SEC):	–	19.0	250.4	4.0	949.2	177.9	1 400.5
Movement during the year (SEC):							
Revisions of previous estimates ^(a)	–	3.7	2.6	0.3	145.8	9.3	161.7
Extensions, discoveries and reclassifications	–	0.1	0.4	–	33.9	(2.9)	31.5
Production	–	(5.1)	(25.4)	(0.7)	(15.3)	(23.2)	(69.7)
Disposals of reserves-in-place	–	–	–	(0.6)	–	–	(0.6)
	–	(1.3)	(22.4)	(1.0)	164.4	(16.8)	122.9
As at 31 December 2013 (SEC)	–	17.7	228.0	3.0	1 113.6	161.1	1 523.4
Revisions of previous estimates ^(c)	–	–	9.2	0.1	1.4	(2.1)	8.6
As at 31 December 2013 (SPE-PRMS)	–	17.7	237.2	3.1	1 115.0	159.0	1 532.0
Movement during the year (SPE-PRMS):							
Revisions of previous estimates ^(a)	–	4.8	16.0	0.1	126.3	6.2	153.4
Extensions, discoveries and reclassifications	–	(0.2)	5.4	–	85.7	–	90.9
Production	–	(3.7)	(23.4)	(0.6)	(29.1)	(24.1)	(80.9)
Disposals of reserves-in-place	–	–	–	–	–	(7.5)	(7.5)
	–	0.9	(2.0)	(0.5)	182.9	(25.4)	155.9
As at 31 December 2014 (SPE-PRMS)	–	18.6	235.2	2.6	1 297.9	133.6	1 687.9

(a) Includes effect of oil and gas price changes on PSCs.

(b) Karachaganak Settlement Agreement (disposal) resulted in a minor addition to liquids.

(c) Includes the effect of changing from SEC price assumptions to SPE-PRMS reference prices, including impact on PSCs.

ESTIMATED NET PROVED DEVELOPED RESERVES OF OIL

	Australia mmbbl	Africa mmbbl	Asia mmbbl	North America and the Caribbean mmbbl	South America mmbbl	Europe mmbbl	Total mmbbl
As at 31 December 2011 (SEC)	–	21.0	238.1	1.9	43.8	136.7	441.5
As at 31 December 2012 (SEC)	–	18.8	230.5	3.6	78.5	126.4	457.8
As at 31 December 2013 (SPE-PRMS)	–	14.0	221.4	2.8	120.4	119.2	477.8
As at 31 December 2014 (SPE-PRMS)	–	15.5	221.1	1.9	196.1	101.9	536.5

ESTIMATED NET PROBABLE RESERVES OF OIL

	Australia mmbbl	Africa mmbbl	Asia mmbbl	North America and the Caribbean mmbbl	South America mmbbl	Europe mmbbl	Total mmbbl
As at 31 December 2011 (SEC)	–	9.0	137.2	2.3	1 737.4	92.4	1 978.3
As at 31 December 2012 (SEC)	–	15.6	77.6	2.1	1 652.5	91.9	1 839.7
As at 31 December 2013 (SPE-PRMS)	–	10.6	121.2	1.9	1 479.0	66.4	1 679.1
As at 31 December 2014 (SPE-PRMS)	–	7.6	149.4	1.5	1 161.3	50.2	1 370.0

B) STANDARDISED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

The following tables set out the standardised measure of discounted future net cash flows relating to proved gas and oil reserves and report the causes of changes in the standardised measure of the cash flows relating to reserves. Future cash inflows have been computed by reference to the Group's estimate of future production of net proved gas and oil reserves at the end of each year and estimates of third-party prices. Prices for the years ended 31 December 2012 and 31 December 2013 are calculated using a 12-month average price in line with SEC methodology. Prices for the year ended 31 December 2014 are calculated using the Group's long-term reference conditions of Brent oil \$90 real, used to determine reserves estimates in accordance with SPE-PRMS price assumptions. The standardised measure of discounted future net cash flow information presented below is not intended to represent the replacement cost or fair market value of the Group's gas and oil properties. The disclosures shown are based on estimates of proved reserves, future production schedules and costs, which are inherently imprecise and subject to revision. Reserves for the year ended 31 December 2012 and 31 December 2013 are under SEC methodology and reserves for the year ended 31 December 2014 are under SPE-PRMS methodology. The standardised measure is as follows:

	Australia \$bn	Africa \$bn	Asia \$bn	North America and the Caribbean \$bn	South America \$bn	Europe \$bn	Total \$bn
As at 31 December 2012 (SEC):							
Future cash inflows	20.78	11.89	28.25	6.25	102.81	28.80	198.78
Future production and development costs	(12.41)	(4.30)	(10.80)	(3.27)	(60.90)	(12.25)	(103.93)
Future income tax expenses	(0.70)	(2.52)	(6.37)	(1.48)	(9.93)	(10.51)	(31.51)
Future net cash flows	7.67	5.07	11.08	1.50	31.98	6.04	63.34
10% annual discount for estimated timing of cash flows	(6.66)	(1.39)	(4.70)	(0.60)	(19.12)	(1.54)	(34.01)
	1.01	3.68	6.38	0.90	12.86	4.50	29.33
As at 31 December 2013 (SEC):							
Future cash inflows	19.40	8.87	25.19	5.03	121.68	25.63	205.80
Future production and development costs	(13.18)	(4.01)	(10.89)	(2.98)	(76.00)	(12.32)	(119.38)
Future income tax expenses	–	(1.55)	(5.19)	(0.86)	(16.34)	(8.52)	(32.46)
Future net cash flows	6.22	3.31	9.11	1.19	29.34	4.79	53.96
10% annual discount for estimated timing of cash flows	(4.66)	(0.90)	(4.03)	(0.36)	(15.03)	(0.98)	(25.96)
	1.56	2.41	5.08	0.83	14.31	3.81	28.00
As at 31 December 2014 (SPE-PRMS):							
Future cash inflows	43.93	6.69	19.95	5.02	113.72	17.09	206.40
Future production and development costs	(19.90)	(3.29)	(10.40)	(3.13)	(68.27)	(10.73)	(115.72)
Future income tax expenses	(5.17)	(1.06)	(3.64)	(0.43)	(15.79)	(3.54)	(29.63)
Future net cash flows	18.86	2.34	5.91	1.46	29.66	2.82	61.05
10% annual discount for estimated timing of cash flows	(11.95)	(0.65)	(2.66)	(0.49)	(15.43)	(0.21)	(31.39)
	6.91	1.69	3.25	0.97	14.23	2.61	29.66

The following were the main sources of change in the standardised measure of discounted cash flows in the three years ended 31 December 2014:

	2014 \$bn	2013 \$bn	2012 \$bn
Standardised measure at the beginning of the year	28.00	29.33	29.59
Sale of gas and oil produced net of production costs and other operating costs ^(a)	(8.21)	(8.93)	(8.98)
Net changes in prices and production costs ^(b)	(20.38)	(6.36)	(9.48)
Extensions, discoveries, reclassifications and revisions to previous estimates	21.63	6.39	17.14
Changes in estimated future development costs	(6.41)	(4.52)	(12.52)
Development costs incurred in the period	6.90	8.21	6.80
Disposals of reserves-in-place	(0.02)	(0.47)	(0.52)
Accretion of discount	4.54	4.67	4.79
Net change in income tax	3.54	(0.18)	2.45
Other	0.07	(0.14)	0.06
Standardised measure at the end of the year^(c)	29.66	28.00	29.33

(a) Production costs and other operating costs include lifting, tariff, insurance and royalty costs but not depreciation costs.

(b) Includes the effect of foreign exchange movements.

(c) Based on the following prices for 2012 and 2013 in line with SEC methodology. 2014 is based on the Group's long-term reference conditions of Brent oil \$90 real, used to determine reserves estimates in accordance with SPE-PRMS methodology:

	2013	2012
Brent oil price (\$/bbl)	109	112
Henry Hub (\$/mmbtu)	3.67	2.86
UK spot gas (p/therm)	66.82	59.39
US\$/UK£ exchange rate	1.56	1.59

B) STANDARDISED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS CONTINUED

To aid comparability with previous years, the standardised measure of discounted future net cash flows has also been calculated using 12-month average prices under SEC methodology^(a) as follows:

	Australia \$bn	Africa \$bn	Asia \$bn	North America and the Caribbean \$bn	South America \$bn	Europe \$bn	Total \$bn
As at 31 December 2014 (SEC):	8.22	1.99	3.77	1.12	18.00	2.97	36.07

(a) SEC price assumptions: Brent oil \$101/bbl, Henry hub \$4.30/mmbtu, UK spot gas 51.21p/therm, US\$/UK£ exchange rate 1.65.

C) COSTS INCURRED IN GAS AND OIL ACTIVITIES

Aggregate costs incurred under the historical cost convention, comprising amounts capitalised to exploration and development and amounts charged to the income statement in respect of exploration and appraisal, were as follows:

	Australia \$m	Africa \$m	Asia \$m	North America and the Caribbean \$m	South America \$m	Europe \$m	Total \$m
Year ended 31 December 2013:							
Acquisition of properties ^(a) :							
Unproved	—	—	—	9	—	—	9
Exploration	283	582	43	24	562	155	1 649
Development	4 746	537	349	312	1 220	1 046	8 210
Year ended 31 December 2014:							
Acquisition of properties ^(a) :							
Unproved	—	—	—	62	—	—	62
Exploration	257	387	16	148	189	201	1 198
Development	2 975	534	417	383	1 728	863	6 900

(a) There was no acquisition of proved properties during 2014 (2013: \$nil).

The proportion of exploration costs capitalised in 2014 was 57.1% (2013: 80.8%).

The above table does not include additions to decommissioning provisions which amounted to \$379m in 2014 (2013: \$522m).

D) RESULTS OF OPERATIONS

The results of operations under the historical cost convention and in accordance with IFRS for the oil and gas exploration and producing activities (excluding liquefaction, business development, disposals, re-measurements and impairments, and interest costs) is given below.

	Australia \$m	Africa \$m	Asia \$m	North America and the Caribbean \$m	South America \$m	Europe \$m	Total \$m
Year ended 31 December 2013:							
Revenue and other operating income	146	1 999	3 357	842	2 068	3 328	11 740
Lifting costs	(119)	(232)	(345)	(141)	(231)	(563)	(1 631)
Royalties and other operating costs	(4)	(59)	(314)	(59)	(611)	(131)	(1 178)
Operating costs	(123)	(291)	(659)	(200)	(842)	(694)	(2 809)
Other costs	(104)	(30)	(238)	(122)	(231)	(200)	(925)
Depreciation	(73)	(971)	(423)	(404)	(128)	(609)	(2 608)
Exploration expense	(46)	(78)	(24)	(24)	(316)	(223)	(711)
	(200)	629	2 013	92	551	1 602	4 687
Taxation	—	(362)	(787)	(80)	(209)	(961)	(2 399)
Results of operations	(200)	267	1 226	12	342	641	2 288
Year ended 31 December 2014:							
Revenue and other operating income	87	1 317	2 921	777	3 370	3 177	11 649
Lifting costs	(118)	(202)	(369)	(126)	(394)	(642)	(1 851)
Royalties and other operating costs	(5)	(51)	(294)	(62)	(985)	(189)	(1 586)
Operating costs	(123)	(253)	(663)	(188)	(1 379)	(831)	(3 437)
Other costs	(148)	(158)	(290)	(132)	(454)	(152)	(1 334)
Depreciation	(93)	(396)	(422)	(331)	(186)	(1 002)	(2 430)
Exploration expense	(42)	(282)	(13)	(112)	(149)	(153)	(751)
	(319)	228	1 533	14	1 202	1 039	3 697
Taxation	80	(70)	(622)	(145)	(274)	(633)	(1 664)
Results of operations	(239)	158	911	(131)	928	406	2 033

Included in revenue and other operating income are intra-Group sales at contract prices of \$804m for the year ended 31 December 2014 (2013: \$760m).

The accretion interest expense resulting from changes in the liability for decommissioning due to the passage of time, which is not included in the table above, was \$146m (2013: \$107m).

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HISTORICAL PRODUCTION (UNAUDITED)

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	Gas production kboed			Oil and liquids production kboed			Total production kboed		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Australia	34	25	25	—	—	—	34	25	25
Bolivia	40	29	23	8	7	5	48	36	28
Brazil	6	4	3	72	35	22	78	39	25
Egypt	59	107	129	3	5	3	62	112	132
India	12	14	17	6	6	8	18	20	25
Kazakhstan	33	36	36	52	56	62	85	92	98
Norway	1	1	2	—	1	1	1	2	3
Thailand	33	34	30	6	7	6	39	41	36
Trinidad and Tobago	64	68	72	1	2	1	65	70	73
Tunisia	24	29	28	8	9	9	32	38	37
UK	39	37	40	66	63	56	105	100	96
USA	39	58	79	—	—	—	39	58	79
Total production of gas, oil and liquids (kboed)	384	442	484	222	191	173	606	633	657
Total production of gas, oil and liquids (mmboe)	140.2	161.2	177.2	80.9	69.7	63.3	221.1	230.9	240.5

Production volumes include fuel gas.

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FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
Group revenue and other operating income	19 949	19 311	19 200	17 849	13 710
Operating costs	(13 572)	(11 827)	(11 355)	(10 459)	(8 485)
Profits and losses on disposal of non-current assets and impairments	(8 120)	(3 817)	(1 651)	(414)	(333)
Operating profit/(loss)	(1 743)	3 667	6 194	6 976	4 892
Finance income	153	169	222	174	164
Finance costs	(906)	(283)	(360)	(208)	(215)
Share of post-tax results from joint ventures and associates	166	336	289	269	260
Profit/(loss) before taxation	(2 330)	3 889	6 345	7 211	5 101
Taxation	1 279	(1 684)	(3 052)	(3 134)	(2 007)
Profit/(loss) for the year from continuing operations	(1 051)	2 205	3 293	4 077	3 094
Profit for the year from discontinued operations	7	245	1 324	219	399
Profit/(loss) for the year	(1 044)	2 450	4 617	4 296	3 493
Profit/(loss) attributable to:					
Shareholders (earnings)	(1 044)	2 441	4 523	4 215	3 344
Non-controlling interest	—	9	94	81	149
	(1 044)	2 450	4 617	4 296	3 493
Earnings per ordinary share continuing operations (cents)					
Basic	(30.8)	64.8	97.0	120.3	91.5
Diluted	(30.8)	64.5	96.4	119.5	91.0
Earnings per ordinary share discontinued operations (cents)					
Basic	0.2	6.9	36.2	4.1	7.4
Diluted	0.2	6.9	36.0	4.0	7.3

CONSOLIDATED BALANCE SHEET

as at 31 December

	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
Non-current assets	47 841	51 844	53 155	48 979	40 132
Current assets	11 917	14 130	11 749	12 216	9 965
Assets classified as held for sale	2 088	—	386	245	227
Total assets	61 846	65 974	65 290	61 440	50 324
Current liabilities	(7 894)	(8 234)	(8 165)	(9 085)	(8 886)
Non-current liabilities	(24 749)	(25 780)	(24 019)	(22 745)	(14 710)
Liabilities associated with assets classified as held for sale	(63)	—	(158)	(99)	(104)
Total liabilities	(32 706)	(34 014)	(32 342)	(31 929)	(23 700)
Net assets	29 140	31 960	32 948	29 511	26 624
Equity					
Total shareholders' equity	29 140	31 960	32 891	29 220	26 268
Non-controlling interest in equity	—	—	57	291	356
Total equity	29 140	31 960	32 948	29 511	26 624

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as at 31 December

		2014	2013	2012	2011	2010
Net borrowings ^(a)	\$m	(11 998)	(10 610)	(10 624)	(11 336)	(6 973)
Gearing ratio ^(a)	%	29.2	24.8	24.3	27.2	20.2
Debt/equity ratio ^(b)	%	41.3	33.0	32.0	37.5	25.3
Employee numbers (headcount)	thousands	4.9	5.4	5.7	6.6	6.2

(a) See Glossary, page 143.

(b) Debt/equity ratio represents net borrowings as a percentage of total shareholders' funds (excluding balances associated with commodity financial instruments and related deferred tax).

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
Cash generated by operations	10 015	10 285	10 715	9 773	8 370
Income taxes paid	(2 616)	(2 468)	(2 720)	(2 791)	(1 984)
Net cash inflow from operating activities	7 399	7 817	7 995	6 982	6 386
Cash flows from investing activities					
Dividends received	179	147	151	204	198
Proceeds from disposal of subsidiary undertakings and investments	800	774	2 185	84	468
Proceeds from disposal of property, plant and equipment and intangible assets	55	3 827	754	116	897
Purchase of property, plant and equipment and intangible assets	(8 510)	(10 605)	(9 974)	(10 300)	(8 397)
Loans to and repayments from joint ventures and associates	41	73	698	(51)	92
Interests in subsidiaries, joint ventures, associates and other investments	(892)	(610)	(429)	(246)	(529)
Other loan repayments/(advances)	111	112	(280)	—	—
Net cash outflow from investing activities	(8 216)	(6 282)	(6 895)	(10 193)	(7 271)
Cash flows from financing activities					
Net interest paid	(556)	(560)	(541)	(247)	(229)
Dividends paid	(1 024)	(923)	(859)	(772)	(680)
Dividends paid to non-controlling interest	—	—	(18)	(136)	(108)
Net proceeds from issue of new borrowings	2 086	2 713	2 925	6 392	3 559
Repayment of borrowings	(625)	(1 093)	(1 736)	(940)	(348)
Issue of shares	28	45	36	48	95
Movements in own shares	—	(13)	(16)	(23)	(2)
Net cash (outflow)/inflow from financing activities	(91)	169	(209)	4 322	2 287
Net (decrease)/increase in cash and cash equivalents	(908)	1 704	891	1 111	1 402

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for the year ended 31 December

	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
Closing total equity	29 140	31 960	32 948	29 511	26 624
Add back:					
Closing commodity financial instruments net of associated deferred tax	(62)	159	201	757	958
Closing net borrowings	11 998	10 610	10 624	11 336	6 973
Closing capital employed	41 076	42 729	43 773	41 604	34 555
Average capital employed ^(a)	41 903	43 251	42 689	38 080	31 250
Business performance profit before tax ^(b)	6 404	7 413	7 898	7 565	6 128
Add back Business performance Finance costs/(income) on net borrowings	52	71	51	60	(8)
	6 456	7 484	7 949	7 625	6 120
Taxation applied at the Group's effective rate	(2 389)	(3 068)	(3 537)	(3 355)	(2 356)
Post-tax return	4 067	4 416	4 412	4 270	3 764
Pre-tax return on average capital employed ^(c)	% 15.4	17.3	18.6	20.0	19.6
Post-tax return on average capital employed ^(c)	% 9.7	10.2	10.3	11.2	12.0

(a) Average capital employed is calculated as the average of the opening and closing capital employed balances for the year.

(b) Business performance profit before tax excludes disposals, re-measurements and impairments and includes share of pre-tax results from joint ventures and associates.

(c) Return on average capital employed represents Business performance profit (excluding disposals, re-measurements and impairments), excluding net finance costs/(income) on net borrowings, as a percentage of average capital employed. The above table presents this before and after taxation applied at the Group's effective rate.

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BONGKOT SOUTH PRODUCTION PLATFORM, THAILAND

BG Group has a 22.22% interest in the Bongkot field, in the Gulf of Thailand. Gas from the field supplies approximately 20% of Thailand's gas demand.



SHAREHOLDER INFORMATION

PRESENTATION OF NON-GAAP MEASURES

BG Group publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. The measures the Group uses are explained below.

BUSINESS PERFORMANCE

Business Performance excludes discontinued operations and disposals, certain re-measurements and impairments and certain other exceptional items (see below) as exclusion of these items provides a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

BG Group uses commodity instruments to manage price exposures associated with its marketing and optimisation activity. This activity enables the Group to take advantage of commodity price movements. It is considered more appropriate to include both unrealised and realised gains and losses arising from the mark-to-market of derivatives associated with this activity in Business Performance.

DISPOSALS, CERTAIN RE-MEASUREMENTS AND IMPAIRMENTS

BG Group's commercial arrangements for marketing gas include the use of gas sales contracts. While the activity surrounding these contracts involves the physical delivery of gas, certain gas sales contracts are classified as derivatives under the rules of IAS 39, 'Financial Instruments: Recognition and Measurement', and are required to be measured at fair value at the balance sheet date. Unrealised gains and losses on these contracts reflect the comparison between current market gas prices and the actual prices to be realised under the gas sales contracts, and are disclosed separately as disposals, re-measurements and impairments.

BG Group also uses commodity instruments to manage certain price exposures in respect of optimising the timing and location of its physical gas, LNG and oil sales commitments. These instruments are also required to be measured at fair value at the balance sheet date under IAS 39 and, where practical, have been designated as formal hedges. However, IAS 39 does not always allow the matching of fair values to the economically hedged value of the related commodity, resulting in unrealised movements in fair value being recorded in the income statement. These movements in fair value, together with any unrealised gains and losses associated with discontinued hedge-accounting relationships that continue to represent economic hedges, are disclosed separately as disposals, re-measurements and impairments.

BG Group also uses financial instruments, including derivatives, to manage foreign exchange and interest rate exposure. These instruments are required to be recognised at fair value or amortised cost on the balance sheet in accordance with IAS 39. Most of these instruments have been designated either as hedges of foreign exchange movements associated with the Group's net investments in foreign operations, or as hedges of interest rate risk. Where these instruments represent economic hedges but cannot be designated as hedges under IAS 39, unrealised movements in fair value, together with foreign exchange movements associated with the underlying borrowings and certain inter-company balances, are recorded in the income statement and disclosed separately as disposals, re-measurements and impairments.

Realised gains and losses relating to the instruments referred to above are included in Business Performance. This presentation best reflects the underlying performance of the business since it distinguishes between the temporary timing differences associated with re-measurements under IAS 39 rules and actual realised gains and losses.

BG Group has also separately identified profits and losses associated with the disposal of non-current assets, impairments of non-current assets and certain other exceptional items, including taxation, as they require separate disclosure in order to provide a clearer understanding of the results for the period.

For a reconciliation between Total Results and Business Performance, and details of disposals, re-measurements and impairments, see note 1, page 98, note 4, page 105 and note 9, page 110.

JOINT VENTURES AND ASSOCIATES

Under IFRS, the results from joint ventures and associates, accounted for under the equity method, are required to be presented net of finance costs and tax on the face of the income statement. Given the relevance of these businesses within BG Group, the results of joint ventures and associates are presented before interest and tax, and after tax. This approach provides additional information on the source of BG Group's operating profits. For a reconciliation between operating profit and earnings, including and excluding the results of joint ventures and associates, see note 1, page 98.

NET BORROWINGS AND RETURN ON AVERAGE CAPITAL EMPLOYED

BG Group provides a reconciliation of net borrowings and an analysis of the amounts included within net borrowings as this is an important liquidity measure for the Group.

Return on average capital employed represents Business Performance profit (excluding disposals, re-measurements and impairments) excluding net finance costs/(income) on net borrowings, as a percentage of average capital employed. Further information on these measures is provided on page 139.

FREE CASH FLOW

Free cash flow is defined in the **Glossary**, page 143.

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GLOSSARY OF TERMS

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FOR THE PURPOSE OF THIS REPORT THE FOLLOWING DEFINITIONS APPLY:

Unit of measurement

bbl	Barrel
bcf	Billion cubic feet
bcfd	Billion cubic feet per day
bcma	Billion cubic metres per annum
billion or bn	One thousand million
boe	Barrels of oil equivalent. BG Group uses a conversion factor of 1 boe equals 6 000 cubic feet of natural gas
boed	Barrels of oil equivalent per day
bopd	Barrels of oil per day
CO ₂ e	Carbon dioxide equivalent
kboed	Thousand barrels of oil equivalent per day
kbopd	Thousand barrels of oil per day
kt	Thousand tonnes
m	Million
mmbbl	Million barrels
mmboc	Million barrels of oil equivalent
mmbopd	Million barrels of oil per day
mmbtu	Million British thermal units
mmscfd	Million standard cubic feet per day
mt	Million tonnes
mtpa	Million tonnes per annum
tcf	Trillion cubic feet
therm	Approximate energy equivalent of burning 100 cubic feet of natural gas

Acronyms

ANP	Brazilian National Agency of Petroleum, Natural Gas and Biofuels
API	American Petroleum Institute
CATS	Central area transmission system
CNOOC	China National Offshore Oil Corporation
CPP	Central processing plant
CSG	Coal seam gas
DD&A	Depreciation, depletion and amortisation
DRO	Discovered resource opportunity
DST	Drill stem test
E&P	Exploration and production
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECCU	Ethical Conduct Compliance Unit
EY	Ernst & Young LLP
EU	European Union
FCA	The Financial Conduct Authority
FEED	Front end engineering design
FERC	Federal Energy Regulatory Commission
FPSO	Floating production, storage and offloading (vessel)
FRC	The Financial Reporting Council
FTA	Free trade agreement
GAAP	Generally accepted accounting principles
GDP	Gross domestic product – The total market value of all the goods and services produced within the borders of a nation during a specified period
GHG	Greenhouse gas

IAS	International Accounting Standard
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IOC	International Oil Company
IPIECA	The global oil and gas industry association for environmental and social issues
LNG	Liquefied natural gas
OECD	Organisation for Economic Co-operation and Development
OGP	International Association of Oil and Gas Producers
OPEC	The Organization of the Petroleum Exporting Countries
PSC	Production sharing contract
QCLNG	Queensland Curtis LNG
QGC	QGC Pty Limited, Australia
SEC	The United States Securities and Exchange Commission
SPE-PRMS	Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers
TRCF	Total recordable case frequency – total recorded incidents per million work hours
WDDM	West Delta Deep Marine

Further acronyms are also defined in the **Remuneration report** on page 63.

Terms – explained

Base asset	Producing asset outside of Brazil and Australia, which are considered growth assets
BG Group or the Group	BG Group plc and its subsidiary undertakings, joint ventures and associated undertakings
Capital investment	Expenditure on property, plant and equipment, other intangible assets and investments, including business combinations
Capital investment on a cash basis	Cash flows on purchase of property, plant and equipment and intangible assets, loans to joint ventures and associates, and investments in subsidiaries, joint ventures and associates
Coal seam gas	Gas trapped in underground coal seams by water and ground pressure
the Company	BG Group plc
Delivered volumes	Comprise all LNG volumes discharged in a given period, excluding LNG utilised by the ships
Discovered resources	See page 132
Drill stem test	A procedure for isolating and testing the area surrounding a well
Extended well test	A test to evaluate production and characteristics of a reservoir
Forward curve	A series of current market prices or rates applicable to commodities or financial instruments for specific dates in the future

Free cash flow	Net cash flow from operating and investing activities after tax and interest but before disposals
Frontier acreage	Areas where little or no exploration activity has taken place
Fugitive	Fugitive gas emissions refers to gases that escape from the production, transportation or storage of oil and gas
Gearing	Ratio of net borrowings to total shareholders' funds (excluding balances associated with commodity financial instruments and related deferred tax) plus net borrowings
Monthly forward price	A price for commodity traded in a standard unit such as boe, purchased today but delivered in the next calendar month
Net borrowings	Comprise cash, current asset investments, finance lease liabilities/ assets, currency and interest rate derivative financial instruments and short and long-term borrowings
Probable reserves	See page 132
Proved reserves	See page 132
Risk exploration	See page 132
Safety stand down	A dedicated time for executives and senior management to talk about safety issues directly with frontline employees

Spot	A charter for a particular vessel to move a single cargo between specified ports in the immediate future. The contract rate ('spot' rate) covers total operating expenses
Spud(ded)	To start the well drilling process
Tie-back	A connection between a new oil and gas discovery and an existing production facility, improving the economics of marginal fields into profitable assets
Tight	Relatively impermeable reservoir rock. Stimulation of tight formations can result in increased production from formations that previously might have been abandoned or been produced uneconomically
Total operating profit	Operating profit plus share of pre-tax operating results from joint ventures and associates
Total resources	See page 132
Unit lifting costs per boe	Calculated by excluding royalty, tariff and insurance costs from 'unit operating costs/expenditure' as defined below
Unit operating costs/ expenditure per boe	Calculated by dividing production and other operating costs (royalties) by the net production for the period. This measure does not include the impact of depreciation and amortisation costs and exploration costs as they are not considered to be costs associated with the operation of producing assets

MANAGING YOUR SHAREHOLDING

ORDINARY SHARES

Ordinary shares are listed on the London Stock Exchange (LSE:BG).

For queries relating to your shareholding, including notification of a change of address and amalgamation of shareholder accounts, please contact our registrar, Equiniti, by any of the following means:

Telephone: 0871 384 2064*
or +44 121 415 7029 (outside UK)

www.shareview.co.uk

Secure online email:

<https://help.shareview.co.uk>

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
UK

AMERICAN DEPOSITARY RECEIPTS (ADRs)

ADRs are listed on the US over-the-counter market, OTCQX International Premier (BRGY).

For queries relating to your ADR holding, please contact our ADR depositary bank, JP Morgan Chase Bank, by any of the following means:

Telephone: +1 800 990 1135**
or +1 651 453 2128 (outside USA)

www.adr.com

Email:

jpmorgan.adr@wellsfargo.com

JP Morgan Chase Bank, N.A
PO Box 64504
St Paul
MN 55164-0504
USA

* Calls cost 8p per minute plus network charges. Lines are open from 8.30 am to 5.30 pm, Monday to Friday (excluding UK public holidays).

** Calls are toll free from inside the USA.

WARNING TO SHAREHOLDERS

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money. The Financial Conduct Authority (FCA) is contacted by around 5 000 people each year concerning share fraud, with victims losing an average of £20 000.

For more detailed information on this kind of activity or to report a scam, please call the FCA Consumer Helpline on 0800 111 6768 or visit www.fca.org.uk/consumers/scams

Alternatively, if you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040.

DIVIDENDS

Dividends are announced in US Dollars but are paid to holders of ordinary shares in Pounds Sterling. Dividends to holders of ADRs are paid in US Dollars. The 2014 full year dividend will be paid on 22 May 2015.

DIVIDENDS INTO YOUR BANK ACCOUNT

Shareholders who would like their dividends to be paid directly into their UK bank or building society account on the payment date should contact Equiniti or download a form from our website www.bg-group.com/registrar

Shareholders who have elected to have their dividends paid directly into their bank account receive a consolidated tax voucher each year covering both the interim and final dividend payments. More information is available in the Shareholder centre at www.bg-group.com/shareholdercentre

BG GROUP CORPORATE INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

Investec offers a Stocks and Shares ISA where BG Group shares can be invested. For further information please contact:

Telephone: +44 (0)151 237 2160

www.investec.co.uk

Investec Wealth & Investment Limited
The Plaza
100 Old Hall Street
Liverpool L3 9AB

GIFTING YOUR SHARES

To transfer your shares to another member of your family as a gift, please contact Equiniti for a gift transfer form. If you have a small number of shares and the dealing costs or minimum fee make it uneconomical to sell them, you may like to donate them to charity through ShareGift, a charity administered by The Orr Mackintosh Foundation. Contact Equiniti for a ShareGift transfer form. Information is also available on the ShareGift website at www.sharegift.org

SHARE DEALING SERVICES

Information on a number of share dealing services available to shareholders can be viewed at www.bg-group.com/dealing

ELECTRONIC COMMUNICATIONS AND ONLINE ACCESS

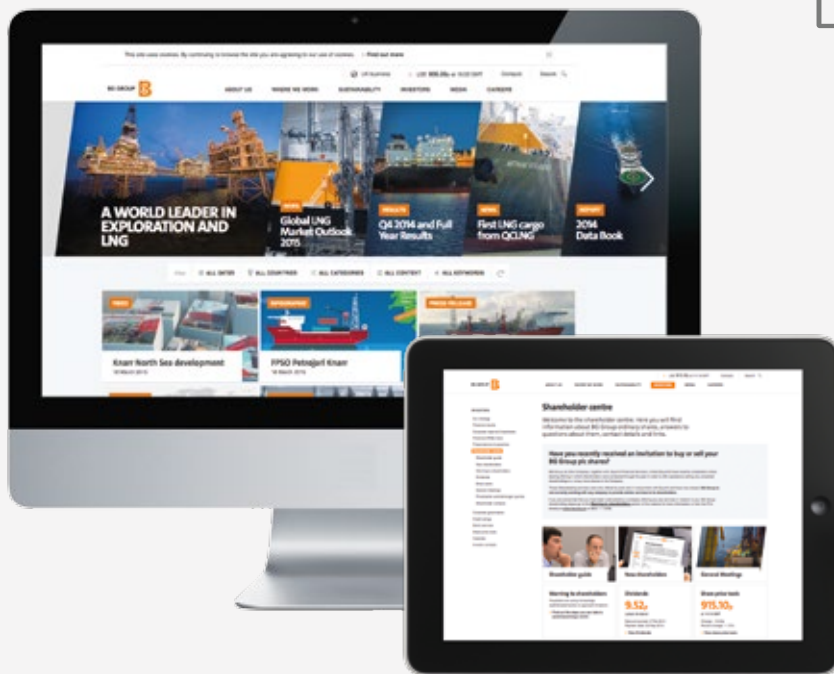
The Company actively encourages shareholders to receive BG Group communications and alerts via email and have access to information, including BG Group's Annual Report and Accounts, through the Company's website on the date of publication.

All shareholders can register to access Shareview (www.shareview.co.uk), a free, secure online site where you can access information and undertake a number of activities, including:

- Signing up to receive communications by email;
- Setting up or changing a dividend mandate;
- Viewing information about your shareholding or dividend payments;
- Seeing an indicative value of your shareholding;
- Updating your records; and
- Appointing proxies for the AGM.

To register for a Shareview Portfolio, you will need your 11 digit Shareholder Reference Number (SRN), which can be found on your dividend tax voucher or on your proxy form.

FURTHER INFORMATION AVAILABLE ONLINE



BG GROUP WEBSITE:
WWW.BG-GROUP.COM

Shareholders can access a variety of useful information on the BG Group website which is accessible across all devices.

Visit www.bg-group.com/investors to find out more information on:

- AGM;
- Latest financial results;
- Reports;
- Share price tools;
- Financial calendar;
- Corporate governance compliance;
- Shareview;
- Shareholder contacts; and
- Shareholder centre.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

GROUP FINANCIAL CALENDAR 2015

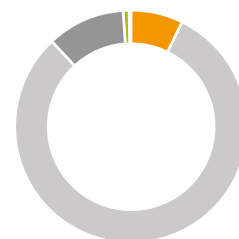
EVENT	TYPE	DATE
2014 final dividend	Ex-dividend	23 Apr 2015
2014 final dividend	Record date	24 Apr 2015
2015 AGM	Meeting	5 May 2015
First quarter 2015 results	Announcement	8 May 2015
2014 final dividend	Dividend payment (UK and US ADR)	22 May 2015
Second quarter 2015 results	Announcement	31 July 2015 ^(a)
2015 interim dividend	Ex-dividend	13 Aug 2015 ^(a)
2015 interim dividend	Record date	14 Aug 2015 ^(a)
2015 interim dividend	Dividend payment (UK and US ADR)	11 Sep 2015 ^(a)
Third quarter 2015 results	Announcement	30 Oct 2015 ^(a)

(a) These dates are indicative. Actual dates will be confirmed on the BG Group website in due course.

SHAREHOLDER PROFILE BY ISSUED SHARE CAPITAL^(b)

Private individuals	7.28%
Nominee companies	80.84%
Limited and public limited companies	10.87%
Other corporate bodies	0.95%
Pension funds, insurance companies and banks	0.06%

(b) Shareholders may also hold their shares through nominee companies.



Private individuals Limited and public limited companies
Nominee companies Other corporate bodies
Pension funds, insurance companies and banks

At 31 December 2014.

SHAREHOLDER INFORMATION

NOTICE OF ANNUAL GENERAL MEETING OF BG GROUP PLC

The Annual General Meeting (AGM) of BG Group plc (the Company) will be held at the Hilton Reading Hotel, Drake Way, Reading, RG2 0GQ on Tuesday, 5 May 2015 at 11.00 am to consider and, if thought fit, pass, the resolutions set out on the following two pages (the Resolutions).

ORDINARY RESOLUTIONS

RESOLUTION 1

To receive the Accounts and Reports of the Directors and the auditor for the year ended 31 December 2014.

RESOLUTION 2

To approve the Directors' Annual Report on Remuneration as set out on pages 62 and 63, and 66 to 67 of the Company's Annual Report and Accounts for the year ended 31 December 2014, in accordance with Section 439 of the Companies Act 2006 (the Act).

RESOLUTION 3

To declare a final dividend of 14.37 cents per share in respect of the year ended 31 December 2014. The final dividend is payable on 22 May 2015 to holders of ordinary shares of 10 pence each in the Company (ordinary shares) on the register of members at the close of business on 24 April 2015, as recommended by the Directors.

RESOLUTION 4

To elect Helge Lund as a Director of the Company.

RESOLUTION 5

To re-elect Vivienne Cox as a Director of the Company.

RESOLUTION 6

To re-elect Pam Daley as a Director of the Company.

RESOLUTION 7

To re-elect Martin Ferguson as a Director of the Company.

RESOLUTION 8

To re-elect Andrew Gould as a Director of the Company.

RESOLUTION 9

To re-elect Baroness Hogg as a Director of the Company.

RESOLUTION 10

To re-elect Sir John Hood as a Director of the Company.

RESOLUTION 11

To re-elect Caio Koch-Weser as a Director of the Company.

RESOLUTION 12

To re-elect Lim Haw-Kuang as a Director of the Company.

RESOLUTION 13

To re-elect Simon Lowth as a Director of the Company.

RESOLUTION 14

To re-elect Sir David Manning as a Director of the Company.

RESOLUTION 15

To re-elect Mark Seligman as a Director of the Company.

RESOLUTION 16

To re-elect Patrick Thomas as a Director of the Company.

RESOLUTION 17

To re-appoint Ernst & Young LLP as auditor of the Company, to hold office until the conclusion of the next general meeting of the Company at which annual accounts are laid.

RESOLUTION 18

To authorise the Audit Committee of the Board to determine the remuneration of the auditor.

RESOLUTION 19

To authorise the Company, and all the companies that are subsidiaries of the Company, in accordance with Sections 366 and 367 of the Act, to:

- a) make political donations to political parties or independent election candidates up to a total aggregate amount of £15 000;
- b) make political donations to political organisations other than political parties up to a total aggregate amount of £15 000; and
- c) incur political expenditure up to a total aggregate amount of £20 000,

during the period beginning with the date of the passing of this Resolution and ending at the conclusion of the next AGM of the Company, provided that, in any event, the total aggregate amount shall not exceed £50 000.

RESOLUTION 20

To authorise the Directors generally and unconditionally to exercise all the powers of the Company to allot ordinary shares and to grant rights to subscribe for, or to convert any security into, ordinary shares (Rights), in accordance with Section 551 of the Act, up to an aggregate nominal amount of £113 813 870.

This authority shall expire at the conclusion of the next AGM of the Company.

The Directors shall be entitled to exercise all the powers of the Company to make offers or agreements before the expiry of such authority which would or might require ordinary shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot ordinary shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired. All unexercised authorities previously granted to the Directors to allot ordinary shares and grant Rights be and are hereby revoked.

SPECIAL RESOLUTIONS

RESOLUTION 21

In place of all existing authorities, to authorise the Directors, in accordance with Section 561 of the Act, to allot equity securities (within the meaning of the Act) for cash pursuant to the authority conferred by Resolution 20 and/or to sell treasury shares as if the relevant section of the Act did not apply in respect of any such allotment or sale, provided that this power shall be limited to:

- a) the allotment of equity securities and/or sale of treasury shares for cash in connection with an offer of securities in favour of:
 - i) ordinary shareholders in proportion (as nearly as practicable) to their existing holding; and
 - ii) other persons entitled to participate therein,

subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of ordinary shares being represented by depositary receipts or any other matter; and

- b) the allotment (otherwise than under paragraph (a) of this Resolution 21) up to an aggregate nominal amount of £17 072 080.

This authority shall expire upon the expiry of the general authority conferred by Resolution 20, save that the Directors shall be entitled to exercise all of the powers of the Company to make offers or agreements before the expiry of such power, which would or might require equity securities to be allotted after such expiry, and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement, as if the power conferred hereby had not expired.

RESOLUTION 22

To authorise the Directors generally and unconditionally, in accordance with the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares on such terms and in such manner as the Directors may from time to time determine, provided that:

- a) the maximum number of ordinary shares hereby authorised to be acquired is 341 441 611;
- b) the maximum price (exclusive of expenses) that may be paid for any such ordinary share is the higher of: (i) 5% above the average middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and

- c) the minimum price (exclusive of expenses) that may be paid for any such ordinary share is 10 pence, being the nominal value of that share.

This authority shall expire at the conclusion of the next AGM of the Company, unless previously renewed, varied or revoked by the Company in general meeting.

The Company may purchase its ordinary shares under any contract made prior to the expiry of such authority, which contract will or may be concluded wholly or partly after the expiry of such authority, as if this authority had not expired.

RESOLUTION 23

That a general meeting of the Company, other than an AGM, may be called on not less than 14 clear days' notice.

By order of the Board



STEVE ALLEN
COMPANY SECRETARY

18 March 2015

Registered Office: 100 Thames Valley Park Drive,
Reading, Berkshire RG6 1PT, United Kingdom
Registered in England & Wales No. 3690065

This document is important and requires your immediate attention. If you are in any doubt about its content, you should immediately consult your stockbroker, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in the Company, please send this document and all accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through or to whom the sale or transfer was effected so that they can be passed onto the person who owns the shares.

DIRECTORS' RECOMMENDATION

It is the Directors' belief that the proposed Resolutions will promote the success of the Company and are in the best interests of the Company and shareholders as a whole. You are encouraged to vote in favour of all of the Resolutions, as each Director intends to do in respect of their own beneficial holdings.

EXPLANATORY NOTES TO THE RESOLUTIONS²

RESOLUTION 1: ANNUAL REPORT AND ACCOUNTS

The Directors ask that shareholders receive the Accounts of the Company for the financial year ended 31 December 2014, the Directors' report and the auditor's report on the Accounts.

RESOLUTION 2: DIRECTORS' ANNUAL REPORT ON REMUNERATION (ANNUAL REMUNERATION REPORT)

The Annual Remuneration report provides a detailed review of how the Company has implemented its Directors' Remuneration Policy (the Policy) during 2014, including details of the remuneration (including share awards) paid to the Directors during the year.

The Policy was approved by shareholders at the 2014 AGM. A copy of the full Policy is available at www.bg-group.com/remunerationpolicy and a summary table is set out on pages 64 and 65. In compliance with Section 439A of the Act, and in line with best practice recommended by the Investment Association (IA) (previously the Association of British Insurers), the Directors intend to seek shareholder approval of the Policy every three years, except in the event that a change to the Policy is proposed or the advisory vote on the Directors' Annual Report on Remuneration is not passed in any year subsequent to the approval of the Policy.

The vote on the Annual Remuneration report is advisory in nature, meaning that payments already made to Directors will not have to be repaid in the event that the Resolution is not passed.

RESOLUTION 3: DECLARATION OF A DIVIDEND

The Directors recommend a final dividend for the financial year ended 31 December 2014 of 14.37 cents (9.52 pence) per ordinary share. The final dividend will be paid on 22 May 2015 in Pounds Sterling to ordinary shareholders and in US Dollars to American Depositary Holders who were registered at the close of business on 24 April 2015.

The rate of exchange used to determine the Pound Sterling amount equivalent was the average of the daily spot rates for the three business days prior to the business day before the announcement of the US Dollar dividend, on 3 February 2015.

An interim dividend for the year ended 31 December 2014 of 14.38 cents (8.47 pence) per ordinary share was paid on 12 September 2014.

RESOLUTION 4: ELECTION OF DIRECTOR

In accordance with the Company's Articles of Association and in line with the provisions of the UK Corporate Governance Code (the Code), each new Director appointed to the Board is subject to election by shareholders at the first AGM following their appointment.

On 9 February 2015, Helge Lund was appointed as an Executive Director and Chief Executive. Mr Lund is standing for election with the full support of the Board and the Board unanimously recommends that he is elected as a Director of the Company.

Full biographical details of all Directors are provided on pages 46 and 47 of the Company's Annual Report and Accounts and are available to view on the Company's website.

RESOLUTIONS 5 TO 16: RE-ELECTION OF DIRECTORS

All of the existing Directors covered in these Resolutions are standing for re-election, in line with Section B.7.1 of the Code which states that all directors of FTSE 350 companies should be subject to annual re-election by shareholders. Biographical details of all these Directors, including an explanation of how they individually contribute to the overall effectiveness of the Board, are set out on pages 46 and 47 of the Annual Report and Accounts and are available to view online at www.bg-group.com/leadership

During the year, the Nominations Committee considered the continued appointment of Baroness Hogg who has served on the Board for ten years. The Committee considered that Baroness Hogg should be invited to remain as a Non-Executive Director for a further year in light of her accumulated knowledge of the Group and her broad City, business, regulatory

and government expertise. In making this decision, the Committee took into consideration that Baroness Hogg's skills and experience would prove useful during a key transition period for the Group.

In reviewing the recommendations of the Nominations Committee concerning the re-election of Non-Executive Directors, the Board has concluded that all Non-Executive Directors, with the exception of the Chairman who was considered independent upon appointment in line with the Code, are independent for the purposes of the Code. In addition, and following the annual evaluation exercise conducted during the year, the Board considers that each Director continues to make an effective and valuable contribution and demonstrates commitment to the role. Further details regarding this determination are available on page 51.

Accordingly, the Board unanimously recommends the re-election of each of these Directors.

RESOLUTIONS 17 TO 18: RE-APPOINTMENT AND REMUNERATION OF AUDITOR

The Audit Committee has recommended to the Board that Ernst & Young LLP be re-appointed as auditor of the Company.

The Directors recommend their re-appointment and seek authority for the Audit Committee to determine the level of the auditor's remuneration.

RESOLUTION 19: POLITICAL DONATIONS

The Act prohibits companies from making any political donations to EU political organisations or independent candidates, or incurring EU political expenditure, unless authorised by shareholders in advance.

The Company does not make, and does not intend to make, donations to EU political organisations or independent election candidates, nor does it incur any EU political expenditure. However, the definitions of these terms used in the Act are very wide and as a result this can cover activities such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties and support for bodies representing the business community in policy review or reform.

Directors seek shareholder approval on a precautionary basis only, to allow the Company, and all the companies that are subsidiaries of the Company during the relevant period, to continue to support the community and put forward its views to wider business and government interests, without running the risk of being in breach of the legislation.

² Resolutions 1 to 20 are ordinary resolutions that will be passed if more than 50% of the votes cast are in favour of the Resolutions. Resolutions 21 to 23 are special resolutions that will be passed if not less than 75% of the votes cast are in favour of the Resolutions.

The Board is therefore seeking authority, under Sections 366 and 367 of the Act, to make political donations to EU political parties and independent election candidates not exceeding £15 000 in total, to make political donations to EU political organisations other than political parties not exceeding £15,000 in total and to incur EU political expenditure not exceeding £20 000 in total.

In line with best practice guidelines, this resolution is put to shareholders annually rather than every four years as required by the Act. For the purposes of this resolution, the terms 'political donations', 'political organisations', 'independent election candidate' and 'political expenditure' shall have the meanings given to them in Sections 363 to 365 of the Act.

RESOLUTION 20: AUTHORITY TO ALLOT SHARES

The Directors seek shareholder approval to allot ordinary shares, in accordance with Section 551 of the Act, up to a maximum nominal amount of £113 813 870, representing approximately 1/3 of the Company's issued share capital (excluding treasury shares) as at the last practicable date prior to the publication of this Notice. The Company is currently holding 206 948 325 ordinary shares in treasury, representing 6.06% of the Company's issued share capital (excluding treasury shares).

The Board has taken into consideration the IA share management guidelines but, as in previous years, does not intend to seek shareholders' authority to allot an additional 1/3 of issued share capital.

The Directors have no present intention to allot new ordinary shares other than pursuant to employee share plans. The authority sought will last until the conclusion of the next AGM in 2016 or 1 June 2016, whichever is the earlier.

RESOLUTION 21: DISAPPLICATION OF PRE-EMPTION RIGHTS

Further to the authority sought under Resolution 20 above, the Directors seek further approval to allot ordinary shares for cash (within the meaning of Section 560 of the Act), and/or to sell treasury shares, in certain circumstances, without having to offer such shares to existing shareholders. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines in order to be able to respond to market developments and have no present intention of exercising this authority.

In accordance with Section 570 and 573 of the Act, the Directors will be able to allot:

- a) in connection with a rights issue or open offer to existing shareholders in proportion

to their existing holdings up to 1 138 138 705 ordinary shares (representing approximately 1/3 of the Company's issued share capital (excluding treasury shares) at the last practicable date prior to the publication of this Notice), subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors see fit; and

- b) ordinary shares up to a maximum nominal value of £17 072 080, representing approximately 5% of the Company's issued share capital (excluding treasury shares) at the last practicable date prior to the publication of this Notice, otherwise than in connection with an offer to existing shareholders.

The Directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period. These principles provide that companies should consult shareholders prior to issuing, other than to existing shareholders, shares for cash representing in excess of 7.5% of the Company's issued ordinary share capital (excluding treasury shares) in any rolling three-year period.

The authority contained in this Resolution 21 will expire upon the expiry of the general authority conferred in Resolution 20 (being at the conclusion of the next AGM in 2016 or 1 June 2016, whichever is the earlier).

RESOLUTION 22: AUTHORITY TO MAKE MARKET PURCHASES OF OWN ORDINARY SHARES

No shares were bought back under the current authority and the Directors have no present intention to exercise the authority to purchase the Company's ordinary shares. The Directors would only exercise this authority if the impact were to increase earnings per share and would be of benefit to shareholders as a whole.

The Resolution seeks authority from shareholders, under Section 701 of the Act, for the Company to purchase (within the meaning of Section 693(4) of the Act) its own ordinary shares and specifies the maximum number of shares that may be acquired (10% of the Company's issued share capital (excluding treasury shares)) and the maximum and the minimum prices at which they may be bought.

Any ordinary shares purchased in this way will be cancelled, unless the Directors determine that they are to be held as treasury shares, and the number of ordinary shares in issue will be reduced accordingly. Ordinary shares held in treasury will not automatically be cancelled but will not be taken into account in future calculations of earnings per share, unless

they are subsequently resold or transferred out of treasury.

Ordinary shares are held in treasury in accordance with Section 724 of the Act and may be used to satisfy awards under the Company's share schemes pursuant to Section 727 of the Act. Treasury shares have no entitlements to dividend payments or voting rights. Any treasury share sold becomes an ordinary share and would count towards the allotment thresholds disclosed.

As at the last practicable date prior to the publication of this Notice, the total number of options outstanding over ordinary shares was 5 034 384, representing 0.15% of the issued share capital of the Company (excluding treasury shares). If the existing authority given at the 2014 AGM and the authority now being sought were used to their fullest extent, these options would represent 0.18% of the Company's issued share capital (excluding treasury shares).

RESOLUTION 23: NOTICE OF GENERAL MEETINGS

The Directors seek shareholder approval to retain the flexibility, under the provisions of the Act, to hold a general meeting on 14 clear days' notice (other than for an AGM).

By law (the Act), the minimum notice period for general meetings of listed companies is 21 clear days, but companies may reduce this period to 14 clear days, other than for Annual General Meetings, provided that:

- a) the Company offers facilities for all shareholders to vote by electronic means; and
- b) shareholder approval for holding general meetings on 14 clear days' notice has been received by special resolution at the most recent AGM. Such a resolution was proposed and passed at last year's AGM.

It is not the Directors' intention to exercise this authority. However, the Board wishes to preserve the ability to consider on a case-by-case basis whether the use of the flexibility offered by the shorter notice period is appropriate, taking into account the circumstances, including whether the business of the meeting is time sensitive.

The approval will be effective until the conclusion of the Company's next AGM.

RIGHT TO VOTE

Only those holders of ordinary shares on the register of members of the Company at 6.00 pm on 30 April 2015 (or, if the meeting is adjourned, 6.00 pm on the date which is two days (excluding non-working days) before the time fixed for the adjourned meeting), or their duly appointed proxies, shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares registered in their name on that date and time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend or vote.

APPOINTING A PROXY

Shareholders are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company but they must be registered in advance and attend the AGM to represent you.

If you do not have a proxy form and believe that you should have one, or if you require additional forms, you should contact the Company's registrar, Equiniti.

To be valid, you must register your proxy appointment and voting instructions by one of the following three methods:

- Online at www.sharevote.co.uk by following the on-screen instruction and using the shareholder reference number printed on your proxy card which accompanies this Notice;
- Return the hard copy form by post, by courier, or by hand to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or
- In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

If a proxy form is signed by an unregistered agent, the power of attorney or other authority relied on to sign it, or a copy that has been certified, must be delivered with the proxy form. **In each case, the appointment must be received by the Company no later than 11.00 am on 30 April 2015 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting).**

The website address www.sharevote.co.uk is provided to enable shareholders to register electronically their appointment of a proxy or proxies and voting instructions for the AGM. The Company will not accept any other document or information relating to proceedings of the AGM or otherwise that may be sent by electronic means to that address.

ELECTRONIC PROXY APPOINTMENT THROUGH CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (Euroclear) specifications, and must contain the information required for such instruction, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 11.00 am on 30 April 2015 (or if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider, should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned

to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s), are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

The return of a completed proxy form, any other such instrument, or any CREST Proxy Instruction, does not preclude a shareholder attending the AGM and voting in person if they wish to do so.

APPOINTING A CORPORATE REPRESENTATIVE

A shareholder that is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Act (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same ordinary shares. It is therefore no longer necessary to nominate a designated corporate representative.

NOMINATED PERSON

Any person to whom this Notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a Nominated Person) does not, in that capacity, have a right to appoint a proxy, such right only being exercisable by shareholders of the Company. However, Nominated Persons may, under agreement with the shareholder who nominated them, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM.

TOTAL VOTING RIGHTS

As at the last practicable date prior to the publication of this Notice, the Company's issued share capital consisted of 3 621 364 441 ordinary shares, carrying one vote each and 206 948 325 treasury shares, which do not have voting rights. Consequently, the total voting rights in the Company are 3 414 416 116.

WEBSITE PUBLICATION OF AUDIT CONCERNS

Members satisfying the thresholds in Section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to:

- a) the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or
- b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Accounts were laid in accordance with Section 437 of the Act,

that the members propose to raise at the AGM.

The Company cannot require the members requesting the publication on the website to pay its expenses in complying with Sections 527 and 528 of the Act. Where the Company is required to place a statement on its website under Section 527 of the Act, it must forward the statement to the Company's auditors no later than the time it makes its statement available on the website. The business that may be dealt with at the AGM includes any statement that the Company has been required to publish on its website.

WEBSITE

A copy of this Notice of AGM, and other information required by Section 311A of the Act, can be found at www.bg-group.com/aggm

You may not use any electronic address provided in this Notice to communicate with the Company for any purposes other than those expressly stated.

Any electronic communication, including the lodgement of an electronic proxy form, received by the Company, or its agents, that is found to contain any virus will not be accepted.

AT THE 2015 AGM (THE MEETING)**VOTING**

Voting on the Resolutions will be by poll. The Chairman will invite each shareholder, corporate representative and proxy present at the meeting to complete a poll card indicating how they wish to cast their votes in respect of each Resolution. In addition, the Chairman will cast the votes for which he has been appointed as proxy. Poll cards will be collected at the end of the meeting. Once the results have been verified by the Company's registrar, Equiniti, they will be notified to the UK Listing Authority, announced through a Regulatory Information Service and available to view on the Company's website.

SHAREHOLDERS' RIGHT TO ASK QUESTIONS

All members attending the meeting (in person or by proxy) have the right to ask questions. The Company will endeavour at the meeting to answer any question relating to the business being conducted. However, the Directors may choose not to answer any questions: (i) which would interfere unduly with the preparation for the meeting; (ii) which would involve the disclosure of confidential information; (iii) if the answer has already been given on a website in the form of an answer to a question; or (iv) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

If you are a member who is unable to attend the meeting, but have a specific question you would like to ask relating to the business being conducted at the meeting, you are invited to send the Chairman an email to general.meeting@bg-group.com or write to him at the registered office address.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the relevant service contracts, letters of appointment and deeds of indemnity of all Directors of the Company are available for inspection during normal business hours at the registered office of the Company and at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT on weekdays

(Saturdays, Sundays and public holidays excluded), and will also be available for inspection at the AGM from 9.00 am on the day of the AGM until its conclusion.

REGISTRATION AND SECURITY

Please bring the Admission Card, which is attached to your proxy form, with you if you attend the AGM. If you do not have an Admission Card, your right to attend the AGM will be verified by the Company's registrar, Equiniti, at the registration desk. Please allow enough time for registration ahead of the meeting.

There will be a security check in the reception area at the entrance to the Windsor Suite and a routine bag search will be undertaken for those persons wishing to take bags into the presentation. Certain items will not be permitted in the AGM. This includes items of any nature with potential to cause disorder and such other items as the Chairman or designated officers of the meeting may specify. The use of cameras or other recording equipment in and during the AGM is not permitted.

SHAREHOLDER INFORMATION DESK

BG Group staff and Equiniti will be on hand to help you with any queries you may have.

ADDITIONAL SHAREHOLDER SUPPORT

The AGM will be held in the Windsor Suite on the ground floor. The venue is fully accessible with wheelchair access via the front entrance.

Anyone accompanying a shareholder who is in a wheelchair, or otherwise in need of assistance, will be admitted to the AGM.

An induction loop will be available in the Windsor Suite for people with hearing difficulties.

DIRECTIONS

Directions to the AGM, including a map, can be found overleaf.

AGM SCHEDULE**VENUE**

Hilton Reading Hotel, Drake Way, Reading, Berkshire RG2 0GQ

TIMINGS

9:45 am Doors open, registration begins, tea and coffee available.

10:00 am Doors to the Windsor Suite open, hosts will direct you to your seats.

11.00 am AGM begins.

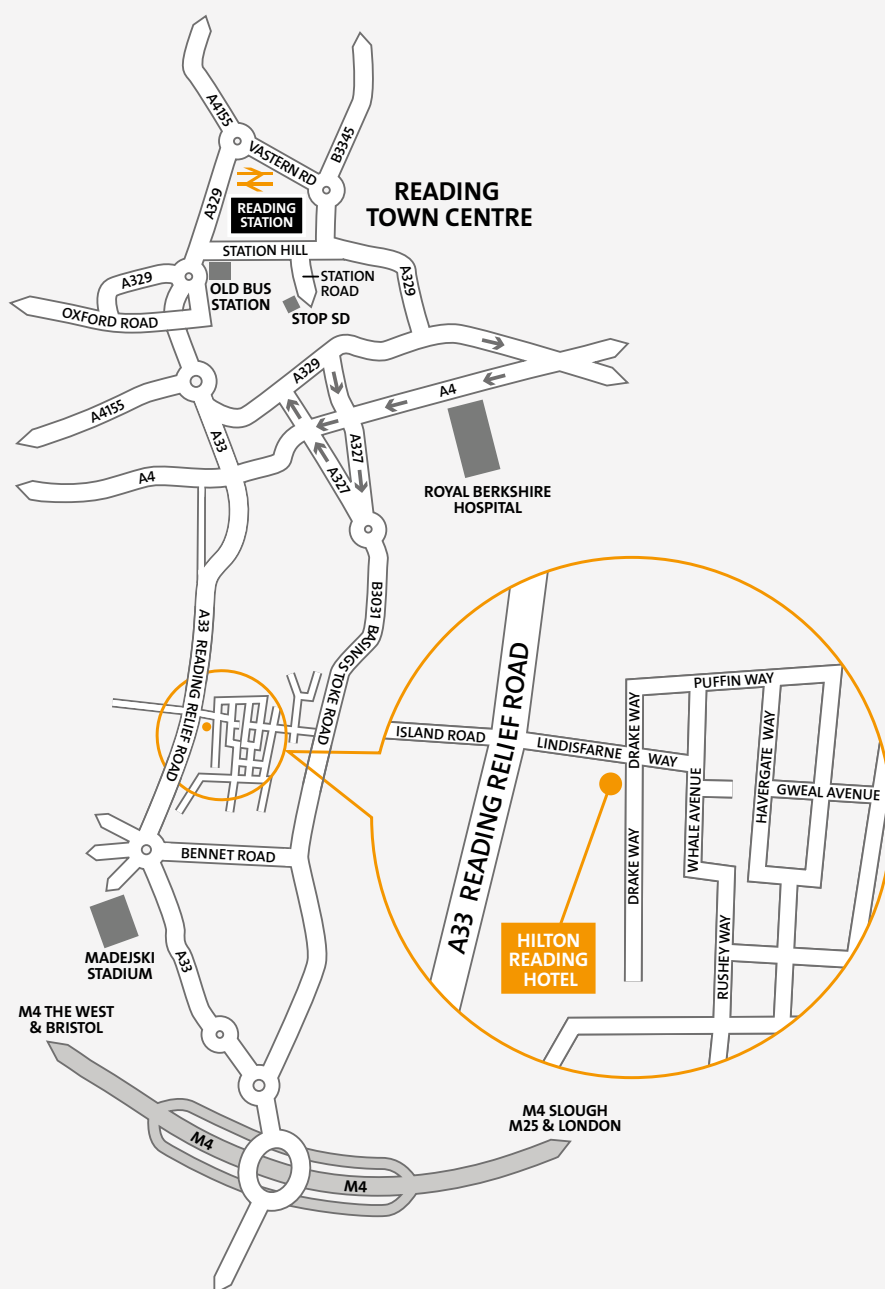
Light refreshments will be available after the meeting.

SHAREHOLDER INFORMATION

DIRECTIONS TO THE ANNUAL GENERAL MEETING (AGM)

The Annual General Meeting (AGM) of BG Group plc (the Company) will be held at the Hilton Reading Hotel, Drake Way, Reading, RG2 0GQ on Tuesday, 5 May 2015 at 11.00 am. The map shows the location of the hotel, and details of how to reach it.

HOW TO GET THERE



REGISTRATION

Please allow enough time for registration ahead of the AGM.

YOUR JOURNEY

BY TRAIN

There will be a free bus service (Greenwave routes 40/50a) between Reading Station and the hotel. Buses will depart from Station Road stop 'SD'.

From the main entrance of Reading Station to the Station Road stop there is a walk of approximately 150 metres which will be signposted.

Please note that buses run from the Station Road stop from 9.07 am, and then at approximately 15 minute intervals until 10.40 am.

Buses return from the Hilton Hotel to Reading Station every 20 minutes from 12.05 pm.

Alternatively, taxis are available from the rank outside the main entrance of Reading Station (journey time approximately 10-15 minutes).

BY CAR

From the M4 Junction 11, take the A33 to Reading. The Hilton Hotel will be on the right-hand side of the road, after the Madejski Stadium. Turn right at the traffic lights and proceed along Lindisfarne Way to Kennet Island. Take the first right onto Drake Way, followed by a right turn for the hotel entrance and car park.

From Reading town centre, take the A33 and follow signs to the M4 (East). The Hilton Hotel will be on the left-hand side of the road, signposted Kennet Island.

Free parking is available at the hotel.

The telephone number of the hotel is 0118 916 9000.

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BG Group plc

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