People, planet & profits
an act of commitment

The global debate continues
Sustainable development

Sustainable development is about balance and integration. Integrating the economic, social and environmental aspects of everything we do and balancing short-term wants with long-term needs. Sustainable development applies to everyday choices we make like how we dispose of our waste as well as to large-regional projects.

To contribute to sustainable development we must approach our business in a different way. A way that meets the needs of the present without compromising the ability of future generations to meet their own needs.* Finding this balance between the long-term and the short-term requires us to think about more than just how much money we will make today. We must take economic, environmental and social considerations into account in everything we do.

Because sustainable development means taking a broader, more integrated approach to our business it opens up exciting business opportunities in emerging markets and new customer groups. Sustainable development is a way of developing and safeguarding our reputation and it will help us to develop our businesses in line with society’s needs and expectations.

Society is still exploring exactly how to put sustainable development into practice but it is clear that we are on a journey and not aiming at a known end point. For Shell this journey is part of our transformation to become ‘top performer of first choice’.

Our aspirations, our commitments

We agree to be a leader in the economic, environmental and social aspects of everything we do. First choice for our shareholders, our customers, our employees, those with whom we do business, society and future generations.

We believe that our commitment to contribute to sustainable development holds the key to our long-term business success. The values that underpin sustainable development are embodied in our Business Principles that provide the foundation for everything we do and everything we do.

We will strive to help to build a better world in which current and future generations enjoy greater economic, social and environmental security.

We will embrace the concept of sustainable development in our business decisions, large and small. In this way we will continue to create value for our shareholders and society, while being responsive to society’s changing expectations.

We will participate fully in the development of sustainable, commercially viable alternatives to fossil fuels.

We will evaluate the economic, environmental and social impact of our options and strive to get the balance right in our decisions. This will mean that some business decisions will be made differently and some may have different outcomes from the past.

We will seek out and value the views of others. We may not always agree about everything with every stakeholder but we will participate in an open and honest process of engagement to develop a shared understanding.

We will be open about our progress, wherever needed, we will provide external verification.

We believe that sustainable development is everybody’s responsibility. We will therefore actively encourage our service providers, partners and contractors to support us in our commitment.

*This is the Brundtland Commission definition of sustainable development which is commonly used in Shell.

Where to Find What

Sustainable Development – our aspirations, our commitments

Introduction
Mark Moody-Stuart, Chairman of the Committee of Managing Directors, explains why we publish this sustainable development report at a time of harsh financial pressure on the Group.

Sustainable Development Performance
Look here for evidence on how well – or not – we live up to our Business Principles. The information is organised to reflect the three components of sustainable development.

Verification Statement

Business Focus
Our five core businesses are working to ensure that they balance economic, environmental and social issues when making decisions. We report on progress in two businesses: Exploration and Production, and Chemicals.

Social Investment
We explain our new social investment programme and its emphasis on sustainable energy, youth development and enterprise.

Issues
Find here our view on three critical issues facing our business. Shell’s approach and actions follow a short introduction to each.

Human rights
Climate change
Renewable energy

Sustainable Development Road Map – our progress
Judge for yourself our progress along the Road Map we set out in the first Shell Report.

Annex

Statement of General Business Principles
Introduction

Why bother?

Why bother producing a report on our contribution to sustainable development when the Group is under such harsh financial pressure? Should we not put all our efforts and resources into ensuring a profitable future?

This, we believe, is exactly what we are doing. Our values, Business Principles, commitment to contribute to a sustainable form of development – and the candid reporting of our performance in those areas – are inextricably linked to our long-term success. Sustainable development builds the platform on which business thrives and society prospers.

My job takes me to many different parts of the world. People in regions as diverse as Asia and North America ask the same questions about the same issues. Most want economic development and the personal freedom that comes with it, including personal transportation. But they also worry about the resulting gridlock, the fumes and the impact on the global climate.

People feel uncomfortable about the great disparities in wealth and living standards in different parts of the world and often within their own countries. They worry about how the mass of the world’s population could be elevated to even moderate levels of development without the world’s resources building under unsustainable demands.

These people are, or could be, our customers. We need to provide them with solutions and products that address some of these dilemmas. We have to show them that our activities, and the support for us, do not lead to unsustainable social differences but create wealth that can benefit society as a whole. And we need to show through action, that there is a clear path for the future development of our industry that will benefit future generations.

This is why we wholeheartedly embrace sustainable development, and work to ensure our actions meet the needs of the present without compromising the ability of future generations to meet their own needs.

Far from being a drag on our performance, such a commitment helps us understand the world better and improves our chances of success. Sustainable development is forward-looking, embodies the notion of progress, and encourages new liberating ways of interpreting the world. Our businesses can best thrive by enthusiastically embracing this agenda and providing energy and other products in line with society’s expectations for a sustainable future.

In the first Shell Report we showed how our Business Principles are central to the way we do business. We presented evidence of how well – or not – we were living up to them. We also outlined our plans to manage and measure our contribution to the three spheres of sustainable development: economic, environmental and social.

This second report reflects our progress along the Road Map we published last year (an updated version is on pages 36 to 39). A Sustainable Development Council exists to encourage and monitor progress across the Group. The council comprises senior chief executives from each of our five core businesses and the heads of the corporate centre directorates. I chair this council and together with my fellow managing directors I am responsible for ensuring the framework is implemented effectively.

Made the transition from reporting on our performance under each of our Business Principles to presenting the information according to the three components of sustainable development. This is essentially a re-organisation of data rather than a fundamental change because our commitment to performing well in all spheres is embodied in our Business Principles.

Begun the process of getting independent verification of the social information we publish, as we do already with our financial and Health, Safety & Environmental (HSE) data. Verifying social information is a new and complex task. We are working with our verifier to ensure steady progress (see their statement on page 20) because we need it and know that the public demands open, candid and honest reporting.

Last year we asked readers to tell us what they thought about the Report and its coverage. The overall reaction was favourable but you wanted improvements. In response, this report is shorter, features the views of Shell people as well as external organisations, and contains more data. We’ve kept the things you most valued, like the issues section and improved the website and its interactive ‘Tell Shell’ feature.

Over the past year, we have made much progress in meeting our objectives but we are conscious that the pace has been slower than we intended in some areas. We need to be more systematic in the way we engage with our employees. We intend to improve and have launched the first of what will be regular surveys to seek the opinions of those who work for Shell companies around the world (see page 15). It is essential that the views of Shell people are used in helping to define the future direction of the Group.

Listening and learning is critical if we are to offer our customers the quality of products and services they demand.

We are pleased with our progress in understanding human rights issues and their relevance to our business. We have received considerable help and support from respected experts and human rights organisations. This has led to the production of a practical guide to human rights that is being distributed to Shell companies worldwide. You can get the guide directly from our website (www.shell.com), together with supporting material. A guide on combating bribery and corruption is being prepared.

We know that it is a basic human right of an employee to be treated fairly in both good and bad times. We have to live up to this as Shell companies restructure to deal with extremely harsh trading conditions around the world.

One of the consequences of restructuring has been job losses. We have a well-established culture of caring for our employees, many of whom have often arranged their family lives to suit the demands of working for a multinational energy group. We are committed to ease the pain with support packages that are in line with the best in the industry and to talk openly with labour unions and staff forums. These issues are described in greater detail on page 16.

I want to emphasise that my colleagues and I on the Committee of Managing Directors are totally committed to a business strategy that generates profits while contributing to the wellbeing of the planet and its people. We see no alternative.
Sustainable Development Performance

Our Principles

We have nine Principles, which apply to all our business affairs and describe the behaviour expected of every employee. The Principles are based on honesty, integrity and respect for people – our core values. We believe in the promotion of trust, openness, teamwork and professionalism, and in pride in what we do.

Making company guidelines work

Company guidelines are of little value unless there are rigorous procedures to make them work.

Every year managers of Shell companies worldwide are required to write and sign three different letters covering performance in the areas of Business Integrity, Health, Safety and Environment (HSE), and the Statement of General Business Principles. These provide confirmation to the Directors of the Group Holding Companies that the policies have been adopted and procedures are being – or have been – implemented to ensure compliance.

Taken seriously

Writing the letters is a mandatory part of a senior manager’s duties and the task is taken very seriously. Failure to do this part of their job properly has grave consequences.

Furthermore, the managers who sign the letters are held personally responsible for the accuracy of the contents. Those who give false information, or fail to reveal the truth, can be dismissed.

There are three letters:

1. Letter of Representation (Business Integrity)
   The overall objective of this letter is to demonstrate that the company is complying with applicable laws and operating with integrity. This includes confirmation that sound internal financial controls exist, transactions are properly recorded and any detected instances of bribes or illegal payments are recorded and dealt with (see page 17). The process, which has been in place since 1978, is reviewed by the Internal Auditors who report the results of their review to the Group Audit Committee. Writing the letters is a mandatory part of a senior manager’s duties and the task is taken very seriously. Failure to do this part of their job properly has grave consequences.

2. Health, Safety and Environment Letter
   A common HSE policy has been adopted by Shell companies, and all are committed to set up a certifiable HSE management system by the end of 1999. The HSE letter – submitted by the senior manager of each Shell company – is designed to give assurances that the HSE Policy is being adhered to and that the necessary management procedures – including systems and audits – are being implemented. The process has been in place since 1997.

3. Assuring conformance with Shell’s Business Principles
   A system was introduced in 1997 that makes it mandatory for Country Chairmen’s world-wide to write an annual letter to the Group Managing Director responsible for their region on issues relating to the Statement of General Business Principles. Country Chairmen’s are encouraged to share fully how the Principles are being applied, and the nature and extent of any difficulties that are encountered. A summary of the contents of the letters is sent to the Committee of Managing Directors (CMD).

As part of the assurance process, each signatory of a letter receives a confirmation noting any concerns and confirming issues for action in the coming year. During the year the Group Managing Director has a formal meeting with the Country Chairman or their Cluster Manager to discuss in person the issues noted and plans for applying the Principles in the coming year. This assurance exercise is completed every year.

Each Country Chairman or their Cluster Manager* had a formal meeting during 1998 with the Group Managing Director responsible for their region. This enabled local issues to be discussed face-to-face, and if necessary, action plans agreed. A similar round of meetings is planned in 1999 to follow up on the points raised in the latest annual letters.

This year, a total of 139 annual letters have been received, from 121 Country Chairmen* representing countries or groupings of countries and eight business organisations. This is a 100% response rate.

Letters from the Country Chairmen reveal that:

• Companies in four countries are awaiting the next formal meeting of their board to ratify formal adoption of the Business Principles.

• In one joint venture the local Shell management divested because they were not convinced that their partners would operate in accordance with Business Principles compatible with Shell’s.

• Shell’s Business Principles are available in 51 languages, covering the local languages of 99.9% ** of Shell employees. This will be extended when businesses are established in more countries.

• Approximately 20% of Country Chairmen mentioned bribery and corruption in their external business environment as being of concern to them. Care is taken to make sure that employees, contractors, suppliers and customers fully understand the standards by which Shell conducts its affairs.

• 29 Country Chairmen* mentioned examples of good practice in implementing the Business Principles in their countries, which will be posted on Shell’s internal website. Examples offered included Shell companies working with employees, their representatives, industry bodies, governments and other interested parties to promote the Principles’ acceptance in the wider business community.

• Implementation of the Principles is monitored in a variety of ways, such as through audits, surveys, workshops and telephone hotlines.

The Principles are based on honesty, integrity and respect for people – our core values.

* One manager acts as the senior representative of the Group and is called the “Country Chairman” in a country or grouping of countries, whether or not he or she is actually chairman of the local companies.

** In some parts of the world, for some activities, countries or groupings of countries are drawn together in so-called ‘clusters’. A senior manager who acts as a “Cluster Manager” represents the cluster.

*** Based on a data source which is not part of the Business Principles assurance process (therefore not verified).

You told Shell

“You told Shell you would abandon her principles even if it meant to make a profit?”

If so, Shell Principles are fair, honourable principles and everybody knows how well Shell can get by.”

The Netherlands

You told Shell

"Will Shell abandon her principles even if it means to make a profit?" If so, Shell Principles are fair, honourable principles and everybody knows how well Shell can get by." – The Netherlands
Sustainable Development Performance

On the following 13 pages you will find data on how we are striving to live up to our Business Principles (shown in full on the inside back cover). The performance information is organised to reflect the three components of sustainable development: economic, environmental and social (see table). Within these categories, each Principle is listed by number, followed by evidence.

KPMG and PricewaterhouseCoopers have verified certain financial data; certain graphically represented Health, Safety and Environmental (HSE) data; the Business Principles assurance process; and distribution of a practical guide to human rights (for details of verification see page 20). All other information is unverified.

Tell us what you think

Last year’s report included nine ‘Tell Shell’ reply cards that invited readers’ opinions on a number of key issues covered in the report. We received 288 paper reply cards from more than 20 countries evenly covering all nine topics. All responses, where permission was given, have been included on the website. We have also included a range of the responses received in the report, denoted as shown in the example below:

You told Shell

“If Shell is going to be performing worse than its competitors, even if its market image is much more green, environmental etc., then the principles should be questioned.”

Anonymous

This year you can find a ‘Tell Shell’ card on page 45, to respond on topics of your choice. There is also an interactive ‘Tell Shell’ facility on the website or you can contact us at the address on page 42. Tell us what you think. We value your views.

Economic

Profit and growth (Principle 1 Objectives)

• Our target is to deliver returns on average capital employed (ROACE) of 1.6% in 2001* based on certain assumptions, amongst them, US$ 14/bbl Brent oil price.

• In 1998, mainly due to reserves revisions, we added [italics] proved reserves** equivalent to some 140% of the year’s production of crude oil and some 250% of the year’s natural gas production.

• The total debt ratio at the end of 1998 was 19.3%.

• In 1998 the total capital expenditure was US$ 12.86 billion.

*Our goal reflects the changed business outlook. Planning for an oil price of US$ 18 a barrel, we looked to achieve a 15% return on capital employed early next century. At our new economic assumptions, including a US$ 14/barrel Brent oil price, the target is 14% return, which is much tougher.

**Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under existing economic and operating conditions.

***For the purposes of a more representative competitive comparison, the net income for Shell is on an estimated Current Cost of Supplies basis.

Tell Shell at www.shell.com

To find out more visit our website at: www.shellreport.com

You told Shell

“All very good, but how did you manage to lose 25% of the stock value in 3 months? My social activity? Get real!”

Anonymous

For me, a good investment is a good ethical company, really playing responsible dividends, but not the face of the sinister world.”

Tell Shell at www.shell.com

To find out more visit our website at: www.shellreport.com

You told Shell

USA

Economic Performance for 1998 was extremely pow...
Dividends and shareholder return
(Principle 2 Responsibilities to shareholders)

• The Parent companies’ aim is to deliver dividends that increase at least in line with inflation averaged over a period of years.

Our customers’ choice
(Principle 2 Responsibilities to customers)

• There are over 47,000 Shell retail stations serving more than 20 million customers a day world-wide.

Employment
(Principle 2 Responsibilities to society)

• Shell companies employ anywhere between two and 11,000 staff in any one country. Some 92% of staff are employed in 80 countries; Shell companies employ less than 200 staff in nearly half of the countries in which they operate.

Tax
(Principle 2 Responsibilities to society)

• In 1998, the tax revenue generated by Shell companies was more than US$ 46 billion (more than US$ 50 billion in 1997). Over US$ 44 billion was sales taxes, excise duties and similar levies, the remainder was corporation tax.

• Content: The United Nations Development Programme (UNDP) Report on Human Development 1997 estimates that the annual universal costs of basic social services to all people in the world are US$ 49 billion US$ 6 billion for education for all, US$ 13 billion for basic health and nutrition, US$ 10 billion on reproductive health and family planning, US$ 9 billion on low-cost water supplies and sanitation.

• Content: The UNDP Report on Human Development 1998 estimates that the 225 richest people in the world have a combined wealth of US$ 1,015 billion.

• In 1998, the tax revenue generated by Shell companies was more than US$ 46 billion, sales taxes and income taxes generated US$ 46 billion, and remuneration paid to staff totalled US$ 6 billion. When you take into account the normal ‘multiplier’ related to the economic impact generated by every dollar of direct expenditures, Shell, I believe, is making an impressive contribution towards a better future.

Investment
(Principle 3 Economic Principles)

• Shell companies expended US$ 713 million in South America investments and forestry investments, the latter of which included solar Renewables amounted to US$ 67 million which included solar installations and forestry investments in South America.

• During 1998, the market value of shares in the Royal Dutch/Shell Group at the end of the year declined sharply by 34% in the market value of BP Amoco and a 19% increase for Exxon. This shows that investors believe that Shell’s financial performance in 1998 was disappointing relative to key competitors. If Shell is to avoid relegation to third place in the oil industry, behind new combinations such as BP Amoco and Exxon, it needs urgently to demonstrate real progress in narrowing the performance gap against the best of its competitors.

Fergus MacLeod, Oil Analyst, BT Alex.Brown International.

What is the main objective of the Parent companies in terms of dividends and shareholder return? The Parent companies’ aim is to deliver dividends that increase at least in line with inflation averaged over a period of years.

Are there any over 47,000 Shell retail stations serving more than 20 million customers a day world-wide? Yes, there are over 47,000 Shell retail stations serving more than 20 million customers a day world-wide.

Do Shell companies employ anywhere between two and 11,000 staff in any one country? Yes, Shell companies employ anywhere between two and 11,000 staff in any one country. Some 92% of staff are employed in 80 countries; Shell companies employ less than 200 staff in nearly half of the countries in which they operate.
Environmental processes and standards

Principle 6 Health, Safety and Environment

There are two mandatory elements concerning HSE, which apply to Shell operated companies worldwide: the Group HSE Policy, and its associated procedures. In addition, the Group’s subsidiaries in their unique role (see page 41) have set a number of minimum standards, some of which are targets, and will take time to achieve, and others are already current practice.

• All Shell companies must have a certifiable HSE management system in place by the end of 1999.
• External verification of all performance data material to the Group’s HSE report, by a competent independent body.
• Eliminate CFC/halons from all Shell operations as soon as practicable.
• Gas disposal by continuous venting and flaring from Shell operations eliminated by 2000 and 2008, respectively.
• No discharge of oil or oily sludge.
• By the end of 2000, average annual SOx, NOx and oil effluent water from all Shell operated refineries/chemical plants to be within ranges permitted within the OECD.
• Full Material Safety Data Sheets available for all marketed oil and chemical products by the end of 1999.
• All chemicals produced must be treated before discharge.
• Exploration and Production produced water only to be discharged to a compatible receiving environment. In open sea, oil in water discharges to be less than 40mg/l, which is the current North Sea standard.
• The system helps us decide what type of action to take, based on a continuous risk assessment method to find out whether contaminants pose a threat to health or the environment. The system helps us decide what type of action to take, based on a comprehensive list of our minimum standards is available on our website (www.shellreport.com) or by writing to the address on page 42.

Multi-national enterprises are often accused of lowering their standards - operating double standards - when working in developing countries. They are believed to exploit weaker laws and regulations in some parts of the world to boost profits. Areas of concern range from product specifications and industrial processes, through to conditions of employment and ethical behaviour.

We want to be proud of what we do and to always take a responsible approach to all our activities. Our environmental management policy applies globally. We have minimum standards which all Shell companies worldwide are expected to improve. These standards are high and conform to what is considered best practice in countries belonging to the Organisation of Economic Co-operation and Development (OECD).

You can find a short version of these standards in the adjacent box. A comprehensive list of our minimum standards is available on our website (www.shell.com) or by writing to the address on page 42.

Shell companies cooperate with local governments and regulatory bodies in all countries where they operate and contribute, wherever possible, to the development of appropriate regulatory frameworks for emissions from refinery and chemicals manufacturing facilities. These are designed to take account of local circumstances including potential impact on the surrounding environment.

We have adopted a recognised risk assessment method to find out whether contaminants pose a threat to health or the environment. The system helps us decide what type of action to take, based on a balance between existing and potential risks.

You told Shell

“Any multinational that assumes it can have different standards in different parts of the world and still benefit, is really mistaken.”

South Africa

In 1998, I was inspired as we explored the concept of sustainable development with young people of 50 nationalities from the Group in a series of workshops called Shell Life. Sustainable development is inspiring for anyone who is young at heart because it’s about looking forward with fun and enthusiasm and contributing to the future. To me, sustainable development is the one right way to go.

Jorrit van der Togt, Leader Shell Life Programme, Shell International

In compliance with our minimum standards (stated in the target box in this section) necessary controls will be in place at major installations by end 1999, to prevent any contamination from moving off the site.

You told Shell

“Unfortunately there are still too many examples where Shell enters into Shell ventures without even discussing the HSE policy and principles.”

Shell employee, USA
In the longer term, the Group aims to exceed the Kyoto target through the decade to 2010.

- At the end of 1999, Shell Chemicals companies had Responsible Care® initiatives in their countries of operation. A further 23 companies were proactively promoting the setting up of a Responsible Care® programme through their national chemical industry association.

- Shell companies in 32 countries received public recognition or awards for efforts in the field of Health, Safety and the Environment. Details can be found on the website or by writing to the address on page 42.

Finding publicly acceptable solutions for old drill cuttings

Our experience with public consultation gained during our handling of the Brent Spar (see our website for an update) is being used to find the best way to deal with large deposits of cuttings produced by drilling for oil and gas in the North Sea.

When wells are drilled through layers of subsurface rock, small chips of rock (cuttings) are pumped to the surface. Traditionally, these were discharged to the sea.

In deep waters off the UK and Norway the cuttings accumulated under the platforms. New and clearer ways of drilling are now being used but the industry has a legacy of old cuttings under platforms known to contain traces of lubricants that have the potential to harm the environment. There are no proven methods to deal with these cuttings.

The oil exploration and production industry in Norway and the UK has started a research and public consultation exercise to discuss the issue with interested parties. It feels that this is the best way to find solutions that are acceptable to all.

Many stakeholders, including Greenpeace and other environmental pressure groups, have joined the dialogue.

"A few years ago the industry might never have considered approaching a technical issue in this way," says Eric Faulds, the decommissioning manager for Shell Expro. "Taking open ownership of key issues, seeking a wide range of ideas, and absorbing many values and perspectives is very helpful."

"We do not have all the answers and we will not find the best solutions on our own," he says.

The environmental performance information shows that gains have been made in a number of areas of impact for Shell. The Group has made encouraging progress in the setting of goals and priorities, and implementation of corporate-wide management systems and internal performance accountability mechanisms.

It is my opinion that certain critical elements of HSE performance are compliances by their absence. Participation and accountability by communities and other external stakeholders, and the impact resulting from the use of Shell's products, Shell's commitment to renewables, while noteworthy, continues to be relatively small, and Shell's performance accountability mechanisms.

The environment has always been important to us. We aim to be one of the leaders in our industry, but our performance does not always match this ideal. We are striving to improve our position. Two years ago we revisited our HSE commitment and policy. Since then, we've developed new standards and systems, consulted widely, set targets and reported verified performance data. That's a start. But we must demonstrate progress toward the real challenges of no more fatal accidents, stopping continuous gas flaring and venting, and playing our role in sustainable development, which will ensure us a verifiable licence to operate.

Andy Oliver, Vice President HSE, Shell International.
Sustainable Development Performance

You told Shell
deliver better business results.
more inclusive environment in order to
potential of our workforce by creating a
about unleashing the talent and the full
diversity team in Shell International. “It is
Connie Merrill, leader of the four-person
“This is not political correctness, “ says
ways of thinking and communicating) diversity.
religions, sexual orientation, work styles and
ability) and underlying (education, experience,
visible (nationalities, gender, age and physical
that employees bring. This is in terms of both
greater value on the richness of differences
cultures of Shell companies so that they place
Shell’s diversity drive is aimed at changing the
sustainable development, which emphasises
Valuing differences is an integral part of
people’s diversity and, in so doing, compete
diversity programme led by a core team
in Shell International, 12 in Shell Oil,
and a network of 30 diversity focal
points across the Group.

The programme is designed to improve
the way Shell companies make the most of people’s diversity and, in so doing, compete
more effectively.

Valuing differences is an integral part of
durable development, which emphasises
social justice as much as it does environmental
protection and economic progress.

Shell’s diversity drive is aimed at changing the
cultures of Shell companies so that they place
greater value on the richness of differences
that employees bring. This is in terms of both visible (nationalities, gender, age and physical
ability) and underlying (education, experience,
religions, sexual orientation, work styles and
ways of thinking and communicating) diversity.

“This is not political correctness,” says
Connie Merrill, leader of the four-person
diversity team in Shell International: “It is
about unleashing the talent and the full
potential of our workforce by creating a
more inclusive environment in order to
declare better business results.

Social

Diversity and equal opportunities
(Principle 2 Responsibilities to employees)

- Achieve the capability to fill all
Operating Unit executive positions within
a region with staff from that region by
2003 (excluding new ventures).
- Increase to at least 20% the number
of women in senior executive positions
by 2008.

Diversity

One of our three core values is respect for
people. Creating a culture of valuing
differences in people is being promoted by
a diversity programme led by a core team
of four in Shell International, 12 in Shell Oil,
USA and a network of 30 diversity focal
points across the Group.

The programme is designed to improve
the way Shell companies make the most of people’s diversity and, in so doing, compete
more effectively.

Valuing differences is an integral part of
durable development, which emphasises
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Shell’s diversity drive is aimed at changing the
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Connie Merrill, leader of the four-person
diversity team in Shell International: “It is
about unleashing the talent and the full
potential of our workforce by creating a
more inclusive environment in order to
declare better business results.

In 1998 the Group had 2,778 expatriates of more than 79 nationalities working in 106
countries around the world.

Shell companies in 112 countries operate a procedure to ensure equal opportunities
(sex, race, religion, ethnic group and physical ability) for company employees in
recruitment selection, career planning, remuneration and pension arrangements. Shell
companies in 128 countries have procedures in place to ensure equal opportunities for
company employees in one or more of the above fields. Of these, four countries could
not ensure equal opportunities in one or more of the above fields because of local
legislation. In an additional four countries (representing 133 staff), there were no specific
procedures in place to ensure equal opportunities for company employees in any of the
above fields. This is a matter of concern, and is being addressed.

7.4% of employees of some 6600 senior staff in Shell companies are women. Of the
508 very senior staff in Shell companies 4.9% are women (this compares with a figure of
24.6% of international staff recruited were women and 43.7% were not Anglo/Dutch.

Approximately four percent in 1997, obtained in a less comprehensive survey). Last year
508 very senior staff in Shell companies 24.6% of international staff recruited were women and 43.7% were not Anglo/Dutch.

In every country where unions exist, 77% of employees are members. Of the
90% in 96 countries the company acknowledges unions in discussions of
employment conditions.

Shell companies in 96 countries have formed forums for staff to discuss employment
conditions. In 92 countries (97 in 1997) employee welfare is protected by
clearly stated grievance procedures.
On 412 occasions in 1998, staff either
tabled issues or were invited to do so.

250 of these were in the USA where staff grievances are procedurally dealt with.

In every country where unions exist the Shell company allows employees to join. Of those
in 90% of countries the company acknowledges unions in discussions of
employment conditions.

Shell companies in 96 countries (77 in 1997) have organised forums for staff to discuss employment
conditions. In 92 countries (97 in 1997) employee welfare is protected by
clearly stated grievance procedures.

On 412 occasions in 1998, staff either
tabled issues or were invited to do so.
250 of these were in the USA where staff grievances are procedurally dealt with.

To find out more visit our website at:
www.shellreport.com

Unions and staff forums
(Principle 2 Responsibilities to employees)

- In every country where unions exist
12 to 18 months – was conducted in partnership
with an independent company, International
Survey Research (ISR). Together with the
external verifiers we are reviewing the
process for further improvement since the
exercise turned out to be very complex. At
the time of going to press data was still being
processed and no results were available.

In addition to Shell employees, certain
contractors with contracts of over one year
were included.

The survey did not include all employees
of Group companies and a number of Group
companies decided not to participate.

Examples of statements against which
respondents were asked to reply on a scale
of 1 to 5 (from agree to disagree) were:

1. My company has a working environment
that respects differences in cultural
group companies and a number of Group
companies decided not to participate.

Examples of statements against which
respondents were asked to reply on a scale
of 1 to 5 (from agree to disagree) were:

1. My company has a working environment
that respects differences in cultural
background or lifestyle.

2. I am proud to be a part of Shell.

These results will give an interesting
perspective on how our employees currently
see Shell’s position in the world at a time of
unprecedented change. Analysis of the data
will be reported in the next Shell Report.

The Shell Poll

In the USA, Shell Oil Company sponsors
a quarterly poll that asks Americans for
their feelings and opinions on a range
of thought-provoking topics and feeds the
results back to the public via a website.

Poll findings are also shared with opinion
leaders in government, business trade
associations as well as the media Topics
explored so far include education, the
workplace, morals and ethics

As a former employee of Shell Oil
and Shell & Sisters Inc., it is
refreshing to see that Shell came out of
its shell and began a dialogue
on these issues."

USA
We have a policy and a target of zero bribes.

A practical guide to human rights

We have published an introductory guide to human rights. The booklet, written with the help of independent experts, helps in the understanding of human rights, its history, vocabulary and the dilemmas that a belief in such rights can pose.

It is designed to help Group companies discuss their roles and responsibilities in understanding and supporting human rights. The guide forms part of an awareness programme designed to help staff deal with the issue in their work.

The guide is also part of a broader management process designed to identify responsibilities in this area and help Shell companies manage, measure and report on their progress (see page 29). Included in this process are the Business Principles assurance letters (see page 5).

The booklets are being distributed through Country Chairmen. They have been asked to hand out copies to staff who deal with human rights issues.

You told Shell

"You tell Shell.

You said:

"I feel that if a company through its activities, can promote the necessities of life, either directly or indirectly, these efforts should be acknowledged, not criticized."  India

We have a policy and a target of zero bribes.

We have a policy and a target of zero bribes.

Child labour

(Principle 2 Responsibilities to employees)

• In every country where we operate, our employees are above the local legal age of employment. The youngest company employee, who is 13 years old, is employed part time and works for 2 hours per week.

• Shell companies in 34 countries have a specific policy to prevent the use of child labour in any of their operations. Contractors and/or suppliers are screened against the use of child labour in 32 countries.

Security

(Principle 2 Responsibilities to society)

• Shell companies in 25 countries reported security incidents that had a significant impact on business operations in 1999. Nine of these focal war, terrorism or major conflict;

• Security personnel are engaged in 107 countries to manage security risk. Security personnel routinely and legally carry firearms in 23 countries either because local regulations require it or because of the violent environment in which they operate. In five of these countries, armed security guards are employed directly by Shell companies. Where appropriate, Shell companies are using local security personnel whenever possible.

• In all countries where security personnel carry firearms they are trained in the responsible use of force. In addition, in 20 countries the armed guards are trained in accordance with the latest Shell Group Security guidelines on the use of force, which are based on ILO principles and local laws and international human rights standards. Urgent efforts are in hand to ensure consistency with the latest Group guidelines in the remaining three countries.

You told Shell

"Oil companies like Shell are perfectly well paid while the money paid for some types of consultancy services is really laughable." uk

A special human rights site was launched on Shell’s intranet (internal computer network) on 10 December 1998, the 50th anniversary of the Universal Declaration of Human Rights. The practical guide itself is available to the public and can be downloaded from the Shell website (www.shell.com) where there are links to other relevant websites on the Internet.

No bribes

(Principle 4 Business Integrity)

• We have a policy and target of zero bribes.

• In 94 countries Shell companies operate a procedure to prevent and identify possible breaches of the ‘no bribes’ policy above and beyond the Group’s internal measures.

• In 1998, Shell companies reported four instances (in 1997, 23) in which a total of six Shell staff were detected soliciting or accepting bribes. It is not possible to be precise in any form. The total financial value was less than US$ 75,000. As a result, these employees were disciplined and a decision was pending for three employees (in 1997, all cases ended in termination of employment).

• In 1998 there was one case in which a Shell employee was asked for, and paid on his own account, an unauthorised sum of US$ 200 to a third party. The company refused to reimburse the sum and the employee resigned.
Health and Safety

We deeply regret that eight employees of contractors lost their lives in 1997. As part of our anti-corruption commitment, no political payments were reported. (Principle 7 The Community)

TRIPOD safety system

Shell has donated the copyright of the accident analysis and prevention system called TRIPOD to a non-profit foundation in The Netherlands. Phil Watts, Group Managing Director said: ‘There are no competitors in safety’. TRIPOD helps accident investigators to probe underlying failures rather than just looking at the incident. It is also a tool for identifying organisational weaknesses that can lead to accidents.

Youth support in Brunei

Shell Brunei is supporting the government in a youth entrepreneur development programme. Job seekers enrol to learn a trade and how to run a business, Shell Brunei provided bank loans made to participants who are treated as business partners. The scheme started in June 1998, with 17 partners who have developed a 45-acre site into a showcase for agrotourism, including vegetable plots, fruit orchards, fish ponds and a restaurant.

You told Shell

It is true of the African saying pair: a dancer does not see the movement of his waist except when the spectatorial looks down.

Health and Safety

Principle 6 Health, Safety and Environment

We deeply regret that eight employees of Shell companies and 61 employees of contractors lost their lives in 1997 worldwide, mostly in road accidents. Shell companies won awards for road safety campaigns in three countries. In Ghana in 1998, Shell opened a Defensive Driving Institute and Truck Workshop for vehicles.

Health and Safety

No political payments

(Principle 5 Political Activities)

• We have a policy and target of no political payments.

• As part of our anti-corruption commitment, Shell companies in 108 countries operate a procedure to prevent and identify possible breaches of the ‘no political payments’ policy last year we reported that Shell companies in 108 countries operate a policy to contribute to all major political parties in the parliament. This will cease in the course of 1999. (Last year no political payments were reported.)

Engagement and open communication

(Principle 9 Communication)

We define engagement as the process of talking and listening in order to develop a deeper shared understanding. Engagement, as an integral part of business decisions, remains an area to improve upon across the Group.

• In 1991, Shell companies have processes in place to engage with its communities on issues of local concern.

• In 48 countries Shell companies measure the effectiveness of their engagement/communication procedures.

• In 1998, Shell International issued 75 press releases (compared to 74 in 1997).

• In 1998, Shell International published 55 public documents including position papers and 24 speeches.

• Shell companies currently have public websites in 35 countries in 17 languages. The Shell website records 4,000,000 hits per month from 950,000 visitors (single user session). Some 12% of these are from Shell employees. Visitors spend on average 11 minutes inside the site each time they visit.

• The Shell company has 1,580 employees per month, approximately 75% of emails come from North America and Western Europe. We take an average time of two days to respond to queries. The Group forum is completely uncornered.

• More than 3,000 people have requested to be kept up to date with specific issues on the Shell website. They are notified by email when a topic of interest comes up.

• In March 1998, we started a series of press advertisements in a number of global journals and newspapers on sustainable development as their core theme.

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• In March 1998, we started a series of press advertisements in a number of global journals and newspapers on sustainable development as their core theme.

• In 1998, Shell Report was published in five languages: English, German, Spanish, Italian and Spanish.

• In the 1998 Shell Report we enclosed nine ‘Tell Shell’ feedback cards with a prepaid envelope to provide you with an opportunity to let us know your views on a number of issues.

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Health and Safety

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• We have a policy and target of no political payments.

• As part of our anti-corruption commitment, Shell companies in 108 countries operate a procedure to prevent and identify possible breaches of the ‘no political payments’ policy last year we reported that Shell companies in 108 countries have a deeply stated policy forbidding payments to political parties. One can venture company (just over 20% Shell owned) which was not included in last year’s data, made 16 political payments in 1998 (with a total value of US$ 33,704) as part of a company policy to contribute to all major political parties in the parliament. This will cease in the course of 1999. (Last year no political payments were reported.)

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You told Shell

It is true of the African saying pair: a dancer does not see the movement of his waist except when the spectatorial looks down.
The theory of sustainable development is becoming a reality in Shell companies, affecting the way that everyday business is carried out. We report here on progress in two of our five core Business Areas: Exploration and Production, and Chemicals.

We are encouraging a ‘just do it’ approach, using this framework as a guide.
Shell Expro breaks the mould

Breaking the conventional management mould was Shell Expro’s first step in turning the theory of sustainable development into practice.

The company explores for and produces oil and gas in the North Sea, off the UK. It employs around 5,200 people and is a major contributor to Group revenues. The Group made a formal commitment to contribute to sustainable development in 1997. The questions ‘What does it mean to us?’ and ‘How can we meet such a commitment?’ were put to a group of employees that had volunteered their interest. In doing so, senior management ignored the conventional wisdom that would have dictated a formal instruction from the top.

‘We have learned from our company’s history that an open approach and a willingness to listen and to respond to the concerns of interested and affected parties are essential ingredients to good business decisions,’ says Ken Trost, Finance Director. His view is underlined by Ben Taylor: ‘I was nervous about joining a business that is known for the Brent Spar and which only has another 30 years of raw materials left. But I was really surprised and encouraged when I heard about the attitude to sustainable development. It was clear that it was not a fad, but a way of life for us.’

An open invitation from Robert Kleiburg, sustainable development co-ordinator at the time, to all staff to attend a two-day workshop for 46 people was heavily oversubscribed. ‘It was a success and 42 ideas were raised, in eight categories. After the workshop the attendees developed those ideas further and they were presented to management. This led to the Expro business plan for sustainable development,’ said Robert.

The emphasis was on finding practical solutions, which included:

- A study of the feasibility of renewable energy sources, such as offshore wind and wave.
- Ways to minimise the consumption of material and energy in developing new oil and gas fields.
- Systems to discover how to ensure that the most environmentally sound choices are made when buying supplies, materials and services.
- Work with the two communities that support Expro’s operations, Abden and Lowestoff. Projects have included trials with green transport systems and energy efficiency schemes.
- Publications, including a Sustainable Development Assessment Guide and a plain English guide to sustainable development.

‘One of the most important projects concentrates on how we can integrate sustainable development into our decision-making processes, such as budget proposals and asset plans. We also need to measure our progress and we have started developing sustainability indicators to do this,’ says Robert.

The IODM (see pages 36-37) complements Expro’s previous work in developing a new two-year strategy Projects running under the original plan will continue.

But no one is under any illusions about the difficulties ahead. Fran Monk, an Expro environmental advisor warns: ‘There is real commitment to get to grips with sustainable development throughout the company. We have moved from the talking to the walking phase but there are still many who need to be convinced of the benefits and relevance of sustainable development before the company can move forward with total confidence.’

Malampaya

Shell Philippines Exploration B.V. (SPEX) is operator of the Malampaya Deep Water Gas to Power Project, which comprises the development of natural gas reserves located in deep water offshore of the island of Palawan. The natural gas will be processed offshore prior to export via a 54km pipeline to Laurel where it will be used to generate electricity through combined cycle power generators in late 2001.

Gaining approval to route a gas pipeline through an environmentally fragile region – which includes coral reefs, commercial fishing grounds, pearl farms, tourist areas, sites of archeological interest and ancestral domains – called for a highly responsible approach. Right from the very start of the project, SPEX committed itself to minimising environmental and social impacts and involving key stakeholders in addressing issues of concern.

Malampaya is one of the most ambitious projects in the Philippines. An open invitation to the two communities that support SPEX’s operations, were attended and a two-day workshop was held. 42 ideas were raised in eight categories.

Malampaya is the result of an extensive feasibility study that was carried out. The project was approved by the Department of Energy and the Department of Planning.

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The change is significant and goes to the heart of the business.

Shell Chemicals

Shell Chemicals has already begun to integrate sustainable development into its organisation. Last year it published a set of five-year goals and has embarked on an eight-point programme of actions for 1999 (see opposite). One of the first steps has been to merge the Group’s Sustainable Development Management Framework (SDMF, see pages 36-37) with the Shell Chemicals Business Framework (a management process), to ensure that social and environmental issues are addressed as part of normal business activities.

Stakeholder engagement

This change is significant and goes to the heart of the business, including capital investment proposals, business performance reviews and research and development. This means every significant decision will address the need to balance economic, social and environmental issues.

Shell Chemicals will also pilot the SDMF in one of its global product business units – Higher Olefins. The experience in applying the framework will provide a way to develop good management practices, to be shared with the other businesses.

“Our products are used in making detergents, which is an essential part of the SDMF and a key difference from many other management frameworks and systems. Shell Chemicals Canada, which has been advised by a Sustainability Advisory Panel since 1993, has already seen the benefits from such dialogue (see page 25). And in September 1998, Shell Chemicals took the first steps in starting these discussions when they held the first of a series of meetings with potential stakeholders.

New products are increasingly being developed with sustainable development in mind. For example, Corterra is a new synthetic fibre which is fully recyclable, needs less energy and no pollutants in the dying process and should have a longer life than competing products. A sustainability programme involved in product development involves industry groups on joint research into the health risks of some chemicals and commitment to the industry-wide Responsible Care® initiative are examples of working with others in society – all essential parts of sustainable development thinking.

The SDMF will encourage Chemicals to do more of this, and to do it better.

The sustainable development programme comes at a difficult time for Shell Chemicals because 40% of the Group’s chemicals business is to be sold and substantial job losses are expected as the remaining parts are rationalised. This business decision, aimed at securing satisfactory levels of profitability, has been made to focus on areas of strength while selling businesses that have a better long-term fit with other owners.

The Shell Chemicals eight-point sustainable development programme

1. Update the Chemicals Business Framework to incorporate sustainable development principles using the new Group Sustainable Development Management Framework (SDMF).
2. Introduce sustainable development criteria to business performance reviews and capital investment proposals.
3. Identify key stakeholders for Shell Chemicals engagement.
4. Launch sustainable development ‘Pathfinder’ projects.
5. Plan and implement internal and external sustainable development communications.
6. Assess current activities and processes against sustainable development requirements. Identify gaps and make plans to fill them.
7. Participate in the Group’s initiatives on climate change such as greenhouse gas emissions trading.

To find out more visit our website at: www.shellreport.com

Tell Shell at www.shell.com

Asking for advice

Shell Chemicals Canada has a Sustainability Advisory Panel to examine the impacts of its chemical products on the environment, health and safety on natural resources, society and the economy.

The 12-member panel, reflecting social and environmental interests, developed a scoring system to judge the sustainability of products. This looked at the potential impacts from product design through to disposal. It combined panel insights with standard criteria and a scoring method, which highlighted problems.

The panel tested the system on styrene monomer which is used in products such as home insulation and plastic utensils. A group of environmentalists was asked to judge the usefulness of the system, which was then further refined according to their suggestions.

In 1998, the panel was involved in the design phase of a new ethylene glycol plant at Scotford. The panel’s comments prompted the design team to rethink various aspects of the project and produced a solution that was more sustainable. For example, waste carbon dioxide, which was to be released to the atmosphere, will now be recovered and sold. Heat and power will be supplied by a new co-generation plant that is far more energy efficient and releases less greenhouse gases than would have been the case in the original design.

Stakeholder engagement is a process for open discussion with interested parties. This is an essential part of the SDMF and a key difference from many other management frameworks and systems. Shell Chemicals Canada, which has been advised by a Sustainability Advisory Panel since 1993, has already seen the benefits from such dialogue (see page 25). And in September 1998, Shell Chemicals took the first steps in starting these discussions when they held the first of a series of meetings with potential stakeholders.

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Social Investment is not a substitute for good business practice.

The Group is refocusing its support to community and social causes. Over the past 10 years Shell companies have given an average of US$ 69 million a year to such causes, equivalent to 1.2% of net income after tax. Our new social investment programme will:

- Reinforce our commitment to sustainable development
- Maximise the value to those we support and to Shell.

Recognising the enormous range of needs around the world, our aim is to ensure that our social investments are both effective and appropriate to the nature of our business. In particular, we want to respond to growing concerns about how energy production and use affects the environment and peoples’ lives around the world, our aim is to ensure that the use affects the environment and peoples’ lives.

As one of the world’s largest groups of companies, we have opportunities to use the experience gained in one country or region to help others elsewhere. We can also help build effective partnerships with other local and international organisations because we have a wide range of skills, varied resources and a global perspective. By combining resources and expertise in this way we can all tackle social concerns more effectively.

To meet these objectives we are introducing international programmes focused on the environmental, economic and social spheres of sustainable development, complementing and strengthening the local activities of Shell companies. These are:

- A Sustainable Energy programme to help stimulate society’s progress towards the use of sustainable sources of energy
- An international expansion of our already successful LiveWire scheme that encourages youth development and enterprise. We will also look for other local social development programmes where our international experience can be of help.

Social and environmental responsibility means fully integrating these issues into the way we do business. By making our social investments more relevant to our business, we will encourage an integrated approach. We believe the social benefit will also be significantly increased.

Sustainable Energy Programme

Many of the world’s environmental challenges are fundamentally social ones, because they are to do with the impact of people on the environment. For example, fossil fuels, while highly effective, are polluting and may contribute to climate change. But access to energy is critical to social progress. A key challenge for the next century is to provide energy in a cleaner and more sustainable way.

This is an area where Shell’s commercial interests are closely related to the wider social objectives of sustainable development. It will demand creative partnerships and leaps of imagination to discover new approaches. That is why Shell has set up an initiative to promote sustainable energy solutions as one of its key social investment programmes. There will be three areas of focus:

- Reducing the environmental impact of continued fossil fuel use
- Making sustainable energy available to poor communities in developing countries
- Encouraging sustainable energy policies and practices.

The scheme has been developed after consulting widely with environmental and sustainable energy experts around the world. They were enthusiastic about Shell as a mainstream energy group, starting such a programme, alongside its commercial activities.

The initiative, valued at US$ 17 million in the first three years and with a target of US$ 22 million a year within 10 years, aims to fund a wide range of projects.

LiveWire

LiveWire encourages young people who want to start and run their own businesses. It aims to contribute to more buoyant economies and to help young people help themselves.

The scheme already operates successfully in Australia, Chile, Hungary, The Netherlands, Oman, South Africa and the UK. Local Shell companies decide how best to provide help and advice, often working with other like-minded organisations. A typical LiveWire scheme provides an enquiry service, personal advice, workshops on how to develop business plans and an award scheme to recognise success. Every year in the UK, where the programme has run for over 15 years, it advises some 20,000 young people.

In Oman, for example, Naswba bint Salim bin Hamood Al Harthy identified a gap in the local LiveWire scheme, and then set up the ‘business. ‘It has been my dream to start my own business and Intilaaqah has helped me make it possible,’ she says.

Chilian civil engineering student, Guillermo James, hopes to develop and market CD-Rom based educational programmes. He has been helped by the LiveWire project that Shell Chile funds, called Savia Nueva. Members of the Union of Christian Entrepreneurs and Shell staff gave advice.

Guillermo worked with the advisors for three months to develop his business plan. ‘Savia Nueva recognised the potential strengths in my plan and helped me to work towards making them a reality,’ he says.

The Group will help expand LiveWire into new countries, working with local Shell companies and providing support with networking and organisation. The international LiveWire programme will amount to some US$ 1.5 million a year.

Why invest in social causes?

Companies provide products and services that are vital to economic development and to people’s living standards. They train and employ people, provide returns to investors and pay taxes that help fund public services. Why do more?

While business creates these social goods, the world remains imperfect. Things that are good for most of society can be less good for others. Social investment reflects the desire of companies to ensure that they are socially responsible and beneficial. At the same time it reflects those companies’ self-interest to ensure that society is strong and healthy in a way that maximises the opportunity for business success. After all, business depends on a prosperous and healthy society for its own prosperity. Reputation is also important because it enhances business success. But social investment is not a substitute for good business practice – it is just one element of what makes companies both successful and socially responsible.
Here we discuss three critical issues facing the Group: human rights, climate change and renewables. Shell’s approach and actions follow a short introduction to each issue. These issues are topics of continuing debate, both in society and Shell. Our Business Principles give us basic guidance on how to approach them, but there are many areas where no one yet knows the best solution. We are committed to continuing to work with others to find the right path and we invite your views – use the ‘Tell Shell’ card on page 43, the facility on our website or write to us at the address on page 42.

Human rights

Human rights are the universal rights that every human being is entitled to enjoy and to have protected. These are enshrined in the Universal Declaration of Human Rights adopted by the United Nations in 1948. The declaration covers two broad sets of rights: one is known as Civil and Political Rights, the other as Economic, Social and Cultural Rights. Our Business Principles give us a short introduction to each issue. (see inside back cover and page 17) This is a deep felt commitment and at the very heart of our core values of honesty, integrity and respect for people. We have acted to ensure that we improve our understanding of human rights and behave in accordance with our commitments. Over the past year we have made good progress (summarised on these pages), but we continue to face challenges and dilemmas. Please see our website (www.shell.com) for greater detail on our approach. Also see the websites of the UN (www.un.org), Amnesty International (www.amnesty.org) and Human Rights Watch (www.hrw.org).

Recent progress

The Universal Declaration of Human Rights and other comparable documents are aimed primarily at governments. Our challenge is to determine the specific responsibilities of Shell and other companies to human rights and then to provide managers with the necessary tools to meet their obligations.

We work with human rights organisations to help guide our actions. We see this as a continuous process of understanding and improvement. This is what we have done recently:

- We have published a practical guide to human rights (see page 17). This is the first in a set, which will include ‘Indigenous People’ and ‘Child Labour’.
- We are developing a ‘map’ of the way we see human rights issues in our daily work (see page 29).
- We are continuing our efforts to engage in more dialogue with communities wherever we operate (see pages 19, 25 and 39).
- Our letters of assurance process (see page 4) includes specific references to human rights.
- We are in discussion with human rights organisations to ensure that our policy on how we protect the security of staff and equipment is sensitive to current thinking.
- We broadly support the aims of the 1998 International Labour Organisation (ILO) ‘Declaration on Fundamental Principles and Rights at Work’ (www.ilo.org).

Child labour

In Brazil sugar cane is the raw material used to manufacture alcohol which the fuel distribution industry is legally obliged to offer on its forecourts and to include a percentage in its gasoline. Fuel distributors purchase alcohol from independent manufacturers. The alcohol regulations were introduced in the 1970s to reduce Brazil’s dependence on imported oil. Sugar cane harvesting provides a valuable source of income for the many migrant families who harvest it, especially in the north east of the country where unemployment is high. We are concerned that children of migrant farm labourers may be working in the sugar cane fields. The national minimum working age in Brazil is 14 years. Shell Brazil would like to see an end to the use of children in the sugar cane industry. In this instance, it is difficult for us to take action because we have no direct control of the farmers. We believe the best action is to develop alternative forms of employment and better educational opportunities for migrant workers. Shell Brazil believes that the most responsible way to do this is by working with the alcohol producers, sugar cane farmers, non-governmental organisations, the fuel distribution sector, other alcohol users and the authorities. To help kick start the process, Shell Brasil is working with interested groups to increase awareness of the problem and to commit them towards constructive solutions in partnership with others.

Human rights and business responsibilities map

The map moves out through security policy into community rights, then national rights, to the broad area of speaking out on human rights. The process of engagement underpins the framework and is essential to its success. It gets progressively more difficult to assign relevant performance measures (metrics) that can be verified as one moves from the inner to the outer orbits. This suggests that new approaches to measurement and verification are required here. These could be based on verifying that processes are in place to manage key aspects of performance. Actual performance could be judged by stakeholder perception surveys. Such perceptions would be a function of performance and a company’s ability to engage. A combination of traditional and new verification methods will be needed to cover the overall map (see page 37 for our views on verification).

We invite comments on this map to help bring clarity to business responsibilities and continuous improvement in performance. We hope this map will also be useful in discussions with governments and other institutions in helping to define respective roles and responsibilities and areas of partnership.

Nigeria update

The human rights situation in Nigeria has ‘improved under the country’s new military regime, but more needs to be done’ according to Soli Sorabjee, the UN Rapporteur on human rights in the country, speaking in November 1998. Nigeria has held a series of elections, leading to a return to democracy in May 1999. People in the oil producing areas remain determined that the federal government should return a greater share of the oil revenues to their region. Global oil prices have dropped dramatically, reducing the amount of money available for investment by the government and making it more difficult for all of companies working in Nigeria.

The Movement for the Survival of the Ogoni People (MOSOP) continues to campaign for self-determination for the Ogonis. It has given Shell Petroleum Development Company (SPDC), the Shell company working in Nigeria, an ultimatum to clean up or be cleared out by 2000. But MOSOP is also working towards broad reconciliation with other Ogoni groups and has acknowledged a limited but significant response by the military to address its demands for improved human rights. SPDC remains in dialogue with a wide cross section of Ogoni leadership through the facilitation of well-respected Nigerian organisations.
Climate change

Our environmental performance is shown on pages 10-13. Global climate change is the most controversial and pressing environmental issue we face. Shell companies are reducing their own emissions of greenhouse gases and helping customers to reduce theirs. We discuss our approach here. In the next section, we look to the future and our role in the shift from fuels with a high carbon content to those with lower concentrations, such as gas and renewables.

What is climate change?
The greenhouse effect is a natural process whereby gases present in the atmosphere, such as water vapour, carbon dioxide and methane, keep the earth warmer than it would otherwise be. These gases act as an insulating blanket trapping some of the sun’s rays.

Human activities, especially the use of fossil fuels, may be influencing the climate. The burning of fossil fuels, mainly oil, gas and natural gas, together with other human activities, such as deforestation, releases greenhouse gases, especially carbon dioxide (CO2), into the air.

Concentration of these gases in the atmosphere has been rising since the industrial revolution. There is concern that this is making the world warm up, creating potentially damaging changes in climate and local weather patterns.

Industrially countries have agreed, under the Kyoto Protocol of the Framework Convention on Climate Change, to reduce their greenhouse gas emissions by at least 5% on average relative to 1990 levels, by the years 2008 to 2012. It is up to each signatory country to establish ways and means of reaching the targets, working with industry and consumers.

The Kyoto agreement signifies an important change in the attitude of nations and shows they are serious about addressing climate change. Reaching the Kyoto targets, however, is not expected to solve the problem and greenhouse gas emissions are set to continue rising well into the next century.

Our commitment on climate change
Shell companies are committed to taking action on climate change in our own operations and also by helping our customers reduce their emissions. We have a responsibility to promote energy efficiency and a move towards renewable energy sources of energy.

We want to be part of the solution and we support market mechanisms that will help countries grow their economies in an energy efficient manner.

The Group’s businesses are expected to grow by 5% a year overall. We have already taken steps to ensure that the consequent rise in our greenhouse gas emissions will be kept in check by improved energy efficiency and reduced venting and flaring of waste gases. The Group has already met the Kyoto targets by reducing our emissions by 5% on our 1990 levels and the Group is committed to reduce this by a further 5% by 2002.

We intend to continue to exceed the Kyoto targets throughout the following decade. We will achieve this in six ways.

Reduce our own greenhouse gas emissions
Shell companies will:
- Continue to invest in energy efficiency in their operations
- Stop the continuous disposal of unwanted gas during oil extraction (by venting and flaring) as early as possible. Our target is to halt continuous venting by 2005 and continuous flaring by 2008

Help our customers reduce their greenhouse gas emissions
- Where possible, Shell companies will increase the availability of fuels with a lower carbon content, such as natural gas for heating and power, liquid petroleum gas for cars, and by offering renewable energy choices (see page 55)
- We will continue to:
  - Invest in developing renewable energy, especially solar power and biomass energy
  - Increase provision of natural gas, supplying it through liquefaction, pipelines and conversion to liquid fuels
  - Develop our business in gas-turbine power generation (which produces less than half the amount of CO2 per unit of electricity generated compared with coal)
  - Develop alternative fuel technologies for automotive applications, such as those based on hydrogen (see page 55)
  - Directly contribute to a reduction in atmospheric CO2 by expanding our forestry businesses and planting more trees.
  - Explore the commercial potential of technologies that help absorb greenhouse gas emissions

Greenhouse Gas Emission Reductions

<table>
<thead>
<tr>
<th>Year</th>
<th>Methane</th>
<th>CO2</th>
<th>N2O</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>1.75</td>
<td>8.4</td>
<td>0.5</td>
</tr>
<tr>
<td>2004</td>
<td>1.72</td>
<td>8.0</td>
<td>0.4</td>
</tr>
<tr>
<td>2006</td>
<td>1.67</td>
<td>7.5</td>
<td>0.3</td>
</tr>
<tr>
<td>2008</td>
<td>1.62</td>
<td>7.0</td>
<td>0.2</td>
</tr>
</tbody>
</table>

*For gas emission reductions and additional information by area 20% over the period 1990 to 1997, but about overall greenhouse gas emissions by 25%.
### Issues

#### The most controversial and pressing environmental issue we face.

**Make appropriate business decisions**

Nations will choose different ways to meet their Kyoto targets. Inevitably, such actions will put a cost on carbon emissions, either through carbon taxes or the value of permits in a carbon trading system. In the future, this will influence the investment decisions of Shell companies.

We will:
- Include the effect of a carbon cost in our investment calculations for new projects.
- Investigate ways to reduce carbon emissions - for example, by improving energy efficiency using low-carbon fuels, and finding ways to store (sequester) or remove carbon from the atmosphere.

**Saíd market solutions**

The Kyoto Protocol establishes three flexible economic mechanisms: emissions trading, joint implementation and the clean development mechanism. If these mechanisms are designed and operated according to market principles, they will lower the cost of reducing greenhouse gas emissions. The price of CO₂ abatement in a market-based system will be set by lowest-cost reductions.

We will:
- Pilot an internal trading system that will help Shell companies reduce their emissions efficiently and gain experience in such a system.
- Provide practical support in the development of national and international emission trading systems.
- Seek opportunities to invest in projects using the clean development mechanism and joint implementation.

**Improve understanding**

We continue to be part of the solution to climate change. Shell companies’ knowledge of energy markets enables them to contribute to finding the right sorts of policies and practical measures in the countries where they operate.

We will continue to:
- Take an active part in the public policy debate at the national and international level, directly and through national industry bodies and international organisations.
- Expand our support for research into climate change and its impacts.

**Measure and report**

Shell companies will continue to:
- Measure their greenhouse gas emissions, publish results and seek independent verification of emissions data.

### Renewable energy

The fuels we use have gradually moved away from those with high concentrations of carbon relative to hydrogen, such as coal, to those with lower carbon contents, like oil and then to gas. This movement is expected to continue as new fuels, such as hydrogen and energy from renewable sources, get cheaper and become more available.

#### Shell story: hydrogen

Shell Germany has contributed to one of the European Union’s first hydrogen filling stations in Hamburg. It will provide fuel for experimental vehicles used by the local authorities.

Shell is a partner in a venture in Iceland to test the potential of hydrogen as a replacement for fossil fuels and create the world’s first hydrogen economy. An early project could be the development of a bus service using fuel cells. Shell is working with Daimler Chrysler and Norsk Hydro on this.

The fuel cell, while an exciting prospect, has powerful competitors and its future is by no means certain. Emissions from the internal combustion engine are being reduced through the use of improved technology and cleaner fuels. So-called hybrid vehicles that combine different technologies - internal combustion engines with electric motors - are also becoming available.

Environmentally, the next few decades look brighter because technical advances are leading to lower emissions. But commercially, the number of competing options make the transition from a carbon to a hydrogen economy look rather messy because it is far from certain which technologies will become commercially viable.

Shell is committed to developing a range of renewable technologies (see page 34) while also investigating opportunities presented by the fuel cell. For example:
- We are working with Daimler Benz Ballard in the development of a fuel processor to produce hydrogen feedstock for cars using fuel cells.
- Our technology called Catalytic Partial Oxidation (CPO), converts hydrocarbons into hydrogen and carbon monoxide. This process can be adapted for use in different situations, such as in a car (to make hydrogen from a liquid hydrocarbon) or on the service station forecourt using liquid or gaseous hydrocarbons.

#### Clean future - messy transition

Steam and the internal combustion engine have driven the rapid advances of our 20th Century economies. Technical improvement in the fuel cell, a device which converts hydrogen into electricity with very low emissions (see diagram), could create what is being called the ‘hydrogen economy’ in the next century.

Hydrogen can be used as fuel itself and serve as a carrier of energy which is converted by the fuel cell. But there are still many problems in storing and distributing hydrogen economically.

Alistair Murphy, Vice President
Global Climate Change, Shell International
How a fuel cell works
Hydrogen and oxygen combine to form water and the energy released produces an electric current. The reaction is electrochemical and the electrical conversion efficiency is up to three times better compared with the useful energy harnessed from combustion.

The cost of producing photovoltaics panels could drop at the rate of 3.6% each year over the next 20 years. In 10 years from now the cost of solar electricity could be three times cheaper than it is today. Solar-generated electricity is already cost competitive in certain situations (see opposite).

Sustainably grown wood is a key source of renewable energy. It can be converted into energy by combustion or other processes and is suitable for small-scale power generation in many locations.

In 1997 we set up Renewables as the fifth core business and made a commitment to invest US$ 500 million over five years.

Biomass power for Norway
Shell Renewables has started its first commercial biomass operation with the acquisition of a district heating plant in Norway fueled entirely by wood. “This is an important step for us in the development of our renewable energy portfolio,” says Jim Dawson, Chief Executive, Shell International Renewables. Shell already has a wood-pellet business in Denmark selling biomass fuels to the domestic market.

Solar power for Chad
Deutsche Shell and the regional power supplier in the Hamburg region of Germany are co-sponsoring a solar power generator to supply all the electricity needed by a United Nations education institute in Chad, Africa. The institute is promoting sustainable agriculture and the use of renewable energy

Lighting up rural South Africa
People living far away from the national grid in rural South Africa will soon have the option of using solar-powered electric lights at a cost no higher than conventional lighting fuels. In a joint venture with the state electricity supplier, Eskom, Shell Renewables is to offer a solar solution to about 50,000 homes over the next three years, in areas that cannot realistically be connected to the grid. The system, developed by Shell Solar and a local company, Conlog, has three parts: a solar panel, a charge-controlled battery and a safety and metering unit. Families will use magnetic cards storing prepaid power units at a cost of about US$ 8 a month.

It is hoped that this, the largest commercial solar rural electrification scheme ever, will give it the chance to become much needed jobs and opportunities for education and entertainment in remote regions of the country.

Shell should be looking at some more fundamental shifts. For example, the opportunity exists to look at the public transport options that may be possible for the 21st century. Australia

Shell’s decision to accelerate its commitment to renewable energy and hydrogen is a well-timed and historic step by a Group of companies that has been a major player in the petroleum business throughout much of the last century. Many companies have failed to anticipate past technological shifts in their industries and consequently found their market shares rapidly eroded. Shell’s decision to enter the solar and hydrogen businesses will turn it into a portfolio of new investments that will allow it to be one of the major players in the energy industry as new era unfolds in the decades ahead.

The conversion of carbon dioxide into electricity is a proven, efficient technology, the one that had been pioneered by the hydrogen fuel cell. In a joint venture with the state electricity supplier, Eskom, Shell Renewables is to offer a solar solution to about 50,000 homes over the next three years, in areas that cannot realistically be connected to the grid. The system, developed by Shell Solar and a local company, Conlog, has three parts: a solar panel, a charge-controlled battery and a safety and metering unit. Families will use magnetic cards storing prepaid power units at a cost of about US$ 8 a month.

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You told Shell
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The Netherlands

Shell and Greenpeace at the Shell Solar Café in New Zealand

The Netherlands

You told Shell
Development of renewable energy will require a tremendous financial sacrifice. So there cannot be a giving zone.”

Christopher Flavin, Senior Vice President, Worldwatch Institute.

Christopher Flavin, Senior Vice President, Worldwatch Institute.
Where we were in 1998

In the first Shell Report we presented a Road Map of how we planned to integrate sustainable development into the way we do business over the next few years.

We foresaw the need for a management structure to help us achieve this. At the time, we called this a Social Responsibility Management Framework. This has evolved into our Sustainable Development Management Framework (SDMF). The framework is based on our values and Principles and brings the necessary structure and consistency to our efforts.

Where we are in 1999

A Sustainable Development Council exists to steer the implementation of the SDMF across the Group. The council, chaired by Mark Moody-Stuart, comprises senior executives from each of our five core businesses and the heads of the corporate centre directorates. The council is accountable to the Committee of Managing Directors.

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A diverse team from across the Group designed the SDMF to include best practice and our existing systems to minimise the need for new procedures. It is essentially a standard management process adapted to embody sustainable development. It consists of a series of eight inter-linking steps (see opposite). Key features include: integration of the economic, environmental and social elements in our everyday business; engagement; open reporting; and verification.

The framework can be applied over any time frame and to everything we do, including business planning, project management and daily activities. We already carry out many of the steps described, but the framework increases our focus and enables us to appraise, report and continuously improve performance.

The SDMF provides a structure to identify systematically all areas for improvement while stimulating new relationships and opportunities. Supporting the SDMF is an extensive toolkit of best practice and procedures to guide users on how to apply it to their own activities.

We are using our Group financial auditors, KPMG and PricewaterhouseCoopers, to verify our HSE data. This is a relatively new area, but they have made good progress in 1997 and 1998.

An independent organisation to review policy and performance in areas such as human rights, or bribery and corruption. We are committed to working with others in finding the best combination of traditional and new methods of verification and assurance to satisfy stakeholders without introducing unnecessary procedures.

Verification

We are using our Group financial auditors, KPMG and PricewaterhouseCoopers, to verify our HSE data. This is a relatively new area, but they have made good progress in 1997 and 1998.

The auditors have made a start in verifying social data in the three areas covered in the Verification Statement on page 20. This is the beginning of a learning process for both parties. We are committed to increasing the scope of verification in the social area but real progress can only occur once agreement on, and introduction of, KPIs has been achieved. A number of different organisations are also working in this area. Progress, which is slow, can best be achieved by cooperation.

Traditional verification methods may not be able to encompass all aspects of social performance (for example, in some areas of human rights). While such methods can verify certain facts and figures and the existence of processes they cannot normally make judgements on performance. For this, alternative approaches may be needed. For example, performance could be judged by stakeholder perception surveys, arguably the most relevant measure of assurance.

Other methods might include inviting an independent organisation to review policy and performance in areas such as human rights, or bribery and corruption. We are committed to working with others in finding the best combination of traditional and new methods of verification and assurance to satisfy stakeholders without introducing unnecessary procedures.
In 1998 we were not as systematic in engaging as we said we would be.

Engagement

In 1998 we were not as systematic in engaging as we said we would be. This was particularly so with staff, and with a range of stakeholders on the subject of KPIs.

We have taken steps to remedy this. The Shell People Survey (see page 15) and follow-up events with staff and their managers will provide opportunities for hearing and responding to staff concerns and views on Group performance and future direction.

The development of thinking on KPIs within Shell has now reached the point where we have something to contribute to the wider debate. We are working with others such as the World Business Council for Sustainable Development (WBCSD), the Institute for Social and Ethical Accountability (ISEA) and the CERES/UNEP Global Reporting Initiative, to develop generally accepted metrics and KPIs.

In other areas Shell people continue to step-up their engagement activities on a wide range of issues at many levels. This approach is built into the SDMF and will become a prime feature of the way we do business in the future.

The number of interactions is too numerous to list, but the following aims to illustrate that we are serious about seeking out and valuing the views of others. Directly or indirectly this engagement involves:

- Human Rights dialogues (page 17)
- Niger Delta dialogues and Ogoni reconciliation (page 29)
- Dialogues in the preparation of a guide to combat bribery and corruption (see website)
- Giving broad support to the aims of the 1998 International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work
- Climate change commitments and carbon trading initiative (page 31)
- WBCSD sustainable development scenarios
- Sharing experiences gained from managing major projects in sensitive regions, including Peru and the Philippines (page 22)
- The Shell Report, SDMF and ‘Sustainable Development – Aspirations and Commitments’ paper (inside front cover).

Please tell us what you think. Use the ‘Tell Shell’ card on page 43, the website www.shellreport.com or write to us at the address on page 62. Examples of the range of views expressed last year are shown throughout this Report and in full on our website. Five statistics on the use of our website see page 19.
Shareholders
There are some 600,000 shareholders of Royal Dutch Petroleum Company and some 283,000 of The “Shell” Transport and Trading Company, p.l.c. Shares of one or both companies are listed and traded on stock exchanges in eight European countries and in the USA.

Parent Companies
As Parent Companies, Royal Dutch Petroleum Company (Royal Dutch) and The “Shell” Transport and Trading Company, p.l.c. (Shell Transport) do not themselves directly engage in operational activities. They are public companies; Royal Dutch is domiciled in the Netherlands, and Shell Transport in the United Kingdom.

The Parent Companies directly or indirectly own the shares in the Group Holding Companies but are not themselves part of the Royal Dutch/Shell Group of Companies. They appoint Directors to the Boards of the Group Holding Companies, from which they receive income in the form of dividends. Royal Dutch derives most of its income in this way, on the basis of its 60% interest in the Group; the other 40% is owned by Shell Transport.

Royal Dutch/Shell Group of Companies
The Royal Dutch/Shell Group of Companies has grown out of an alliance made in 1907 between Royal Dutch Petroleum Company and The “Shell” Transport and Trading Company, p.l.c., by which the two companies agreed to merge their interests on a 60:40 basis while keeping their separate identities.

Group Holding Companies
Shell Petroleum N.V. and The Shell Petroleum Company Limited between them hold all the shares in the Service Companies and, directly or indirectly, all Group interests in the Operating Companies other than those held by Shell Petroleum Inc.

Service Companies
The main business of the Service Companies is to provide advice and services to other Group and associated companies, excluding Shell Petroleum Inc. and its subsidiaries.

Operating Companies
Operating Companies are engaged in various activities related to oil and natural gas, chemicals, power generation, renewable resources and other businesses throughout the world.

The management of each Operating Company is responsible for the performance and long-term viability of its own operations, but can draw on the experience of the Service Companies and, through them, of other Operating Companies.

For more on Shell
Annual Reports of Royal Dutch Petroleum Company and The “Shell” Transport and Trading Company, p.l.c.
Reports and financial statements of the respective Parent Companies and information on the Royal Dutch/Shell Group of Companies including details of the accounting policies employed.

Statement of General Business Principles
Fundamental Principles that govern how each Shell company conducts its affairs.

Five years detailed financial and statistical information about the Group, including maps of exploration and production activities.

Shell’s Investment in Society
Information about the Group’s social investment programmes, which aim to support the development of local communities and to help address major national and international social issues.

This is Shell

For copies of these publications (including the Shell Report) contact us at the address on page 42 or via our website (www.shell.com).

† Shell Petroleum N.V. holds equity shares in Shell Petroleum Inc. which are non-controlling but entitled to the dividend flow from that company.
You can use this card to tell us what you think. We really do want to hear your views – about Shell or the Shell Report – about the issues we covered here and anything we didn’t. Help us learn what we do well and what we can do better.

1. Enter your comments on the card
2. Tick the boxes if you would like your views posted on the website or if you want a reply. Tick the box if you are happy for your name to be included with your comment (all addresses will be treated in confidence)
3. Fold along the dotted lines and seal so that the address can be seen on the outside and the comments are on the inside.
4. Post. No stamp is required except if posting from Canada or Laos who unfortunately do not subscribe to the...
Statement of General Business Principles

Principle 1 – Objectives
The objectives of Shell companies are to engage efficiently, responsibly and profitably in the oil, gas, chemicals and other selected businesses and to participate in the search for and development of other sources of energy. Shell companies work to the highest standards of performance and aim to maintain a long-term position of leadership in their respective competitive environments.

Principle 2 – Responsibilities
Shell companies recognize five areas of responsibility:

- To shareholders
  To protect shareholders’ investment, and provide an acceptable return.
- To customers
  To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact, which are supported by the requisite technological, environmental and commercial expertise.
- To employees
  To respect the human rights of their employees, to provide their employees with good and safe conditions of work, and good and competitive terms and conditions of service, to promote the development and best use of human talent and equal opportunity employment, and to encourage the involvement of employees in the planning and direction of their work, and in the application of these principles within their company. It is recognized that commercial success depends on the full commitment of all employees.
- To those with whom they do business
  To seek mutually beneficial relationships with contractors, suppliers and in joint ventures and to promote the application of these principles in so doing. The ability to promote these principles effectively will be an important factor in the decisions to enter into or remain in such relationships.
- To society
  To conduct business as responsible corporate members of society, to observe the laws of the countries in which they operate, to express support for fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and the environment consistent with their commitment to contribute to sustainable development.

These five areas of responsibility are seen as inseparable. Therefore, it is the duty of management continuously to assess the priorities and discharge its responsibilities as best it can on the basis of that assessment.

Principle 3 – Economic Principles
Profitability is essential to discharging these responsibilities and engaging in business. It is a measure both of efficiency and of the value that customers place on Shell’s products and services. It is essential to the allocation of the necessary corporate resources and to support the continuing investment required to develop and produce future energy supplies to meet consumer needs. Without profits and a strong financial foundation it would not be possible to fulfill the responsibilities outlined above.

Shell companies work in a wide variety of changing social, political and economic environments, but in general they believe that the interests of the community can be served most efficiently by a market economy.

Criteria for investment decisions are not exclusively economic in nature but also take into account social and environmental considerations, and an appraisal of the security of the investment.

Principle 4 – Business Integrity
Shell companies deal on honesty, integrity and fairness in all aspects of their business and expect the same in their relationships with all those with whom they do business. The direct or indirect offer, payment, soliciting and acceptance of bribes in any form are unacceptable practices. Employees must avoid conflicts of interest between their private financial activities and their part in the conduct of company business. All business transactions on behalf of a Shell company must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and be subject to audit.

Principle 5 – Political Activities
Of companies
Shell companies act in a socially responsible manner within the laws of the countries in which they operate in pursuit of their legitimate commercial objectives.

Shell companies do not make payments to political parties, organisations or their representatives or take any part in party politics. However, when dealing with governments, Shell companies have the right and the responsibility to make their position known on any matter which affects themselves, their employees or the interests of their shareholders. They also have the right to make their position known on matters affecting the community, where they have a contribution to make.

Of employees
Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in the light of local circumstances.

Principle 6 – Health, Safety and the Environment
Consistent with their commitment to contribute to sustainable development, Shell companies have a systematic approach to health, safety and environmental management in order to achieve continuous performance improvement.

To this end Shell companies manage these risks as any other critical business activity, set targets for improvement, and measure, appraise and report performance.

Principle 7 – The Community
The most important contribution that companies can make to the social and material progress of the countries in which they operate is in performing their basic activities as effectively as possible. In addition Shell companies take a constructive interest in societal matters which may not be directly related to the business.

Opportunities for involvement – for example, through community, educational or donations programmes – will vary depending upon the size of the company concerned, the nature of the local society, and the scope for useful private initiatives.

Principle 8 – Competition
Shell companies support free enterprise. They seek to compete fairly and honestly within the framework of applicable competition laws, they will not present others from competing fairly with them.

Principle 9 – Communications
Shell companies recognize that in view of the importance of the activities in which they are engaged and their impact on national economies and individuals, open communication is essential. To this end, Shell companies have comprehensive corporate information programmes and provide full relevant information about their activities to legitiately interested parties, subject to any overriding considerations of business confidentiality and cost.