

REVENUE TRANSPARENCY

INTRODUCTION FROM THE CFO



“THE ENERGY INDUSTRY’S ECONOMIC CONTRIBUTION EXTENDS FAR BEYOND ITS OWN PAYMENT OF TAXES”

In the interests of transparency and accountability, we believe in the disclosure of revenues that extractive industries pay to governments.

With this second voluntary report, we continue to provide insight into the revenues that we pay to host governments in respect of our activities.

Our operations generate revenue through taxes and royalties for governments around the world. In 2012, we paid globally \$21 billion in corporate taxes, and \$3.6 billion in royalties. We collected \$85.1 billion in excise duties and sales taxes on our fuel and other products on behalf of governments.

Over the past decade, significant progress has been made in making governments more accountable for how they spend the tax revenues they generate from their oil, gas and mineral resources.

We believe that such transparency promotes good government, helping to ensure that the billions of dollars the energy industry pays in tax benefits society as a whole, rather than a privileged minority.

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

We are a founder and board member of the Extractive Industries Transparency Initiative (EITI) and we were the first company in 2003 to publish the royalties, taxes and other payments made to the Nigerian government, with their permission and support.

The UK government launched the initiative in 2002 to increase the transparency of revenues governments receive from oil and

mineral activities. This includes payments made by companies like ours, such as signature bonuses, taxes and royalties, and receipts from state-owned companies.

We believe that the EITI’s multi-stakeholder approach (which includes governments, non-governmental organisations (NGOs), regulators, the public and companies) remains the most effective way of providing transparency regarding government revenues, for resource dependent countries. This belief is based on the fact that once a country adopts EITI’s requirements, reporting is mandatory for all companies operating in that country, regardless of their country of origin. A fair and level playing field is therefore created. EITI data is independently assured.

www.eiti.org

EXTERNAL DEVELOPMENTS

The US Securities and Exchange Commission adopted regulations in August 2012, requiring resource extraction businesses to disclose certain payments to governments. Similar requirements are also proposed for companies listed in the European Union, and are increasingly being debated in other jurisdictions.

The energy industry’s economic contribution extends far beyond its own payment of taxes. At Shell, we invested nearly \$30 billion in developing and delivering new energy supplies in 2012. We also spent an estimated \$65 billion with third party suppliers around the world last year. All of which is a powerful driver of prosperity and employment in countries across the world.

TAX GOVERNANCE

Shell is in favour of tax regimes that are predictable and stable in the longer term. Such regimes will attract and facilitate economic commitment and investment due to reduced risk and uncertainty and can also benefit the national economy in terms of increased tax revenues and employment in the longer term.

Shell feels closer co-operation between tax authorities and major taxpayers is beneficial for all parties. Such co-operation allows the authorities to receive revenues much more quickly and cheaply. And it provides energy companies like ours with greater certainty for their investments.

We actively seek to engage openly and proactively with governments on matters of tax policy and potential changes to tax legislation. This also fosters close relationships with tax authorities in order to reduce the number of disputes and the length of time taken to resolve them. Shell is widely seen to be at the forefront of maintaining good working relationships with tax authorities.

Shell’s approach to the management and control of its taxes and related risks is based on a responsible and transparent tax strategy which is aligned with our long-term business strategy. Shell is committed to acting with integrity and transparency in all tax matters, seeking at all times to comply with the tax legislation.

Simon Henry Chief Financial Officer

REVENUE TRANSPARENCY

The table below reflects income taxes and royalties paid in 2012 by our subsidiaries to their host governments, sales taxes collected on behalf of these governments, and these governments' share of production through activities involving our subsidiaries.

We also undertake activities through companies in which we do not have financial control, and for which we do not generally have access to detailed information. Our share of the income tax charges incurred by these companies in 2012 was around \$4.9 billion, mainly arising in Brunei, the Netherlands, Nigeria, Russia and the USA.

2012

	\$ MILLION						MILLION BOE
	Income taxes [A]	Royalties [B]	Sales taxes [C]	Total	By Segment		Volumes [D]
					Upstream	Downstream/Corporate [E]	
Total	21,030	3,576	85,103	109,709	30,035	79,674	651
LARGEST AMOUNTS BY COUNTRY [F] [G]							
Australia	(3)	234	6,711	6,942	354	6,588	-
Brazil	111	137	95	343	247	96	7
Canada	107	304	6,751	7,162	1,321	5,841	-
Denmark	1,890	-	1,306	3,196	1,905	1,291	-
Gabon	350	171	-	521	521	-	-
Germany	(51)	166	22,651	22,766	807	21,959	-
Italy	616	164	2,750	3,530	1,192	2,338	-
Malaysia	547	339	-	886	867	19	168
Nigeria	4,128	1,077	-	5,205	5,205	-	163
Norway	1,962	-	2,331	4,293	2,019	2,274	-
Philippines	213	-	512	725	178	547	10
Turkey	25	-	5,566	5,591	-	5,591	-
United Kingdom	815	-	16,908	17,723	3,901	13,822	-
USA	(159)	841	2,802	3,484	1,100	2,384	-

[A] Paid on the profits of our activities in compliance with the relevant laws and contracts in the countries reported. Includes corporate income tax and governments' share of production paid in cash, where applicable

[B] Based on hydrocarbons produced or sold from areas under the relevant government's jurisdiction. Unless materially different from a cash basis, this is generally provided on an accruals basis which means it is based on the amounts produced or sold in the period, which may be different from the period in which the related cash payments are made. It excludes royalties paid in kind (oil and gas), and royalties paid to private parties.

[C] Sales taxes, excise duties and similar levies collected on behalf of governments or local authorities. This is provided on an accruals basis, which we estimate is not materially different from a cash basis.

[D] The share in millions of barrels of oil equivalent (BOE) that governments or national state-owned companies receive through production entitlement contracts, royalty in kind arrangements and service contracts involving our subsidiaries, irrespective of our percentage interest in the venture.

[E] The total for the Corporate segment (our key support functions) was a credit of \$36 million.

[F] The Netherlands has been excluded from the above table because, to a significant extent, operations occur in equity-accounted investments rather than subsidiaries. The 2012 total amount of income taxes and royalties paid and accrued sales tax collected on behalf of the government amounts to \$ 9.6 billion (Shell share).

[G] The above table excludes countries whose governments have prohibited or have otherwise indicated that we should not make such disclosure.

This table has not been subject to external assurance or audit. The financial information it contains is consistent with that used to prepare our 2012 Consolidated Financial Statements, which were presented in US dollars.