

The Shell Sustainability Report 2005

Meeting the energy challenge



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Finding your way around

Don't just take our word for it

A review committee of external experts on the issues discussed has used the principles of the AA1000 Assurance Standard to evaluate the balance, completeness and responsiveness of this report (pages 38 to 39).

Members of the communities affected by our operations have provided their views on our performance at key locations. External experts have done the same on selected environmental and social issues.

These uncensored assessments can be found in the "What others say" boxes.

WHAT OTHERS SAY

Find out more

This report is supported on the web by additional environmental and social data, and more detailed information on our approach to sustainable development and related issues. Web links on each page and on the back page show where to find this information.

In accordance with GRI

"This report has again been prepared in line with the Global Reporting Initiative guidelines. I believe it, together with the 2005 Annual Report/20-F, represents a balanced and reasonable presentation of our economic, environmental and social performance."

Jeroen van der Veer, Chief Executive

We commit to contribute to sustainable development. This requires balancing short- and long-term interests, and integrating economic, environmental and social considerations into business decision-making.

Shell General Business Principles, revised 2005

"I am more convinced than ever that our short- and long-term business success depend on finding environmentally and socially responsible ways to help meet the world's future energy needs."

INTRODUCTION FROM THE CHIEF EXECUTIVE



Welcome to The Shell Sustainability Report, 2005. This report is part of our continuing dialogue with stakeholders. It looks back at our environmental and social performance in 2005. It outlines our commitment to helping meet the world's future energy needs. And it describes our efforts to fulfil this commitment in environmentally and socially responsible ways.

For Shell, 2005 was a year of recovery. Soaring global demand for oil and gas meant high prices and record profits. We continued to put most of our profits back into our business. We have more than doubled our investment level since 2002 to help meet growing demand for energy, diversify oil and gas supplies, reduce environmental impacts of fossil fuels, and develop alternatives.

Last year I saw the real willingness of Shell people to listen, to learn, and to work with stakeholders, sometimes in very challenging conditions. In Nigeria, for example, we made good progress in the programme to end continuous flaring, and continued to improve our community development activities, by working more closely with local people and development experts. I am saddened that the deteriorating security situation may make

progress in both these areas harder in 2006. The massive Sakhalin II project in Russia also showed a real commitment to working with others, from independent whale experts to local indigenous people. The project took important steps to reduce impacts and respond to stakeholders' concerns.

I was particularly proud of our people's efforts to help local communities and repair vital energy infrastructure after the Asian tsunami, the earthquakes in Pakistan and India, and the hurricanes in the US Gulf of Mexico. Being the first major company to return its operations to New Orleans after the hurricanes exemplifies for me our deep commitment to the communities where we operate.

There is more to be done. We need to strengthen our safety culture further if our performance is to continue to improve, using the three Golden Rules we introduced last year. I deeply regret that three employees and 33 contractors lost their lives at work in 2005. Ten of these fatalities occurred in road accidents, despite our major programmes in this area. Relationships with our neighbours can still break down, even in new projects like Corrib in Ireland.

Continuing to rebuild the trust of local communities and improving safety performance are two areas of focus in 2006. A third is making progress with managing greenhouse gas emissions, including efforts to capture and store carbon dioxide that can help us develop greener fossil fuels.

The progress we have made in 2005, and the commitment, professionalism and integrity of the Shell people, make me confident that we set the right priorities for 2006: "delivery and growth".

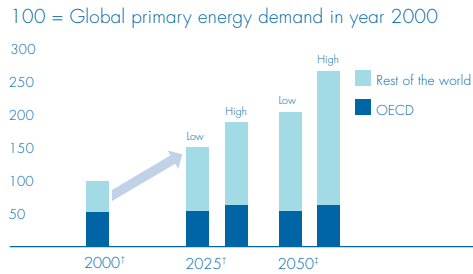
As I discuss in an interview on page four, I am more convinced than ever that our short- and long-term business success depend on finding environmentally and socially responsible ways to help meet the world's future energy needs.

I hope this report helps you judge for yourself how well we are doing in helping to meet the energy challenge.

A handwritten signature in black ink, reading "JvdV". The signature is stylized and fluid, with a large initial "J" and a long, sweeping underline.

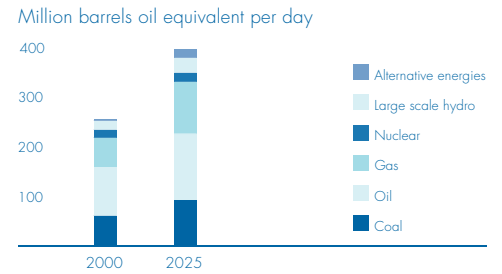
Jeroen van der Veer Chief Executive

Rising global energy demand



*Source: Shell Global Scenarios 2004
 †Source: Shell Long-Term Energy Scenarios 2001

Changing energy mix



Source: Shell Global Scenarios to 2025 – Low Trust Globalisation

The key sustainability challenge facing the energy system and our contribution to meeting it.

THE ENERGY CHALLENGE



www.shell.com/energychallenge

Over the next half-century, governments, energy users and producers will have to do three things simultaneously: meet the soaring demand for energy; keep supplies secure; and reduce energy's environmental and social impacts.

The amount of energy the world is likely to need is enormous. The International Energy Agency (IEA) and our own scenarios expect energy use to grow by more than half over the next quarter century. Demand could double by 2050 (see graph). The increase by 2025 represents more than the current energy consumption of North America and the European Union combined. Almost all of this growth looks set to come from developing countries, in particular China and India, as they continue to industrialise and lift billions of people from poverty. Reducing poverty in the developing world and maintaining prosperity in today's industrialised economies depends on expanding the supply of convenient and secure modern energy.

At the same time, supplies need to be kept safe from interruptions. A wide range of energy options will be needed to avoid over-dependence on any one region or energy source.

Energy conservation can provide part of the answer. Substantial improvements in efficiency can be made, quickly and cost-effectively. But conservation alone cannot meet the challenge of supplying the vast quantities of energy needed for development.

Alternative energy such as wind, solar power and biofuels can provide some of the energy required. Today these sources meet less than 1% of the world's energy needs, but with government support and the cost reductions we and others are working to achieve, their use could expand quickly. Our scenarios expect them to grow several times faster than fossil fuels and to become a larger part of the energy mix. Even so, with so much extra energy needed, these alternatives would still be supplying less than 10% of energy demand by 2025.

The greatest part of the energy needed will continue to come from fossil fuels. Oil and natural gas supply more than 50% of the world's energy today. Yet finding new sources is getting tougher. This is not because the world is running out. There are still enough resources left to be discovered and developed, but these are in increasingly remote and challenging locations and in "unconventional" oil deposits, such as oil sands and oil shales. More investment, more advanced technology and new operating practices will be required to develop them cost-effectively and responsibly.

Managing the environmental and social impacts of this growing demand for fossil fuels is a crucial and complex task. Climate change poses the biggest challenge (page 8). Despite more fossil fuel use, the world's greenhouse gas (GHG) emissions will need to be no higher than today's level (and falling) by 2050, if GHG levels in the atmosphere are to stabilise by the end of this century. Technology, government policy and changes in behaviour will all be needed to manage GHG emissions. Technology and operational changes must also be found to address impacts on biodiversity, air quality and water, and to generate benefits for local communities.

Our role and contribution

We are committed to doing our part by finding environmentally and socially responsible ways to meet the world's future energy needs. Shell is one of the largest independent oil and natural gas enterprises, operating in more than 140 countries and territories. In addition to producing approximately 2.5% of the world's oil and 3% of its natural gas, we have an interest in 47 refineries, a network of some 45,000 service stations, and rank among the world's major chemicals companies. We have the broadest portfolio of hydrogen, biofuels, wind and solar power activities of any major energy company.

How can the world deliver the extra energy needed for development securely and without harming people or the planet?

> SHELL WIND PROJECT, WHITEWATER HILL, USA



> SHEARWATER PLATFORM, NORTH SEA



Our contribution to meeting the energy challenge is discussed throughout the remainder of this report and on our Environment and Society website (www.shell.com/envandsociety).

This contribution includes:

Increasing investment in production and refining.

The IEA estimates that \$6 trillion will be needed over the next three decades to keep up with growing demand for oil and natural gas. Our investment levels have nearly doubled since 2000, to \$15.6 billion in 2005, as we continue to reinvest most of our profits in our business. We aim to increase production by 9–14% by 2009 and approximately 30–40% by 2014, helping meet this demand and increasing security of supplies.

Developing substitutes for oil in the transport sector.

Our patented Gas to Liquids (GTL) technology, for example, turns natural gas, coal and agricultural crops into clean-burning transport fuels (pages 11 to 12). It helps increase energy security by broadening the range of transport fuel options, improves local air quality and reduces fuel consumption. We are the leading distributor of transport fuel from plants (biofuels) and are investing in a new generation of transport biofuel with lower costs, better performance and lower total carbon dioxide (CO₂) emissions. We have hydrogen filling stations in five countries and are working with fuel cell manufacturers and major vehicle manufacturers to develop and commercialise this technology (page 12).

Developing alternative sources of electricity.

We continue to invest in wind and solar power with the aim of having a substantial commercial business in at least one alternative energy technology (pages 12 to 13).

Managing GHG impacts from fossil fuels.

CO₂ is by far the most important GHG. We have been actively managing the CO₂ emissions from our operations since 1997. We continue to invest in research into technologies for capturing and storing CO₂ from the production and use of fossil fuels (pages 10 to 11). We are a leader in carbon trading to offset CO₂ emissions from fossil fuels through reductions elsewhere (page 10). Our investment to increase natural gas production and liquefied natural gas (LNG) encourages more use of lower carbon natural gas instead of coal. We are the world's largest private supplier of LNG and we aim to nearly double our LNG production between 2004 and 2009.

Managing other environmental and social impacts from fossil fuels.

This means living by our Business Principles and reducing the local environmental impact of our operations, for example on biodiversity (pages 14 to 15) and local air quality (pages 20 to 21). It also means providing cleaner-burning products, like natural gas and premium transport fuels, and finding new ways to help the societies and local communities where we operate to benefit from our activities (pages 22 to 23).

Maintaining a wide range of oil and natural gas sources from different regions.

Our investments in LNG increase the availability of natural gas and the range of sources, allowing users to diversify their supply and reduce the use of coal. New technologies are helping us to extend the lives of existing mature oil and natural gas fields, for example in the North Sea and the Gulf of Mexico, and to develop new ones in frontier locations like Russia (page 24). Through technology we are also reducing the costs and environmental impacts of “unconventional” oil production, for example at our Athabasca Oil Sands Project (page 28).

Working with governments, vehicle manufacturers and customers.

We work with others to help align incentives, raise awareness and promote new energy options. For example, we continue to actively support governments in designing and implementing effective carbon trading schemes. We are part of the United Nations (UN) Partnership for Clean Fuels and Vehicles and the World Bank Clean Air Initiative in Africa to provide cleaner fuel and improve air quality in the developing world. We run a range of conservation programmes to promote energy efficient technology and encourage drivers to save energy.

SUSTAINABLE DEVELOPMENT AND BUSINESS STRATEGY

INTERVIEW WITH JEROEN VAN DER VEER

www.shell.com/sdstrategy

Jeroen van der Veer, Shell's Chief Executive, and Jermyn Brooks, Chairman of our Sustainability Report External Review Committee, discuss Shell's business strategy and the role of sustainable development in shaping and achieving it.



JB: Do you personally believe we can meet growing energy demand, use even more fossil fuels and still avoid harming the planet? In other words, what is your vision for a sustainable (and attainable) energy future?

JvdV: I genuinely believe the world can meet the challenge with the right combination of technology, investment, partnerships and effective policies from governments.

I am convinced there is enough energy to meet growing future demand. Some of it will come from the growth in alternative energy, like biofuels for transport, wind or solar power. My vision includes the rapid growth of alternative energy in the coming decades from today's low base. But at this stage, with further cost breakthroughs needed, it would be foolish to pick the final winners, which is why we are investing in a range of the most promising technologies.

Most of the growth in demand will, inevitably, still be met with more fossil fuels, including more oil and especially more natural gas. Expect them to continue to be a central part of the energy mix for many decades to come. Why? Because they are convenient and cost-competitive and, above all, because I don't believe any other sources can be brought to market on the massive scale needed in time to meet demand. I simply cannot see how continued prosperity and poverty reduction can happen without using much more of them.

But this won't be sustainable unless the environmental impacts from growing fossil fuel use can be managed. They can be and, for the sake of our grandchildren, they must be.

Again, the key for me lies in a combination of technology, investment and partnerships, supported by good government policy. Take local air quality. I'm always surprised how few people realise what this combination has already achieved. Cleaner

engines and fuels have already reduced vehicle emissions in the European Union, for example, by more than 50% in a decade – not per car, but in total, despite people driving much more. That technology will continue to spread around the world and there is more to come. The next wave of advanced engines and transport fuels, like our Gas to Liquids fuel, can cut emissions and reduce fuel consumption even more. Gasification technology can do the same for coal-fired power.

Managing the CO₂ emissions from using more fossil fuels is the biggest challenge. It won't happen overnight. But talking, as many people are, about stabilising atmospheric greenhouse gas levels this century at 500 – 550 parts per million, I personally think the world can make it, even with the extra fossil fuel needed for development. Using more natural gas will help. It has half the carbon emissions of coal. I also see the potential to develop ways of using fossil fuels so that the majority of the CO₂ produced is captured and stored, creating greener fossil fuels. If we could make that work, both technically and financially, we'd be on to something really big and exciting.

Are high energy prices helping or hurting the prospects for a more sustainable energy future?

High oil and natural gas prices are the market's signal that supplies are tight and that more energy of all kinds will be needed to meet demand. So their impact is mixed. They encourage conservation. They give renewable energy a boost. They also encourage governments to take a new look at nuclear power, to make coal more attractive and encourage development of heavier and more remote resources, sometimes in environmentally sensitive locations. Finally, sustained high prices risk slowing economic growth and so slowing poverty reduction.

"I simply cannot see how continued prosperity and poverty reduction can happen without using much more fossil fuel."

“As a company you need to be in harmony with the values and norms of local communities and wider society. If you are not, then one way or another, you’ll get into trouble.”

Today, Shell’s core business is exploiting finite fossil fuels which contribute to global warming. Your business strategy – “More upstream and profitable downstream” – sounds to me like more of the same. Is Shell serious about helping to achieve the sustainable energy future you describe?

Finding environmentally and socially responsible ways to provide more oil and natural gas is an important part of that energy future. So is developing commercially viable alternatives. We are serious in our aspiration to do both.

“More upstream and profitable downstream” sets our priorities for contributing over the coming years and continuing to deliver attractive returns to our shareholders. It says we aim to grow. In order to meet growing energy needs and remain competitive we aim to have the capacity to undertake up to ten large-scale projects at a time. Today we have the capacity for three. It says we expect three quarters of investment to go to developing more oil and gas, including strengthening our leading position in clean-burning LNG. It says that our downstream portfolio will achieve operational excellence and support development by investing to meet energy and petrochemical needs in fast-growing markets, particularly in Asia. Our premium fuels strategy, providing advanced cleaner-burning transport fuels, is part of this. Also we will pursue our aim of building at least one substantial business in alternative energy. We will invest in research into carbon capture and continue to market our patented clean coal gasification technology.

The strategy is about doing the right things. But we won’t succeed unless we do them in the right way – professionally and, as the rest of this report discusses, responsibly. For me that means always behaving with integrity, in line with our Business Principles; it means delivering good environmental performance at our operations; and it means being a respected neighbour, protecting human rights, and creating benefits for local communities and wider society from our activities. These things are on my short list whenever I talk about how we will win projects in the future.

But does this strategy get the balance right? With earnings at an all-time high, how much of these profits do you plan to invest back into sustainable energy projects?

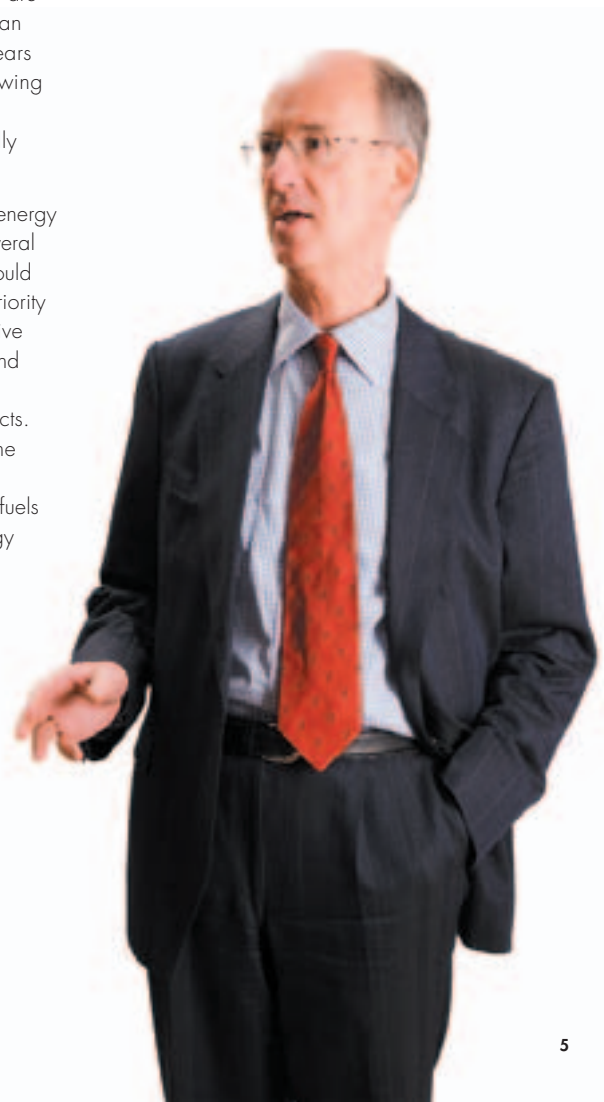
We continue to invest in projects we believe are financially sustainable, meaning that they can deliver acceptable returns over the many years they operate and contribute to meeting growing energy needs. We are committed to doing these projects in environmentally and socially responsible ways.

In terms of the balance between alternative energy and oil and gas investments, for the next several years at least, it feels about right to me. It could well change later, but for now the biggest priority for alternatives is making them cost-competitive without subsidies. That requires innovation and effort, but not the level of capital investment required to do large-scale oil and gas projects. With the \$1 billion we have invested over the last five years in renewable energy, we are already the world’s leading distributor of biofuels and have built the broadest alternative energy portfolio of any major energy company.

With all the pressure in the industry to increase production and boost reserves, it must be tempting to cut corners. How serious is the commitment to act environmentally and socially responsibly and with integrity?

My belief is simple and it hasn’t changed for the last 30 years: as a company you need to be in harmony with the values and norms of local communities and wider society, in both the short- and long-term. If you are not, then one way or another, you’ll get into trouble.

I have never needed any more complicated “business case” for our commitment to contribute to sustainable development than this. It is part of society’s values. And as we reconfirmed when we updated our Business Principles last year, it remains an important part of our values as well.



“The strategy is about doing the right things. But we won’t succeed unless we do them in the right way – professionally and, as the rest of this report discusses, responsibly.”

How we are making our commitment to sustainable development an everyday part of the way we work.

MAKING IT HAPPEN



www.shell.com/makingithappen

The main building blocks are in place for making sustainable development part of how we work. They are outlined here and described in detail on our website. The main challenge now is to increase staff skills, apply the knowledge we have developed more widely across Shell, and improve the quality of our engagement with external stakeholders.

Standards and commitments

All Shell companies, and joint ventures where we have operational control, apply the Shell General Business Principles. These require compliance with all applicable laws, and support for human rights. They forbid bribery, fraud and anti-competitive behaviour. They commit us to contributing to sustainable development, including engaging with external stakeholders and being good neighbours. Shell-controlled companies and joint ventures must apply Shell-wide environmental and social standards. These include standards for Health, Safety and Environment (HSE), security, biodiversity, animal testing, ship quality, health management and diversity and inclusiveness.

We require contractors to manage HSE in line with our HSE standard and expect them to follow our, or equivalent, business principles. We also encourage suppliers and ventures where we do not have operational control to adopt and follow equivalent principles and HSE standards. If they cannot comply within a reasonable time, we are required to review the relationship.

We have made a series of commitments on specific issues. For example, on biodiversity we have committed not to operate in natural World Heritage Sites (page 14). Our commitment on climate change includes a voluntary target for reducing GHG emissions from our operations (page 8).

Our standards and commitments are reflected in our business processes. For example, they are included in the criteria used to assess investment proposals and in the planning and design of major new projects. We require an Impact Assessment (IA) to be done before we begin significant work on a project or at an existing facility. The actions identified must be part of the project's design and operation. All our major refining and chemicals facilities, and upstream operations with potential for high social impact, must also have social performance plans. These systematically define how they manage social impacts and generate benefits for the local community (page 20).

We align our requirements with external principles and standards such as the UN Universal Declaration of Human Rights, UN Global Compact, OECD Guidelines for Multinational Enterprises and the Extractive Industries Transparency Initiative (EITI).

2005 highlights:

- > Shell General Business Principles updated
- > New Shell-wide scorecard in use (sustainable development 20%)
- > Sustainable development requirements strengthened for new investments, acquisitions and divestments
- > Shell again in the FTSE4Good and Dow Jones Sustainability indices of corporate sustainability leaders

> SOLAR PANELS AND COMPUTERS PROVIDED TO HIGH SCHOOLS IN ISLA VERDE, PHILIPPINES

> ANTELOPE AT SHELL DRILLING SITE IN ROCKY MOUNTAINS, PINEDALE, USA

> STORE SUPPORTED BY PHILIPPINAS SHELL FOUNDATION, THE PHILIPPINES



Governance and structures

The Social Responsibility Committee of the Royal Dutch Shell plc Board reviews our policies and performance with respect to the Business Principles, HSE standards and major issues of public concern. The Committee is composed of three Non-executive Directors and headed by Wim Kok, former Prime Minister of the Netherlands.

Sustainable development is part of the Chief Executive's responsibilities. He chairs the Group Sustainable Development and HSE Planning Committee. Its members are the executives responsible for social performance, HSE and security in each business and the company-wide head of these functions. The Committee reviews performance and sets priorities, key performance indicators (KPIs) and targets. A central social performance and HSE function helps our businesses develop the necessary skills, share learning and deal with issues in a consistent way.

Sustainable development is part of the duties of every line manager, with support provided by HSE, security, human resources and social performance professionals. Each Shell business is responsible for complying with our requirements and achieving its specific targets in this area.

Strengthening controls and aligning incentives

We monitor compliance through an annual assurance letter process. It requires the relevant senior manager to report back to the Chief Executive on the performance of their business or country of operation in following our Business Principles and standards. Results are reported to the Audit Committee of the Board. We also regularly audit the HSE management systems of our facilities. All our major plants are required to be externally certified to international environmental standards, for example ISO 14001.

In addition, external panels and observers increasingly help us to monitor performance. For example, a panel of scientific experts reviews compliance with our animal testing standard (www.shell.com/animaltesting). Community panels at a number of downstream facilities track our social performance (page 20). Independent observers monitor Sakhalin Energy's pipeline construction and a panel of international experts on whales assesses the joint venture's efforts to avoid harm to the western gray whales (pages 24 to 25).

Sustainable development also continues to contribute to performance appraisals and pay. In 2005, it accounted for 20% of the new Shell-wide scorecard.

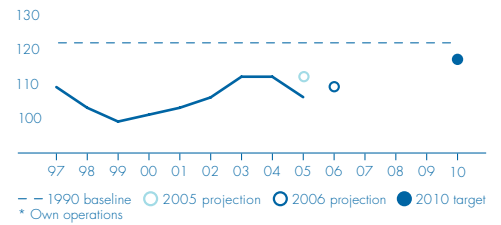
Building competence

Sustainable development remains prominent in recruitment and in our leadership development programmes (page 19). We provide in-depth training in specific areas such as human rights (page 16), safety and social performance (page 20). We continue our programme to check that everyone responsible for tasks with a significant HSE risk (more than 20,000 staff) has the necessary training and skills.

We created The Shell Project Academy in 2005 to share learning and strengthen project-management skills. The curriculum includes working with local communities, engaging with stakeholders and managing environmental and social issues.

Greenhouse gas emissions*

Million tonnes CO₂ equivalent



> CALLS FOR ACTION AT THE UN CLIMATE CHANGE CONFERENCE, MONTREAL, DECEMBER 2005

Our efforts to provide the energy needed for development and to help society protect the climate.

CLIMATE CHANGE



www.shell.com/climate

Stabilising GHG levels in the atmosphere this century is one of the biggest challenges facing a rapidly-developing world. It will require delivering at least two times more energy in 2050 but without higher GHG emissions than today.*

We are working now to help make the changes needed and to capture the business opportunities created.

We were one of the first energy companies to acknowledge the threat of climate change; to call for action by governments, our industry and energy users; and to take action ourselves.

In 2002, we met our first voluntary target to reduce GHG emissions from our operations. We continue to work towards our second target in 2010. We have actively supported carbon trading (see case study), and invested more than \$1 billion in renewable energy and hydrogen (page 12). We provide premium fuels that improve fuel efficiency in more than 40 countries, and have launched public campaigns to encourage innovation and promote fuel efficiency,

such as FuelStretch, the Shell Fuel Economy Record Challenge, the Shell Eco-Marathon and the Shell Springboard Awards.

In 2005, the Kyoto Protocol came into force and the European Union's Emissions Trading Scheme (EU ETS) was launched. The G8 members and other governments around the world highlighted the importance of responding to climate change.

For our part, we continued to work on many fronts, including stepping up research into carbon capture and storage, and revamping our strategy for alternative energy.

Managing GHG emissions from our operations

Managing GHG emissions begins with actively reducing emissions from our own operations.

Voluntary targets

In 2005 we remained on track to meet our voluntary reduction target for 2010. It requires GHG emissions from our operations to be 5% lower in 2010 than they were in 1990. In 2005, facilities we operated emitted 105 million tonnes of GHGs, seven million tonnes lower than the previous year and 15% below 1990 levels (see graph).

We will need to continue to manage our emissions to meet our 2010 target. More energy will be required as we increase production from mature oil and gas fields, grow our oil sands and LNG businesses and refine lower-sulphur transport fuels from increasingly heavier oil. The biggest reductions will result from our multi-billion dollar programme to end the continuous flaring of natural gas at oil production facilities, particularly in Nigeria (page 26). Improving the energy efficiency of our refineries and chemical plants will continue to help (see case study).

EU Emissions Trading Scheme (EU ETS)

We are managing our emissions under the EU ETS. We have 30 facilities in the scheme, covering more than a fifth of our worldwide emissions.

Each facility must hold one tradeable allowance for every tonne of CO₂ it emits. Since there are fewer allowances available than expected emissions, facilities with the lowest-cost ways to reduce their emissions can invest and sell their surplus allowances.

We are well positioned to meet our EU ETS obligations, thanks to our continuing energy efficiency programmes and the carbon trading expertise we have built in Shell Trading (see case study).

The EU system is now giving companies the clear price signals they need to invest in GHG reduction

* According to the UN Intergovernmental Panel on Climate Change. Stabilisation at 550 parts per million carbon dioxide.

We share the widespread concern that the emission of greenhouse gases (GHG) from human activities is leading to changes in the global climate. Action is needed now to lay the foundation for stabilising GHG levels in the atmosphere.



CO₂ TRADING

www.shell.com/garth

In 2005, Shell Trading was voted the best trader in a poll by Environmental Finance magazine. It trades CO₂ emission allowances for Shell facilities and for its own account. It also originates and trades Clean Development Mechanism (CDM) certificates, which raise funds for developing countries investing in low CO₂ technology. We are preparing for, and promoting, the emergence of a global market for carbon emission allowances. For the CO₂ market to achieve its reduction potential, we believe that large-scale projects to capture GHG from fossil fuel use, like the one we announced in Norway (page 10), will need to qualify for credits. At present they are not recognised under the EU ETS and CDM. This change would allow Shell Trading to use its expertise and market knowledge to combine traded offsets and technology solutions to help manage GHG emissions from fossil fuels.

measures. We strongly encouraged governments to introduce the scheme. We continue to build our trading expertise and support the use of trading systems and other flexible trading mechanisms, like the Clean Development Mechanism, around the world.

ENERGY EFFICIENCY AT OUR REFINERIES

In 2005, our refineries emitted approximately 40 million tonnes of CO₂. Efforts to improve refinery energy efficiency through operational changes continued to yield results. Previously pursued via the Energise™ programme, these efforts were integrated into the new Business Improvement Review (BIR) process in 2005. As a result, the refineries now have their own resources on site, focused on implementing the necessary changes and tracking progress. More than half our refineries went through the BIR process in 2005. The rest will do so in 2006. Thirteen of our 26 refineries had completed Energise™ programmes before the switch. We have also launched a three-year capital investment programme specifically aimed at boosting refinery energy efficiency. Measures taken through the Energise™ programme are saving us nearly \$60 million a year and reducing our emissions by 520,000 tonnes of CO₂ annually.

WHAT OTHERS SAY

"It takes pioneering inventors and innovators to deliver true blue-sky thinking that has the bravery to challenge problems that appear to be insurmountable.

The Shell Springboard Awards is a showcase award that provides some real support for new ideas that could be instrumental in reducing our impacts on climate change. The awards consider the technological innovations and then determine whether they could really help address climate change.

All six of the finalists demonstrated technology innovations that aim to reduce the gases that cause climate change. The winners demonstrated they could have a significant impact with the right management and right funding.

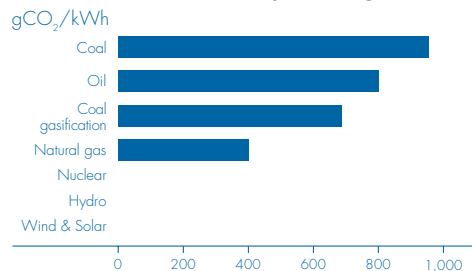
I look forward to Shell building on the success of the inaugural award and hope to see it bringing forward new technologies each year."



JULIET DAVENPORT
CHIEF EXECUTIVE, GOOD ENERGY
JUDGE ON THE SPRINGBOARD FINALIST PANEL

> 3,836KM ON 1 LITRE OF PETROL.
SHELL ECO-MARATHON 2005, EUROPEAN WINNER

CO₂ emissions from power generation



Source: IEA, 2003



"The hunt is on for cost-effective projects to capture and store CO₂ from the production and use of fossil fuels."

GRAEME SWEENEY
EXECUTIVE VICE PRESIDENT,
RENEWABLES, HYDROGEN AND CO₂

CO₂ capture technology

There are many ways to use fossil fuels while avoiding or reducing the CO₂ they release into the atmosphere.

The carbon can be removed in advance by reforming the fuel into hydrogen; the fuel can be burnt in pure oxygen, and the highly concentrated CO₂ stream captured; or the fuel can be burnt normally and diluted CO₂ can be removed from the flue gases. Once captured, CO₂ can be stored in underground aquifers, pumped into mature oil fields to enhance recovery or used in industrial processes such as paper whitening.

These technologies still face several challenges: further reducing costs, finding suitable places to store CO₂ that are located near the sources, demonstrating that the CO₂ will remain safely underground and, in some cases, resolving technical uncertainties.

MORE OIL AND LESS CO₂ IN NORWAY

Shell and Statoil are working to develop the world's largest offshore project to store CO₂ and enhance oil recovery. With the design proposed, nearly all the CO₂ from a new gas-fired power plant and a methanol facility would be injected into two offshore oil fields. The CO₂ would be stored permanently and used to improve the flow and increase recovery of oil from the fields. As a result, local power supplies would be improved and energy security enhanced. CO₂ emissions would be reduced by up to 2.5 million tonnes a year – equivalent to taking half a million cars off the road.

But if these barriers can be overcome, CO₂ capture and storage could play an important role in managing the GHG emissions from the world's growing use of fossil fuels.

We are supporting research into carbon management technologies and participating in a series of projects to permanently store CO₂ underground.

In 2005, Pernis refinery in the Netherlands started supplying pure CO₂ to local greenhouses (see case study). Shell Canada began design work to store one million tonnes per year of CO₂ from its oil sands upgrader in a mature oil field and we created a strategic alliance with Mitsubishi Heavy Industries to explore CO₂ capture and recovery

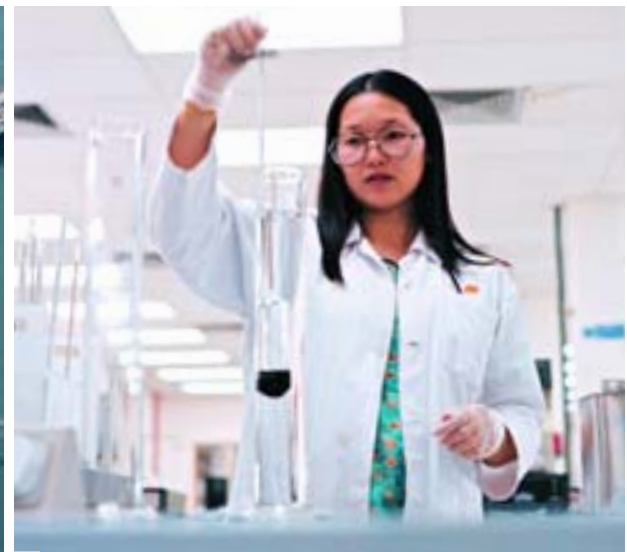
GROWING TOMATOES WITH REFINERY CO₂

More CO₂ could be damaging to the climate, but it is good for growing fruits and vegetables. Doubling the concentration of CO₂ in a greenhouse increases tomato production by 25%. In the Netherlands growers run their natural gas heaters in summer expressly to boost CO₂ levels. In 2005, Shell's Pernis refinery began supplying Dutch greenhouses with pure CO₂ produced from its hydrogen-making plant. The gas is distributed by a consortium called Organic CO₂ Assimilation for Plants and provides a winning solution. The growers save money and energy; it is much cheaper and more efficient to buy Pernis CO₂ than to use their gas heaters; and the refinery cuts its emissions and has a market for its captured CO₂. The total emission reduction is approximately 325,000 tonnes of CO₂ a year.

opportunities in the Middle East. Shell is a partner in the combined hydrogen power and CO₂ storage project being considered for the Miller oilfield in Scotland. Our patented coal gasification technology is being used by Stanwell Corporation in Australia for the world's first coal-fired power plant with CO₂ capture and storage. In early 2006, Shell and Statoil announced a major CO₂ storage project off the coast of Norway (see case study).

We will:

- > manage our GHG emissions (target: 5% below 1990 levels by 2010);
- > help customers reduce their emissions by providing more natural gas and advanced transport fuels;
- > invest in technology to capture CO₂ from fossil fuels;
- > work to build at least one large-scale business in alternative energy; and
- > support policies that use markets to encourage GHG reductions.



Helping manage CO₂ emissions from energy products

Our customers emit six to seven times more CO₂ using our energy products than we do making them – more than 750 million tonnes in a typical year.

Cleaner power generation

Providing clean-burning natural gas is one of our biggest contributions to slowing the growth of GHG emissions in the power sector. A gas-fired power plant produces less local pollution than a modern coal-fired station and about half the CO₂ emissions, even if the gas has to be liquefied for transport.

We are the largest private equity producer of LNG, providing enough to supply more than 10 million homes with power. We aim to nearly double capacity between 2004 and 2009, with projects such as Sakhalin II (page 24), Qatargas 4 and further expansion of LNG facilities in Australia, Nigeria and Oman.

Using this additional LNG to produce power would result in 25 million tonnes lower CO₂ emissions per year, compared with using coal.

By providing alternative sources, LNG contributes greatly to the security of gas supplies.

Our coal-gasification technology can also help. It increases the efficiency of coal-fired power plants and dramatically reduces their local pollution. As Stanwell Corporation's project in Australia demonstrates, our gasification technology also creates a high-pressure stream of relatively pure CO₂ which is more easily captured. This can help reduce the high costs of CO₂ storage.

More sustainable transport

Oil will continue to dominate the transportation sector for the foreseeable future. Today we help our transport customers reduce their GHG emissions most through our differentiated fuels strategy. This provides premium-quality transport fuels – such as Pura, Optimax and V-Power – that reduce local air pollution and cut fuel consumption.

Our ultra-clean GTL fuel is blended into some of these premium fuels. Volkswagen, DaimlerChrysler and others are testing GTL fuel for use in a new generation of more efficient diesel engines. For example, the first diesel engine to compete in an endurance motor race has been developed by Audi Sport to run on a Shell GTL fuel blend. The car won its debut competition convincingly in March 2006 and in June will compete in the Le Mans 24 Hours race. In 2005, we were awarded the Professor Ferdinand Porsche Prize for

the contribution of our GTL and Biomass to Liquids (BTL) technologies to automotive engineering.

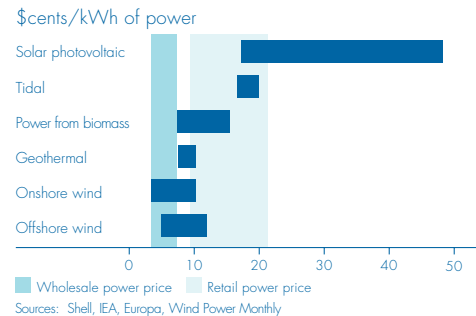
We are also working on alternatives to fossil fuels in the transport sector (page 12).

We are already the leading distributor of fuels made from plants (biofuels), and continue to demonstrate options for using hydrogen as a transport fuel.

We helped take a significant step to phase out lead in petrol in Africa by upgrading our joint venture refineries in South Africa and Kenya in 2005. This will help reduce lead levels in the air and speed the introduction of more fuel-efficient modern engines by increasing the availability of lead-free fuel. We continued to support the UN Partnership for Clean Fuels and Vehicles and the World Bank Clean Air Initiative in Africa.

> IOGEN CORPORATION, ETHANOL FROM STRAW

Cost of alternative power



Alternative energy www.shell.com/alternative

Alternative energy, such as advanced solar, wind, biofuels and hydrogen, will be an important part of the long-term response to climate change and concerns about energy security. Today they meet less than 1% of global energy demand. We are determined to drive down costs and overcome the other practical hurdles that prevent them becoming a significant part of the world's energy mix. Part of our vision is the aspiration to have a substantial commercial business in at least one alternative energy technology. To achieve that we have focused our alternative energy portfolio on the most promising technologies: two for transport (biofuel and hydrogen) and two electricity sources (wind and thin-film solar).

Biofuel for transport

Transport fuels made from crops such as sugar and oilseed, or from plant residue such as straw, can cut GHG emissions substantially and reduce dependence on oil. The plants absorb CO₂ as they grow. Biofuel can be blended with conventional fuels and used in today's vehicles and filling stations. This means it can be introduced on a large-scale more quickly than other alternative transport fuels. But better biofuels are needed. The current generation are significantly more expensive than conventional

petrol or diesel, compete with food crops and can reduce engine performance. The reduction in CO₂ emissions can be limited because making current biofuels typically requires large quantities of non-renewable energy.

Since 2002 we have been investing in the development of more advanced biofuels. In 2004, Iogen Corporation, a Shell partner, produced the first commercially available ethanol from straw. The fuel produces 90% less CO₂ than conventional petrol on a lifecycle basis. We are looking into building commercial scale plants with Iogen and others in Canada and the USA, and in Germany with Volkswagen. In 2005, we invested in CHOREN Industries GmbH to use BTL technology to turn wood into fuel that can be blended with diesel. The process combines CHOREN's patented biomass gasification technique and our GTL technology. CHOREN is preparing to build the first demonstration-scale BTL plant. We are using our retail network to make biofuel more widely available and acceptable to customers. Last year we sold enough biofuel to reduce CO₂ by more than three million tonnes, equivalent to removing approximately 600,000 cars from the road.

Hydrogen and electric fuel cell engines

Fuel cell engines running on hydrogen could dramatically reduce air pollution and help energy security. GHG emissions can also be very low if

the hydrogen is made using renewable power or CO₂ storage. The high costs of fuel cell engines and the need to build a new fuel infrastructure make hydrogen a longer-term option than biofuel. Shell Hydrogen is building demonstration hydrogen filling stations and investing in companies with hydrogen or fuel cell technologies. Working with local governments and major vehicle manufacturers, we have built filling stations in Iceland (the world's first), Japan, Luxembourg, the Netherlands and the USA (Washington, DC). We are co-operating on the first hydrogen filling station in Shanghai. In 2006, we will have stations in California and New York.

Wind power

Making electricity with wind turbines is becoming more cost-effective. The remaining challenges include securing suitable locations for industrial-scale developments that reduce local concerns and preparing transmission grids to take large amounts of power from this intermittent source. In five years, Shell WindEnergy has become one of the largest wind power developers in the world. We have major new projects underway in the USA and are exploring opportunities in China with a leading local energy supplier. We are also using our experience from oil and gas production at sea to tackle the operating and cost challenges of running large wind power projects offshore (see case study).

Shell in alternative energy:

- > \$1 billion invested since 2000
- > Broadest alternative energy portfolio of any major energy company
- > World's leading distributor of biofuels
- > Hydrogen filling stations in five countries
- > One of the largest wind power developers (a partner in 750MW of capacity, 350MW Shell share)
- > Leading developer of next generation solar technology

> BLYTH PROJECT, NORTH SEA



> SHELL CIS SOLAR PANELS, ST ASAPH, UNITED KINGDOM



WIND IN THE NORTH SEA

Achieving big expansions in wind power will require moving offshore, where winds are stronger, larger turbines can be used and the chance of visual disturbance is smaller. We are partners in the first offshore wind park in the North Sea which opened off the coast of Blyth in the United Kingdom in 2000. We are also partners in the first Dutch offshore wind park, 10km off the coast, which began construction in March 2006. The project is expected to generate enough power for more than 100,000 households, saving 145,000 tonnes of CO₂ emissions per year. It will also provide valuable lessons, such as dealing with saltwater corrosion, which we can apply to future offshore developments. Permitting is also underway for the planned 1,000MW London Array project, (Shell 33%) which would be one of the world's largest wind projects, providing the equivalent of 25% of London's electricity.

Solar power

Solar energy is abundant, local and emission-free. But the current costs of turning sunlight into electricity remain too high for large-scale use (see graph). The most widely applied technology uses silicon and a highly complex manufacturing process. After many years making solar panels this way, we concluded that next generation thin-film technologies (see case study) have a better chance of cutting costs faster. We agreed to sell our silicon-based solar panel

CIS THIN-FILM SOLAR TECHNOLOGY

Advanced CIS (Copper indium diselenide) thin-film technology could provide a real cost breakthrough for solar power. It uses only 1% of the materials used in silicon. The production process is simpler, with less chance of breakage and no need for expensive silicon. The CIS metal solutions are sprayed onto a glass sheet in layers, much the same way that coated windows are made, eliminating the need for complex wiring and assembly. CIS panels are particularly well suited for urban areas. Their smooth black appearance makes them easier to integrate into building walls and roofs. They convert more sunlight to power in shady conditions than silicon panels. Shell Solar has four years of marketing and production experience with first-generation CIS technology. In early 2006, we began working with Saint-Gobain, one of the leading producers of glass and other building materials, to explore further development opportunities for next generation CIS technology.

business in early 2006 and began negotiating a new partnership in thin-film technology. We have also developed a small but fast-growing business to provide solar energy to rural villages not connected to the power grid, an area where today's panels can compete with stand-alone diesel generators. We will continue to support this business and in early 2006 began working with Good Energies Inc. to expand it further.

WHAT OTHERS SAY

"Global climate change and the risk of oil spills in virgin and vulnerable areas are among the greatest concerns for the Bellona Foundation. Fortunately some oil companies, like Shell, have positioned themselves as major contributors to a renewable and sustainable energy future and therefore want to be a part of the solution. Bellona and Shell Renewables have been co-operating through a productive dialogue as fellow members of the Advisory Council of the European Technology Platform on Zero Emission Fossil Fuel Power Plants.

The UN climate panel, IPCC, has concluded that CO₂ capture and storage could reduce CO₂ emissions by 20–40%. It was therefore a great victory for Bellona when Shell and Statoil jointly announced their future plans to use carbon capture for enhanced oil recovery at Tjeldbergodden in Norway.

We are looking forward to following the development of this project and believe it will prove to be an excellent way of reducing CO₂ emissions."



FREDERIC HAUGE
PRESIDENT, BELLONA FOUNDATION

How we are addressing the other environmental and social concerns that matter most to our stakeholders, and affect our reputation and our business.

OTHER ISSUES



BIODIVERSITY

www.shell.com/biodiversity

Meeting the world's growing energy needs and protecting biodiversity require new technology, new partnerships and new ways of operating.

The Millennium Ecosystem Assessment, carried out in 2005 by 1,300 scientists around the world, highlighted the extent to which the world's ecosystems are being degraded. As populations, wealth and energy use continue to grow, there is an urgent need for governments to find the right balance between development and nature conservation.

We are committed to helping. We were the first energy company to adopt a Biodiversity Standard and are the only one to commit to not operating in natural World Heritage Sites. These are more than 170 locations recognised by the United Nations Educational, Scientific and Cultural Organisation (UNESCO).

We have also committed to following a set of strict operating practices to minimise our impact in places designated by the World Conservation Union (IUCN) as Category I-IV protected areas, and to report on our activities in these areas.

Living by our commitments

We have translated these commitments into specific operating requirements. Biodiversity checks are part of the IAs that all new and expansion projects must undertake before they take critical design and investment decisions. Instructions on how to operate in areas of high biodiversity value are being included in the guidance for our HSE Management System.

Shell-operated companies in Brunei, the Netherlands, Nigeria and the USA, have activities in IUCN category I-IV areas. By the end of March 2006, they all had Biodiversity Action Plans (BAPs). These plans include specific measures to conserve or enhance local biodiversity and checks that these measures are effective. We are identifying other areas of high biodiversity value where we operate and aim to have BAPs in place for them by the end of 2007.

An online mapping system is used to help identify biodiversity-sensitive areas so we can act early and reduce impacts. For example, in 2005, drilling activity off the coast of Malaysia was moved after engineers were alerted to the presence of sensitive coral reefs.

We are developing extensive practical experience in protecting biodiversity. Sakhalin Energy's work with external experts on mitigating impacts to whales and salmon spawning are examples (page 24).

Our immediate challenge is to share that expertise and the lessons we have learned more widely within Shell. We need to build the skills and awareness to make today's good practice part of our everyday operations around the world.

The new Project Academy will help. So will the biodiversity knowledge management system we are launching in 2006.

Working with others

We work with more than 100 scientific and conservation organisations worldwide to reduce biodiversity impacts around our projects and to support global biodiversity conservation. For example, we are helping the World Commission on Protected Areas Task Force and others to further develop the IUCN-protected area categorisation system. We are piloting a programme with UNESCO to use business skills to improve the management of natural World Heritage Sites.

We recognise the importance of protecting biodiversity.

We will:

- > respect the basic concept of protected areas;
- > not operate in natural World Heritage Sites;
- > work with others to maintain ecosystems; and
- > seek partnerships so we can make a positive contribution to conserving global biodiversity.

2001 Shell Biodiversity Standard. 2003 protected areas commitment.



WHAT OTHERS SAY

"There is much work to be done: Shell's biodiversity strategy (2005–10) commits to 'closing the implementation gap', which will require clear definitions on what constitutes 'High Biodiversity Value Areas'. In 'demonstrating delivery', Shell needs to fully report in line with the Global Reporting Initiative while also building its own metrics. In 'leading by demonstration', Shell should articulate how they implement and measure projects that make a positive contribution to conservation.

Meeting this challenge and embedding the business case involves building insight through personal and professional development, partly achieved in 2005 by 'Project Better World'. This joint partnership engaged 37 Shell employees in nearly 3,000 hours of conservation research on 14 Earthwatch projects in 12 countries. We believe this project and the individuals involved are an important part of the company's overall commitment to a sustainable future."



NIGEL WINSOR
EXECUTIVE DIRECTOR, EARTHWATCH INSTITUTE (EUROPE)

CHANGING LIGHTS

Sometimes simple things can make a difference. Together with external experts, we looked at the effect lights from our offshore installations were having on birds migrating over the North Sea. We learned that some birds, distracted by the white lights at night, flew around the platforms and risked losing so much body fat and water that they were unable to reach their seasonal feeding grounds. Drastically reducing the lighting on offshore platforms solved the problem but created safety concerns for staff. So we approached Philips for help. They are now looking at different coloured platform lights that could help reduce distraction.

MOVING WITH CARE IN THE BEAUFORT SEA

In 2005, we were awarded offshore exploration leases in the Beaufort Sea, off the north coast of Alaska. This is not a national or IUCN classified protected area and has been the site of oil and gas activities for several decades. However, it is a region with valuable biodiversity and indigenous communities dependent on subsistence whaling. We are committed to moving with great care, in line with our Biodiversity and HSE standards, and using the experience we have gained operating in Alaska and elsewhere in Arctic conditions. This means working in partnership with communities, experts and governments to manage the social and environmental impacts of our activities at each stage.

In 2005, we completed the IA for the seismic phase of the project. We identified the importance of minimising disturbance to the bowhead whales that migrate through the area and are important to the local community. As a result, we are working with local stakeholders to monitor the whales' migration and have imposed speed limits on ships in the area. We will also carry out an IA for the exploratory drilling phase, and will continue to consult with local communities and scientific experts, to understand and manage potential impacts, including maintaining the capability to prevent and respond to oil spills. To help us work effectively with the community, we have hired several local people for senior project roles.

> ANNUAL BUSINESS PRINCIPLES ASSURANCE MEETING, SHELL CHINA



SHELL IN SOCIETY: LIVING BY OUR PRINCIPLES

Living consistently by the Shell General Business Principles remains an important part of our culture. It requires concerted effort, particularly as the search for more oil and natural gas continues to take us to difficult locations and sensitive countries.

Human rights www.shell.com/humanrights

We turn our commitment to human rights into action in many ways. One is by providing employees with a safe and healthy workplace, and access to unions, grievance procedures and staff councils. Another is avoiding the use of child labour (page 19). A third is taking security measures that do not compromise the rights of the communities in which we operate (page 18).

We use independent Country Risk Assessments from a leading international human rights institute to help us understand human rights risks when we enter a new location. These reports are used to compare the UN's Universal Declaration of Human Rights and more than 80 other international human rights treaties with the country's laws and practices.

Risk areas are highlighted, such as labour rights of migrant workers or behaviour of security forces. We then develop a set of actions to help us avoid violating rights in these risk areas. In 2005, we used these assessments in Libya and Algeria.

In countries where we already operate, we continue to use the institute's Human Rights Compliance Assessment tool to help us manage human rights risks. Our policies, procedures and practices are assessed against specific indicators to identify gaps and develop response plans. In 2005, we undertook two assessments, one of which looked at our company-wide standards.

BUSINESS AND HUMAN RIGHTS TRAINING IN NIGERIA

Nigeria's leading legal expert on human rights, Olisa Agbakoba, led a series of workshops with 100 senior managers of the Shell Petroleum Development Company in 2005. These sessions checked managers' understanding of our commitment to human rights and what it means in practice. They also sought to share best practice and improve participants' skills in handling dilemmas, such as dealing with demonstrations and interacting with government security forces.

In addition, a five-day training session was held for 120 field staff, including community liaison officers, engineers and security advisors. It focused on helping employees to improve their management of difficult situations, such as responding to conflict in local communities and dealing with violence against personnel.

In 2006, this training will be extended to a further 500 field staff.

We will:

- > support fundamental human rights;
- > respect the human rights of our employees;
- > show zero tolerance of bribes, facilitation payments, illegal acts – including fraud and anti-competitive behaviour; and
- > make no payments to political parties or campaigns.

Shell General Business Principles, revised 2005

> SAFETY RESCUE TRAINING, BERRE REFINERY, FRANCE



Shell General Business Principles

PERSONAL
VALUES
ENTERPRISE
integrity FIRST respect
honesty CORPORATE
PRINCIPLES

For information on Shell General Business Principles visit www.shell.com/sgbp
Personal Values. Corporate Principles.

WHAT OTHERS SAY

“Not just good aspirations and words laid down in business principles, but a structured and broad approach to the implementation of human rights throughout its business operations: that is Shell in 2005. In my experience, the use of the Human Rights Compliance Assessment and Country Risk Assessments provides Shell with an insight into the (potential) impacts of corporate activities on the human rights of employees and the community. Challenges, however, lie in bridging theory and practice: dilemmas centre around balancing human rights and local values as well as the local application of corporate policies. And opportunities remain to find creative ways to positively contribute to and benefit the social environment.”



DR MARINA D'ENGLBRUNNER-KOLFF
HUMAN RIGHTS & BUSINESS PROJECT,
HUMANIST COMMITTEE ON HUMAN RIGHTS (HOM),
THE NETHERLANDS

Contractors

Contractors must manage HSE in line with our HSE standard and are expected to follow our, or equivalent, business principles. In many countries, we work with contractors to help them understand and comply with these requirements. If they cannot, we are required to review the relationship.

In 2005, we cancelled 63 contracts because of such concerns. Multiple contracts were cancelled in Brazil, Cameroon, Greece, Honduras, Hungary, Indonesia, Kenya, Nigeria, Poland, the UK and the USA.

Behaving with integrity www.shell.com/integrity

Complying with our policy of zero tolerance of bribes, facilitation payments and fraud requires continual training and monitoring. In 2005, staff in 126 countries participated in awareness sessions about the use of intermediaries. In more than 100 countries, Shell companies have procedures to prevent facilitation payments by staff, contractors and suppliers (page 34).

We have introduced a global whistle-blowing helpline and supporting website allowing staff confidentially and, if required, anonymously, to seek advice and report concerns about possible bribery, facilitation or other incidents of fraud. This facility is available 24 hours a day and in many languages.

Our performance is measured through a confidential survey of staff and by tracking the number of proven incidents of bribery and fraud gathered by our internal incident reporting system (page 34).

According to our internal assurance letter process, we made no payments to political parties or campaigns in 2005.

Efforts continue to help staff comply with competition laws. The global whistle-blowing helpline and website provide help in this area. Courts ruled against us in three competition cases in 2005. The Swedish Market Court ordered us to pay a fine of SK20 million (approximately \$2.5 million) for a price-fixing and market-sharing arrangement in retail petrol in 1999. As a result, one Shell employee was dismissed. The Bulgarian Commission for the Protection of Competition fined us BGN 80,000 (approximately \$50,000) for unfair retail advertising. The Japanese Supreme Court dismissed Showa Shell Sekiyu K.K.'s appeal against a 2004 fine for anti-competitive tendering practices.

Health Safety and Environment Golden Rules, 2005

You and I:

- > Comply with the law, standards and procedures
- > Intervene in unsafe or non-compliant situations
- > Respect our neighbours



SHELL IN SOCIETY: OUR PEOPLE

Our strategy means we need to continue to expand our capacity to build and operate larger, more complex projects and achieve operational excellence across all our facilities. Developing the professionalism and maintaining the full commitment of our people is a clear priority.

Operating our facilities safely www.shell.com/safety

We are committed to preventing incidents – such as spills, fires and accidents – that are a risk to people, the environment and our facilities. All Shell companies, contractors and joint ventures we control are obliged to operate in line with our HSE standard. It requires them to take a systematic approach to managing their HSE risks. All our major facilities must be certified to the international ISO 14001 environmental standard. Sites must have emergency response plans and test them regularly, so that damage can be minimised in the event of an incident. We investigate serious incidents and near misses so we can learn from them and help prevent similar incidents happening in the future.

Standards and systems are only effective if people comply with them and act safely. Sadly, three staff and 33 contractors lost their lives at work last year, ten of them in road accidents. Our safety performance has however, improved over time (page 36), mainly as a result of the success of our driver safety programmes (see case study).

We are also using our “Hearts and Minds” programme to strengthen compliance and tackle the cultural issues that can lead to unsafe behaviour. In 2005, we launched our Golden Rules for Health, Safety and the Environment, as part of this programme. These simple easy-to-remember rules are designed to raise awareness and increase personal accountability and compliance.

Protecting our people and facilities www.shell.com/security

Our Security Standard defines the way we protect our people and assets while respecting the human rights of our neighbours. We will only use armed security when it is required by law or where there is no other acceptable way to manage the risk. In those cases we comply with the UN Guidelines on the use of force. We also support the Voluntary Principles on Security and Human Rights.

ROAD SAFETY IN AFRICA – DRIVE TO LIVE

Staff and contractors from Shell Oil Products Africa (SOPAF) drive over 1.50 million kilometres a year – equivalent to travelling round the equator 10 times a day.

Road accidents have been the biggest cause of deaths in our African operations for many years.

In 2005, SOPAF launched “Drive to Live”, a five-year effort to reduce road accidents. It consists of a series of programmes tailored to the priorities and culture of each country. A central team provides the basic materials for awareness campaigns, training workshops, safety meetings and driver forums. Each country operation then runs its own programme.

At the heart of every “Drive to Live” campaign is a personal commitment by the drivers to follow the safe driving rules via the Voluntary Code of Conduct.

Performance has already improved across SOPAF’s operations. The number of road fatalities dropped by more than 70%. The operation in Kenya did not have a single major road accident. We want to spread the benefits to the wider community and are sharing the programme’s lessons and materials with government agencies, interested community organisations and non-governmental organisations (NGOs) across Africa.

We will:

- > provide employees with good and safe working conditions;
- > promote the development and best use of their talent;
- > create an inclusive work environment; and
- > respect their human rights.

Shell General Business Principles, revised 2005

> SHELL EMPLOYEE HELPING PEOPLE TO SAFETY
AFTER HURRICANE KATRINA. NEW ORLEANS, USA



In 2005, we reviewed our operations in high-risk countries to assess their progress in implementing and complying with these principles. We found significant progress in improving procedures and training and are addressing gaps.

In 2005, we appointed a network of security advisors for each region where we operate, to work with governments and security authorities and provide on-the-ground expertise and advice.

Shell companies experienced significant security incidents, such as armed robbery, kidnappings and vandalism, in 24 countries in 2005. We used armed security in 19% of the countries where we operate, slightly more than in 2004.

Recruitment and training

www.shell.com/employeeresponsibilities

We have increased our efforts to attract and train a new generation of technical and commercial staff. In 2005, we hired approximately 2,700 people, including 1,000 experienced engineers and more than 700 graduates. Our new hires came from more than 70 countries.

The appointment of eight Chief Scientists in 2005 demonstrates our continued commitment to technical excellence and to providing attractive career development opportunities for technical staff.

We provide a balance of on- and off-the-job learning to help our people develop their skills and experience. In addition to technical expertise, we are also building leadership skills through our cross-business development courses. In 2005, more than 7,000 employees participated in these programmes. Sustainable development is integrated into the leadership development courses we conduct in partnership with top business schools in Europe, Asia and the USA. We established the Shell Project Academy to share best practice, and to increase professionalism and consistency in the way we manage large complex projects. A Commercial Academy, focused on negotiation and business management skills, will complement this and begin operation in 2006.

Diversity and inclusiveness

We have a long-standing commitment to creating a workplace that values differences. In 2005, our businesses had diversity and inclusiveness plans in place and the resources needed to implement them. We have three company-wide objectives: to raise the representation of women in senior leadership positions to 20% over time, to fill the majority of senior positions with local people from their own country and to increase continually the percentage of staff who feel that their workplace is inclusive. We report on these publicly (page 35).

We are also committed to equal opportunity, including for those with disabilities, in recruitment, career development, promotion, training and reward. We use clear and objective criteria when deciding whether to hire job applicants and when assessing the performance of employees. Shell operations in many countries also encourage the use of minority contractors and suppliers (page 22).

Labour rights and child labour

Employees in every country where we operate have access to staff forums, grievance procedures or other support systems. Employees are free to join a union wherever permitted by law and an estimated 13% of employees were members of unions in 2005, compared with 12% in 2004.

We have made a specific commitment not to exploit children, through direct employment or indirectly through joint ventures, contractors or suppliers. By the end of 2005, Shell companies in nearly 90% of the countries where we operate had procedures to prevent the use of child labour – up from 2004. Shell companies in nearly 70% of countries where we operate screened their contractors for child labour and nearly two-thirds screened their suppliers, up from less than a third five years ago. In some countries, Shell companies have decided not to operate their own procedures to prevent child labour because local laws are sufficiently well enforced.

SHELL IN SOCIETY: OUR NEIGHBOURS

www.shell.com/interactingwithcommunities

Earning the support and trust of the people living near our facilities means more than running our operations cleanly and safely. We must also work in partnership with local people to address their concerns, help them benefit from our activities, and support wider development in the community.

Being a good neighbour begins with listening. We try to understand the different points of view in a community and the issues people care about most, using community advisory panels, one-to-one engagement, independent community surveys and input from local governments. We then work with local people to respond to their concerns and to help create local economic opportunities. Social performance plans are helping us do this more systematically and consistently at our many sites. Such plans have been implemented at all our major manufacturing and chemicals facilities and are being put in place at upstream operations where social impacts could be high.

But the plans are only as good as our ability to act on them. Social performance advisors provide expertise and share good practice across our operations. Social performance skills are being improved through the new Project Academy and through leadership and functional training programmes (page 19). In 2005, we also began a Shell-wide communication effort and training for staff specifically focused on this area.

Here are three examples of our interaction with local communities. See pages 24 to 29 for our community activities in Sakhalin, Nigeria, Athabasca and Saly. Updates on other locations are available on our website.

SAPREF refinery and sea terminal, South Africa

www.sapref.com

SAPREF is a 50:50 joint venture between Shell and BP that produces a quarter of South Africa's petrol. The refinery continues to respond to a 2003 community survey that showed its neighbours wanted improved air quality, fewer spills, better communication and more jobs for local people.

Air quality in the area is monitored by the government's Multi-Point Plan. For its part, SAPREF has reduced its sulphur dioxide emissions by more than two-thirds since 1997. The site continues to manage its sulphur emissions, so that they stay within its voluntary target. Volatile organic compound (VOC) emissions, the site's other main impact on air quality, were up slightly in 2005 but still a third lower than in 1999.

To reduce the risk of spills, SAPREF is replacing the seven pipelines connecting the refinery to the harbour. The \$40 million replacement project is on track to be completed in early 2008.

In 2001, SAPREF established a Community Liaison Forum to improve communication and co-ordination with the community. Fourteen community-based organisations and NGOs are represented in the Forum, as are local authorities and the site. It initially proved difficult to start building the trust and confidence needed for the Forum to succeed. But, helped by its independent facilitator, the Forum's effectiveness grew during 2005. The Forum met 11 times during the year for in-depth discussions about SAPREF's environmental performance, emerging issues and opportunities for community development. The Forum distributed leaflets to 26,000 local households explaining how to identify different types of air pollution by smell and how to report them. It introduced an air monitoring vehicle so that neighbours' reports of possible air pollution incidents could be checked quickly and reliably. It implemented a community project to improve football facilities and coaching in local schools ahead of the 2010 Football World Cup in South Africa. Unemployed youths were trained as coaches and local children given the chance to develop their sporting skills. The Forum also built an understanding of SAPREF's current contribution to local employment and development, so it could recommend further actions in 2006.

WHAT OTHERS SAY

"Over the years the number of organisations participating in the SAPREF community Forum has grown exponentially. Members determine the topics and engage in a vigorous yet constructive debate. By all accounts the Forum is proving that genuine community engagement is crucial for business success. The challenge now is to expand the Forum's already substantial membership so that the issues of most community members are heard and addressed. The Community Leaders and SAPREF management should be congratulated for this initiative."



KARTHI GOVENDER
INDEPENDENT FACILITATOR OF THE SAPREF
COMMUNITY LIAISON FORUM

Corrib natural gas project, Ireland www.shell.com/corrib

Ireland depends on imports for 80% of its natural gas. The offshore Corrib gas project (operated and 45% owned by Shell) could, at its peak, meet 60% of the country's needs. The gas would be piped 80km to shore, treated at an onshore terminal and fed into the national grid.

The construction of the pipeline and processing terminal received the necessary government approvals in 2004. This followed an IA and four years of consultation with government, planning authorities and local communities.

But opposition to the project remained among some community members concerned about the safety of the onshore pipeline, about real benefits for the local community and about the local development potential of the project.

Regrettably, in June 2005, five local people were jailed after illegally blocking project work. Shortly afterwards, work was suspended to allow an independent safety review of the onshore pipeline and further dialogue with the community.

With hindsight, we underestimated the intensity of opposition and its impact on this close-knit community. By focusing on obeying the law and following the permitting process, we paid too

We aim to be good neighbours by continuously improving the ways in which we contribute directly or indirectly to the general well-being of the communities in which we work.

Shell General Business Principles, revised 2005

> CORRIB, IRELAND

> SPM REFINERY, FRANCE



little attention to the community's concerns, to communicating the project's safety features and to finding ways for the community to benefit.

We are committed to learning from these mistakes and to building a more effective local partnership. We welcome the draft report of the 2005 independent safety review and will follow all its recommendations, including lowering the maximum operating pressure of the onshore pipeline. We continue to support the independent mediation process.

WHAT OTHERS SAY

"Provided that it can be demonstrated that the pressure in the onshore pipeline will be limited effectively, and that the recommendations made elsewhere in this report are followed, we believe that there will be a substantial safety margin in the pipeline design, and the pipeline design and proposed route should be accepted as meeting or exceeding international standards in terms of the acceptability of risk and international best practice for high pressure pipelines."

EXTRACTED FROM DRAFT REPORT OF INDEPENDENT SAFETY REVIEW, DECEMBER 2005

SPM refinery and chemicals plant, France www.shell.com/berrechemicals

Shell Petrochimie Méditerranée (SPM), located on Lake Berre in southern France, has been in operation since 1929. Consultation with local groups and government on safety and air and water quality, has taken place for many years. In 2001, site management brought these groups together to create a community panel – the local Committee for Information and Dialogue. The panel meets quarterly to review performance, discuss emerging issues of concern and provide advice, including prioritising environmental investment programmes. It has become an effective way for the site and community to work together to monitor and improve environmental and social performance.

The ability of panel members to understand the facility in detail has been critical to its success. So has the commitment of the site management to share information openly about performance, challenges and options. The panel members visit the site regularly and see the results of relevant external audits and inspections. All performance reports provided to the panel are externally audited.

Consultation continues to lead to action. For example, the panel indicated that reducing odours, noise and VOC emissions were priorities for the site. This led to projects to neutralise smells and modify the site's flare to lower noise. It also resulted in a \$4.8 million investment that reduced VOC emissions at the polyethylene plant by 95%.

WHAT OTHERS SAY

"The town and petrochemical site have an effective partnership, together with environmental groups, that promotes industrial development for employment, while ensuring the protection of the environment. This open arrangement includes sharing information, public meetings, a schools programme and a telephone hotline for use by local residents. I acknowledge the site's efforts to develop employment opportunities and build the local economy by supporting the establishment of small and medium-sized businesses and industries."



SERGE ANDRÉONI
MAYOR OF BERRE MUNICIPALITY

> CHIEF JIM BOUCHER OF THE FORT MCKAY FIRST NATION, ATHABASCA, CANADA



> HELPING FARMERS IN THE PHILIPPINES



SHELL IN SOCIETY: OUR CONTRIBUTION

Our biggest contribution to society is through our products – the energy and petrochemicals that modern economies need. But our operations can also make a strong, positive contribution to development.

Turning payments to governments into social benefits

www.shell.com/paymentstogovernments

In 2005, we paid over \$19 billion in corporate taxes and \$2 billion in royalties. We collected more than \$72 billion in sales taxes and excise duties. In energy-consuming countries, energy taxes (up to 80% of the price of petrol) are often the largest source of government revenues after income taxes.

In energy-producing countries, oil and natural gas revenues can bring widespread benefits. Managed well, the money can fund services such as schools and hospitals and diversify the economy. Managed badly, it can stimulate corruption, breed conflict and hurt the country's competitiveness.

We encourage and support host governments' efforts to use energy revenues wisely. We enforce our policy of zero tolerance of bribes and facilitation payments, and we continue to support the EITI. Endorsed by G8 leaders in 2005, the EITI encourages energy and mining companies to publish their payments to governments. In 2005, we supported EITI programmes in Azerbaijan, Cameroon, Gabon and Kazakhstan and again reported payments to the Nigerian government (page 26).

Local spend and supply chain

Using local suppliers and contractors is the most sustainable way for us to encourage development in the areas where we operate. We have programmes in place to actively promote the use of local suppliers and contractors. Actions range from providing business coaching and training, to helping local businesses meet our standards so they can bid for and manage contracts, to requiring participation by local contractors and suppliers. In some cases we help develop a local industry to build important parts of our production platforms, as we have done in Nigeria, the Philippines and Russia. We work with local communities to help them set up businesses that can sell us goods and services, as we have done in Canada (page 28), Oman and Russia (page 24).

We also encourage the local contractors we work with to hire and develop more local staff, for example in Brunei, Malaysia and in Oman, where we insist on local participation in all major contracts.

In 2005, we spent an estimated \$9.2 billion on goods and services from locally owned companies in low and medium income countries, up from \$6.3 billion in 2004. We promote the use of local suppliers and contractors in more than 80% of the low and medium income countries where we operate. Buying locally can also help create opportunities for minorities and women. In South Africa, for example, we contribute to black economic empowerment programmes. In the USA we continue to support minority and female-owned businesses.

Social investment

In 2005, we spent \$127 million on community programmes, up from \$106 million in 2004. Our largest programmes are in Nigeria (page 26) and the USA.

We have changed how we manage our social investment. We are focusing our programmes increasingly on responding directly to issues linked to our business. Since we are not community development experts, we form partnerships

Our contribution:

- > Modern energy and petrochemicals for development
- > Revenues for host governments
- > Encouragement for local business and local hiring
- > Support for sustainable community development projects

> LIVEWIRE PROJECT, NIGERIA



> TARGET CUSTOMER FOR BREATHING SPACE PROJECT, INDIA



with people who are – development NGOs, international agencies and national organisations. We encourage local communities to be closely involved in designing and running projects. One longstanding example of this approach is Shell LiveWIRE which helps young entrepreneurs start and run their own business. Established in 1982 in the UK, LiveWIRE now operates in over 20 countries on five continents, and most recently began in Egypt, Iran, Pakistan and the United Arab Emirates.

Another example is the Investment Climate Facility for Africa created in 2005, of which we are a founding member. Supported by the G8, this \$550 million fund aims to help lower the cost of doing business across the continent.

UN Millennium Development Goals www.shell.com/mdgs

Access to modern energy is critical to meet the United Nation's eight Millennium Development Goals (MDGs), which aim to halve extreme poverty by 2015. Electricity is particularly important to power water pumps, hospitals or provide light to study by. Yet 2–3 billion people still have no access to it. See our website for details of our full contribution to the MDGs.

THE SHELL FOUNDATION: ENTERPRISE APPROACH TO POVERTY www.shellfoundation.org

The Shell Foundation is an independent charity, established in 2000 with an endowment of \$250 million from Shell. It aims to support sustainable solutions to social problems arising from the links between energy, poverty and environment, and from the impact of globalisation on vulnerable communities. It helps small businesses that provide services to poor people and have a potentially profitable approach that can be applied on a very large scale. Rather than only making grants, the Foundation also works with donors, lenders and other partners to provide finance and support. Loans are recovered or equity divested when businesses can compete and grow without further Foundation support. The money made available is then used for new projects. The Foundation calls this approach "Enterprise Solutions to Poverty".

BREATHING SPACE

An example is the Foundation initiative called "Breathing Space". It helps tackle indoor air pollution from cooking with wood or dung. This practice kills 1.6 million women and children a year, making it the fourth largest cause of death in the developing world. The programme provides finance to small companies that build

and sell cleaner-burning cooking stoves and loans for poor families to buy them. The initiative aims to have cleaner stoves sold to 20 million poor households worldwide by 2010.

INVESTMENT PARTNERSHIP PROGRAMME

The Shell Foundation's two-year-old Investment Partnership is a further example of its approach in action. In rural Africa, many people could pay for modern energy, whether solar panels for power or liquid petroleum gas (LPG) for cooking. But the small companies that could supply them often find it difficult to get the loans they need to grow.

The Investment Partnership works with local Shell operations to coach these small companies on business planning and energy markets. Local banks and others are encouraged to provide finance. Two funds were set up in 2003: a \$5 million Uganda Energy Fund and an \$8 million Empowerment through Energy Fund in South Africa. By the end of 2005, 345 enterprises had been given initial advice and training. Almost 1,000 jobs had been created and 8,000 people reached with their products. Both funds are generating financial returns that are attractive to commercial investors, demonstrating that the business model works and can be applied on a wider scale. A \$24 million East Africa fund was launched in 2005. The Investment Partnership model is being extended across Africa.

Our efforts to address environmental and social concerns at strategic locations and new projects

PROJECTS AND LOCATIONS

SAKHALIN

www.sakhalinenergy.com

"Sakhalin II is one of the biggest new energy developments in the world. It is a strategic long-term investment for Russia and our shareholders. The size of the project, the remote location and harsh conditions make it hugely challenging. I am proud of how we continue to listen to our stakeholders and learn,

working with experts and the community to address concerns, reduce environmental impacts and create benefits for the local community."



IAN CRAIG
CHIEF EXECUTIVE OFFICER, SAKHALIN
ENERGY INVESTMENT COMPANY LTD.

At a glance

- > Joint venture operated by Sakhalin Energy Investment Company Ltd (SEIC) (Shell 55%, Mitsui 25%, Mitsubishi 20%)
- > Phase 1 of the project produces oil from an offshore platform
- > Phase 2 includes two further offshore platforms, 1,800km of pipelines and Russia's first LNG plant
- > Gas production due to start in 2008. Peak production 9.6 million tonnes of LNG per year
- > Peak oil production of 180,000 barrels per day

The Sakhalin Shelf off Russia's east coast could contain as much energy as is left in the entire North Sea. Developing it will bring significant value for Russia and help meet the growing energy demand in Asia Pacific and North America, where natural gas use is expected to more than double by 2016.

Sakhalin II is Russia's first offshore development. Phase 1 of the project began producing oil in 1999. By the end of 2005, construction of phase 2 was more than 60% complete. The venture remains economically attractive, despite the higher cost estimates (\$20 billion instead of \$10 billion for phase 2) and delays to the first LNG deliveries announced in 2005. The higher costs reflect higher energy and raw material prices, and wage inflation in Russia. They also reflect the complexity and the frontier nature of the project, which were originally underestimated. Even with these increases, development costs of \$5–6 per barrel remain comparable to other new projects of a similar scale.

The project's success depends on getting many things right. These include contributing to Sakhalin Island's development and dealing with a rapid influx of workers during construction. The indigenous people's way of life needs to be protected. The summer feeding grounds of 100 endangered whales are nearby, so we must work to avoid harm to them. Construction of the onshore pipeline, which crosses salmon spawning rivers, must be carefully managed.

Sakhalin Energy faced these challenges head on in 2005. It listened to its many stakeholders and learned from them, making several big changes to reduce environmental impacts and work better with local communities.

Western gray whales

The company is committed to avoiding harm to the western gray whales. It initiated an Independent Scientific Review Panel of whale experts. An industry first, the Panel was convened by the World Conservation Union (IUCN) in 2004. Its job, completed in early 2005, was to assess the project's potential impact on the whales and recommend ways to reduce it. Sakhalin Energy took the Panel's advice to move the offshore pipelines 20km further away from the whales' feeding ground. It also used advanced acoustic modelling techniques to minimise noise when it installed the bases for the two production platforms.

> PIPELINE WELDING



External scientific observers monitored noise levels during installation, which was completed without any signs of disturbance to the whales. Speed limits and designated travel lanes for ships reduce noise and the risk of the whales being hit by ships.

Sakhalin Energy is working with the IUCN to create a permanent Western Gray Whale Advisory Panel, which includes most of the members of the original Review Panel. The group will provide independent advice during the remaining construction period and beyond. Sakhalin Energy also hopes the new Panel will encourage wider research into the whales' activities, including identifying ways to reduce risks along their migration route. This need was underscored by the death in 2005 of three whales caught in fishing nets in Japanese waters.

Sakhalin Energy's learning and experience in avoiding harm to whales from oil and gas activities is being shared with other projects Shell is involved in, including the exploration activities in the Beaufort Sea (page 15).

Indigenous people

Many of Sakhalin Island's 3,300 indigenous people lead a traditional way of life based on fishing, hunting and reindeer herding. Settlement of the Island and development over many generations have influenced their lifestyle. Large-scale energy

Over its expected life, Sakhalin II is forecast to provide about \$50 billion for the Russian government based on an oil price of \$34 per barrel.

> HEAT EXCHANGERS AT THE ONSHORE PROCESSING FACILITY CONSTRUCTION SITE

production poses new challenges. Sakhalin Energy has been consulting with the indigenous reindeer herders directly affected by the project since the early 1990s, to understand and address their concerns about Sakhalin II. For example, it worked with them to find the lowest-impact path for the onshore section of the pipeline.

But the focus of Sakhalin Energy's engagement had been too narrow. In 2005, a wider group of indigenous people protested against oil and gas development. In response, the joint venture began working with the new Sakhalin Indigenous Minorities Council, formed in the wake of the protests. The Council is democratically elected and acts as the representative body for these communities. Sakhalin Energy and the Council have worked together to produce the first five-year development plan for the Island's indigenous people. The plan's aim is to improve indigenous people's daily lives by providing social, cultural and health benefits, supporting traditional livelihoods and helping indigenous people create environmentally and financially sustainable businesses. The plan will be launched in May 2006 and made available on Sakhalin Energy's website.

River crossings

Sakhalin Energy's onshore pipelines will cross more than 1,000 rivers or streams. These include approximately 180 rivers that are potentially environmentally sensitive.

A river crossing strategy was developed in consultation with external experts before construction began. Each crossing was rated by its impact and pipeline contractors were required to use specific low-impact techniques for high-risk crossings. These included crossing only when sensitive rivers were frozen or at low flow, and using horizontal drilling techniques to tunnel under rivers from the bank. Contractors did not always comply with the strategy during the winter of 2004/5. Sakhalin Energy stopped the winter work programme when it learned of this.

The strategy was revised and monitoring tightened for the 2005/6 winter programme. Detailed individual action plans were drawn up for the remaining crossings of sensitive rivers. Contractors were retrained and contracts redrawn to include incentives and penalties based on their compliance



with the strategy. Independent and technically qualified external observers were invited to watch how each sensitive river crossing was made – another industry first. Their reports and photographs were published in full on the Sakhalin Energy website.

Project financing

The European Bank for Reconstruction and Development (EBRD) and others are considering providing funding to Sakhalin II. In late 2005, the EBRD decided that Sakhalin Energy's approach to environmental, social, and health and safety impacts was fit for the purpose of public consultation.

Benefits for Russia

The project is already delivering benefits for Russia and the Island. By the end of 2005, 17,000 people were employed on Sakhalin II. Partly a result of the project's activity, unemployment on the Island has dipped to 1%. Approximately \$6.1 billion in contracts had been signed with Russian companies and \$400 million committed for upgrades to the Island's infrastructure. The Sakhalin Regional Development Fund had received approximately \$100 million in payments by the end of 2005. Over its expected life, Sakhalin II is forecast to provide about \$50 billion for the Russian government based on an oil price of \$34 per barrel.

WHAT OTHERS SAY

"Our protest against oil and gas development demanded all companies undertake an assessment of impacts on our traditional lifestyle. Sakhalin Energy was the only company to respond and take responsibility for their impacts. The participatory process to develop the Sakhalin Indigenous Minorities Development Plan has enabled both of us to take responsibility. Although we have not yet reached compromise on all issues, I am confident that we will. The process has influenced my vision of how to build relations with oil companies. A year ago it wasn't clear how we could do this, and even today we still encounter questions. But the arrival of multinationals has brought the opportunity to implement international standards not currently practiced in Russia, and address impacts together. The Development Plan we have jointly created is a good example of this."

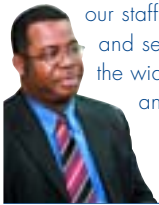


ALEXEY LIMANZO
CHAIRMAN OF THE SAKHALIN
INDIGENOUS MINORITIES COUNCIL

NIGERIA

www.shell.com/nigeria

"I am proud that we made progress in 2005 towards ending continuous flaring. However, I am concerned about the security situation in the Niger Delta, which threatens the safety of our staff, damages the environment and sets back hopes for alleviating the widespread poverty in the country and the region."



BASIL OMIYI
SPDC MANAGING DIRECTOR
COUNTRY CHAIR, SHELL IN NIGERIA

At a glance

Nigeria is an OPEC member producing 3% of the world's oil. Oil and gas account for 80% of government revenues and 95% of export earnings.

The Shell Petroleum Development Company of Nigeria (SPDC)

- > Operator of Nigeria's largest oil and gas joint venture (Nigerian National Petroleum Company 55%, Shell 30%, Total 10% and Agip 5%)
- > Produced approximately 40% of the country's oil in 2005 from over 1,000 wells in the Niger Delta

Shell Nigeria Exploration and Production Company (SNEPCo)

- > Operator and 55% shareholder in the offshore Bonga field, Nigeria's first far offshore deepwater project. Anticipated peak production of 225,000 barrels a day

Nigeria Liquefied Natural Gas Company (NLNG)

- > Joint venture (Shell 25.6%, non-operating partner) producing 8% of world's LNG in 2005
- > Fourth production line opened in 2005. By 2008, capacity will have more than trebled from 2004 levels to 22 million tonnes a year

Nigeria is the world's 11th largest oil producer. We have been a major investor in the country for more than 50 years and are committed to helping it meet its ambitious goals to increase oil and gas production. We are equally committed to supporting the government in tackling the many challenges in the Niger Delta, the country's oil- and gas-producing region. Bringing development to this region of 27 million people, with an area almost the size of England, remains the biggest challenge. Corruption, ethnic conflicts and the activities of heavily armed criminal gangs severely complicate this task.

We believe we can help development most by: producing the oil and gas needed for economic development, supporting the government's development programme in the region, implementing our Sustainable Community Development strategy, combating corruption and improving our environmental performance.

Contribution to development

Our operations contribute to development in several ways. At an oil price of \$60 per barrel, the SPDC joint venture generates more than \$49 for the government (and \$1.80 for Shell). Taxes and royalties in 2005 from Shell-run operations were \$4.3 billion.

SPDC and SNEPCo promote the use of Nigerian contractors and suppliers, encourage overseas bidders to work with local contractors and employ more than 5,000 people (93% Nigerian).

SPDC and SNEPCo actively support the government body co-ordinating development in the region, the Niger Delta Development Commission (NDDC). They contributed \$75 million to the NDDC in 2005. SPDC launched the first NDDC/private company partnership, which is building a major road in Bayelsa state.

SPDC spent a further \$32 million on its own community projects. To make that spending more effective, it continued to roll out its 2004

> BONGA FIELD: NIGERIA'S FIRST FAR OFFSHORE DEEPWATER PROJECT



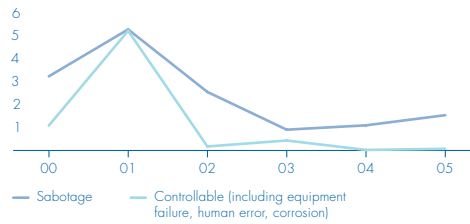
Sustainable Community Development strategy. It aims to increase community participation in projects, encourage local enterprises and partner with others, including development agencies. The first of these new partnership programmes started yielding results in 2005. For example, by the end of 2005, the Cassava Enterprise Development Programme, supported by USAID and the International Institute for Tropical Agriculture, had created jobs for nearly 1,000 people. More than 200 kiosks were set up by women or youth entrepreneurs through SPDC's Telecoms Self-Employment programme with GLOBACOM, the Nigerian telecommunications provider.

Combating corruption

Corruption is a serious barrier to Nigeria's development. We support the EITI and since 2002 have published the revenues we pay government. Anti-corruption campaigns continued in our operations. For example, SPDC's internal whistleblowing facility led to corruption investigations resulting in the dismissal of 11 staff and 13 contractors. Each proven case was published on the internal website.

SPDC – Volume of spills

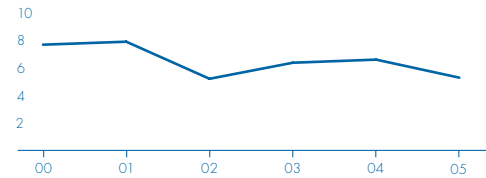
Thousand tonnes



The sabotage spill line without the Opobo accident = 0.9 thousand tonnes

SPDC – Flaring

Million tonnes of hydrocarbon flared



> SPDC AND USAID CASSAVA DEVELOPMENT PROGRAMME

Improving environmental performance

In 2005, SPDC made good progress towards its 2009 goal of ending continuous flaring of natural gas at oil production facilities. Between 2000 and 2005, the joint venture invested more than \$2.3 billion to build pipelines and compressor stations to gather the gas and use it in local power plants or for LNG. It has ended continuous flaring at 28 of its 76 flow stations and reduced flaring volumes by 30% since 2001. In 2005, the gas gathering equipment was commissioned at the Cawthorne Channel field. The joint venture expects to spend a further \$1.5–2.0 billion to meet its 2009 target. Like all our new oil fields, the Bonga offshore platform is designed not to continuously flare and will send its associated natural gas to the NLNG plant for export.

SPDC continued to clean up old spill sites.

By the end of 2005, it had restored 75% of the sites identified as needing remediation. SPDC intends to restore 80% of the remaining sites by the end of 2006, provided access is allowed by communities.

Improvements in pipeline maintenance and monitoring since 2000 have reduced new spills from corrosion or operational failure by 90% by volume. The number of these spills has halved in five years. Sabotage remains the biggest cause of spills – nearly 95% of spill volumes in 2005 – and the hardest to tackle. Most incidents involve people seeking access payments and clean-up jobs. We continued to improve our spill response, hiring local community surveillance teams and educating communities on the dangers of sabotage. Compensation is only paid for operational spills. Whenever a spill occurs, a team of representatives from the local community affected, the Department of Petroleum, the Ministry of Environment, and SPDC assess the situation and agree the cause. In December 2005, a major pipeline was blown up by members of an ethnic militia. As a result, spill volumes from sabotage rose in 2005.

A resolution by the Nigerian Senate in 2004 demanded that the joint venture pay \$1.5 billion to a Delta ethnic group for alleged past environmental damage. The resolution was upheld by a High Court. SPDC believes the case is unfounded and is appealing the ruling.

Security

Security in the Niger Delta improved throughout most of 2005. Oil thefts by well-armed criminal gangs dropped by almost half, as government security forces increased patrols. There were fewer incidents of villagers disrupting operations. The joint venture continued to work with local communities and government agencies to resolve incidents peacefully. Regrettably, a dispute between the Obioku and Odioma communities over ownership of land being leased to SPDC led to armed clashes between the communities and intervention by security forces. A number of people were killed.

But since December 2005 the situation has deteriorated significantly, following the bombing of a major pipeline by local militia. This marked the start of a series of attacks on SPDC and other oil and gas producers' facilities by militants. Their demands included: the release of two people being held by the Nigerian authorities, a bigger share of oil revenues for the Niger Delta and payments for alleged environmental damage by SPDC. The attacks have killed two contractors, shut in more than 40% of SPDC's production and forced the evacuation of all field staff and contractors from the western Delta. We are deeply concerned about the safety of staff and contractors, the large oil spills caused by the attacks and the impact on development. We continue to consult with government and other stakeholders to explore options to resolve the crisis.



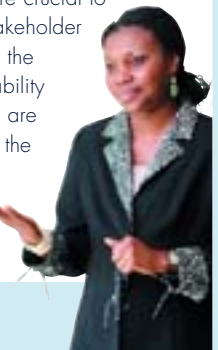
WHAT OTHERS SAY

"The External Stakeholder Review (ESR) exercise is in its sixth year. It is an annual and independent exercise to verify the performance of SPDC in delivering Community Development Projects. It focuses on indicators in the areas of: completion, functionality, success, beneficiary ownership and sustainability status. In 2005, there was an increase in the functionality and beneficiary ownership status of community projects assessed, promoting accountability and conflict reduction.

Overall, the ESR considers the performance of SPDC and the Sustainable Community Development (SCD) team commendable.

However, more efforts are crucial to enhance appropriate stakeholder engagement to promote the completion and sustainability of projects. These efforts are also critical to achieving the objectives of the SCD and the Millennium Development Goals."

MINA MARGARET OGBANGA
SECRETARY, EXTERNAL
STAKEHOLDER REVIEW TEAM



OTHER MAJOR UPSTREAM PROJECTS

"These major new oil and gas projects represent an important part of our contribution to meeting the world's energy needs. Completing them successfully requires continued focus on reducing their environmental impact and generating societal benefits. Understanding and responding to local stakeholder priorities is key."



MALCOLM BRINDED
EXECUTIVE DIRECTOR, EXPLORATION & PRODUCTION, SHELL INTERNATIONAL

Major new projects are critical to achieving our "more upstream" strategy. Here we discuss two of the largest where we have operational control – the expansion of the Athabasca Oil Sands Project and Salyem in Russia.

> ATHABASCA OIL SANDS PROJECT



> ATHABASCA OIL SANDS PROJECT ENGAGES IN CONTINUOUS ENVIRONMENTAL MONITORING



Athabasca Oil Sands Project www.shell.ca/oilsands

Unconventional oil deposits, such as oil-laden sands and oil shale, look likely to play an increasingly important role in diversifying supplies and meeting growing energy demand. Canada's oil sands region alone contains as much oil as Saudi Arabia. The Athabasca Oil Sands Project (60% Shell Canada) in Northern Alberta, is our first oil sands mining development. It achieved full production in 2004 and now supplies enough oil to meet 10% of Canada's needs. The oil sands are extracted from an open pit mine. The heavy oil is separated from the sand, piped to an upgrader and then to our Scotford refinery where it is turned into high quality petrol and other oil products.

A strong commitment to sustainable development has been at the heart of the project from the start. Shell Canada has worked closely with its nearest neighbours at the mine, the aboriginal community of Fort McKay, to decide how to restore the mine site. The project worked with the community to help local people set up businesses and gain skills that we and the rest of the industry can use, so that they also benefit from oil sands operations. In 2005, more than \$50 million in contracts were awarded to aboriginal-owned businesses and approximately 150 aboriginal people were working at the mine.

We included innovative ways to reduce energy and water use in the project design, including optimising the recovery and re-use of heat and recycling water.

However, it still takes more energy to make petrol from oil sands than from conventional oil, which means CO₂ emissions are higher. Shell Canada has set a voluntary target to reduce the project's emissions by 50% by 2010. This will mean that the combined CO₂ emissions from making and using petrol from oil sands will be lower than for the petrol from conventional imported oil that it replaces. The reductions will come from energy efficiency improvements and from projects like the one we are proposing to store CO₂ from the upgrader in old oil fields.

The independent Shell Canada Climate Change Advisory Panel, made up of representatives from environmental organisations and the community, advises on the best ways to meet this challenging goal and monitor our progress.

Shell Canada intends to expand its oil sands operation, nearly doubling production to 280,000 barrels per day by 2010. We intend to develop a voluntary GHG reduction target for the expansion.



Salym oil production in Russia

Large-scale production from the onshore Salym oil field in western Siberia began in November 2005. The \$1.25 billion project (Shell 50%) is, after Sakhalin II (page 24), one of the largest foreign investments in the Russian energy sector.

The project completed its IA in early 2004. Carried out in line with Shell and international standards, it identified land disturbance, flaring, oil spills and creating local benefits as the project's most important environmental and social impacts. In response, facilities were placed away from protected forests and water catchment areas, and steps were taken to minimise the need to clear land.

A power plant will be built on-site, with construction starting in 2006. It will use most of the natural gas produced with the oil to generate electricity for the project, avoiding the need for continuous flaring. The remaining gas will be stored underground. The plan and equipment to respond to accidental oil spills were ready at start-up and are regularly tested.

Good practice and experience from other Shell projects has been applied in Salym to help local communities benefit from the project. By the end of 2005, the project employed approximately 800 full-time staff, up from 15 in 2003, and over 3,000 contractors. More than 90% of full-time staff are Russian. By the end of 2006, half of the management team will be Russian nationals.

A quarter of employees at the field are from Salym village. To create opportunities for more young people from the village, the project runs a local training and employment programme. Jobs will be offered to the first group of graduates successfully completing the programme in April 2006.

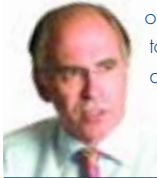
The project also actively promotes the use of local contractors. Online bidding for contracts has been introduced and other steps taken to encourage Russian companies to compete for contracts. By the end of the project, an estimated 80% of service contracts by value will have been awarded to Russian companies.

Projects we do not operate

We invest in projects that are important for achieving our strategy but are not under our operational control. In these cases, we use our influence as a shareholder to encourage, support and monitor the operator's efforts to manage the project in an environmentally and socially responsible way. The expectation is that all such projects adopt and follow business principles and HSE standards that are equivalent to our own. These strategic investments include the Greater Gorgon gas project in Australia (25% Shell), the Kashagan oil field development in Kazakhstan (18.5% Shell), and the Qatargas 4 LNG production facility in Qatar (30% Shell).

DOWNSTREAM GROWTH IN THE EAST

"We are continuing to expand our downstream businesses in the rapidly growing markets of Asia, and are deeply committed to doing so in environmentally and socially responsible ways."



ROB ROUTS
EXECUTIVE DIRECTOR DOWNSTREAM,
SHELL INTERNATIONAL

As a central part of our strategy of "profitable downstream", we are expanding our petrochemical, refining and marketing activities in the rapidly industrialising countries of Asia – particularly in India and China. Our success depends on many factors, including sensitivity to local cultures, creating wider social benefits and respecting our own, and international, environmental standards.

Building our retail business in India www.shell.com/india

India's fleet of private cars is growing and modernising rapidly. This is creating strong demand for high-quality petrol and diesel. By 2025, India could be the world's fifth largest market for transport fuels.

We are the only international energy company building and operating service stations in India. By the end of 2005 we had eight service stations in operation and had plans to add 50 more. By 2010 we aim to have 500 stations in key Indian cities.

Raising environmental standards

All our retail stations comply with our global environmental and safety standards. We complete IAs before building or buying a station. Assessments completed so far have highlighted the importance of protecting groundwater – a limited and increasingly valuable resource in India – and avoiding soil contamination.

We are installing double-walled plastic underground fuel tanks and flexible joint-free underground piping, instead of the single-walled steel tanks and pipes usually used in India. This is in line with our global practice for new stations, meets the strictest international norms and dramatically reduces the chance of leaks.

The station forecourts are made of sealed concrete to stop spills seeping into the soil. Rainwater contaminated with fuel is cleaned before entering the sewer system. Some stations are capturing rainwater which is diverted to help replenish local groundwater. We are the first to apply these practices in India and welcome the government's interest in encouraging their wider use.

Local benefits

We want our retail network to bring local benefits. For example, we are making a special effort to hire women and people with disabilities. Our stations are specially designed to accommodate disabled staff and customers. We are working with international and Indian companies to create a local industry to manufacture the plastic fuel storage tanks and pipes our stations use.



ENVIRONMENTAL AWARD IN INDIA

Shell India Marketing was awarded the Golden Peacock Eco-Innovation Award in 2005 by the World Environment Foundation. The award is given to the product or service that uses proven technology to improve the satisfaction of customers, cost-effectively, while supporting sustainable development by improving environmental and social performance. The award highlighted the environmental technologies used at Shell retail stations, and acknowledged Shell's efforts to transfer technology to local companies, encourage the employment of women and make their stations accessible for employees with disabilities.

Downstream in China www.shell.com/china

By the end of 2005, we had invested \$3.5 billion in China. This could grow substantially. The country provides one of the biggest potential growth opportunities for our downstream businesses, as we help meet its exploding demand for energy and consumer goods. We work in partnership with Chinese companies to expand our oil products and petrochemicals businesses, explore for oil and gas, investigate alternative energy sources (page 14) and help find cleaner ways to use China's massive coal deposits.

Our fast growing downstream operations are helping support development and providing cleaner energy technologies in India and China.



SHANGHAI MOBILITY

There were 7,000 private cars in Shanghai in 1998. Current estimates are that there will be approximately 2.5 million by 2020, posing serious concerns about congestion, air pollution and safety. We are working with a wide range of stakeholders to find ways to meet the growing demand for transport in environmentally sustainable and cost-effective ways. In 2005, the Shanghai Municipal Government, Shell Foundation, and *Embarq* (the World Resources Institute Center for Transport and Environment) completed a two-year Shanghai Sustainable Transport Partnership. We are collaborating with Tongji University on a road test of taxis using clean-burning GTL fuels and with Jiatong University to study the feasibility of using GTL fuel in Chinese-made trucks. We are also working with the Shanghai government to raise public awareness of energy conservation and cleaner alternative fuels.

As part of a national programme to develop electric vehicles, Shell Hydrogen is helping Tongji University to build Shanghai's first hydrogen filling station. The station is expected to be completed by the end of 2006. By then, Shanghai plans to operate ten fuel cell vehicles, increasing the fleet to 1,000 (including buses) by 2010.

Retail

By the end of 2005, we had 70 Shell-branded service stations in China and our joint venture with Sinopec operated a further 190. Our plans are to expand the joint network to about 500 sites – mainly existing stations. An IA is done on all stations to ensure they comply with both Chinese environmental regulations and our global standards. The assessments have indicated that the operating sites are in line with government and Shell standards. All sites have systems to capture rainwater and remove any fuel it might contain. Training is underway to raise employee awareness of health, safety and environmental issues.

Lubricants

China is our third largest market for blending and selling lubricants.

The two blending plants we own are certified to the international environmental management standard ISO 14001. In 2005, both passed independent audits to ensure they had an effective process to manage waste and minimise leaks and spills.

Road safety is one of our priorities. Joint venture staff and contractors drive more than 12 million hours a year, in a country with one of the highest road fatality rates in the world. We used our experience with road safety management in other countries to develop driver-training and driver-management systems for China. In 2005, for the fourth consecutive year, there were no staff or contractor fatalities and no injuries because of road accidents in Shell companies and joint venture operations in China.

Cleaner coal

Our coal gasification technology (page 12) offers one of the cleanest ways to use China's large domestic coal reserves. It can contribute to China's energy security and improve local air quality. We have sold 13 licences for this technology in China. We are partners with Sinopec in a coal gasification plant that will start producing in 2006. Working with local companies, we are also investigating applying our GTL technology to create transport fuels from coal. This includes ways to manage the CO₂ emissions from this process.

> CONTROL ROOM, NANHAI PETROCHEMICALS PLANT



Nanhai petrochemicals plant www.cnocshell.com

Construction of the \$4.3 billion Nanhai petrochemicals complex in Daya Bay, Guangdong (50% Shell) was completed in December 2005. Production started in January 2006. Nanhai is the largest Sino-foreign joint venture in history and the largest investment ever made by Shell in the petrochemicals sector. It will help meet China's rapidly increasing demand for plastics, fibres and packaging.

Before investment, an IA was carried out to Chinese and international standards. This included broad consultation with local communities, NGOs and other organisations. Forty environmental and 60 social and health indicators were developed. The site's performance against these indicators is monitored by joint venture staff and independent observers and published on the joint venture's website.

To build the complex, more than 2,700 households had to be resettled by the government. This was carried out to Chinese and World Bank standards. In 2005, the joint venture continued to help these resettled villagers find employment, build their skills and create small businesses.

PERFORMANCE DATA AT A GLANCE

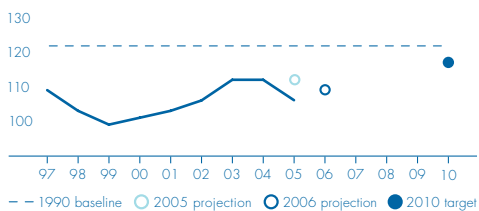
www.shell.com/sdperformance

A brief overview of the environmental and social performance of our operations as measured by our key performance indicators.

ENVIRONMENTAL

Greenhouse gas emissions

Million tonnes CO₂ equivalent



About three-quarters of the greenhouse gas (GHG) emissions from our operations come from burning fuel to power our facilities. Flaring natural gas from oil wells is responsible for most of the rest.

In 2005, our GHG emissions fell by seven million tonnes, reversing a slow six-year rise. Most of the reduction occurred in our upstream operations, partly because we ended continuous flaring at a major oil field in Nigeria (page 26) and partly because we produced less oil. Downstream GHG emissions, approximately half our total, were also down slightly. The main reductions came from improvements in refinery energy efficiency, particularly in the USA, and the sale of the Bakersfield refinery in California. These changes more than compensated for the extra emissions from more energy-intensive refining as we produce cleaner, lower-sulphur fuels.

We remain on track to meet our 2010 target of reducing GHG emissions by 5% from their 1990 level, despite business growth and the extra energy required to produce from fields that are ageing or have heavier oil. Between 2005 and 2010, the biggest reductions will come from ending the continuous flaring of natural gas and improving the energy efficiency at refineries and chemical plants.

Flaring in Exploration & Production

Million tonnes hydrocarbon flared



We have been reducing the amount of natural gas flared from oil wells since 2001, thanks to a major programme to collect this gas and bring it to market. The SPDC joint venture in Nigeria is responsible for approximately two-thirds of our total flaring. It has invested more than \$2 billion and reduced its flare volumes by almost a third since 2000. Flaring was unusually low in 2002, because Nigeria reduced its oil production in response to OPEC quotas.

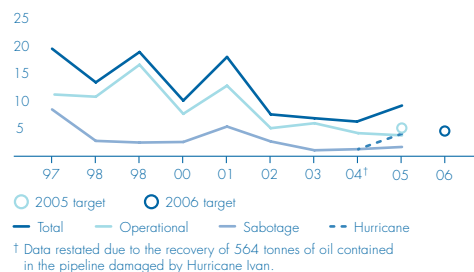
The 13% reduction in total flaring from 2004 to 2005 came from three main sources: lower oil production, the increased availability of compressors to run the gas-gathering equipment, and the commissioning of gas gathering at Nigeria's Cawthorne Channel field (page 26).

SPDC made good progress in 2005 and remained on track to meet its revised deadline to end continuous flaring during 2009. Successful completion of this programme continues to depend on joint venture partners, including the Nigerian government, meeting their funding commitments and on SPDC being able to access fields safely to install and operate gas-gathering equipment.

New facilities around the Group are being built to avoid continuous flaring, in line with our Group-wide environmental standards.

Spills

Thousand tonnes



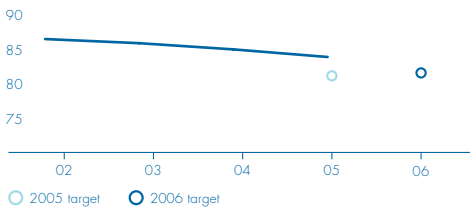
We have seen a gradual downward trend for several years in the volume of spills caused by corrosion or operational failures. This is partly because of investments in Oman and our programme to improve pipeline monitoring and maintenance in Nigeria. A greater focus on preventing spills in our downstream distribution network has also helped. But we did not meet our 2005 target because of higher spill volumes caused by hurricanes in the US Gulf of Mexico and sabotage in Nigeria. Spill volumes from sabotage in Nigeria rose despite an increase in community patrols and protection of vulnerable pipeline sections. This was because of one big incident, spilling 340 tonnes of oil, when a major pipeline was bombed by an ethnic militia (page 26).

Damage to onshore pipelines from the two hurricanes in the US Gulf of Mexico caused several spills. The largest were at Nairn and Pilottown in Louisiana in September. In total 3,900 tonnes of oil were spilled because of hurricanes. We continue working with the industry to improve designs and further strengthen equipment in the US Gulf of Mexico so operations are better able to withstand hurricane conditions.

Energy efficiency

In our refineries

Energy Intensity Index



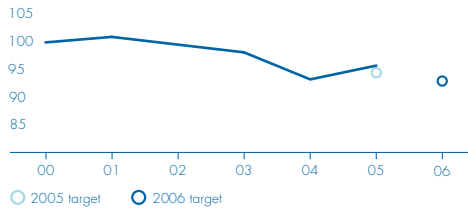
○ 2005 target ○ 2006 target

In 2005, we started using the Solomon Associates Energy Intensity Index (EII) to measure and report the energy efficiency of our refineries. This makes us consistent with general practice in our industry and allows comparison of our performance with other operators.

Our energy efficiency has continuously improved since 2002. Improvements have come from having shorter and fewer planned shutdowns, running refineries closer to their full production capacity, and from energy efficiency programmes, like Energise™ and the new Business Improvement Review process (page 9). Despite these improvements we missed our 2005 target. This was partly because we had set very ambitious improvement targets at several Asian refineries and did not meet them. It was also because events such as the hurricanes in the US Gulf of Mexico forced us to shutdown and restart several of our biggest refineries, requiring large amounts of extra energy.

In our chemical plants

Chemicals Energy Index†



○ 2005 target ○ 2006 target

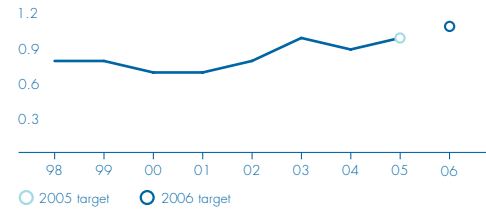
† 2000 is baseline

We measure the energy efficiency of our chemical plants using our Chemicals Energy Index (CEI). This measures changes in the energy used to make one tonne of product, with 2000 as the base year. The index worsened in 2005 after three years of improvement. This was largely because of unplanned shutdowns as a result of the hurricanes in the US Gulf of Mexico and a number of technical issues.

Our Chemicals business nevertheless remains on track to meet its targets. These will be achieved through investment projects, fewer shutdowns and operational changes resulting from energy efficiency programmes. By the end of 2005, six chemical plants had completed Energise™ energy efficiency programmes, with three more underway. Energise™ has typically achieved energy savings of between 3% and 7%. It has delivered \$20 million in annual savings so far at our chemical plants and avoided emissions of 280,000 tonnes of CO₂ per year. Energise™ programmes will be integrated into the Downstream Business Improvement Review process in 2006.

In Exploration & Production

Gigajoule/tonne production



○ 2005 target ○ 2006 target

In 2005, the long-term trend of needing more energy to produce each unit of oil or natural gas continued. The energy per unit of oil or natural gas produced by Exploration & Production was a quarter higher than in 1998 and more than 40% higher than in 2001. This is mainly because we are producing more from maturing fields, from oil sands in Canada and from fields with heavier oil in Oman. New facilities are designed to be as energy efficient as possible. But we expect the current trend to continue as we meet demand for secure energy supplies by increasing production of unconventional oil, recover more from mature fields and develop more difficult projects. Our targets reflect this trend, which is a global one, as the era of "easy oil" comes to an end.

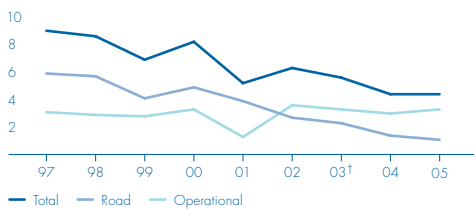
External perception of environmental performance

We scored highest in our industry for "environmental responsibility" for the fourth year in a row in the 2005 Reputation Tracker survey. The survey is conducted on our behalf by the polling agency MORI in 13 of our major markets. A quarter of respondents from the general public ranked us as "the best" or "one of the best" in acting responsibly towards the environment. A third of respondents in the media, non-governmental organisations (NGOs), government, academics and the business community said the same. These results are largely unchanged from 2004.

SOCIAL

Fatalities – fatal accident rate

Employees and contractors per 100 million working hours

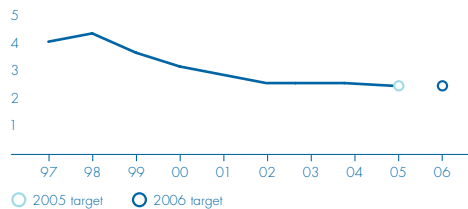


We are deeply saddened that three employees and 33 contractors lost their lives at work in 2005. Ten of these fatalities were the result of road accidents. Our goal is for all our staff and contractors to return home safely every day. We have made steady progress towards that goal of zero fatalities, reducing our fatal accident rate by more than 50% since 1997 and by 15% since 2001. This improvement over time is mainly due to a steady drop in the number of deaths from road accidents, helped by our proactive driver safety programmes such as “Drive to live” in Africa (page 18) and “Drive to Survive” in Sakhalin. We also introduced stricter driving standards in 2005.

Unfortunately it is proving difficult to reduce fatalities from other causes. Many of these deaths (nine in 2005) are a result of workers falling. We are strengthening our guidance for working safely at heights. But the underlying cause in a number of these incidents is a failure to follow our established safety requirements. This underlines the importance and the challenge of strengthening the safety culture in the Group. In 2005, we continued to roll out our “Hearts and Minds” safe behaviour and competence programmes and launched the Health Safety and Environment Golden Rules (page 18).

Injuries – total reportable case frequency

Employees and contractors per million working hours



Our injury rate has come down over time. We measure the total reportable case frequency (TRCF). This has improved by approximately 40% since 1997 and 14% since 2001. In 2005, our reported TRCF was in line with our target. But the improvement in TRCF has stalled in recent years. This partly reflects an increase in construction projects in challenging areas, which bring a higher risk of injury than existing operations. It also results from the need to reduce injuries at some acquisitions, for example in our lubricants business in the USA. Our TRCF target for 2006 remains unchanged at 2.5. This represents a tougher target because many employees at retail service stations will no longer be included in our data, as they become employees of independent franchises. Since this is a large group with few injuries, we will need to improve performance in other areas substantially to meet the target.

Further improving our safety performance remains an important priority. We are working hard to change behaviour and strengthen our safety culture. Making TRCF the lead indicator in the sustainable development section of the Shell-wide scorecard in 2005 and 2006 underlines our commitment.

Integrity

We have two ways of tracking our performance against our policy of zero tolerance of bribes, facilitation payments and fraud.

Firstly, every two years, the Shell People Survey asks all our staff confidentially whether their part of Shell was dealing with the outside world with integrity. We last conducted the Survey in 2004, when 79% said it was and approximately 5% said it did not. Scores have been stable since the Survey began in 1999. We will check progress again in 2006.

Secondly, we track the number of proven incidents of bribery, facilitation payments and fraud gathered by our internal incident reporting system and reported to the Audit Committee of the Board of Royal Dutch Shell plc. In 2005, 107 violations were reported. As a result, we ended our relationship with 175 staff and contractors. This is a significant drop from 2004. We believe this is partly a result of the well-publicised dismissals in 2004, particularly in Nigeria.

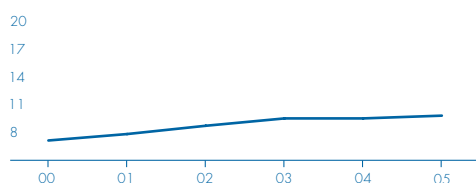
We continued to improve detection of bribery, facilitation and other incidents of fraud, introducing a global whistle-blowing facility for staff to report concerns anonymously (page 17).

Respect for staff

The Shell People Survey also asks staff if they feel treated with respect where they work. Their responses were strongly positive and rose between 1999 and 2002. In 2002, nearly 80% said they felt respected. There was a drop in 2004, particularly in our Exploration & Production business, in the wake of the reserves restatement and major reorganisations. We will monitor results in the next Survey in 2006.

Diversity and inclusiveness

Women in senior leadership
%



Data reflects the broadened scope of senior leader positions as defined in 2005.

We continued to track progress on the three global goals we have defined for creating a workplace that values difference:

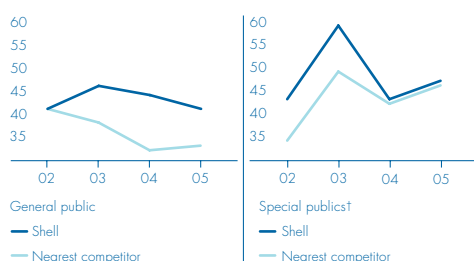
Gender indicator. The percentage of women filling senior leadership positions has risen slowly but steadily since we began tracking results in 1997. It reached 9.9% in 2005. The percentage of women in positions just below senior leadership level also increased. This should help us continue making progress over the next few years towards our long-term goal of 20% of our senior leaders being women.

Nationality indicator. In 2005, local nationals filled more than half of senior level positions in 36% of the countries where we operated. Our long-term goal is to achieve this in all countries.

Diversity and inclusiveness indicator. The Shell People Survey has tracked employees' perceptions of the inclusiveness of their workplace since 2002. In 2004, 64% of respondents were positive about inclusiveness in their part of Shell, down slightly from 2002. In our next Sustainability Report, we will report the results of the 2006 Survey.

Favourability – Shell versus nearest competitor

Net favourability (% favourable minus % unfavourable)



† Media, NGOs and the business community

In 2005, we improved our indicator for tracking how society views us. We continued to use the Reputation Tracker survey of our 13 major markets (see External Perception of Environmental Performance KPI, page 33). But as well as looking at the share of respondents with positive opinions of us, we also examined those with clear negative feelings about Shell. This gives us a better sense of the overall balance of opinion. The new indicator subtracts the negative from positive views to determine our "net favourability". We compare this to the next most favourably-viewed energy company across the 13 markets.

We have received higher scores than competitors from the general public since the survey began in 2002. We retained that position in 2005, although the gap with our competitors narrowed slightly. Among respondents in the media, NGOs, government, the academic world and the business community, competitors have also closed the gap. But the rise in our absolute score with this group between 2004 and 2005 suggests we are making progress in repairing the damage done to our reputation by the 2004 reserves restatement and related issues.

We believe this is partly due to changes such as the unification and simplification of our organisation, the increased clarity about our strategic direction, and our efforts to strengthen accountability and compliance. We recognise that we need to demonstrate our integrity in practice and continue to improve our underlying financial, environmental and social performance if we are to further improve our favourability rating.

About our data

Our key performance indicator (KPI) data is gathered either from external sources or from companies and joint ventures where we have operational control. We report 100% of the results here, even though we often own a smaller share of these operations. If we buy or sell operations in a year, their data is included only for our period of ownership, something that had a material affect on our data in 2002. Information in the data table is reported on the same basis.

We are confident in the overall reliability of our data. We have improved its quality in the past few years and we continue to strengthen our internal data controls. But we recognise that some uncertainty remains in our safety data (fatalities and injuries). This is because of continuing difficulties in capturing all safety incidents and weaknesses in some controls on the way companies report hours worked. There are also uncertainties because standardised procedures are not yet being used to capture some of the flaring data from Nigeria. In both cases we are working to further improve the data.

We have set voluntary targets for most of our KPIs to help us reduce our main impacts and measure our progress. We have long-term targets for operational GHG emissions (2010) and for ending continuous flaring (during 2009), since they involve large-scale investment programmes over many years. In 2002, we also developed five-year targets for spills, energy efficiency, and injuries. Experience has taught us that annual targets work better for these indicators, since they require day-to-day operational attention and need to be adjusted whenever our portfolio changes. We withdrew the longer-term targets for these three KPIs in 2005.

DATA TABLE

Environmental

www.shell.com/envdata

	2001	2002	2003	2004	2005
Greenhouse gas emissions					
Million tonnes CO ₂ equivalent	103	106	112	112	105
Methane (CH₄)					
Thousand tonnes	315	241	234	243	211
Carbon dioxide (CO₂)					
Million tonnes	95	100	106	106	100
Flaring Exploration & Production					
Million tonnes	10.3	7.6	9.3	9.2	8.0
Sulphur dioxide (SO₂)					
Thousand tonnes	274	270	292	304	323
Nitrogen oxides (NOx)					
Thousand tonnes	213	213	219	197	184
CFCs/halons/trichloroethane					
Tonnes	5.0	8.0	3.3	2.6	1.0
Volatile organic compounds (VOCs)					
Thousand tonnes	372	379	294	265	233
Spills^a					
Thousand tonnes	17.8	7.4	6.7	6.1 ^c	9.0
Oil in effluents to surface environment					
Thousand tonnes	2.9	2.5	2.4	2.3	2.5
Freshwater use^b					
Million cubic metres	683	679	667	657	638
Waste					
Thousand tonnes					
Hazardous	445	504	554	455	444
Non-hazardous	452	524	510	470	634
Total	897	1,028	1,064	925	1,077
Energy efficiency^e					
Energy efficiency in our refineries					
Energy Intensity Index	n/c	86.5	85.9	85.0	83.9
Energy efficiency in our chemical plants					
Chemicals Energy Index	101.4	99.7	98.3	93.3	95.8
Exploration & Production energy efficiency					
Gigajoule per tonne production	0.7	0.8	1.0	0.9	1.0

n/c = not calculated

a Data restated due to the recovery of 564 tonnes of oil contained in the pipeline damaged by Hurricane Ivan.

b Restated to exclude cooling water that travels only once through the plant and is returned to the environment.

c For explanation see page 33.

d Data reflects the changed scope of senior leader and management positions in 2005. Data for previous years has been restated.

e Prior to 2003 we asked if procedures existed, not if they were actively enforced (page 19).

f Country income level as defined by the UNDP human development index.

g Proven incidents of bribery, facilitation payments and fraud, gathered by our internal audit system.

Data for previous years available on the website at www.shell.com/datatables.

Social

www.shell.com/socialdata

	% of countries (unless otherwise stated)				
	2001	2002	2003	2004	2005
Fatalities					
Employees	3	8	5	2	3
Contractors	37	45	42	35	33
Total number	40	53	47	37	36
Fatal accident rate					
Number of fatalities per 100 million working hours (employees and contractors)	5.2	6.3	5.6	4.4	4.4
Injuries – total reportable case frequency (TRCF)					
Per million working hours (employees and contractors)	2.9	2.6	2.6	2.6	2.5
Lost time injury frequency (LTIF)					
Injury hours per million working hours (employees and contractors)	1.2	1.1	1.0	1.0	0.9
Total reportable occupational illness frequency (TROIF)					
Illnesses per million working hours (employees only)	2.3	2.0	2.0	2.1	2.0
Security % of countries					
Using armed security	18	16	22	18	19
Using armed company security	2	1	2	2	2
Using armed contractor security	12	12	22	11	11
Gender diversity % women^d					
In supervisory/professional positions	17.7	18.9	19.5	20.7	21.8
In management positions	9.3	9.2	11.3	12.2	12.9
In senior leadership positions	7.9	8.8	9.6	9.6	9.9
Unions and staff forums					
Estimated % employees members of unions	19	19	13	12	13
% staff with access to staff forum, grievance procedure or support systems	99.99	99.99	99.99	100	100
Child labour Checks to ensure procedures ^e in place to prevent use of child labour					
In own operations	89	86	78	83	88
Contractors	57	56	57	61	69
Suppliers	41	42	50	53	62
Contracting and procurement					
Spend on goods and services from locally owned companies in low and medium countries ^f \$ billion	n/c	n/c	5.2	6.3	9.2
Contracts cancelled due to incompatibility with Business Principles					
Number	100	54	49	64	63
Joint ventures divested due to operations incompatible with Business Principles					
Number	0	0	1	0	0
Business integrity					
Proven incidents ^g	n/c	n/c	n/c	139	107
Social investment (equity share)					
\$ million	85	96	102	106	127

OUR APPROACH TO REPORTING

www.shell.com/sdreporting

New in 2005:

- > Information on environmental and social performance included in our Annual Report/20-F
- > Sustainability Report re-focused on non-financial stakeholders
- > Improved process for selecting content
- > External Review Committee to assess balance, completeness and responsiveness

Since 1997 we have voluntarily reported on our environmental and social performance because it matters to our stakeholders and affects our business performance. We believe that reporting in an honest and transparent way helps build trust and motivates staff and business partners to improve their performance.

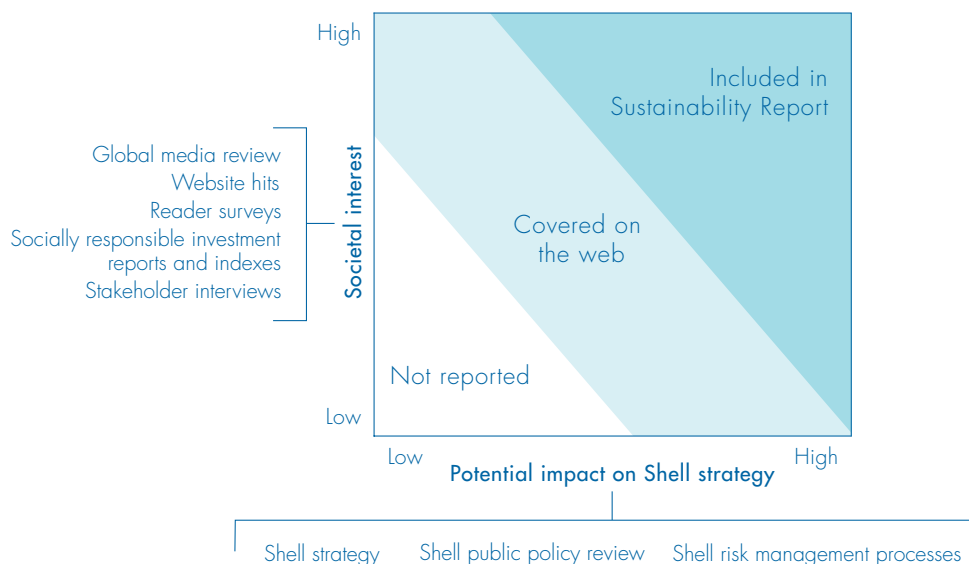
Different audiences, different needs

The reporting requirements of different groups of stakeholders continue to diverge. To meet the needs of shareholders, we have included significantly more environmental and social information in our Annual Report/20-F in 2005. For staff, we provide a Sustainability Review, focused on what our commitment means for them in practice. We now target our Sustainability Report and supporting websites at other external stakeholders.

Materiality: reporting on what matters most

We believe sustainability reporting must focus on the environmental and social issues that most affect business performance and matter most to our stakeholders. That is why "Meeting the energy challenge" remains our theme. It focuses on our main contribution to sustainable development and one of the most fundamental sustainability challenges for the world. We report on the 11 KPIs that were developed, in consultation with external stakeholders, to measure and track our main environmental and social impacts.

In 2005, we further improved the way we decide which issues, locations and projects are material and must be covered by our reporting. This four-step selection process now incorporates wider



feedback from stakeholders and ensures we report on the most important new projects we operate.

- > Step 1. We listen to what our stakeholders think about our past reports and what they want to see in the next. We use reader surveys, face-to-face interviews, media reviews, public forums and scenarios workshops.
- > Step 2. We determine which environmental and social issues most affect our business strategy and which new projects are most important to achieve that strategy.
- > Step 3. We bring together these two inputs (see illustration). Provided there are no legal restrictions, all the highest priority topics are included in our Sustainability Report. Topics at the next level of importance are addressed on our Environment and Society website.
- > Step 4. We check that the way we cover these topics is balanced and complete. We review the input from stakeholders to check that our Report answers the main questions or concerns they raise. We also rely on reviews by the subject experts in our External Review Committee (page 38) and by our Social Responsibility Committee (page 7).

In this way, we determine the topics that must be covered. We also select case studies and other

information, based on judgment, that illustrate our commitments on these topics and recognise the efforts of local operations.

Assurance: making it accurate, complete and balanced

To help make our reporting accurate, we tightened our internal controls in 2004, guided by the advice of our external auditors. We applied those controls ourselves in 2005, putting audit trails in place for the data and statements included in the Report and having these audit trails signed off by senior managers, available for internal audit and reviewed by our Disclosure Committee. To check that our reporting is balanced and complete, we piloted an External Review Committee of experts (page 38).

Alignment with emerging guidelines

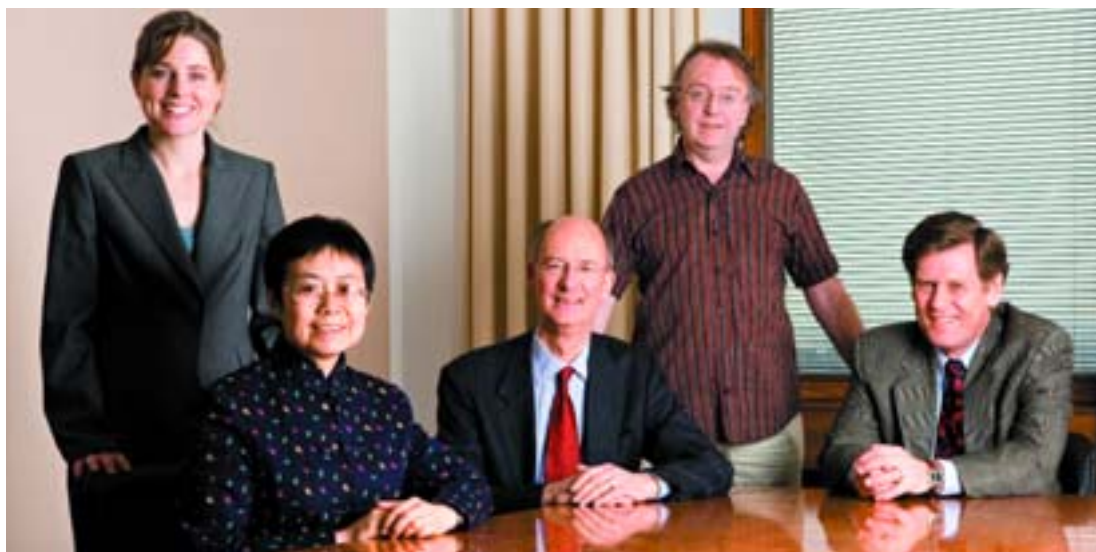
We continue to report in accordance with the Global Reporting Initiative (GRI) and in line with the International Petroleum Industry Environmental Conservation Association guidelines. We also describe on the web our contribution to the UN Global Compact and to the MDGs.

Local reporting

Some Shell companies voluntarily report on their environmental and social performance to local stakeholders. Local company reports are available on the web (www.shell.com/localreports).

The findings of our External Review Committee.

EXTERNAL REVIEW COMMITTEE



www.shell.com/reviewcommittee

COMMITTEE MEMBERS FROM LEFT:

MARGARET JUNGK
BUSINESS DEPARTMENT DIRECTOR
DANISH INSTITUTE FOR HUMAN RIGHTS

DR LI LAILAI
NATIONAL PROGRAMME DIRECTOR
LEADERSHIP FOR ENVIRONMENT AND DEVELOPMENT
(LEAD) – CHINA: DIRECTOR
INSTITUTE FOR ENVIRONMENT AND DEVELOPMENT, BEIJING

JERMYN BROOKS (REVIEW COMMITTEE CHAIR)
BOARD MEMBER
TRANSPARENCY INTERNATIONAL

ROGER HAMMOND
DEVELOPMENT DIRECTOR
LIVING EARTH

JONATHAN LASH
PRESIDENT
WORLD RESOURCES INSTITUTE

Shell invited us to assess this report on two counts. Firstly, does it contain the right information about the full range of issues that Shell stakeholders care most about? Secondly, how well does it reflect understanding of stakeholders' expectations?

We were guided in our appraisal by the AA1000 Assurance Standard, an independent standard for evaluating sustainability reports against three basic principles: materiality, completeness and responsiveness to stakeholders.

We met twice during the final stages of Shell's report drafting process. We interviewed senior Shell staff, including the Chief Executive, and head of Exploration & Production, as well as individuals involved with the biggest projects and issues in the Report. In recognition of our time and expertise, an honorarium was offered, payable to us individually or to the organisation of our choice.

This is our assessment of the 2005 Shell Sustainability Report, unedited by Shell. We speak here as individuals, not for our organisations.

Shell's sustainability reporting

Since 1998, Shell's reporting has been judged by many external experts as among the best in its sector and overall. Shell has made a serious effort to compile a full and informative report that responds to the needs of the company's international stakeholders, while keeping it concise and readable. The Report's combination of descriptions of the energy challenge and Shell's business strategy, along with environmental and social performance data, documents Shell's concern with sustainability issues and performance.

The Report is frank and honest. The company discusses successes as well as challenges and mistakes made (for example, in the accounts of the Corrib and Sakhalin projects).

Shell's contribution to the UN Millennium Development Goals and social development, as well as its position on human rights, are more fully reported on Shell's website. We feel the company could have expanded the short references on these topics in the Report, given their relevance to Shell's presence in the developing world.

The energy challenge and climate change

Shell fully acknowledges the threat of climate change and the environmental crisis resulting from dependence on fossil fuels. The energy challenge described includes technological challenges regarding capture and storage of CO₂ and development of commercially viable renewables. The Report clearly articulates Shell's commitment to increase the use of "greener" fossil fuels. It displays the company's quiet optimism that Shell can help meet the energy challenge by a simultaneous focus on: technological innovation; continued substantial investment in traditional and unconventional fossil fuel sources; and the development of at least one substantial renewables business by 2015.

However, we think the Report is surprisingly low-key in its references to the overriding issues that will determine the planet's and Shell's future. These include: security issues surrounding international sources of energy; the end of "easy" oil accompanied by a rapidly increasing demand for oil from developing economies; increasing evidence of climate change and its accelerating impact; and the unresolved technical challenges and high cost of CO₂ capture and storage. We would welcome a greater sense of urgency in discussing the search for solutions to the energy crisis. The Report provides a short-term strategic vision for the company's activities, but readers would appreciate knowing also how Shell sees its longer term future as an energy company – in 2025 or 2050 – within the context of a new energy economy.

Shell as sustainability leader

We believe that Shell has missed an opportunity to use the Report to express important positions on energy in the public policy debate. These include: more prominent statements of belief and commitment on climate change; more on how to mitigate the "curse of oil"; greater emphasis on the importance of upholding human rights when operating in poorly governed countries; and more clarity about how the benefits of natural resources could be shared with host communities. This would raise awareness of where Shell stands on these crucial sustainability issues and increase the agenda-changing impact of the Report.

Human rights and stakeholder engagement

The Report offers evidence of Shell's commitment to uphold human rights and ensure that its operations have a positive local impact. Examples include undertaking social and human rights impact assessments and annual feedback on key social areas from each Country Chair. Shell's reported efforts extend to its suppliers, contractors and joint-venture partners around the world, ensuring that the company works to prevent the more frequently encountered human rights violations.

But we remain concerned at how the Report covers human rights and social issues, in particular:

- > The lesser coverage given to human rights and social concerns in comparison to other sustainable development issues.
- > The narrow selection of issues that focuses on traditional topics like discrimination, health and safety and child labour, while avoiding the complex challenges of wealth distribution in poorly-governed countries and operating in zones of conflict.
- > Shell's patchy engagement record with local stakeholders – the pattern demonstrates an insufficient ability to transfer learnings and best practice.

Case studies and location reports

Case studies and location reports add context on major projects and specific themes. While these cannot fully reflect the complexity of large projects, we believe that the accounts are honest and well balanced in their limited presentation.

We welcome the clear articulation in the Sakhalin and Nigeria cases studies that Shell will not compromise on ethical issues. We note positively that the Report records payments made to the Nigerian government in 2005 and that the total expected benefits to Russia are listed in the case of Sakhalin.

Tighter links between case studies and Shell's strategy and vision would help readers gain a better understanding. Furthermore, we believe that the Nigeria case study does not give readers the full sense of the complexity of the situation, nor does it adequately describe the current crisis on the ground and the severe security and technical challenges Shell faces. The Sakhalin case study refers to both mistakes made and corrective actions taken by Shell. An attempt to draw conclusions

from the causes of these mistakes could improve the reader's understanding of why problems on this project accumulated and were not anticipated.

Suggestions for improvements in future reporting

We suggest the following ways Shell might improve future Sustainability Reports:

- > In selecting subjects for inclusion in the Report, Shell prioritises issues which have the greatest impact on Shell and are highlighted by pressure groups. These measures may fail to take sufficiently into account impacts on wider society, that are not currently the subject of pressure group or media campaigns, but where the company has a substantial and sustained impact. We recommend that these be considered as key selection criteria in future Reports.
- > Shell is increasing the number of upstream projects. It is important for the company to comment on how the Shell Project Academy and biodiversity knowledge management system will contribute to the capture and transfer of project experience and skills. Emphasis should be on stakeholder dialogue and conflict-management skills.
- > Key performance indicators are presented in the data section of the Report. We believe they could be improved by inclusion of additional metrics, for example relating to pay discrepancies between nationals and non-nationals, the average number of hours worked annually, and the use of helplines to report breaches of Shell's General Business Principles.
- > The annual spend on researching and developing renewables would be more helpful than cumulative figures for the last five years.
- > Earlier appointment of the Report Review Committee would allow greater involvement in decisions affecting the contents of the Report.

Conclusion

We want to thank Shell for its commitment to reporting and its willingness to seek external review of the results. We are impressed by the Report's quality and the care with which it has been compiled. Our critical comments in no way diminish this. We are unanimous in encouraging Shell to make progress on this path.

The Hague, April 3, 2006

This year, we have further integrated our sustainability reporting into our Environment and Society website. We provide additional performance data and further details on many of the issues discussed in the Report.

> ENVIRONMENT AND SOCIETY HOME PAGE

FIND OUT MORE



www.shell.com/envandsociety

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[Data tables](#)

www.shell.com/datatables

List of abbreviations used in this report

Business processes

BAP	Biodiversity action plan
BIR	Business improvement review
HSE	Health, safety and environment
IA	Impact assessment

Emissions

CO ₂	Carbon dioxide
GHG	Greenhouse gas
VOC	Volatile organic compound

Energy

BTL	Biomass to Liquids
CIS	Copper indium diselenide (advanced solar technology)
GTL	Gas to Liquids
LNG	Liquefied natural gas

International organisations and initiatives

EBRD	European Bank for Reconstruction and Development
EITI	Extractive Industries Transparency Initiative
EU ETS	European Union Emissions Trading Scheme
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change
IUCN	World Conservation Union
MDGs	Millennium Development Goals
NDDC	Niger Delta Development Commission
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation

Measurement and reporting

CEI	Chemicals Energy Index
D&I	Diversity and inclusiveness
EII	Energy Intensity Index
FAR	Fatal accident rate
GRI	Global Reporting Initiative
KPI	Key performance indicator
TRCF	Total reportable case frequency

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate entities. In this report the expressions "Shell", "Group", "Shell Group" and references to Shell as a "company" are sometimes used for convenience where references are made to Group companies in general. Likewise, the words "we", "us" and "our" are also used to refer to Group companies in general or those who work for them. These expressions are also used where there is no purpose in identifying specific companies. Terms such as "Shell Trading", "Shell Hydrogen", "Shell WindEnergy" and "Shell Solar" refer to the various companies engaged in the trading, hydrogen, wind and solar businesses respectively.

Paper specification

The paper used throughout this report is made from 100% de-inked post-consumer waste and has Forest Stewardship certification. The manufacturers of the paper are accredited with both ISO 9002 Quality Assurance and ISO 14001 Environmental Management certifications.

Printers accreditation

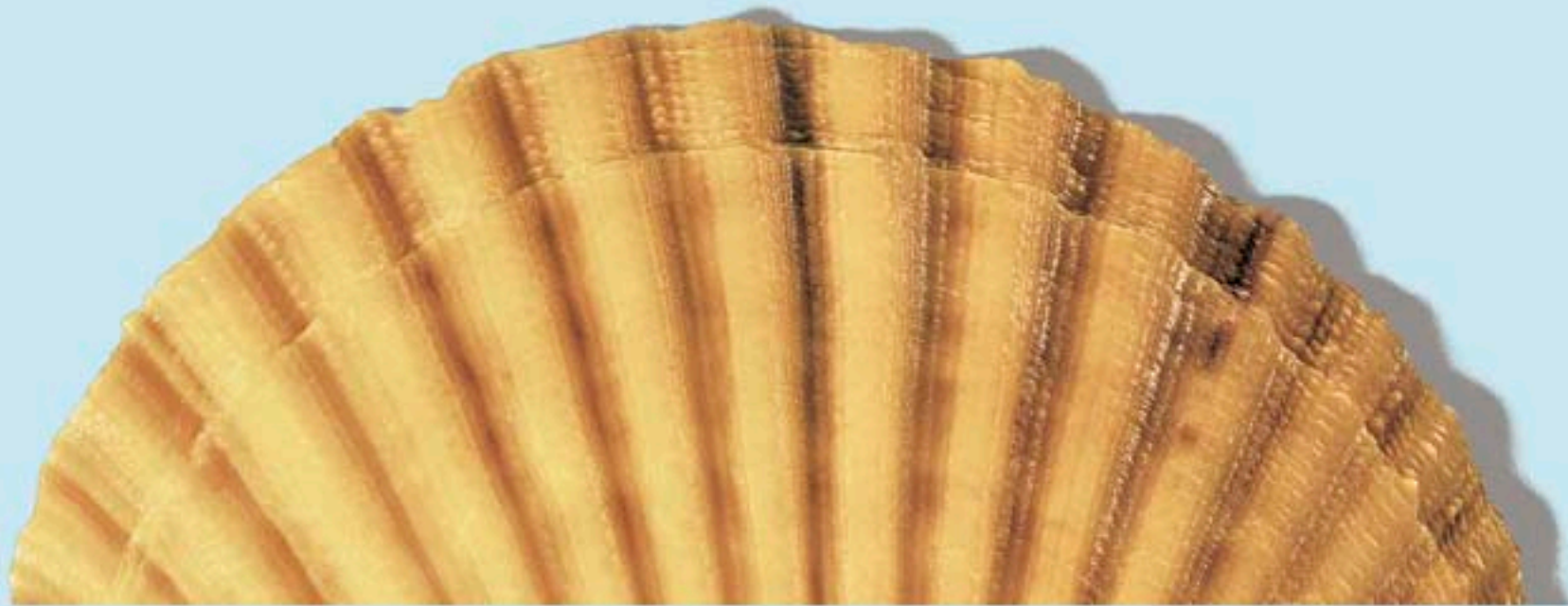
Taylor Bloxham have the following accreditations, Forest Stewardship Council (FSC), ISO 9001: 2000 Quality Management System and ISO 14001: 2004 Environmental Management System.



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Ringmaster® is the registered trademark of Automatrix plc.



PUBLICATION REQUESTS

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PUBLICATIONS

**Annual Report and Form 20-F
for the year ended December 31, 2005**

A comprehensive overview of the Group.

Available at www.shell.com/annualreport

**Annual Review and Summary Financial
Statements 2005**

A summarised overview of the Group and
the operational and financial performance
of the business.

Available at www.shell.com/annualreport

The above documents are available in
both English and Dutch from the address
listed on the left.

De bovenstaande documenten zijn zowel
in het Engels als in het Nederlands
verkrijgbaar bij het links vermelde adres.

Shell General Business Principles

Fundamental principles that govern how
each Shell company conducts its affairs.

Available at www.shell.com/sgbp

The Shell Sustainability Report 2005

Report on progress in contributing
to sustainable development.

Available at www.shell.com/envandsociety

AVAILABLE IN JUNE 2006

**Financial and Operational Information
2001 – 2005**

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

Available at www.shell.com/faoi

More information about the Group
is available at www.shell.com