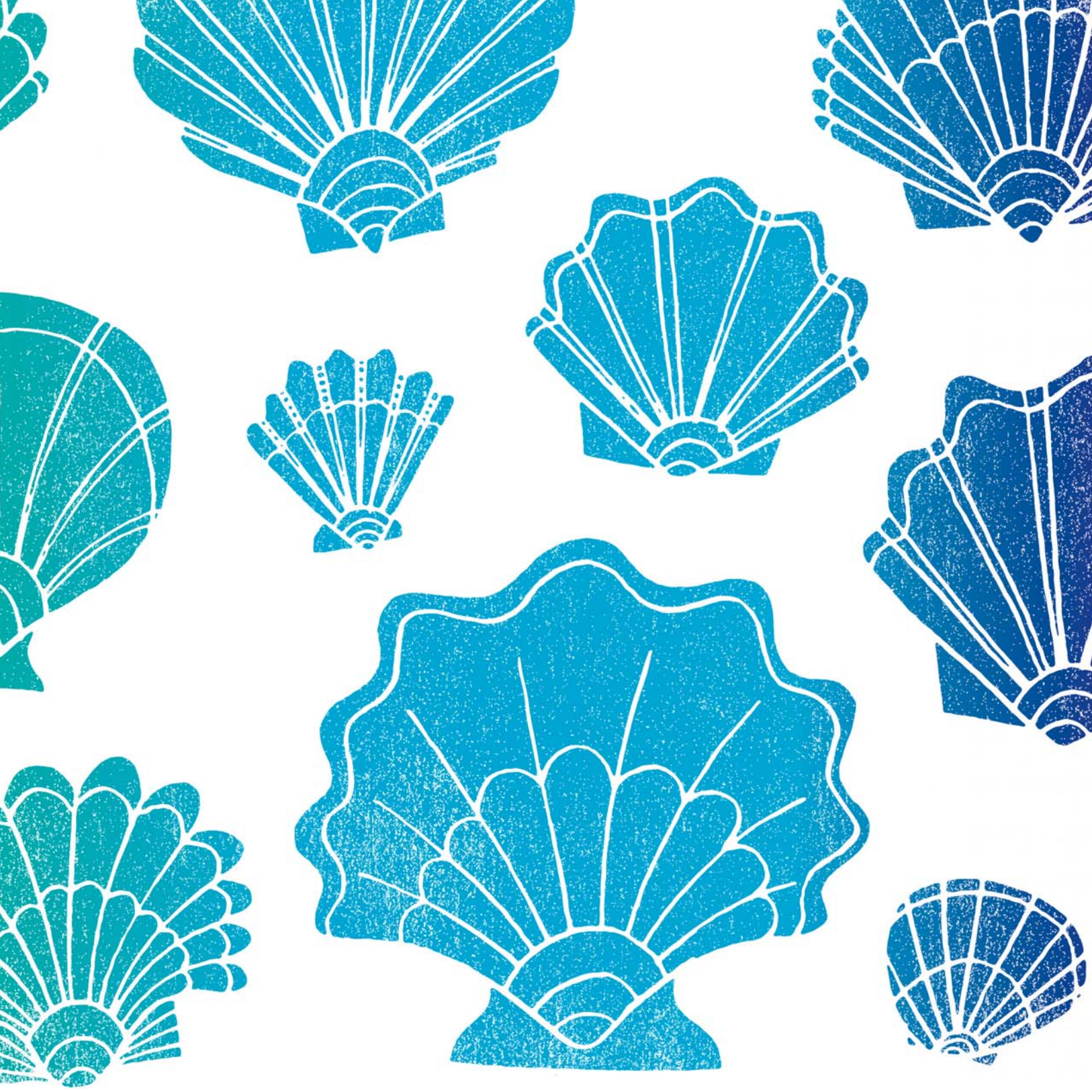


Responsible energy

The Shell Sustainability Report 2007

TOPICAL INDEX

ADDITIONAL WEB CONTENT
This report is supported on the Shell website with additional environmental, social and financial performance data and more detailed information on our approach to sustainable development and related issues. Web links on each page show where to find this information.

KEY PERFORMANCE INDICATORS
We have key performance indicators that were developed with our stakeholders. These enable us to track our performance, and help us better manage efforts across our operations for these key global environmental and social impacts. These are the same indicators we use internally when we assess our sustainable development performance in our Shell Scorecard.

DON'T JUST TAKE OUR WORD FOR IT
A committee of external experts has once again reviewed the balance, completeness and responsiveness of this report. The committee used the principles of the AA1000 Assurance Standard to reach their conclusions (pages 38–39).

GRI
We continue to use the Global Reporting Initiative's G3 guidelines. Information is available on www.shell.com/gri.

EXTERNAL RECOGNITION

FTSE4Good

Dow Jones Sustainability Indexes
Member 2007/08

CONTENTS

INTRODUCTION FROM THE CHIEF EXECUTIVE

Jeroen van der Veer
CHIEF EXECUTIVE

Welcome to The Shell Sustainability Report. It describes our efforts in 2007 to live up to our commitment to contribute to sustainable development. For us that means helping meet the world's growing energy needs in economically, environmentally and socially responsible ways. This includes both running our operations responsibly today and helping to build a responsible energy system for tomorrow.

This focus on responsible energy is more important than ever. Our latest Strategic Energy Scenarios make clear – and events in 2007 again confirmed – that the world faces increasingly difficult energy choices. Demand for energy grew strongly, increasing pressure on supplies and prices. Energy-producing countries continued to assert greater control over resources, reinforcing fears in many energy-consuming countries about the security of their supplies. Concerns rose further about the threat of climate change.

Against this backdrop, it is clear that sustainable development is critical to everyone's future and to our business success. Tomorrow's projects will be even more difficult, complex and capital-intensive. All will bring environmental and social challenges, with climate change foremost among them. Shell's ability to develop new technologies and to manage these projects in ways that reduce impacts and deliver local benefits in the communities where we work, will be vital to winning new business and delivering existing projects.

We are continuing from a position of strength. In 2007, we reported record income of $31.9 billion. We are reinvesting record amounts back into the business and strengthening our capacity to manage environmental and social impacts. Our safety performance – always our first priority – improved, though it must get better still. We decided to quadruple our rate of investment in transport biofuels, particularly in those using more sustainable second-generation technologies. Work continued to meet our aim of having the capability to capture and store carbon dioxide (CO_2) – a promising way to manage greenhouse gas (GHG) emissions.

We made good progress on our natural gas project in Corrib, Ireland and got approval for the expansion of the Motiva Port Arthur refinery in the USA. Our work on community relations remains vital to the success of both projects. With the purchase of the minority shares in Shell Canada we consolidated our position as a leader in the responsible development of oil sands – an increasingly important energy resource.

We continued our push to provide products that help our customers improve their fuel efficiency, demonstrating our determination to help consumers use less energy. Emissions of GHGs from our facilities continued to fall.

In 2007, we also had our share of disappointments. The security situation in Nigeria remained difficult. As a result, production stayed shut in and our programme to eliminate gas flaring from all our operations has been delayed. In Alaska, exploration activities were also delayed. I hope we will see progress in both these activities in the coming year.

I would like to thank the members of the report's External Review Committee for their valuable contribution. Their strong and insightful comments on early drafts of this report challenged our thinking. They encouraged us to be more open about our assumptions, and to explain why we are making the choices we are. This input was important in shaping the final text and helped us explain our efforts to encourage governments to build the international policy framework needed for change.

I hope this report – and the supporting materials that can be found on our website – will help you judge for yourself how well we are living up to our commitment to contribute to sustainable development. I also hope it encourages you to reflect on the part you play in the energy system and the changes all of us need to make to build a responsible energy future.

Jeroen van der Veer
CHIEF EXECUTIVE

SUSTAINABLE DEVELOPMENT IN SHELL

We first made our commitment to contribute to sustainable development a decade ago, including it in the Shell General Business Principles in 1997. Since then, its importance to us has grown further.

WHAT THESE WORDS MEAN FOR SHELL

For us, contributing to sustainable development means helping meet the world's growing energy needs in economically, environmentally and socially responsible ways. In short, helping secure a responsible energy future.

This is a commitment to finding and delivering energy products that help meet the rapidly growing need for affordable, convenient and cleaner energy. In the words of our latest Strategic Energy Scenarios, it is about using our technology, experience and skill to help build a "Blueprints" world (see pages 4–7), that delivers economic development, energy security and CO_2 reduction. Part of this commitment is about our products today. We are already producing 3% of the world's natural gas – the cleanest-burning fossil fuel (see page 12); offering advanced transport fuels and lubricants that help our customers reduce their local emissions and improve the fuel efficiency of vehicles; and delivering better bitumen and chemicals products (see pages 16–17). Another part is about investing now for the future: in being leaders in developing low-CO_2 second-generation biofuels; in building our capacity in carbon capture and storage (CCS) technology, and in working to drive down the costs of renewable power.

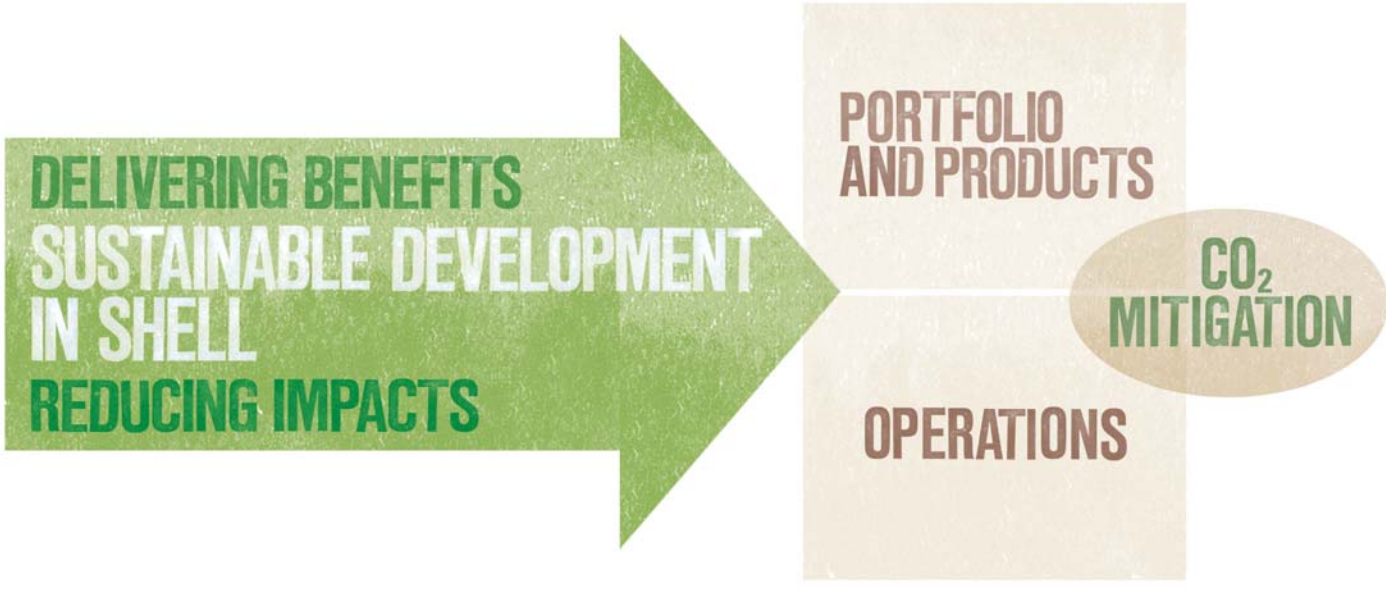
It is also a commitment to responsible operations: building our projects, running our facilities and managing our supply chain safely and in ways that reduce their negative environmental and social impacts and create positive benefits. It includes our work to employ local people and buy from local contractors and suppliers (see page 28). It is reflected in how we make safeguarding the health and safety of our employees and neighbours our first priority (see pages 22–23), and in our efforts to manage our emissions, including the GHGs from our activities, and our use of resources like energy and water. It is demonstrated by our efforts to reduce the environmental impacts of producing oil from unconventional sources like oil sands (see page 11).

A DIFFERENT MINDSET

Meeting this commitment requires us to consciously balance short- and long-term interests; integrate economic, environmental and social considerations into business decisions; and regularly engage with our many stakeholders. This mindset is also about being determined to tackle seemingly insurmountable environmental and social problems through creativity and perseverance.

THE BUSINESS CASE

We remain committed to contributing to sustainable development because it is aligned with our values. It makes us a more competitive and profitable company. It brings us closer to our customers, employees and neighbours, reduces our operating and financial risk, promotes efficiency improvements in our operations and creates profitable new business opportunities for the future.



ABOUT SHELL

Who we are and what we do

We are a global group of energy and petrochemicals companies, operating in more than 110 countries and employing approximately 104,000 people.

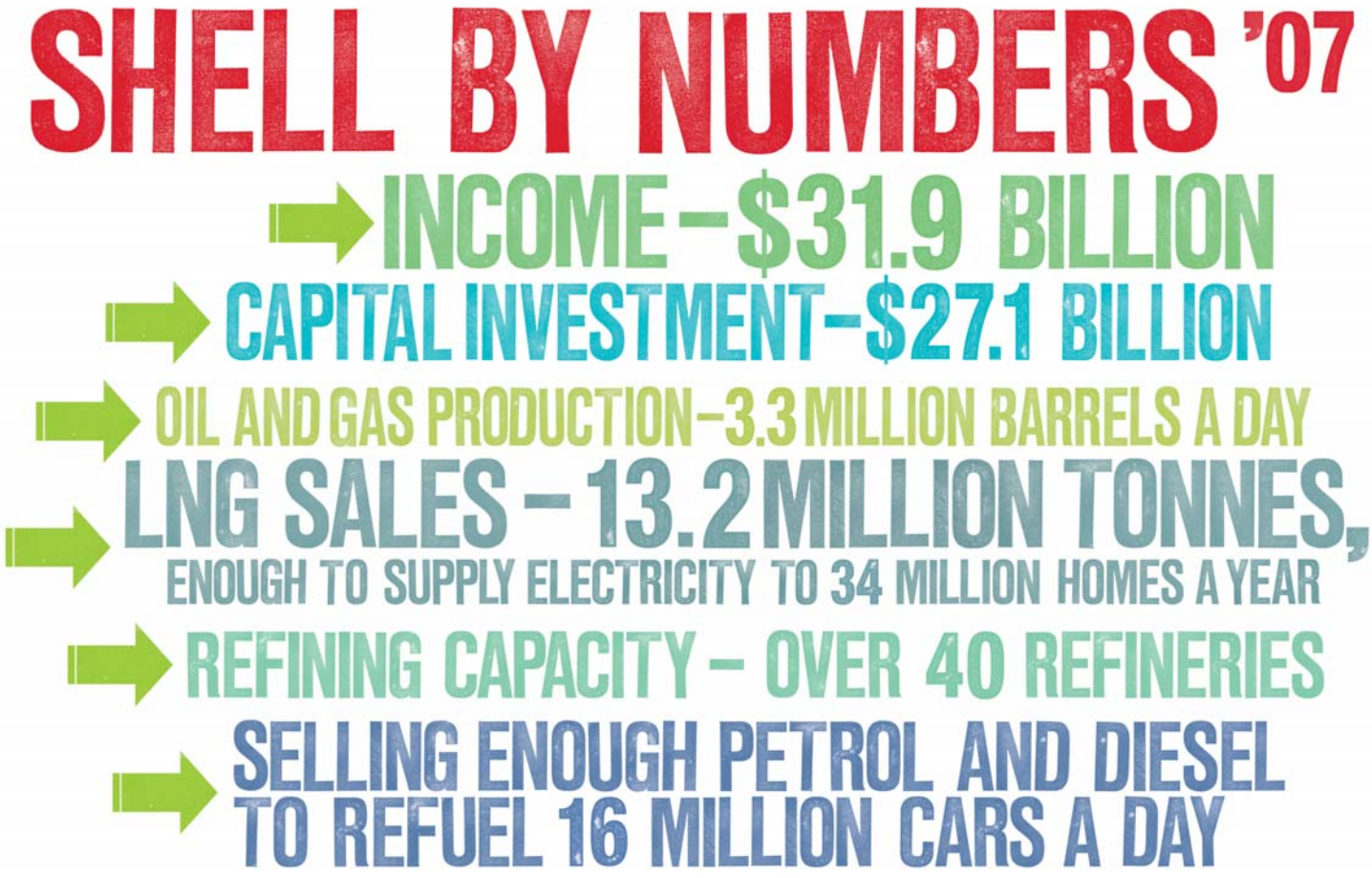
Our **Exploration & Production** business searches for and recovers oil and natural gas around the world. Many of these activities are carried out as joint venture partnerships, often with national oil companies.

Our **Gas & Power** business liquefies natural gas and transports it to customers across the world. Its gas to liquids (GTL) process turns natural gas into cleaner-burning synthetic fuel and other products. It develops wind power to generate electricity and invests in solar power technology. It also licenses our coal gasification technology, a cleaner way of turning coal into chemical feedstocks and energy.

Our **Oil Sands** business, the Athabasca Oil Sands Project, extracts bitumen from oil sands in Alberta, western Canada and converts it to synthetic crude oils.

Our **Oil Products** business makes, moves and sells a range of petroleum-based products around the world for domestic, industrial and transport use. Its Future Fuels and CO_2 business unit develops fuels such as biofuels and hydrogen and synthetic fuels made from natural gas (GTL Fuel) and potentially from biomass; and leads company-wide activities on CO_2 management. With 46,000 service stations, ours is the world's largest single-branded fuel retail network.

Our **Chemicals** business produces petrochemicals for industrial customers. They include the raw materials for plastics, coatings and detergents used in the manufacture of textiles, medical supplies and computers.



FUTURE ENERGY SYSTEM

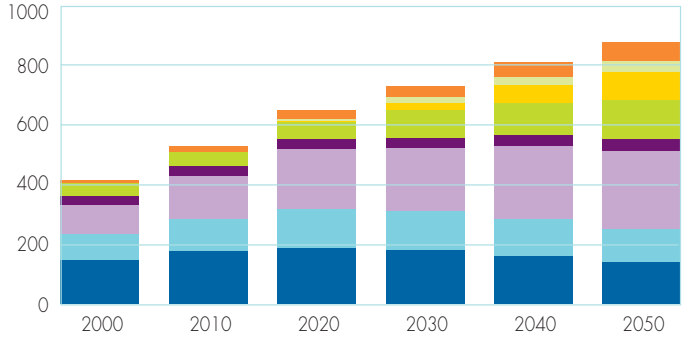
How the world's energy system changes over the next half century will matter a lot to all of us, and to our children and grandchildren even more. Shell is committed to playing its part in building a responsible energy future – in the words of our latest Strategic Energy Scenarios, a "Blueprints" world.

THE ENERGY CHALLENGE

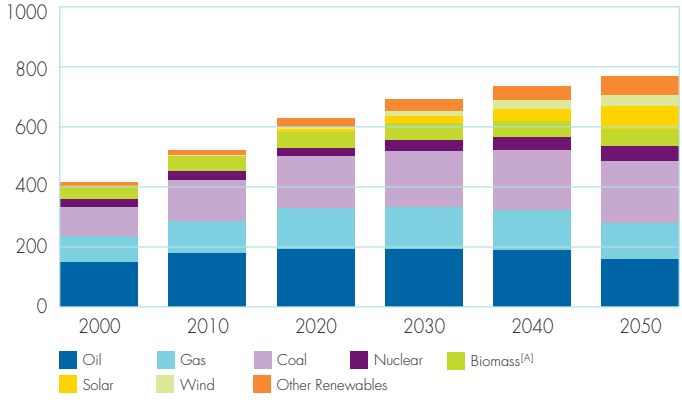
The world will need vast amounts of extra energy in the coming decades to support economic growth and reduce poverty. Countries' supplies will have to be kept safe from disruption. And this energy will need to be produced in environmentally and socially responsible ways, including dealing with GHG emissions. This is the energy challenge. Meeting it is fast becoming one of the defining tests facing society – and our industry – this century.

Three hard truths make this challenge tougher. First, demand for energy is growing rapidly as several large countries enter the most energy-intensive phase of economic development. Second, supplies of easily accessible oil and natural gas will probably no longer keep up with demand after 2015. To close the gap, the world will have no choice but to use energy more efficiently and increase its use of other sources of energy. This means more renewables like solar, wind and biofuels, more nuclear energy, more coal, and more oil and natural gas from difficult-to-reach locations or unconventional sources like oil sands. And third, that as a result, CO_2 emissions from energy, responsible for more than half of man-made GHG emissions, are set to rise, even as concerns about climate change grow.

SCRAMBLE – PRIMARY ENERGY BY SOURCE
exajoule per year



BLUEPRINTS – PRIMARY ENERGY BY SOURCE
exajoule per year



[A] Includes traditional sources such as wood, dung etc.

ADDITIONAL WEB CONTENT
• More on our Strategic Energy Scenarios

www.shell.com/scenarios

TWO FUTURE ENERGY SCENARIOS

So, how will the world respond to the challenge? Shell's Strategic Energy Scenarios describe two routes the energy system could take between now and 2050.

The **Scramble** scenario is a world of intense competition between individual countries, which rush to secure more energy for themselves. Political responses to the twin crises of the energy squeeze and climate change are often knee-jerk and severe, leading to price spikes, periods of economic slowdown and increasing turbulence.

Our **Blueprints** scenario is disorderly at first, as local initiatives result in a patchwork of different policies and approaches to deal with the challenges of economic development, energy security and climate change. These efforts become harmonised relatively quickly, as individual initiatives succeed and others adopt them more widely. A global policy framework – and with it a global cost of emitting CO_2 – emerges that spurs innovation, increases energy efficiency, limits the impact of rising energy demand and global warming, and helps maintain steady economic growth.

In both scenarios, energy use grows rapidly, though quicker in **Scramble**. No single energy source or technology can both meet demand and reduce CO_2 emissions. Instead more of everything is needed. Fossil fuels continue to provide more than half our global energy, though a far smaller share than the more than 80% of total energy supply that they represent today.

But there are important differences. In **Blueprints**, wind and solar power grow strongly after 2030. While coal use also rises steadily, by 2050, CO_2 from power plants is being captured and stored on a large scale. In the transport sector, less CO_2-intensive biofuels increase strongly, and after 2030 highly efficient electric cars reduce the demand for liquid fuels.

CLIMATE CHANGE

ADDITIONAL WEB CONTENT
- The carbon footprint of our products
- Managing GHG emissions from our operations
- Helping customers reduce their emissions
- Our work on CO_2 capture and storage
- Advocating policies to address climate change

www.shell.com/climate

Finding ways to manage GHG emissions is one of the most important long-term challenges facing society. The 2007 assessment by the United Nations Intergovernmental Panel on Climate Change, for example, confirmed, now with near certainty, that man-made climate change is happening. It also concluded that GHG emissions – from energy, agriculture and deforestation – need to peak within 10–20 years and then fall substantially to reduce the risk of dangerous climate change levels.

In **Scramble**, this does not happen. Government policies are too little, too late. There is no effective framework for managing GHGs. As a result, CO_2 and other GHG emissions rise steadily until around 2040. By 2050, GHG emissions are heading towards concentration levels in the atmosphere far above the levels that scientists indicate are safe.

In **Blueprints**, local and national governments introduce new standards, taxes and other policies to change behaviour, and improve both the energy efficiency and CO_2 performance of buildings, vehicles and transport fuels. Eventually, politicians agree harmonised policies. Emission trading systems gain international acceptance and spread, putting an internationally recognised price on GHG emissions that accelerates innovation. As a result, vehicle fuel efficiency jumps significantly. Electric cars make a breakthrough after 2030. And the use of CO_2 capture and storage at industrial sites takes off – something that proves essential for managing CO_2 emissions. By 2020, CO_2 emissions stop rising and then start to fall gradually. By 2050, GHG levels in "Blueprints" are on track to stabilise at levels in the atmosphere far lower than in "Scramble". But "Blueprints" also makes the scale of the climate change challenge clear. Even with these wide-ranging and rapid changes – and reductions in emissions of other GHGs like methane from agriculture – atmospheric concentrations of GHGs in a "Blueprints" world still stabilise at levels higher than the 450 parts per million that scientists are currently calling for.

BREAKING WITH TRADITION – WORKING FOR A BLUEPRINTS WORLD

We pioneered the use of scenarios over 30 years ago to help us understand, prepare for and succeed in a changing world. Scenarios are not predictions and do not start from specific goals for the future. Instead they describe plausible alternatives of how the world's energy system could develop over a number of decades. We have always used scenarios to test our business strategy – making sure it could succeed in both situations. We have never before expressed a preference for one over another. But this time it is different. The need to help manage climate risk for our investors and our descendants, and to live by our commitment to contribute to sustainable development, means we strongly prefer the approach described in "Blueprints" to the one laid out in a "Scramble" world. With its far reaching policy response and global costs for emitting GHGs, "Blueprints" results in significantly lower GHG emissions than "Scramble" and shows the direction that efforts to meet the energy challenge need to take. We also believe that, in the long term, "Blueprints" offers a better world for Shell to do business in. We are advocating the policies the "Blueprints" scenario describes and working on a number of the technology improvements needed.

Our effort is evolving, though as the rest of this report discusses, a number of the parts are already clear. One is a wide-ranging effort to help create the right conditions for change, including building support within industry for an effective policy framework for CO_2. That's because what policy makers do in the next five years will be critical to encouraging the innovation and massive investments needed (see page 7). Another is our push – as one of the world's largest suppliers of transport fuels – to develop more sustainable, low-CO_2 second-generation biofuels, and to help drivers use less by offering advanced fuels and lubricants (see page 14). A third part is building our capability in CO_2 capture and storage (CCS), developing the expertise and coalitions needed to move this critical technology from a demonstration phase to large-scale deployment within a decade. A fourth is helping to provide lower emission electricity by continuing to invest in producing cleaner-burning natural gas and working to reduce the cost of energy from renewable sources so they can compete. And a fifth is finding environmentally and socially responsible ways to produce the oil and gas the world needs from remote locations like the Arctic, and unconventional sources like oil sands.

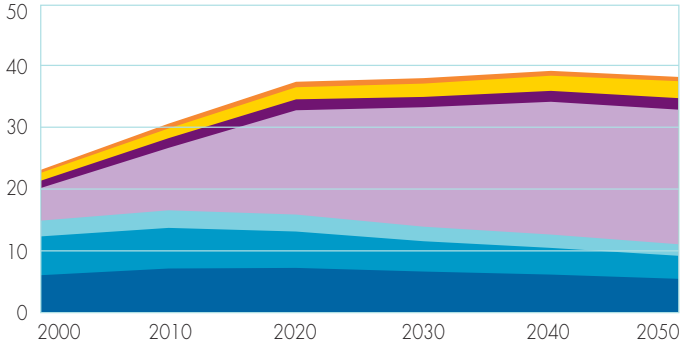
RADICAL TRANSFORMATION AND VOLUNTARY COMPANY TARGETS

In 1998, we set ourselves voluntary targets for making absolute reductions in our operational GHG emissions. We met our first one in 2002 and continue working towards our second – keeping GHG emissions from our operations at least 5% below 1990 levels by 2010. The targets helped us focus our efforts and showed commitment at a time when government policies were scarce and few oil and gas companies had accepted the need for action. But the world has moved on and so has the scale of the climate change challenge. Today, we are the only major oil and gas company still to have a target to reduce its total GHG emissions. But we don't believe relying on voluntary caps by individual companies is the best way to tackle climate change. So instead, to get all companies and all sectors to act, we are encouraging government regulations that reward lower CO_2 sources of energy and greater energy efficiency. We are also moving to targets for individual facilities to help our operations improve their energy efficiency and manage CO_2. The ambition for most assets will be to have CO_2 emission levels that are in the top 25% of similar facilities. Achieving this will involve a combination of greater energy efficiency and further progress on CCS.

BIOFUELS RESEARCH AT SHELL'S AMSTERDAM LABORATORY

BLUEPRINTS ADVOCACY

SCRAMBLE – DIRECT CO_2 EMISSIONS FROM ENERGY
gigatonne CO_2 per year



BLUEPRINTS – DIRECT CO_2 EMISSIONS FROM ENERGY
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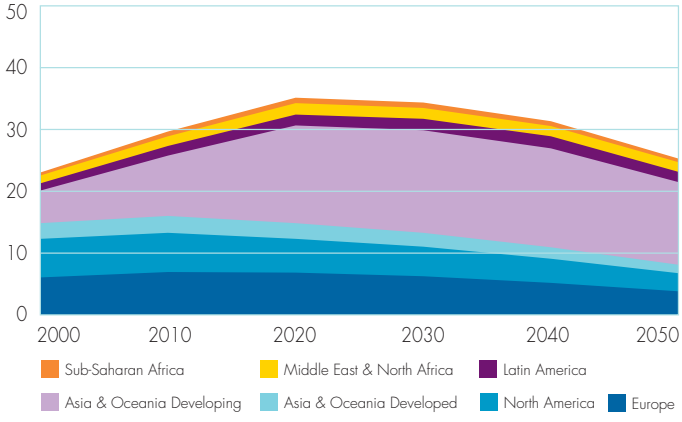


EGMOND AAN ZEE OFFSHORE WIND FARM, THE NETHERLANDS

Because the changes needed in the energy system are so big – and policy is so important to achieving them – we have stepped up our advocacy efforts with governments. Advocacy for some may suggest companies blocking change or advancing their own narrow interests. But we are calling *for* change, lending our expertise and working co-operatively with governments, companies and other partners in society.

We are sharing our technical knowledge, experience and understanding of the energy system directly with policy makers. For example, we are presenting our Strategic Energy Scenarios to governments and international institutions, to help them understand the challenges, trade-offs and urgency involved in building a responsible energy future. We are also helping to build the coalitions of companies, governments and non-governmental organisations (NGOs) needed to create support for effective policy. For example, we are part of the US Climate Action Partnership. We are on the Steering Board of the G8's Gleneagles Dialogue on Climate Change and we participate in the UK's Low Carbon Vehicle Partnership.

INTERNATIONAL CO_2 PRICES AND A SECTOR-BY-SECTOR APPROACH

So what are we advocating? An international policy framework for CO_2 management that will put a price on emitting CO_2; will encourage the technology and investments needed to increase energy efficiency and lower the CO_2 intensity of energy supplies; and will not distort international competition. The Bali Declaration in late 2007 established a roadmap that, if followed, could bring such a framework about. With its broad agreement about the need to act, attention must now focus on details. We are calling for different instruments for different sectors: emissions trading systems for heavy industry and the power sector, combined with incentives for the rapid demonstration and deployment of CO_2 capture and storage (CCS) and simple, stable targets for renewable energy. Transport – with its hundreds of millions of small emitters – will need stringent vehicle efficiency targets and incentives for fuels with lower wells-to-wheels emissions of CO_2. Measures to manage congestion and road use will also be needed. Tough energy efficiency standards will be most effective for buildings and appliances.

CO_2 CAPTURE AND STORAGE

CCS technology will need to play a big role in reducing emissions from the power sector and industry. We are part of a broad-based coalition – the European Technology Platform for Zero Emission Fossil Fuel Power Plants (ZEP) – that is spearheading efforts to develop this promising technology. The aim is to speed up the roll-out of demonstration projects, so that CCS will be in commercial use by 2020. ZEP brings together the European Commission, European industry, NGOs, scientists and environmentalists. Thanks partly to ZEP efforts, the European Union has recently launched a flagship programme to build 10–12 demonstration power plants with CCS by 2015. There is no time to lose. Every year's delay in the large-scale roll-out of CCS adds more than 1 part per million to long-term global levels of CO_2 in the atmosphere.

SUSTAINABLE DEVELOPMENT AND OUR BUSINESS STRATEGY

Aron Cramer, President and CEO of Business for Social Responsibility, interviews Shell Chief Executive Jeroen van der Veer about Shell's business strategy and its role in securing a responsible energy future.

Shell's latest Strategic Energy Scenarios show that climate change is an urgent challenge. Is the world moving fast enough to address it?
The scenarios show it will be tough but that much can be done to manage GHG emissions – if the world takes co-ordinated, large-scale action soon. December 2007's Bali Declaration demonstrated that the USA, China and India are willing to play an active part in the existing process for setting an international policy framework for addressing climate change. Now concrete plans are needed. At least the world realises it is a problem. I no longer hear governments saying 'Let's study it for five more years and not do anything.'

So what would you most like governments to do?
I want them to read our 'Scramble' scenario. If they don't like it – which they won't – then they should read our 'Blueprints' scenario and act. No one country or sector can do it alone. We all have an important role to play, but at this stage, government action is most critical. They should set international policies to lower all GHG emissions, including CO_2, without distorting competition. For this, we need to have a price for emitting CO_2 and realistic credible targets covering emission reductions, renewable energy use and energy efficiency measures.

What is Shell doing to accelerate the transformation you describe?
We are continuously improving energy efficiency in our operations and we are developing technologies to reduce CO_2 emissions. These are two of our most important contributions. That is why we are stepping up our research and development efforts into second-generation biofuels, fuels and lubricants that improve fuel efficiency, and CO_2 capture and storage (CCS). CCS is still in the early stages of development and there are practical hurdles to overcome, so more demonstration projects are urgently needed. If governments and industry move fast, we could start seeing a material amount of CO_2 being captured and stored by around 2020.

Advocacy is another important part of our contribution. We are calling openly for bold changes to the energy system, not just waiting to see what happens. I'm writing more newspaper editorials on energy policy than ever before – a sign of the urgency I attach to this. I'm using our new scenarios with government leaders around the world to underline the need for action. And I spend a great deal of time building coalitions for change and working with groups that help advise governments on policy, like the World Business Council for Sustainable Development and the European Round Table of industrial leaders.

How do you reconcile the need for emission reductions with Shell's business strategy, which includes a heavier reliance on more CO_2-intensive resources like oil sands?
We believe unconventional oil and gas, like oil sands, will be needed to keep energy supplies secure and we are committed to finding responsible ways to develop them. Both our scenarios indicate that a supply crunch for conventional sources could appear around 2015. Greater efficiency, biofuels and other renewables will help, but won't be enough on their own.

Frankly, energy security and CO_2 are so important that I don't think the market will be left to decide. Governments will reassert control over the energy mix in the coming years to influence how much nuclear energy, coal, oil and gas will be used; how people will improve efforts to conserve energy; whether CCS is used widely to reduce emissions; what role oil sands should play, and so on.

ADDITIONAL WEB CONTENT
• Our latest strategy update
• Our major projects

www.shell.com/strategy

Shell has targets to reduce CO_2 emissions until 2010 but not beyond. Why?
Because voluntary targets by a handful of companies just won't work. Government policies are needed to reduce emissions across the entire economy without distorting competition. After 2010 we will take a different, and I believe more effective, approach to targets by focusing on individual operations. We want most of our assets to rank among the top 25% of performers on CO_2 emissions compared to similar oil and gas facilities run by other energy companies. That is a clear, sensible and effective benchmark to aim for.

By aiming to be in the top quarter, couldn't you win a race that sends us, collectively, in the wrong direction?
Asset level targets are only one part of the story. They help us improve our operational performance. The larger, portfolio questions – about which types of energy to invest in and how much – will be shaped by the policy frameworks we have been talking about.

Talking about portfolio choices, has your perspective on investment in renewable energy changed with the advent of $100 oil?
High oil prices create an umbrella for developing renewables. We have increased our spending on transport biofuels – particularly second-generation ones that don't compete with food for land and water resources. It plays to our strengths as a company with 100 years' experience in providing high quality transport fuels. With better biofuels, everyone is still in the discovery and development phase – where brains count the most. We are working to move on to deployment. We think we can build a sustainably-sourced, commercial-scale biofuels business, that can eventually operate without subsidies.

Operating conditions in Nigeria remained very difficult in 2007. Do you see any light at the end of the tunnel?
I have enormous respect for our people there, who are working under exceptionally difficult conditions. Our offshore operations performed well last year and the production capacity of our liquefied natural gas joint venture expanded. However, onshore, in the Niger Delta, the security situation and funding challenges clearly remain serious. Limited access to our facilities meant almost half a million barrels of oil and gas remained out of production and it was impossible to make much progress on our programme to end continuous flaring. So, do I see any light? We are in discussions with government and others about security. Our first priority remains keeping our people safe. I am also hopeful about our discussions with the government to establish new ways of funding oil and gas activities.

With growing competition for resources and the rise of national oil companies, is Shell's commitment to sustainability a competitive advantage or disadvantage?
It's absolutely an advantage. Sustainable development is an even bigger entry ticket than in the past. I'm convinced that acting responsibly is the key to the door to do the more difficult projects that companies like Shell are naturally driven to. For me it is obvious that sustainable development issues like CO_2 are good entrepreneurial opportunities for our firm, not threats to be feared. And I see it as an important part of my role as a leader to remind Shell people of the business opportunities to be gained from providing responsible energy, that it can be a genuine source of differentiation from our competitors.

Are you content with Shell's sustainability performance in 2007? And what do you plan to do differently in 2008?
I'm never content. It isn't my job. Or my nature. I am encouraged to see our safety performance improve in 2007, but more effort is needed until we eliminate all incidents and fatalities. I think our sustainability performance overall continued to improve. I realise you can't judge progress on the overall sustainability agenda in a single year but you can set milestones. So, I hope that in the coming year we will be actively involved in at least one CCS project – not just studying its feasibility but actually starting to develop it. I also hope that by the end of 2008, the messages of our 'Blueprints' scenario will have been widely taken on board.

"I'm convinced that acting responsibly is the key to the door to do the more difficult projects that companies like Shell are naturally driven to."
Jeroen van der Veer

TOWARDS A RESPONSIBLE ENERGY FUTURE

CLEANER FUEL FOR POWER P12

DIFFICULT OIL P11

SUSTAINABLE TRANSPORT P14

WINNING BUSINESS WITH CLEANER PRODUCTS P16

DIFFICULT OIL

ADDITIONAL WEB CONTENT
- Breakthroughs in deep-water technology
- Our main deep-water projects
- Searching for oil and natural gas in the Arctic
- Responsibly developing Canada's oil sands

www.shell.com/projects

In both our scenarios, harder-to-extract oil – from the deep ocean, remote areas such as the Arctic, and from oil sands – is needed to fill the supply gap that opens up around 2015. Using our technology and skills to help deliver this difficult or frontier oil, and doing it in environmentally responsible ways, is central to our business strategy.

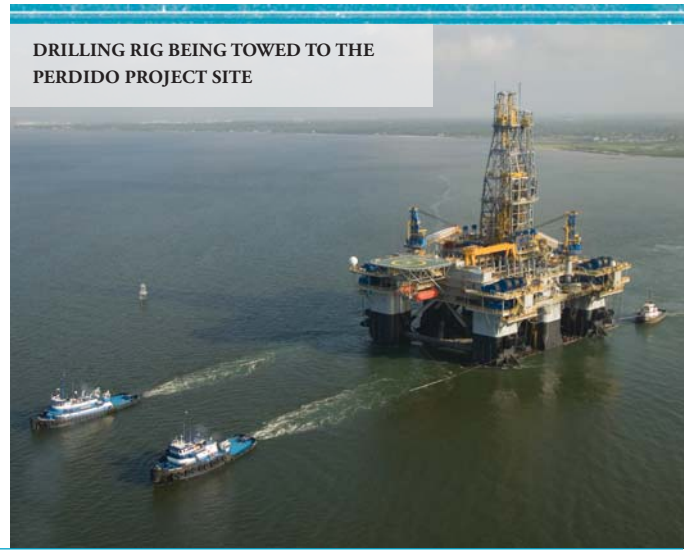
DEEP WATER

Our technology is helping to unlock reserves of oil and gas in water up to 3,000 metres deep, overcoming the challenges of extreme pressures and freezing temperatures. Shell pioneered deep-water production in the 1970s and we are determined to remain a technology and commercial leader. In 2007, we began work on two large new offshore oil projects: BC-10, off the coast of Brazil and the Perdido hub in the US Gulf of Mexico, which will be the deepest production platform in the world. We also decided to develop the Gumusut-Kakap field off the coast of Malaysia.

ARCTIC

Our technology and experience is also helping us to operate responsibly in the Arctic and sub-Arctic regions of Alaska, Canada, Norway and Russia where conditions can be extreme, the environment fragile and the traditional way of life of local communities needs to be respected.

We are producing oil at Salym in Western Siberia with joint-venture partner Sibir Energy. Construction of the world's largest integrated oil and gas project on Russia's Sakhalin Island is nearing completion (see page 33). In early 2008, we were the highest bidder for 275 exploration leases in the Chukchi Sea off the coast of Alaska. We hope to resume exploring in Alaska's Beaufort Sea before the end of 2008 (see page 21).



DRILLING RIG BEING TOWED TO THE PERDIDO PROJECT SITE

OIL SANDS

Oil sands are a mixture of heavy oil and sand. If near the surface, they are dug up in open-pit mines and the oil separated out using warm water. If deeper underground, the oil is made to flow to the surface through conventional wells, often by heating the mixture "in situ" to make it flow.

Canada's oil sands are thought to be the world's second-largest source of oil after Saudi Arabia's. Extracting and refining them into transport fuel requires a lot of water and more energy than conventional oil. That means more CO_2 emissions on a life-cycle basis for minable sands and more still for in-situ production.

The Athabasca Oil Sands Project (Shell share 60%) is our first minable oil sands operation. The capacity of the current operation is 155,000 barrels of oil a day, with construction under way to expand by another 100,000 barrels a day.

The current operation's advanced design has reduced the amount of energy used during processing compared with other oil sands operations. And the operation has a greenhouse gas management plan developed with the help of Shell Canada's independent Climate Change Advisory Panel that includes an aggressive voluntary target to reduce CO_2 emissions by 50% by 2010. While the panel was disbanded with the full integration of Shell Canada's operations into our global business in 2007, its extensive input will continue to underpin the operation's work to meet its 2010 target. For example, Quest, a large-scale CO_2 capture and storage project is under consideration. It would store more than 1 million tonnes of CO_2 per year from Athabasca's Scotford Upgrader. In early 2008, a critical assessment of the sustainability of oil sands projects by the Pembina Institute and WWF, acknowledged the environmental leadership of our current operation.

We also have a number of small in-situ oil sands operations in Canada's Cold Lake and Peace River areas, and are considering expanding several of these.

ADDITIONAL WEB CONTENT
- Leadership in LNG
- Shell's coal gasification technology
- Shell in wind and solar power

www.shell.com/energyfuture

In both our scenarios, by 2050 the world will be using at least three times more electricity than today. Our strategy is not to become a big power producer or to enter the coal business. But it *is* to provide more natural gas, to promote coal gasification technology and CO_2 capture and storage (CCS), and to work to drive down the costs of renewable power.

CLEAN-BURNING NATURAL GAS

Natural gas is the cleanest-burning fossil fuel. On average, it emits half the CO_2 and significantly less local pollution for each unit of electricity produced than modern coal-burning power plants. Shell produces around 3% of the world's natural gas. Roughly 40% of our total production is gas – either as pipeline gas or liquefied natural gas (LNG) (see page 13). Investing in gas production is an important part of our strategy. Our new natural gas developments are in increasingly tough geological conditions – like the gas field in Pinedale, USA, where a thousand tightly-spaced wells must be drilled to reach the gas trapped in tiny pores of rock, or the Changbei tight gas project in China. Our natural gas projects are also increasingly in frontier locations. In December 2007, we took operational control of the newly-opened Ormen Lange gas field, lying nearly 3,000 metres beneath a rugged seabed in water depths of up to 1,100 metres off the Norwegian coast. The project boasts the world's longest underwater pipeline and will eventually provide enough gas to meet 20% of the UK's needs.

CO_2 CAPTURE AND STORAGE

In the "Blueprints" scenario, CO_2 is captured and stored at 90% of all coal- and gas-fired power plants in developed countries by 2050, and at least 50% of plants in developing countries. Today, none use CCS because it adds extra costs, uses more energy, and because permit requirements and liability for the CO_2 are not yet clear. So the challenge is enormous. We are determined to help by building our CCS capabilities, in part because we believe CCS will also be important for managing CO_2 emissions from our refineries, chemicals plants, and oil and gas production facilities. It is an area where, with our engineering skills and knowledge of underground geology, we hope to make a big contribution to managing CO_2.

We are encouraging governments to move fast to create the incentives and regulations needed to get CCS demonstration plants up and running so that the technology can be ready for large-scale roll-out around 2020 (see page 7). We are already involved in a number of demonstration projects, like the ZeroGen power project in Australia (see page 13).

Not all of these will be built, but they provide important learning opportunities. For example, in 2007, Shell and its partners completed feasibility studies on the Halten project to capture CO_2 from a gas-fired power station onshore and use it to enhance oil recovery at the Draugen field, off the coast of Norway. The study concluded that although CO_2 reductions were technically possible, the project did not produce enough extra oil to justify the additional investment. It has however provided valuable knowledge and experience that will be useful in future projects. Shell is also considering plans for a large scale CCS project at Athabasca's Scotford Upgrader in Canada and we continue to explore CO_2 management opportunities in the Middle East with Mitsubishi Heavy Industries.

Shell scientists have also developed proprietary coal gasification technology that makes capturing the CO_2 from coal-fired power plants cheaper and less energy intensive. The Shell process also lowers air pollution and water use. The technology turns virtually any coal – even the dirtiest grades – into a clean-burning synthetic gas, which can be used as fuel for power generation. It also creates a concentrated, high-pressure stream of CO_2 that is well suited for capture and underground storage. As a result, combining CO_2 storage with coal gasification is nearly 30% more energy efficient than doing the same with the most modern (supercritical) type of coal-fired plant. That means significantly lower CO_2 emissions. To date, 21 plants using Shell's gasification technology have been (or are being) built, mainly in China but also in the Netherlands, the UK, the USA and Vietnam – to make fertilizer, feedstock for chemicals or fuel for power generation.

RENEWABLE ELECTRICITY

In both our scenarios, wind and solar power grow dramatically once experience and further technical breakthroughs reduce costs. In 2007, we continued our work to help make these breakthroughs possible. Our solar power activities are focused on advancing our proprietary thin-film solar technology. With our joint venture partner, glassmaker Saint-Gobain, we are building a 20-megawatt (MW) thin-film solar plant in Germany. The Showa Shell joint venture (Shell share 35%) is operating a 20 MW thin-film plant in Miyazaki, Japan and building a second thin-film factory with a capacity of 60 MW.

Shell is also a major wind power developer, participating in projects with a capacity of over 1,100 MW (Shell share, approximately 550 MW), enough to power more than half a million homes. This includes the launch of the Mount Storm wind project in the USA (see page 13) which the joint venture expects to bring into full operation during 2008.

In 2007, we moved our wind and solar activities from a separate Shell Renewables organisation into our Gas & Power division so that they can benefit from the expertise and market knowledge of one of our mainstream businesses. The remaining part of Shell Renewables – Shell Hydrogen – became part of our Future Fuels and CO_2 business unit in our downstream organisation.

LNG LEADER

Cooling natural gas into liquefied natural gas (LNG) shrinks it to 1/600th of its original size, so it can be transported long distances by ship. As a result, customers get a wider choice of natural gas suppliers. We're a global leader in LNG, holding the largest share of LNG capacity of any international oil company. And by 2010 we aim to have almost doubled our capacity since 2004. In 2007, our joint venture in Nigeria expanded its capacity. Our North West Shelf venture in Australia is also expanding and the construction of Russia's first LNG plant on Sakhalin Island is nearing completion. Together, these additions will add almost 10% to the world's current LNG capacity. Work is also well under way on the Qatargas 4 LNG facility in Qatar. When complete, it will deliver enough natural gas annually to supply around 20 million homes.

ZEROGEN

The Queensland State Government in Australia is working on what could be the world's first project to demonstrate the environmental benefits of combining coal gasification technology with CCS to produce power. We have agreed to provide the gasification technology and are studying where and how much CO_2 could be stored underground. If it proceeds, the project is expected to capture and store approximately 75% of the plant's CO_2 emissions – 420,000 tonnes annually.

MOUNT STORM

In January 2008, we began start up of the 164 MW NedPower Mount Storm wind project in West Virginia, USA (Shell share 82 MW), which is being developed by Shell WindEnergy and US company Dominion. Construction has already begun to expand capacity at Mount Storm by an additional 100 MW (Shell share 50 MW). Once complete, the venture will produce enough power for nearly 80,000 American homes.

SUSTAINABLE TRANSPORT

As one of the largest providers of transport fuels, we are committed to: helping drivers use less energy and reduce emissions with advanced fuels and lubricants; leading the search for better biofuels; and promoting government policies to reduce CO_2 emissions from transport.

Demand for mobility grows strongly in both our scenarios. People will travel more than twice as much by 2050 and there will be over two billion vehicles on the roads, up from 900 million today. Even in a "Blueprints" world, liquid fuels, including more biofuels, provide the bulk of transport needs in 2050.

LESS LOCAL POLLUTION

Cutting smog and pollution from vehicles, particularly in the fast-growing mega-cities of the developing world, will become an even more urgent challenge. Stringent regulations on local emissions, combined with new engine and fuel technologies, are vital. In the European Union, for example, this combination has helped reduce local vehicle pollutants by more than half since the early 1990s.

We have removed the lead from all our petrol and were one of the first companies to produce "zero" sulphur diesel on a commercial scale. We are continuing to reduce sulphur levels in other fuels and see great promise for Shell's gas to liquids (GTL) Fuel, made from natural gas. Colourless, odourless and virtually sulphur-free, it is the most cost-effective alternative fuel for reducing local air emissions, according to an independent study conducted for the city of Shanghai. A recent trial, using neat Shell GTL Fuel in four public buses in Shanghai, found it significantly reduced harmful emissions like particulates and nitrogen oxides compared to conventional diesel.

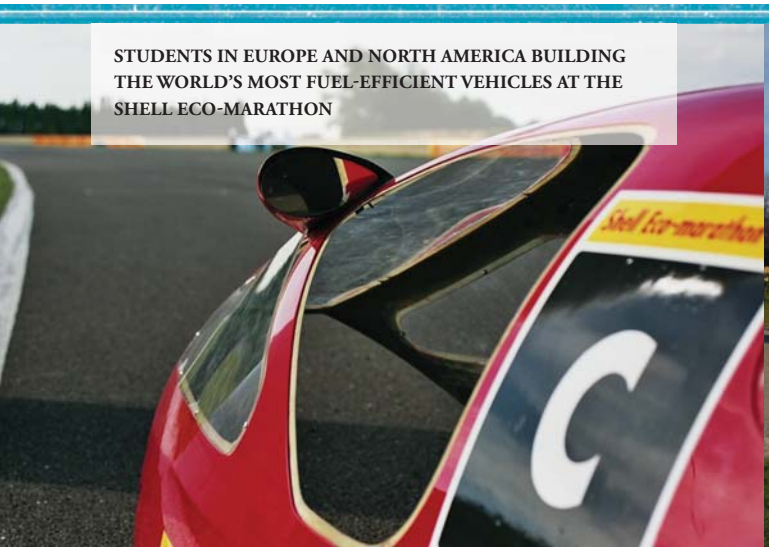
Shell has pioneered GTL Fuel and lubricants and is building the world's largest GTL plant, Pearl GTL, in Qatar. When completed around the turn of the decade, it will produce enough fuel to fill over 160,000 cars a day and enough oil each year to make lubricants for more than 225 million cars.

SHELL FUEL ECONOMY FORMULA – GOING FURTHER, USING LESS

We are serious about helping customers improve their fuel efficiency. Shell's Fuel Economy formula fuels contain blends of advanced additives and cleaning agents that can help improve drivers' fuel efficiency by reducing energy loss in engines. In 2007, we increased the availability of Fuel Economy formula fuels, which are available in main grade Shell petrol in 18 countries and main grade Shell diesel in six of these. In eight countries, we also launched the Shell FuelSave Challenge, a publicity campaign for motorists and training programme for professional drivers. The aim is to help drivers improve their fuel economy by adapting fuel-saving driving habits and by using Shell's Fuel Economy products. In trials conducted in 2007, nearly half the drivers taking part in the Challenge raised their fuel economy by more than 5%. More than a quarter improved by over 10%.

TACKLING CO_2 EMISSIONS FROM TRANSPORT

Vehicles already cause a quarter of the world's CO_2 emissions. So reducing CO_2 from transport will be an urgent challenge. More efficient vehicles and advanced fuels and lubricants that improve fuel economy will be needed. So will a lot more, and better, biofuels. To get there, technology and regulation will have to work together.



STUDENTS IN EUROPE AND NORTH AMERICA BUILDING THE WORLD'S MOST FUEL-EFFICIENT VEHICLES AT THE SHELL ECO-MARATHON

ADDITIONAL WEB CONTENT
- Cleaner transport fuels today
- Sustainably sourcing biofuels
- Investing in tomorrow's better biofuels
- Working towards a hydrogen future

www.shell.com/energyfuture

GOVERNMENT POLICY FOR A LOW CO_2 TRANSPORT SECTOR

Getting government transport policies right is essential. In addition to tightening fuel efficiency standards for vehicles, and stimulating the use of public transport and car-pooling, policies to encourage fuels with the potential to reduce CO_2 emissions are also needed. We are building support for these policies – for example, through the European Petroleum Industry Association and the UK's Low Carbon Vehicle Partnership. The idea is to compare all fuels on a common well-to-wheels basis (which assesses how much CO_2 is emitted when making, transporting and using them) and reward those that have a lower CO_2 impact.

BIOFUELS

Being leaders in the development of more sustainable, second-generation biofuels is part of our strategy and reflects our determination to build a material commercial business in at least one alternative energy technology.

Not all biofuels are created equal

Today's first-generation biofuels are made from crops: ethanol from sugar cane, corn or wheat, and diesel from oily plants like rapeseed, palm and soya. Their CO_2 benefits vary widely, depending on which crop is used and how they are produced. Producing large amounts of them could lead to competition for agricultural land and water. In some cases, their production is already contributing to the destruction of rainforests. Concerns also exist over workers' rights and conditions at sugar and palm oil plantations.

Second-generation biofuels are made from non-food organic material, such as straw, wood residue and algae, and use different conversion technologies. They look promising. For example, at two second-generation demonstration plants where we are partners, CO_2 emissions are around 90% less on a life-cycle basis than for conventional diesel or petrol. These fuels do not compete with food production for agricultural land. But another five to ten years of research and demonstration work is needed before they will be commercially available in significant amounts.

In the meantime, governments in a number of countries are already encouraging the production of biofuels with mandates and incentives. Second-generation biofuels will not be available in time to meet these requirements. So, although we do not currently make first-generation biofuels, in fulfilling our obligations we have become the world's largest distributor of them.

More sustainable sourcing

As a major biofuel buyer, we are working to improve the sustainability of current first-generation production. We are collaborating with producers, governments and non-governmental organisations like the Round Table for Sustainable Palm Oil, to raise awareness and develop industry-wide sustainability standards for biofuel production. For the fuels we buy, we are including clauses in our supplier contracts requiring that their production not be linked to human rights abuses or recent clearing of important natural habitats. If producers cannot meet our requirements immediately, we expect them to work with us to develop a more sustainable supply chain. If they fail to improve, we will terminate the contract. To manage these efforts and check that suppliers comply, we have appointed a dedicated biofuel sustainability officer and team.

BIOFUEL RESEARCH AT SHELL'S AMSTERDAM LABORATORY

BUILDING A BETTER BIOFUEL

We see leadership in second-generation biofuels as strategically important. We are quadrupling our rate of investment in this area. We have specialists in India, the Netherlands, the UK and the USA working on research. Shell is a partner with a Canadian company, Iogen, using enzymes to make ethanol from straw. Iogen and its partners have operated a demonstration plant since 2004 and are now assessing the design and feasibility of a full-scale commercial plant. We are also partners with German firm CHOREN to produce fuel from wood residue. The world's first commercial demonstration plant for this technology is due to open in 2008. In 2007, we teamed up with US company Codexis to develop new "super enzymes" that can convert non-food biomass into biofuels more efficiently. We also announced the construction of a pilot plant in Hawaii, in a joint venture called Cellana with HRBiopetroleum, to turn marine algae into biomass that can be used as a feedstock for biofuel. Marine algae, which is rich in vegetable oil, can be cultivated in ponds of seawater, minimising the use of fertile land and fresh water. And in March 2008 we began working with US company Virent to develop technology to turn the sugars from plants directly into gasoline instead of having to produce ethanol first. This could potentially eliminate the need for specialised equipment to transport and blend the biofuel and new engine designs to use it.

HYDROGEN

Hydrogen fuel for transport is a longer-term option. Its use spreads after 2030 in a "Blueprints" world, and requires a completely new distribution infrastructure, as well as more affordable fuel-cell vehicles. We are the first energy company to build demonstration hydrogen refuelling stations in all three key hydrogen markets: Europe, Japan and North America. In 2007, we participated in two more projects. In November, Shell provided technical advice and partly funded Shanghai's first hydrogen station in partnership with Tongji University, the local government and the Chinese Ministry of Science and Technology. We also opened another Shell Hydrogen station in White Plains, New York.

WINNING BUSINESS WITH CLEANER PRODUCTS

Turning oil into cleaner, lower-CO_2 products is another important part of building a responsible energy future and of our strategy. We are harnessing our people's creativity and technical strength not only to deliver advanced transport fuels and lubricants to help drivers use less (see page 14), but to provide industrial and business customers with a wide range of more sustainable products. Here we highlight a few of these.

BETTER ROADS

We are the world's largest supplier of bitumen, which is produced by refining heavier crude oils and is a vital ingredient in making paved roads. Developing products with better environmental and social performance is an increasingly important part of our strategy for continuing to compete successfully in the bitumen business.

Shell has developed a process that helps its customers in the construction sector use less energy and emit less CO_2 when laying roads. Shell WAM Foam Solution is a blend of two types of bitumen that can be laid at temperatures 50°C cooler than traditional asphalt. Demonstration projects in Italy in 2006 showed that using the WAM process reduced energy use and CO_2 emissions during road laying by more than 30%. It also reduced dust and local air emissions. By the end of 2007, the process was in use in Europe and licences had been sold for projects in Australia and Canada.

We have also created an alternative to gravel or concrete roads called Shell Instapave Solution, that makes better, all-weather roads more affordable in the developing world. The process involves mixing specially prepared bitumen with locally available stone chips. It is fast, simple and low energy, since the bitumen mixture does not need to be heated. The result is a surface that is tough enough for the low to medium amount of traffic typical on rural roads and cheaper than the main alternatives – concrete or regraveling roads twice a year. The surface not only increases drivers' fuel efficiency compared to gravel roads, it also makes an important contribution to development, since all weather roads are vital arteries of modern economies. They don't rut or become impassable in the rainy season and give rural areas access to markets, schools and hospitals.

The World Bank says that a dollar spent improving roads in the developing world boosts local development more than a dollar spent on irrigation. Shell Instapave Solution can help make that dollar go further. It has been launched in the Philippines and, in a pilot scheme, in Central America. It is expected to go on trial in India in 2008.

BETTER LUBRICANTS

Technology leadership is at the heart of our business strategy for lubricants. This translates into environmental benefits. Our range of premium lubricants for vehicles, for example, use friction-reducing additives and engine-cleansing technology to improve vehicle fuel efficiency by up to 5%. That saves customers money on their fuel bills and can reduce greenhouse gas emissions.

ADDITIONAL WEB CONTENT
- Cleaner products from our bitumen business
- Producing better lubricants
- Making more environmentally friendly chemicals

www.shell.com/businesssolutions

Our advanced industrial lubricants help make machines run more efficiently and help some operate for up to twice as long between maintenance stops. We have also developed specialised lubricants that help energy producers reduce the cost of wind power by increasing the reliability and efficiency of their turbines. Our Shell Tellus TX hydraulic oil, for example, allowed one wind power operator in the Netherlands to extend the time between servicing from six months to over two years, while our Shell Omala HD gearbox oil can reduce energy losses by up to 15%.

In 2007, we expanded our Shell Naturelle range of biodegradable industrial lubricants for use in environmentally sensitive areas. Natural processes in soil or water readily break down these low-toxicity lubricants if accidental spillages occur, reducing their impact on the environment compared to conventional industrial lubricants.

We are investing heavily in high-performance lubricants. The Pearl GTL plant, currently under construction in Qatar (see page 14), will produce more than 1 million tonnes a year of high-quality base oils to make lubricants. The oils, together with our expertise in blending them, will allow us to make lubricants that reduce friction, helping many more drivers improve fuel efficiency and lower emissions.

CHEMICALS

Shell is providing chemicals made from oil and gas that help leading consumer goods manufacturers make everyday products that save energy yet still meet demanding performance requirements. For example, Shell's scientists have developed critical ingredients for washing powders and liquids that work at lower water temperatures, cutting the energy used by washing machines by more than half. We've also helped develop more concentrated laundry detergents significantly reducing packaging, transport costs and energy use still further.

These specialised ingredients – alcohols and chemicals that help dirt dissolve more easily in water during washes – are all made from crude oil. Manufacturers are increasingly using similar ingredients made from plants, like palm oil. So, wouldn't it be better still for the environment to switch to these instead? Not necessarily. Both require a similar amount of processing to produce. Ingredients made from crude oil can be better manipulated at the molecular level to deliver the specific performance qualities needed and don't add further pressure on agricultural land use. And both biodegrade equally well.

WORKING WITH WAL-MART

Shell is helping Wal-Mart – the world's biggest retailer – reduce packaging waste from a number of the products we supply. We've found ways to cut the total packaging needed for our lubricants sold in Wal-Mart stores in the USA by 900 tonnes a year, a saving we are now also making available to all our US customers. We have reduced the amount of cardboard packaging in our range of car-care products sold in Wal-Mart stores in the US by a further 1,000 tonnes a year – and are making this standard for all our US customers too.

It is not only our packaging we are changing. We have also begun to replace PVC with recyclable plastic in a range of other car-care products that we sell – both at Wal-Mart and other US retailers – like our car wash bottles and seat cover boxes. We are reformulating some products – like our wheel-cleaning liquid – to use more environmentally responsible ingredients. And to save fuel, we are improving our supply and distribution system, for example by making sure our delivery trucks are full when they set off to make their rounds. As most of Wal-Mart's stores, and the majority of our car care business, are in the USA, we have focused most of our efforts there to date. But we are also introducing a new lubricant bottle, which uses less plastic, for all our customers outside the USA, including Wal-Mart's international stores. We expect this will reduce plastic consumption in our lubricants business outside the USA by almost 10%, or 2,200 tonnes a year.

RESPONSIBLE OPERATIONS TODAY

ENVIRONMENTAL IMPACTS

ADDITIONAL WEB CONTENT
- Reducing greenhouse gas emissions
- Increasing energy efficiency in our operations

www.shell.com/climate

Building a more sustainable energy system starts at home. We are working to reduce the environmental impacts from our operations.

REDUCING OUR GHG EMISSIONS

Producing and processing oil and natural gas is energy intensive. So managing the CO_2 and other greenhouse gases (GHGs) from our facilities is a priority. We have reduced our GHG emissions by nearly 25% compared to 1990. (See page 36, footnote [A], for an explanation of GHG measurements).

Our biggest reductions have come from ending the continuous venting of natural gas at oil production facilities and from the multibillion-dollar programme we launched in 2000 to end continuous gas flaring at oil production facilities. Our total upstream flaring has dropped nearly 60% since 2001. Half the drop in flaring is a result of this programme. The rest has come from lower production in Nigeria – which accounts for two-thirds of our flaring – as a result of the security situation from 2005 to 2007 (see page 24).

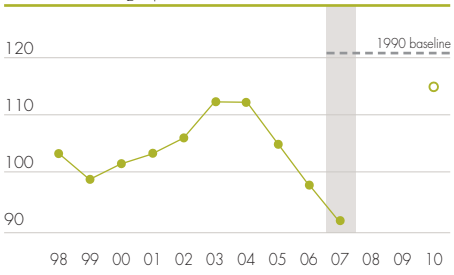
Outside Nigeria we have effectively met our goal of ending continuous flaring by 2008. Only four upstream sites we operate – representing about 0.25% of our total CO_2 emissions – were still continuously flaring at the end of 2007. They will continue to do so because measures to end flaring would have produced more GHGs at two sites; collecting the gas was technically impossible at the third, and because a small continuous flare is required at the fourth to avoid releasing dangerous hydrogen sulphide.

Improvements in energy efficiency at our refineries and chemicals plants have also helped. Our refineries have improved energy efficiency by almost 2% since 2002, as measured by the Solomon Associates Energy Intensity Index (EII™). Compared to 2001, when they launched their efficiency drive, our chemical plants are almost 9% more energy efficient, based on our Chemicals Energy Index. These long-term gains have come from operating our plants closer to full production capacity, running our Energise™ energy efficiency programme and conducting business improvement reviews (BIRs). Together, Energise™ and BIRs have reduced our GHG emissions by an estimated 1.7 million tonnes a year, saving us more than $180 million annually.

But in the last two years, these improvement trends have reversed at our refineries, mainly because we have had more shutdowns. Starting plants up again after a shutdown requires substantial extra energy. Energy intensity remained unchanged at our chemical plants. Improvements at some sites in 2007 were offset by unplanned shutdowns at others. In response, we are increasing the importance of energy efficiency in our BIRs and implementing a three-year capital investment programme for energy efficiency.

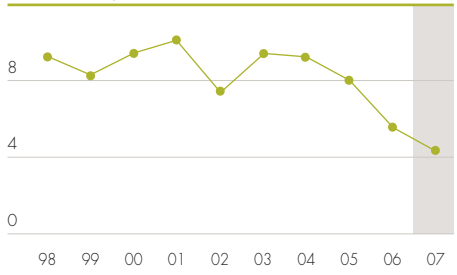
Across the upstream part of our industry, the energy needed to produce each unit of oil or natural gas is rising fast as existing fields age and companies develop more oil from heavy and harder-to-reach deposits. Shell is no exception. Our upstream energy intensity has risen by nearly 30% since 2000. In response, we launched a major programme in Exploration & Production in 2007 putting energy management systems in place at more than 50 of our major assets to improve energy efficiency. The systems were piloted at four locations in 2007. And in our oil sands business, which we report separately this year for the first time, efforts continue to further reduce the energy intensity of our industry-leading operations (see page 11).

GREENHOUSE GAS EMISSIONS[A]
Million tonnes CO_2 equivalent

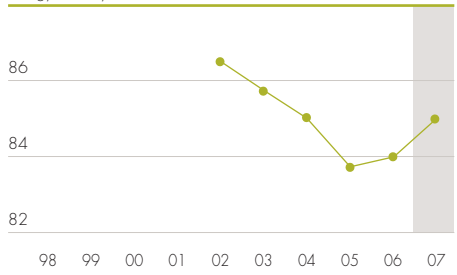


[A] Target and baseline adjusted to reflect portfolio changes.

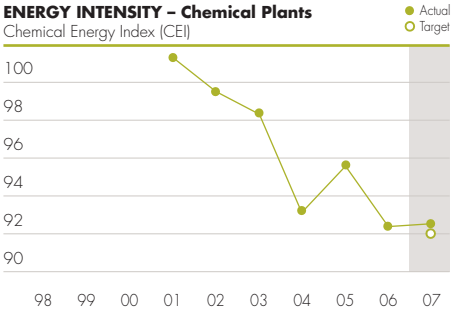
FLARING – Exploration & Production
Million tonnes hydrocarbon flared



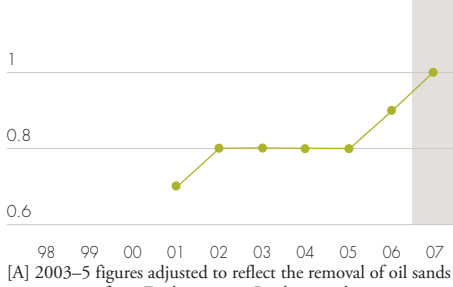
ENERGY INTENSITY – Refineries
Energy Intensity Index (EII™)



ENERGY INTENSITY – Chemical Plants
Chemical Energy Index (CEI)

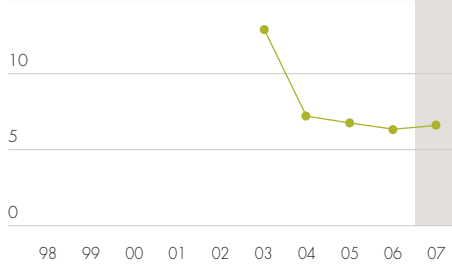


ENERGY INTENSITY – Exploration & Production[A]
Gigajoule/tonne production



[A] 2003–5 figures adjusted to reflect the removal of oil sands activities from Exploration & Production data.

ENERGY INTENSITY – Oil Sands
Gigajoule/tonne production



ENVIRONMENTAL IMPACTS

ADDITIONAL WEB CONTENT
- Working with others to promote conservation
- Our commitment to protecting biodiversity
- Using less fresh water
- Preventing oil spills

www.shell.com/environment

OPERATING RESPONSIBLY IN BIODIVERSITY-SENSITIVE AREAS

By the end of 2007, we had biodiversity action plans in place at eight major operations in areas of high biodiversity value. This included six operations in places designated by the International Union for the Conservation of Nature (IUCN) as Category I-IV protected areas. These plans include measures to monitor, conserve and enhance local biodiversity. We are also developing eight action plans in the Netherlands, with the national department of nature conservation.

We lend our support to international conservation efforts, including the Prince of Wales' Rainforest Project, which is working to find incentives for nations and farmers to halt mass deforestation.

REDUCING OUR FRESH WATER USE

The world's water resources will come under even greater stress between now and 2050. The main causes are the growth in agriculture and the expansion of cities to accommodate a growing global population. Climate change and the need for more unconventional oil (see page 11) and biofuels will add to the pressure. While our industry is not a big water user, we have a contribution to make. In 2007, our operations used 574 million cubic metres of fresh water. This is 17% less than in 2000 and approximately 0.01% of the world's total. And we are stepping up our efforts to reduce our use in locations where water is scarce.

Our Geelong Refinery, in drought-prone Australia, for example, completed a $46 million project in 2007 that reduced its water use by 110,000 cubic metres a year – enough to meet the annual needs of over 650 Geelong households. Changes included recovering and reusing steam in the manufacturing process, and improving systems for detecting and repairing water leaks.

At Pearl GTL, the world's largest gas to liquids plant, which we are building in the Qatari desert with our partner Qatar Petroleum (see page 14), careful management of water was part of the design from the start. Some 12 million cubic metres of water a year will be generated mainly by the chemical reaction that turns the natural gas into GTL products. Pearl GTL will have a state-of-the-art water treatment facility that will clean this by-product to such a high level that it can be reused for steam, cooling water and other needs of the facility. As a result, the plant will take no fresh water from this largely arid region, and discharge no contaminated water to land or sea.

Through our participation in the Roundtables on Sustainable Biofuels and Sustainable Palm Oil, we are working to understand the implications of water use presented by the rapid growth in demand for transport biofuels (see page 15).

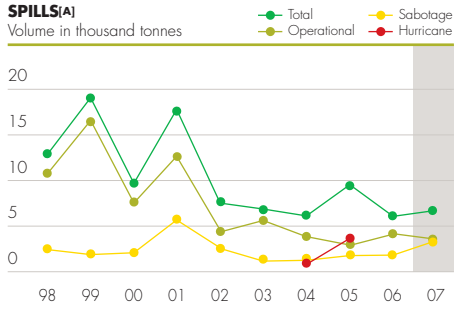
PREVENTING OIL SPILLS

Spills from oil tankers attract the most public attention but are thankfully rare. Ships that we manage carried 41 million tonnes of cargo in 2007. Less than 1 tonne of hydrocarbons was spilt, reflecting our strict operating requirements. Spills from other ships that we hired on a long-term basis were around 2.3 tonnes.

Less dramatic – but more frequent – are spills at our facilities. These are of two types: spills from hurricanes or sabotage, which we cannot control and which fluctuate with events; and spills from factors we can control, like corrosion or operational failure. Reducing the latter requires clear procedures, consistent compliance and a lot of hard work. Operational spills have fallen since 1998, mainly due to improvements in pipeline inspection and maintenance in our upstream business, and more concentration on fixing the causes of minor leaks in our downstream business. This trend continued in 2007 because of continued improvements in our downstream business.

Our total spill volume rose in 2007 mainly because of a sharp rise in spills due to sabotage in Nigeria (up 80% by volume), where crude oil thefts and attacks by militants continued. At sites that were shut down by the security situation, reliable information about spills will not be available until we can return to repair and restart operations.

While our focus is on prevention, we are also ready to minimise the impact if a spill occurs. In 2007, we added spill response requirements to our global environmental standards. Our company-wide oil and chemical spill advisory group also ran a focused campaign promoting a prompt and effective response to incidents.



[A] Data corrected for 2006 and 2007. See footnote [C] on page 36.

WORKING STRATEGICALLY WITH CONSERVATION LEADERS

Our biodiversity standard includes a commitment to work with specialists, to both address biodiversity impacts at our facilities and help promote conservation. We are already working with more than 100 scientific and conservation organisations in 40 countries. In 2007 and early 2008, we took the next big step – agreeing long-term collaborative partnerships with two global conservation leaders: International Union for the Conservation of Nature (IUCN) and Wetlands International. The aim is to deepen our relationships with these organisations to increase our support for global conservation efforts and to help reduce the biodiversity impacts of our projects.

The effort will support research programmes on important global conservation themes, like better identification of endangered species and marine conservation. The knowledge and trust built through these programmes will also make it possible for their biodiversity experts to provide us with advice on identifying and mitigating biodiversity risks at the very earliest stages of our oil, gas and biofuels projects. We are contributing $1.1 million a year to each of these partnerships, which are intended to run for the next five years.

OUR POLICIES

All operations must take a **systematic approach to managing environmental impacts**, using our Health, Safety, Security and Environment management system.

Global environmental standards define company-wide requirements in areas like responding to oil spills, energy efficiency, continuous venting or flaring of natural gas, air and water emissions from our facilities and handling of waste.

First in our industry to have a **biodiversity standard** requiring all operations to respect protected biodiversity sites.

First energy company to have a **protected areas commitment** not to explore or develop for oil and gas in natural World Heritage Sites and follow strict operating practices in other areas of high biodiversity value.

EXPLORING FOR OIL OFF ALASKA'S NORTHERN COAST

"The ground below the Beaufort and Chukchi seas off Alaska's northern coast may contain a large amount of oil and natural gas. The seas are also home to the whales and seals that are central to the way of life of the local Inupiat people. We respect their unique heritage and recognise the challenge of balancing cultural traditions and economic development, including the development of energy resources, that the region desperately needs. I know that this is a complicated issue for local communities. We are committed to working with them, using their knowledge of the land and sea, and addressing their concerns in our planning, to find ways of operating that respect their traditional hunting practices.

Since we were first awarded exploration licences in 2005, we have moved with caution. For example, we hired local Inupiat observers so we could benefit from their traditional knowledge of the behaviours of the bowhead whales. We signed a conflict avoidance agreement with the Alaska Eskimo Whaling Commission, agreeing not to drill during the 2007 bowhead whale hunt. For our first exploratory drilling, originally planned for summer 2007 in the Beaufort Sea, we put 14 specialist ships on standby, ready to react in the unlikely event of an oil spill.

Disappointingly, a US court blocked our 2007 drilling programme in the Beaufort Sea, after several environmental groups, along with the North Slope Borough and the Alaska Eskimo Whaling Commission, challenged the environmental analysis that the federal government carried out before granting Shell's exploration plan. We are awaiting a final decision from the court.

In 2007, we carried out seismic work in the Beaufort and Chukchi Seas and, in early 2008, were the highest bidder for 275 exploration leases. We will only drill in the Chukchi after completing environmental assessments.

My colleagues and I are determined to listen to and work better with the local communities, so that together we can find ways to responsibly develop the offshore energy while respecting the region's native culture."

MARVIN ODUM
EXECUTIVE VICE PRESIDENT,
EXPLORATION & PRODUCTION AMERICAS
COUNTRY CHAIR, USA

PERSONAL AND PROCESS SAFETY

Safety is always our first priority. We aim to have zero fatalities and to prevent incidents like spills, fires, and accidents that put our people, neighbours and facilities at risk. In 2007, we continued to strengthen our safety culture. We introduced new, simpler safety policies to make it easier to understand and follow the rules and check they are being implemented.

SAFETY PERFORMANCE

In 2007, 30 people (two employees and 28 contractors) lost their lives in confirmed incidents while working for Shell (see footnote [C] on page 36). We are deeply saddened by these losses. Of these fatalities, 17 happened in our upstream business, mainly on the roads, or at high-risk locations like Nigeria, where two lives were lost due to assaults and a third died as a result of a fire caused by criminals stealing oil from a pipeline. A large share of our fatalities have occurred on the road, where we have less control and safety depends even more on the behaviour of individuals. Our fatal accident rate (the number of fatalities per 100 million working hours) improved. It has dropped by nearly two-thirds since 1997. Our injury rate – which has fallen by more than 50% since 1998 – was our lowest ever in 2007. This performance confirmed the importance of the big push we are making to change behaviour by simplifying safety rules and strengthening our safety culture.

PROCESS SAFETY

Process safety means making sure our facilities are well designed, safely operated and properly maintained. Our process safety standards, launched in June, formalised and further strengthened our company-wide rules on how to design and maintain complex installations like refineries, chemical plants and oil and gas production sites. A new team of independent, senior internal auditors – specialised in process safety – has been put in place to check the standards are implemented across Shell.

ROAD SAFETY

Every day, vehicles on Shell business drive millions of kilometres. In 2007, approximately 60% of all our fatalities happened on the road. So getting road safety right – long a priority at Shell – has become even more urgent.

In 2007, we introduced a mandatory company-wide road safety standard covering areas such as route planning, driver training and banning use of mobile phones when driving. The standard draws on successful local projects (see below) and harmonises requirements that were already in place in our upstream and downstream businesses. The emphasis in 2008–9 will be on further implementing the standard through an integrated road safety programme across the company. This will include practical best-practice guidelines; consistent efforts to raise safety awareness among employees and contractors; a review of assets like trucks and loading and offloading facilities to ensure their safety; and tools to monitor compliance, such as audits, spot checks, inspections and regular safety meetings.

SAFER ROADS IN MALAYSIA

A decade ago, Shell Malaysia's distribution business recorded 19 deaths in road accidents in a single year. Since then, concerted efforts to improve road safety have produced dramatic results. Since January 2006, there have been no road fatalities in Shell Malaysia, helping the company win a Shell Chief Executive's HSSE Award in 2007. The company created a public ranking table for its drivers, with rewards for good performance. It took action to improve poor performance by sending warning letters, deducting ranking points and, in some cases, dismissing drivers. It strictly enforced all its driving and vehicle rules, and worked closely with its main contractors, auditing their processes at contractors' premises, analysing any incidents for needed changes and sharing lessons from accidents involving other transport companies. It even invited drivers' families to participate in safety training sessions.

CHIEF EXECUTIVE JEROEN VAN DER VEER AND KIERON MCFADYEN, VP HSSE, AT HSSE LEADERSHIP MEETING

SHELL MALAYSIA DRIVERS CELEBRATE WINNING SHELL CHIEF EXECUTIVE'S HSSE AWARD

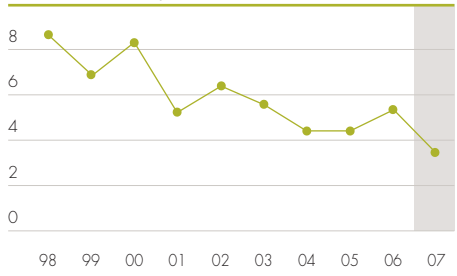
ADDITIONAL WEB CONTENT
- Our approach to safety, including our HSE policy and commitment
- Strengthening our safety culture
- Protecting our people

www.shell.com/safety

STRENGTHENING OUR SAFETY CULTURE

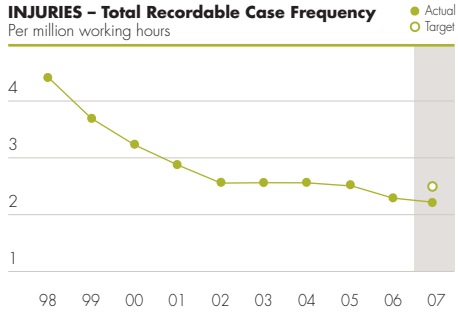
We do not accept that fatalities are an inevitable consequence of working in a hazardous industry. We believe we can operate with zero fatalities and zero significant incidents. The phrase "Goal Zero", which we launched in 2007, captures this belief. To turn this goal into reality, we are reinforcing the message that Goal Zero is possible, rewarding success and getting better at checking that rules are being followed. In 2007, Shell held two company-wide Safety Days to draw attention to safety performance and find ways to improve. Our largest global contractors participated as well. The focus was on one of Shell's Golden Rules of safety: to comply with the law, standards and procedures. We also launched the Chief Executive's HSSE Awards (see below) to highlight examples of excellent safety performance.

SAFETY – Fatal Accident Rate[A]
Per 100 million working hours



[A] Data corrected for 2006 and 2007. See footnote [C] on page 36.

INJURIES – Total Recordable Case Frequency
Per million working hours



AWARD-WINNING SAFETY IN THE GULF OF MEXICO

Recognising good safety performance sends an important signal: that safety really matters. It also promotes learning and healthy rivalry between our operations. That is why we launched our Chief Executive's HSSE Awards in 2007. One of this year's four awards went to a team in charge of operations and safety on all Shell's platforms in the Gulf of Mexico.

Over the past three years, the team has coached contractors and management, making sure safety is at the top of everyone's priority list. They carefully analysed past safety incidents and near misses to focus platform crews on excellent safety performance. Their injury rates have improved by 20% since the programme began in 2005. These and other efforts helped Shell in the USA win the 2007 Safety Award for Excellence awarded by the US Department of the Interior.

SHELL'S MARS PLATFORM IN THE GULF OF MEXICO

OUR POLICIES

- **Shell HSE policy and commitment define our goal: no harm to people.**
- **Company-wide health, safety, security and environment (HSSE) standards outline the requirements to get there.**
- **Process safety and road safety standards set consistent company-wide approach and allow us to check compliance.**
- **Standards apply to all operations we control and to all staff and contractors at those operations. We expect operations we don't control – and suppliers – to apply these or equivalent standards.**

NIGERIA

ADDITIONAL WEB CONTENT

www.shell.com/nigeria

Nigeria has enormous untapped potential to help meet its own and the world's growing energy needs, as well as use its energy revenues to reduce poverty. We are determined to help.

Nigeria's challenges are familiar: widespread poverty; an ongoing battle with corruption and neglect; and the rise of organised crime and armed militias in the Niger Delta, fuelled by large-scale thefts of crude oil, that since early 2006 have made it unsafe to produce in large parts of the region.

COMMITTED TO HELPING

We have been a major investor in Nigeria for more than 50 years and remain determined to stay. We are committed to helping the country achieve its ambitious goals for increasing energy production, meeting domestic energy demand and diversifying the economy. We need to do this in ways that keep the people who work for us safe and make business sense for our shareholders.

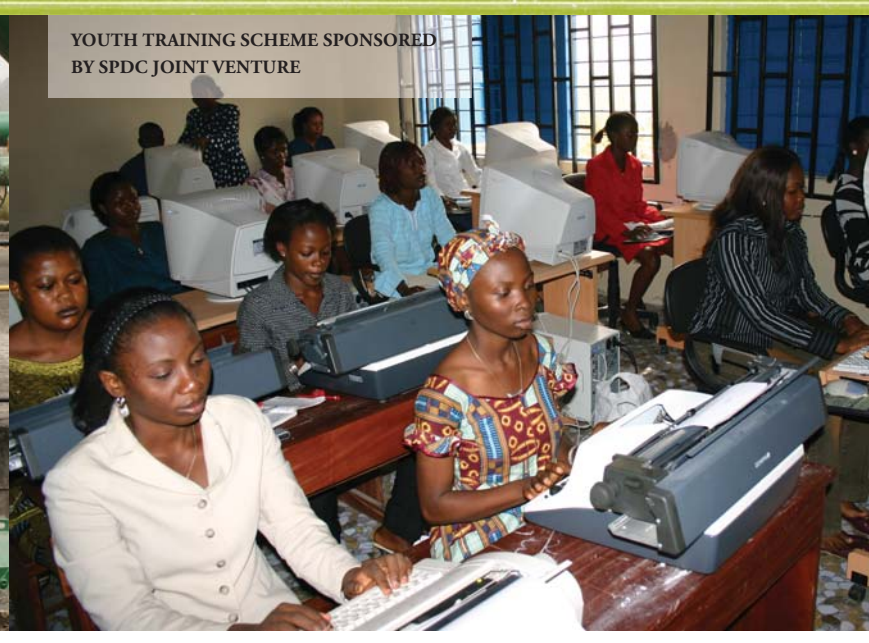
We also remain deeply committed to supporting the government's efforts to bring peace and prosperity to the Niger Delta. This starts with generating oil and gas revenues – we paid $1.6 billion (Shell share) to the government in 2007 in taxes and royalties from Shell-run operations. Onshore in the Delta, the government received 95% of the profits from each barrel of oil and gas equivalent produced by the SPDC joint venture based on average oil prices last year.

We work closely with the government's Niger Delta Development Commission (NDDC), to which Shell-run operations contributed more than $110 million in 2007 ($44 million Shell share). We are also helping the government build the capacity of the country's public institutions to use these oil and gas revenues effectively for development, for example through strong support for the Extractive Industries Transparency Initiative in Nigeria, and by using our relationships with international development experts. Shell-run operations also provide their own community development programmes in the Delta, spending a further $68 million ($20 million Shell share). We make concerted efforts to use local contractors and suppliers in ways that spread economic wealth without increasing conflict. In 2007, Shell-run companies awarded contracts worth nearly 1 billion dollars to Nigerian companies. We are providing logistical support to government security forces in the Delta as they seek to re-establish law and order, as well as providing training to help them avoid human rights violations (see page 31).

Nigeria produces 3% of the world's oil, and large fields still remain to be developed. Energy production, concentrated in and off the coast of the Niger Delta, provides 80% of government revenues.

Nigeria is the most populous country in Africa. Half the population lives on less than $1 per day.

DID YOU KNOW



YOUTH TRAINING SCHEME SPONSORED BY SPDC JOINT VENTURE

DIFFICULT CONDITIONS

In 2007, the security situation in the Delta remained serious. Forty-seven staff and contractors were kidnapped by militants. Thankfully, all were safely released. Tragically, two others were killed in assaults and a third died as a result of a fire caused by criminals stealing oil from a pipeline. Onshore, most facilities in the Western Delta remained closed down because of security threats, while operations in the East continued throughout the year under challenging circumstances, limiting our ability to access these facilities to do routine maintenance or repair damage from sabotage.

The funding problems in the SPDC-run joint venture added to the difficulty. Partners provide funding based on their ownership. Since the national oil company holds 55%, the joint venture depends on the government's budget and priorities. The result has been significant under funding and a particularly severe budget shortfall in 2007.

ENVIRONMENTAL PERFORMANCE

As a result, progress on long-term efforts to improve environmental performance slowed. Our commitment to end continuous flaring is a case in point. There is no continuous flaring of natural gas at Shell-run offshore operations nor at the LNG plant. And by 2006, when the violence began, continuous flaring from SPDC-run onshore operations had dropped by more than 30% as a result of a $3 billion investment programme since 2000 to install equipment to capture and use gas previously flared. We were not able to complete the installation of gas gathering equipment in 2007 because of the lack of joint venture partner funding and because sites still needing it could not be safely reached. The reduction in flaring in 2006 and 2007 was due to production being shut in. We remain committed to ending continuous flaring. The needed repairs and construction work will restart once we have safe access to sites and stable funding.

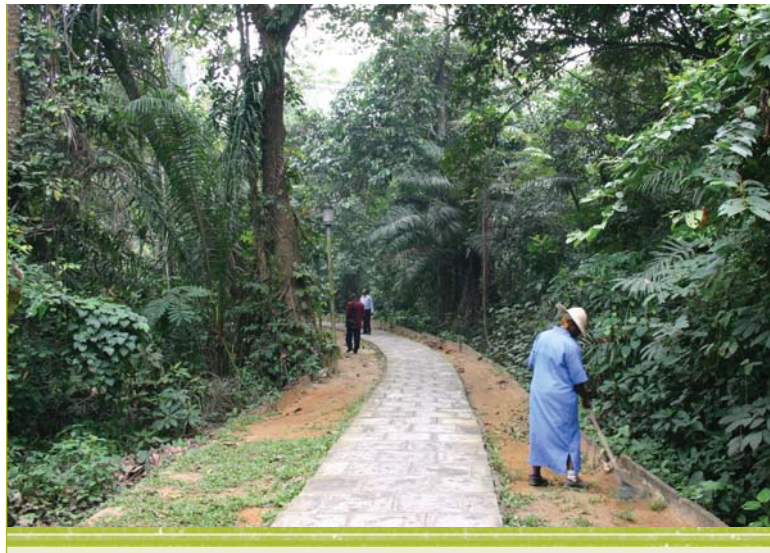
As operator of the joint venture, SPDC continued to clean up old oil spills. In 2007, it completed the clean up of 61 out of 74 outstanding sites. Of the remaining 13, communities refused access to eight of the sites and work continues on the remaining five. By 2006, SPDC had dramatically reduced operational spills, thanks to better pipeline monitoring and maintenance. Progress has stalled as the security and funding crises took their toll. As a result, in 2007, operational spills in areas where the joint venture had access rose for the second year running.

Wherever SPDC has been forced to withdraw because of the current security situation, it has fully shut down the production facilities to limit the spill damage from sabotage by criminals and militants.

BETTER COMMUNITY DEVELOPMENT

Efforts to improve the effectiveness of SPDC's community development programmes made some headway, despite the difficult conditions. In 2007, the first two Global Memoranda of Understanding (GMOU) with communities next to the joint venture's facilities began delivering their first projects. GMOUs define a strategic five-year development plan for a cluster of communities, in line with NDDC and government efforts, and then aim to provide stable funding. They give local communities the structure needed to decide how the money is spent and line up NGO support to help local communities deliver the projects effectively. GMOUs are a clear step forward. In the past, SPDC had negotiated hundreds of individual community projects village-by-village each time it needed access to a pipeline or flow station, leading to ad hoc demands and weak delivery.

Implementing more of the GMOUs that SPDC signed in 2006 and 2007 is a clear priority, despite funding and staffing constraints. SPDC continued its work with the UN Development Programme, Africare and USAID to support health and agriculture development programmes; it also moved ahead with electrification, road building and micro-credit projects in the Delta in close co-ordination with the NDDC.



WHAT IS IT?

Shell's main activities are through:

The Shell Petroleum Development Company of Nigeria Ltd (SPDC):

- Operates Nigeria's largest oil and gas joint venture on behalf of: government-owned Nigerian National Petroleum Corporation (55%), Shell (30%), Total (10%) and Agip (5%).
- At full operation, joint venture produces approximately 40% of the country's oil from over 1,000 onshore wells in the Niger Delta, an area the size of England. Since spring 2006, approximately 50% of its production has been shut in because of attacks on installations and kidnappings.

Shell Nigeria Exploration & Production Company Ltd (SNEPCO):

- Operates and is 55% shareholder in the offshore Bonga oil field, Nigeria's first deep-water project as well as other fields.

Nigeria Liquefied Natural Gas Company Ltd (NLNG):

- Joint venture (Shell 26%) producing 8% of the world's LNG from natural gas produced by Shell and others in the Delta and offshore.

OUR NEIGHBOURS

ADDITIONAL WEB CONTENT
• Our work with communities

www.shell.com/society

We aim to be a good neighbour in the communities in which we operate. This means not only running our facilities cleanly and safely but also working with local people to help them benefit from our activities.

Earning the trust of our neighbours starts with listening to the different points of view in a community. We typically use contributions from community panels, open days, surveys and local governments to understand what our impacts are, and what matters most to the community. We then aim to work closely with communities to reduce the negative impacts from our operations and produce local economic benefits through our business activities and social investment. We have a structured company-wide approach to working with our neighbours.

All our major refineries and chemicals facilities and upstream operations where social impacts could be high, have social performance plans in place. Implementing these plans requires facilities to identify and work with their local stakeholders, and assess and manage their impacts on the community in a systematic way. At our major refineries and chemicals facilities, our global social performance advisers review the implementation of these plans every three years.

At Geelong refinery, for example, a review was held in 2007 to check the progress made in implementing its social performance plan. The review found significant improvements in the quality of engagement with the community and that the trust with its neighbours was being rebuilt. It recommended that the next plan focus on addressing the issues the community will face in the future.

Last year, we strengthened our efforts in our distribution business, which runs the storage facilities, pipelines and trucks that deliver our products to customers around the world. This business has smaller sites – depots rather than refineries or production platforms – so we have adapted our standard social performance reviews for these locations.

Across Shell, the priority now is to improve the engagement skills of our staff and increase their commitment to social performance, particularly in teams developing major new projects. To help, our social performance advisers, working with external experts, provide project teams with coaching and support. Social performance skills are part of leadership training programmes and the curriculum of our Commercial and Project Academies. Specific training programmes are being developed for the executives making decisions about new, very early stage, upstream projects.

COMMUNITY OPEN HOUSE FOR CORRIB NATURAL GAS PROJECT

CORRIB, IRELAND

What is it?

- **Project bringing natural gas from 80 km offshore to the west coast of Ireland where it will be processed and fed into the national grid.**
- **Will meet up to 60% of the country's natural gas needs at peak production.**
- **Will contribute an estimated $4.1 billion to Ireland's gross domestic product.**
- **County Mayo to benefit by $246 million during construction.**
- **Four offshore wells drilled by the end of 2007 and construction of onshore gas terminal well under way.**

The Corrib natural gas project illustrates the importance – and sometimes the difficulty – of getting agreement for new energy projects. Success depends on genuine consultation and delivering tangible benefits for the local community, as well as for the country.

In 2006, we agreed to alter the original onshore pipeline route on the recommendation of a government-appointed mediator. This was to address concerns that it was too close to some people's houses. We committed to selecting the new route in a transparent way, with thorough and genuine consultation. Independent planning and environmental consultants RPS managed the process.

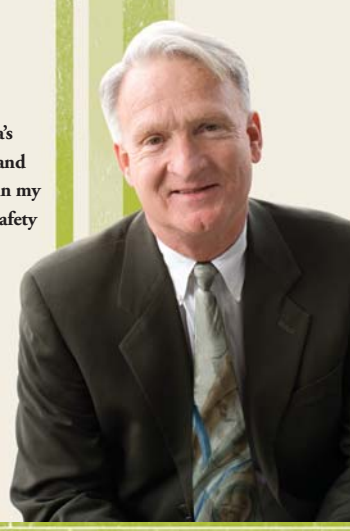
In 2007, RPS presented eight possible new routes to community groups, landowners and regulators for public discussion. Based on their input, and a technical evaluation, three of these routes were initially shortlisted and two new possibilities added. From this list, RPS recommended the route that, in their view, best balanced the needs of the community, the environment and the project. We submitted a formal permit application for this route in April 2008, which included an Environmental Impact Statement as required by European Union and Irish law. The government's official consultation process then started. It will consider the views of all interested parties before making a final decision.

We are pleased that the local economy is benefiting from the project. Over 650 people, the majority from County Mayo, are currently working on site and 130 permanent jobs will be created as a result of the terminal's operation. Twelve towns will receive gas from the project. A significant community development fund is being set up and will run from 2008 for the lifetime of the Corrib project. Additionally, in 2007 we invested over $680,000 in community and educational projects that meet our criteria of being sustainable, local and inclusive.

REFINERY-SUPPORTED TRAINING FOR PORT ARTHUR ADULTS

STEVE FITZGIBBONS
PORT ARTHUR CITY MANAGER

"The selection of Port Arthur as the site for Motiva's major expansion is, I believe, the most important and positive event for the city's future that I have seen in my 12 years as city manager. The expansion includes safety and environmental efforts, continuing progress made by the refinery in recent years. Motiva has also taken the lead in helping to prepare our residents and businesses for the economic opportunities generated by the project, through the creation of the Motiva Academy, sponsorship of local initiatives to develop the workforce, contractor forums and other training."



MOTIVA PORT ARTHUR REFINERY, USA

What is it?

- **Crude oil refinery that in 2007 received approval to double capacity to approximately 600,000 barrels a day.**
- **After the expansion it will be one of the largest refineries in the world, producing enough petrol to fill more than a million cars a day.**
- **Expansion expected to generate $17 billion of new economic development in south-east Texas.**
- **Expansion will create about 4,500 construction jobs and around 300 permanent jobs for full-time staff when finished.**
- **Owned and operated by Motiva Enterprises, a 50:50 joint venture with Saudi Aramco.**

Announced in 2007, the expansion of the Motiva Port Arthur Refinery is equivalent to building a major new modern refinery. This project is a big opportunity for this economically disadvantaged community and Motiva is working hard to ensure the neighbourhood and the environment benefit.

The expansion will use the latest refining technology and replace some existing systems, reducing a number of the site's air emissions. Discharge of nitrogen oxides and volatile organic compounds, for example, will be more than 270 tonnes lower each year even while refinery output doubles. This work is part of a long-term environmental plan. It builds on the millions of dollars that have been invested in pollution control equipment over the last decade. These investments are now showing clear results. For example, in 2007 the refinery flared 78% less often than in 2003.

Motiva has worked with the city, schools and universities, community interest and employment groups to recruit and train qualified people to take full advantage of the job opportunities presented by the expansion. Many local sub-contractors have already been hired for the project and the main recruitment effort will begin in 2008.

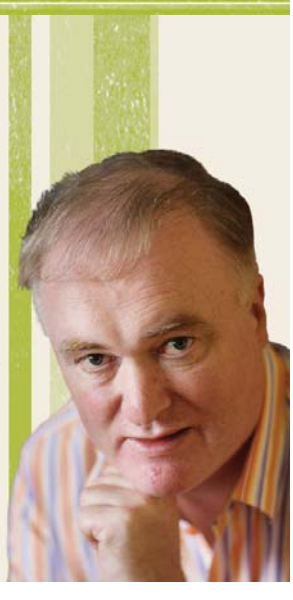
Tackling the causes of local social problems like unemployment and lack of access to health care, takes time and the co-operation of the whole community. To help, Motiva is donating $2 million to establish the Port Arthur Communities Fund. This will support projects to revitalise the neighbourhood near the refinery's fenceline. A committee from across the community will oversee the fund's work.

These efforts build on the strong work done with the community over the last five years. Since 2002, the refinery has had a team of five environmental co-ordinators, who provide information about the refinery's activities to neighbours and are available to respond to their concerns 24 hours a day. A community advisory panel of 17 residents meets quarterly to review the refinery's plans and provide comment on its environmental and social programmes.

Having community support significantly helped in obtaining regulatory approval for Port Arthur's expansion.

KEVIN HEGARTY
MEMBER OF THE CORRIB NATURAL GAS SCHOLARSHIP COMMITTEE

"After a torrid time, the Corrib natural gas project seems to have settled into more sedate waters. There will always probably be people who will continue their opposition on ideological grounds but there is now a greater acceptance of the project in the Erris Community. Shell has made significant efforts to convince people that high safety standards apply in the construction of the terminal at Bellanaboy and that similar standards will apply in its operation. And benefits from the project have begun to flow into the community. In the long term the most significant sponsorship is the student scholarship scheme which has won wide acceptance in the four local secondary schools."



OUR POLICIES

Company-wide requirements include:

- Environmental, health and social impact assessment before we develop a major new project or facility, or make major modifications to existing ones.
- Social performance plans at major refineries, chemicals facilities and upstream operators where impacts could be high.
- Social performance skills in leadership training programmes and the curriculum of our Commercial and Project Academies.

LOCAL DEVELOPMENT

ADDITIONAL WEB CONTENT
• Reporting in line with the Millennium Development Goals

www.shell.com/society

Finding ways for our operations to help development and reduce poverty in the communities where we operate is an important part of our commitment to contribute to sustainable development.

FROM GOVERNMENT PAYMENTS TO SOCIAL BENEFITS

Our industry makes a major contribution to government finances. In 2007, Shell collected over $79 billion in excise duties and sales taxes on their behalf. We also paid governments over $19 billion in corporate taxes and $1.8 billion in royalties.

In energy-producing countries, these royalties are often the main source of government revenue. Managed well, these funds can bring broad economic and social development. Managed poorly, the money can stimulate corruption, social inequality and conflict. While the responsibility for turning these funds into social benefits lies with host governments, we can help.

One way is by following our policy of zero tolerance of bribes and fraud (see page 32). We recognise we have a responsibility to set a good example by not feeding a culture of local corruption when tendering work to local suppliers or competing for government contracts. Another way is to support governments' efforts to tackle corruption in the public sector. We are strong supporters of the Extractive Industries Transparency Initiative (EITI), sitting on its board and supporting national programmes in Azerbaijan, Cameroon, Gabon, Kazakhstan and Nigeria. EITI requires mining and oil companies to publish their payments to host governments and encourages those governments to be open and accountable for how the funds are spent. In 2007, we again reported the payments we made to the Nigerian Government from Shell-run operations (see page 24). We see the need for the EITI only growing as new competitors pursue business in Africa and Asia.

BUYING AND HIRING LOCALLY

Buying from local suppliers is a particularly effective way to help development in the places where we operate. It directly contributes to the local economy, creates jobs and builds skills. We actively promote the use of local suppliers and contractors. In 2007, we had programmes in place in nearly 90% of the low- and medium-income countries where we operate to achieve this. We train local companies to help them meet our standards – including our environmental and social ones – so they can compete successfully for contracts. It is estimated that we spent approximately $17 billion on goods and services from locally-owned companies in these countries in 2007.

Hiring local staff is another important contribution. Governments, recognising this, sometimes set requirements for local hiring. But even where they do not, we are making a conscious effort to build skills and employ local people. Less than 7% of our staff are expatriates. We have been able to "localise" the majority of the workforce at many operations through early planning and training – even in places that initially lacked the technical and commercial skills, and the sheer number of workers needed. At the Hazira LNG terminal in India (Shell share 74%), for example, which started operation in 2005, there were Indian nationals in all the approximately 100 positions in the facility by the end of 2007, including the general manager.

SOCIAL INVESTMENT

Supporting community development projects is another contribution we make to local development. While this work typically attracts much attention, it is considerably smaller than the financial impact of our products and operations. Our strategy is to focus support on projects that address issues directly linked to our business; that give local people control over how the project is designed and run; and, wherever possible, use the expertise of development non-governmental organisations (NGOs) and community groups. In 2007, we spent approximately $170 million on social investment activities.

MILLENNIUM DEVELOPMENT GOALS

In 2000, the United Nations set its Millennium Development Goals (MDGs) for 2015. These eight targets include halving extreme poverty and ensuring environmental sustainability.

We continue to support the MDGs. Our biggest contribution by far is providing the modern energy needed for economic and social development. Getting electricity to the almost 1.6 billion people who currently live without it is particularly important. Through our operations, we generate local jobs, contracts and revenues for governments in half the world's 50 poorest countries. We also help through our social investment programmes. These include combating malaria near our operations, and taking action on HIV/AIDS for employees, their families and communities (see page 29).

OUR CONTRIBUTION IN ASIA-PACIFIC

$1.1 **billion paid in salaries**

22,000 **employees**

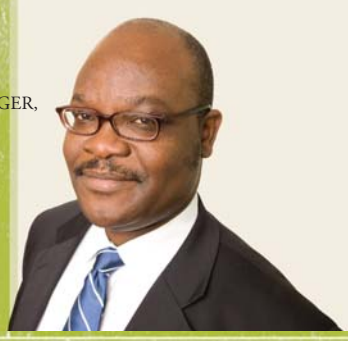
$4.9 **billion spent with local companies**

$8 **billion paid in corporation and sales taxes and royalties to Asia-Pacific governments**

$23 **million donated through social investment**

SHELL STAFF REGISTERING FOR AN HIV/AIDS AWARENESS SESSION

DR. BABATUNDE FAKUNLE
CORPORATE COMMUNITY HEALTH MANAGER, THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA



HIV/AIDS EDUCATION IN NIGERIA

"Just under three million people in Nigeria are infected with HIV/AIDS – nearly 4% of the population. Besides the tragic loss of life, AIDS also has a significant impact on our economic development in a country that already suffers from great poverty. Those infected with HIV are mainly of employment age. Development suffers as the number of orphans rise and the supply of people to fill key jobs decreases.

I am proud of the way Shell has contributed to the fight against the disease in the Niger Delta since 2001. Working in line with Shell's company-wide HIV/AIDS programme, we are helping staff, contractors and the local community to prevent infection and manage its consequences, through initiatives delivered in co-operation with several NGOs.

Events encouraging HIV/AIDS prevention are held at Shell project sites to make it easier for contractors, staff and their families to come. Staff and contractors get access to counselling and free HIV-testing. In 2007, over 3,000 staff and their families were counselled and tested.

Over 90% of pregnant women (Shell staff, or their partners) who were treated in Shell hospitals in 2007 agreed to an HIV test. Those who tested positive were successfully treated to prevent the virus being passed from mother to child. We also pay for anti-retroviral treatment and care for employees and dependents living with HIV/AIDS.

In 2007, we spent $1.5 million on HIV/AIDS testing and counselling in rural communities in the Delta and trained 250 local people to educate their neighbours about the disease. This programme serves as the entry point for upgrading the health care systems and infrastructure in the region. I believe this is the right thing to do."

SHELL FOUNDATION

SHELL FOUNDATION-SPONSORED ASPIRE PROJECT, KENYA

ENTERPRISE SOLUTIONS TO POVERTY

"It is an exciting time for the Shell Foundation. Our 'enterprise-based' approach to tackling global development challenges is being picked up and used throughout the worlds of business and philanthropy.

We think multinational companies have a hugely important but, as yet, largely untapped potential to use business know-how – rather than just money – to tackle global problems. We use our unique relationship with Shell to prove this by, wherever possible, using the power of Shell's brand, knowledge and infrastructure to help us fulfil our charitable objectives. The Foundation applies business thinking to come up with solutions to international poverty and environmental challenges that would traditionally be tackled by NGOs, governments or international organisations. We do this because we believe too many activities designed to help the developing world are reliant on the next aid cheque, which often does not arrive. Our hope is to find business solutions to specific poverty problems that within a few years can finance themselves and can be easily copied by others so they spread.

By the end of 2007, our ASPIRE funds had lined up more than $100 million to invest in African entrepreneurs – more than doubling the size of the fund in a year. These funds create much-needed jobs and economic growth by supporting small and medium-sized enterprises that are often under-served by local African banks. Our EMBARQ programme, which aims to reduce traffic congestion and air pollution in the developing world's largest cities, expanded rapidly. In Mexico City, the innovative 20 kilometre-long bus corridor we helped implement carries more than 260,000 people a day. In 2007, the city's Mayor committed to building 10 more such corridors. Several other cities in Mexico and Brazil, as well as Istanbul in Turkey are interested in copying the scheme.

In 2007, as part of our Trading UP programme, which unlocks markets for developing world producers, we helped producers sell their 850,000th bouquet of unique South African fynbos flowers through stores belonging to British retailer Marks & Spencer. This has created 135 new jobs in poor communities and helped to protect and restore 30,000 hectares of sensitive land.

We have made big strides towards fulfilling our vision: to see global development challenges successfully tackled through the widespread application of business thinking and business approaches. Watch out for more in 2008."

KURT HOFFMAN
DIRECTOR, SHELL FOUNDATION

Shell Foundation was established in 2000 with a $250 million endowment from Shell. It is an independent UK-registered charity with projects worldwide.

HUMAN RIGHTS

ADDITIONAL WEB CONTENT
• Human rights tools, guidelines and training

www.shell.com/humanrights

Support for fundamental human rights is part of the Shell General Business Principles and an integral part of how we operate.

We believe companies can and should play a constructive role in upholding and promoting human rights, both in practical ways directly related to their business activities, and in encouraging and helping governments improve their human rights records.

WHAT ROLE FOR BUSINESS?

The boundary between the responsibilities of companies and those of governments is anything but clear. There is particular confusion about the role companies operating in a country should play when governments cannot or do not fulfil their human rights obligations.

John Ruggie, the United Nations special representative on human rights and transnational companies, stated the problem clearly: "Where governments lack capacity or abdicate their duties, the corporate sphere of influence looms large by default, not due to any principled underpinning."

We participated in Ruggie's consultation process during 2007 and support the UN initiative he is leading to determine the boundaries of responsibility. We welcome his final report published in April 2008, for helping to provide clarity and practical guidance.

MANAGING COUNTRY RISKS

The search for oil and gas can take energy companies to places with poor human rights records. This clearly presents challenges and requires making trade-offs. Refusing to operate allows access to less-principled competitors. Staying in such countries puts a company at risk of being seen as complicit in a government's practices. We decide our approach case-by-case, based on whether we are able to follow our Business Principles.

We assess the human rights risks faced by our projects and operations using tools developed by the Danish Institute for Human Rights. One of these compares local laws and practices with the Universal Declaration of Human Rights and 80 other international treaties. Where it identifies risks, we develop action plans to avoid violating rights in these areas. Another tool checks that our company procedures comply with local laws and regulations. In Brazil, for example, these tools highlighted further efforts for us to live by our commitment to be equal opportunity employers, and meet government requirements that the disabled make up at least 5% of a company's workforce. As a result, Shell Brazil introduced new programmes to encourage the hiring of disabled people, including promoting their professional training with the help of non-governmental organisations (NGOs) that work in this area.

In 2007, we began working more closely with International Alert, an NGO specialising in peace-building. The aim is to reduce the chance that our business policies and practices unintentionally create conflict or make it worse. Starting in 2008, International Alert's experts will work with our staff on the ground in some sensitive locations, and develop conflict avoidance training for wider use in Shell.

Since 2000, we have been using this diagram to help us define our role under the United Nations Universal Declaration of Human Rights.

Employees: direct responsibility for issues like labour rights, working conditions and freedom from discrimination.

Suppliers and contractors: significant influence through setting standards, screening and training for security staff, local hiring and respectful treatment of third-country nationals.

Communities: help at a local level with issues like standards used when relocating people, respecting cultural identity, encouraging access to education and avoiding negative health impacts from our facilities.

National governments: support host governments' efforts to improve their human rights performance including through our contribution to economic development.

International efforts: help by supporting voluntary initiatives like the Global Compact, the Voluntary Principles on Security and Human Rights and the International Labour Organization declarations.

RIGHTS OF EMPLOYEES

We are committed to respecting our employees' rights in line with the International Labour Organization's Declaration of Fundamental Human Rights at Work. These include:

- A commitment not to exploit children through direct employment or indirectly through joint ventures, contractors and suppliers. According to our annual questionnaire of senior Shell country representatives, Shell companies in 99% of countries where we operate had procedures to prevent child labour in their own operations in 2007.
- Freedom from forced labour. In 99% of countries where we operate, we have procedures in place to achieve this.
- Freedom from discrimination. Through equal opportunity in hiring, career development, promotion, training and reward, in line with government policies and while respecting local practices.
- Freedom of association. Employees can join a union wherever permitted by national law.

In addition to protecting the labour rights of our employees, we also seek to create a satisfying and challenging place to work that encourages people to make the best use of their talents, and provides them with flexible working conditions to meet their individual needs.

As part of our process for awarding a contract, we check that potential contractors are able to maintain our standards, including respecting human rights. In 2007, for example, Shell companies in 98% of the countries in which we operate required that their contractors had a procedure in place to prevent child labour, according to our annual internal questionnaire of senior Shell country representatives. Last year we also made it a requirement in new contracts for all contractors to follow our Code of Conduct. The Code sets out, among other things, our standards for creating an equal opportunity workplace where staff are free from harassment.

SECURITY AND HUMAN RIGHTS

Our company-wide security standards define how we protect our people and assets, while respecting the rights of others, including local communities. For example, armed security is only permitted when required by law or where there is no other acceptable way to manage the risks. The standards set strict guidelines on the use of force.

In 2007, armed security was used in approximately 15% of countries in which we operate, two-thirds of the time through security companies we hire. Last year we were able to phase out the use of armed guards at all our service stations in the Philippines by improving safety conditions, for example through better lighting and changes in the way we store cash on site.

We strengthened our security standards in 2007 to set clearer and more specific expectations for our operations worldwide and to include the Voluntary Principles on Security and Human Rights. The Voluntary Principles were developed by NGOs, governments and companies as a guide for companies working in extractive industries like oil and gas, and minerals mining.

Our revised security standards now require all operations to manage their security risks in the same way, based on a standard risk assessment, which must be reviewed annually. The assessment covers a number of items highlighted in the Voluntary Principles, including background checks on security staff to make sure they have no past record of human rights abuse and that they have been trained in using these principles.

We now require all of our approximately 300 security staff worldwide to follow a standard training programme, which assesses whether they have the necessary skills to carry out their duties. We have strengthened the requirements that must be included in our contracts with private security companies, referencing the Voluntary Principles and being clearer about our need for contractors to investigate accusations of human rights violations promptly and take disciplinary action if required. We now also use the Voluntary Principles when working with government security forces.

UCHE OFILI (LEFT) AT CLEEN FOUNDATION TRAINING

SECURITY AND HUMAN RIGHTS TRAINING IN NIGERIA

"I supervise the security of a Shell oil and gas project in Bayelsa State, Nigeria. The project is located in a dangerous area that experiences militancy, kidnapping, vehicle hijacking and community unrest. These issues have led to the site being shut down on several occasions for the safety of employees. Working in these tense conditions means we as security staff must know how to handle risks safely and responsibly.

In 2007, I attended a three-day training session on human rights organised by Shell and delivered by the CLEEN Foundation, a leading Nigerian NGO. It not only reminded me how important it is that host communities should have their human rights respected at all times. It also taught me that it is important to understand the causes of a protestor or militant's actions in order to understand how to properly respond to the risk they pose to our site. More courses like this, explaining how the Voluntary Principles apply to Shell operations, would help. So would refreshers to keep my staff up to date on conflict resolution."

UCHE OFILI
SECURITY SUPERVISOR
THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA

LIVING BY OUR PRINCIPLES

ADDITIONAL WEB CONTENT
- Our work with staff and partners on business integrity
- Shell's Code of Conduct - available to download in 13 languages

www.shell.com/integrity

The Shell General Business Principles have defined who we are and how we behave for more than 30 years. We expect them to continue to guide us in the next 50 years as well, as we help build a responsible energy future. Our Code of Conduct gives staff more detailed guidance about the behaviour our Business Principles require.

BEHAVING WITH INTEGRITY

At the heart of our Business Principles are three core values: honesty, integrity and respect for people. Business integrity, in practice, means something clear and simple: zero tolerance of bribes and fraud, including facilitation payments. Cases of bribery and fraud are reported to the Audit Committee of the Board of Royal Dutch Shell plc. In 2007, 112 violations were reported. As a result, we ended our relationship with 151 staff and contractors.

CONTRACTORS

We expect contractors to conform to our, or equivalent business principles, including our HSE policy, in all aspects of their work with us. In many locations, we provide training to help them understand and comply with these principles. If they cannot comply, we are required to review the relationship. In 2007, we cancelled 35 contracts due to failures to adhere to Business Principles, according to our annual internal questionnaire of senior Shell country representatives. Half the cases involved violations of our HSSE standards. A number of contracts were cancelled in India, Madagascar and the USA.

COMPETITION LAWS

We support free competition and seek to do business fairly, ethically and in accordance with applicable competition laws, which prohibit practices like price-fixing. As our Code of Conduct makes clear, no violation of competition laws will be tolerated in Shell. Regretfully, violations do sometimes happen. In 2007, we were fined $852,000 in El Salvador for alleged unfair pricing practices in retail. We are appealing this case. In Argentina, our appeal against a fine for $33,000 imposed in 1998 for fixing liquid petroleum gas prices was dismissed.

HELPING STAFF AND PARTNERS LIVE BY OUR PRINCIPLES

Since 2005, we have had a global helpline and website for staff and business partners to report concerns confidentially and get advice on any suspected infringements of the law or our Business Principles. The helpline is managed by an independent external specialist and available 24 hours a day, all year round. Nearly 40% of all suspected infringements were reported through the helpline in 2007. Staff made line management or human resources departments aware directly of the remaining 60%.

We provide online and face-to-face training in key areas, including bribery and corruption, and compliance with competition laws. By the end of 2007, nearly 20,000 staff had been through competition law training. We also began training to help staff understand what the Code of Conduct (launched in 2006) requires of them. This included rolling out mandatory online training across the company during 2007, designed to help employees put our Business Principles into practice. The training included a number of real-life scenarios to demonstrate dilemmas that employees may encounter in their daily work and how to deal with them.

WORKING IN JOINT VENTURES

ADDITIONAL WEB CONTENT

www.sakhalinenergy.com

PILTUN B PLATFORM, SAKHALIN

We conduct a big part of our business through joint ventures (JVs). Working with partners spreads costs and risks, gives us a stake in more projects, and, when our partners are national oil companies, helps us get access to resources. But when we do not control these joint ventures, we need to use our influence to encourage projects to operate responsibly – both environmentally and socially.

JOINT VENTURES WE CONTROL

In JVs we control, we have the right to decide how the company is managed, for example, because we hold a majority of the voting rights. These JVs are required to use the Shell Control Framework, which includes our Business Principles, Code of Conduct and company-wide standards, including our HSSE standards, or materially equivalent principles and standards.

JOINT VENTURES WE DO NOT CONTROL

In JVs we do not control, we still expect the venture to have a set of business principles and an HSE commitment and policy equivalent to our own. However, we do not have the power to set the specific standards used. Instead, we encourage the JV to choose an operator that shares our values. We share best practice of managing safety, environmental and social issues, including creating positions dedicated to HSSE and social performance. We ask that an impact assessment be carried out before significant work on a project begins and that the JV maintains relationships with key external stakeholders.

If our requirements cannot be met within a reasonable time, we review the relationship. We last left a JV because of its incompatibility with our Business Principles in 2003. In line with standard industry practice, our public reporting focuses on companies and joint ventures where we have a controlling interest or where we are the operator, because we have direct accountability and are able to determine performance. In a few cases, we also include HSSE data from ventures we provide operational services to but do not control. Data from companies that were disposed of or acquired during the year are included only for the period that we had control. In some cases, data for companies where control changed hands during the year (for example Sakhalin Energy) are included for the entire year, as this is needed to allow consistent comparison of performance trends at company level.

SAKHALIN II

Sakhalin II is the most complex oil and liquefied natural gas (LNG) project currently under construction. It will add 5% to the world's LNG capacity – enough to produce electricity for around 24 million homes.

In April 2007, control of the JV building the project, Sakhalin Energy Investment Company Ltd (Sakhalin Energy), passed from Shell to Gazprom. The agreement saw Shell's share in Sakhalin Energy drop from 55% to 27.5%. This changed our role in the project. Two executive directors nominated by Gazprom were appointed in 2007. During 2008, there will be a further transition from Shell to Gazprom-nominated staff in a number of senior positions. But there will also be much continuity. Shell continues to provide technical services to the project. The operating agreement Sakhalin Energy used before the ownership change – with all its environmental and social requirements – continues to apply.

Sakhalin Energy's support for the Sakhalin Indigenous Minorities Plan continued. The plan aims to mitigate possible impacts on the lives and livelihoods of indigenous people from oil and gas development and promote traditional livelihoods. By the end of 2007, 90 projects had been selected and financed under the plan, the first phase of which will run to the end of 2010. Sakhalin Energy has provided the funding ($1.5 million) and is a member of the supervisory groups charged with making sure the plan is carried out. The plan was singled out by The International Finance Corporation, the private sector arm of the World Bank, as a model of international "good practice."

In late 2007, Sakhalin Energy's environmental and social efforts were acknowledged by consultants AEA Technology, working on behalf of potential project lenders. AEA Technology concluded that "Sakhalin Energy's … plans fully meet a large majority of the requirements against which the project has been assessed and there are examples of laudable best practice. Where non-conformances with requirements have been identified in the documentation, these are either minor in nature or else Sakhalin Energy has plans in place for their resolution."

Sakhalin Energy continued to take advice from a long-term advisory panel of independent scientific experts, convened by the International Union for the Conservation of Nature (IUCN). The panel will monitor the project's potential impact on the area's critically endangered western gray whales through 2011. The project has made important changes in response to the panel's recommendations, including reducing the speed and noise levels of ships, and strengthening its response programme for oil spills. In 2007, AEA Technology concluded: "This long-term support of an independent panel of world-renowned experts is highly commendable and has the potential to play an important role in the protection of this [whale] population."

In early 2008, Sakhalin Energy withdrew its request for loans from the US and UK governments' export credit agencies. It was concerned that the agencies would not be able to come to a decision by mid-2008, when Sakhalin Energy aims to have the project financing completed.

HOW WE WORK

Sustainable development is integrated into our standards, processes, controls and governance.

STANDARDS

We have a single control framework that describes how Shell is organised and managed. It includes the Shell General Business Principles, Code of Conduct and our Health, Safety, Security and Environment (HSSE) standards. The Shell Control Framework applies to all Shell companies and joint ventures we control, although in practice we may agree that a joint venture may operate to materially equivalent principles and standards.

Our Business Principles, which we laid down more than 30 years ago, describe our objectives, core values, responsibilities and the way we do business. They commit us to contribute to sustainable development and support fundamental human rights. They also forbid bribery, fraud and anti-competitive behaviour. The Code of Conduct, issued in 2006, offers staff detailed instructions on how to work in accordance with our Business Principles.

In companies we control, our HSSE standards include requirements for biodiversity, managing greenhouse gas (GHG) emissions, environmental management, health management, road and process safety, and ship quality.

We also require contractors to manage HSSE in line with our standards and expect them to follow our Business Principles or their equivalent when working for us. Suppliers and joint ventures we do not control are encouraged to adopt and follow business principles and high-level HSSE standards equivalent to our own. If our expectations cannot be met in a reasonable time, we review these relationships. This can involve actions up to and including ending the relationship.

TARGETS

We set internal improvement targets for our key safety and environmental parameters and have public targets for eliminating the disposal of gas by continuous flaring, and for managing GHG emissions from our operations (see page 19).

SUSTAINABLE DEVELOPMENT TRAINING FOR NEW EMPLOYEES, MOTIVA PORT ARTHUR REFINERY

We also have three targets for diversity and inclusion:

- Increasing the proportion of women in senior management to at least 20% in the long term. By the end of 2007, 12.9% of our senior managers were women, up from 11.6% in 2006.
- Having local people fill more than half the senior management positions in every country we operate in. By the end of 2007, 33% of countries had achieved this, compared to 25% in the previous year. This was a result of an increase in experienced local people being hired and diversity being considered when placing staff in senior roles.
- Improving staff perceptions of inclusion in the organisation they work in, which we will measure next in 2008.

PROCESSES AND INCENTIVES

Environmental and social factors play a growing role in our investment decisions and in the way we plan and design major new projects. For example, we include the expected future costs of emitting CO_2 when making all major investment decisions. And an environmental, health and social impact assessment is required before we begin significant work on major projects or existing facilities. Any improvements identified must be made as part of the project's design and operation. In 2007, we refined our standard process for developing new oil and gas opportunities to help us identify and address environmental and social issues earlier and more consistently (see case study below).

Sustainable development is also part of how we assess our performance and pay our people. It counts for 20% of the Shell Scorecard that we use in determining bonuses.

GETTING IN EARLY: SUSTAINABLE DEVELOPMENT IN NEW UPSTREAM PROJECTS

When we looked at our projects for lessons about managing their environmental and social impacts better, one thing was clear: projects that considered these risks and opportunities early, and then addressed them through project design and execution, were more successful. Projects that started addressing the risks and opportunities later, had a higher chance of being delayed or diverted by community protests, environmental concerns or permitting problems.

In response, we made several changes to our process for new oil and gas projects. Each is now required to identify its environmental and social risks systematically at the very outset – long before the technical design or commercial conditions for the project are cast in stone. How well the project has understood and integrated these risks into its approach is then regularly checked. In addition, the most senior sustainable development managers from the business and corporate centre now review our more than 70 largest early-stage projects twice a year. To help project developers and review teams know what to look for, and how to change their projects to address these issues, we are strengthening their training in this area.

MAARTEN VAN DEN BERGH, WIM KOK AND NINA HENDERSON

ADDITIONAL WEB CONTENT
- Our company wide environmental and social commitments and standards
- Sustainable development in our business processes
- More on our corporate governance

www.shell.com/howwework

THE SOCIAL RESPONSIBILITY COMMITTEE

The Committee is chaired by Wim Kok, former Prime Minister of the Netherlands. It meets four times a year, receiving reports and interviewing management to review how the company is handling existing and emerging environmental and social issues, and impacts at major projects and operations. At every meeting, it receives an update on our HSSE performance, and the progress of the programme to improve it. In 2007, the Committee also had an additional full-day meeting to deepen its knowledge and understanding of the debate around climate change and its implications for our operations and businesses. The Committee provides input on and reviews drafts of this report, and met with our External Review Committee (see page 38).

The Social Responsibility Committee travels to Shell locations, meeting with local staff and external stakeholders, including communities, non-governmental organisations and governments, to understand first-hand the site's operational performance. The Committee forms its own view on how our standards are being implemented and where improvements are needed. In 2007, it visited our oil sands operation in Canada and the Sakhalin II project in Russia. Wim Kok also visited Nigeria with the Chairman of the Board of Royal Dutch Shell plc. After each visit, the Committee reports its observations to the Board, including the Executive Director responsible for that project or site.

GOVERNANCE

The Social Responsibility Committee is one of four committees of the Board of Royal Dutch Shell plc. Composed of three Non-executive Directors, the Committee takes an active role in assessing and advising the Board on our policies and performance with respect to our Business Principles, Code of Conduct, HSSE and major issues of public concern (see case study above).

Our Chief Executive has management responsibility for sustainable development. He chairs Shell's Sustainable Development and HSSE Executive group, which reviews performance and sets priorities, key performance indicators and targets.

The central Social Performance Management Unit, the HSSE function, and issues management staff, challenge and support the separate businesses within Shell, helping them develop skills, share lessons and take a consistent approach to addressing environmental and social issues.

Sustainable development is part of the duties of every manager. Each of our businesses is responsible for complying with our requirements and achieving its specific targets in this area.

MONITORING COMPLIANCE

At the end of each year, the heads of our businesses and functions report to the Chief Executive on compliance with our Business Principles and standards, through annual assurance letters.

Shell Internal Audit investigates fraud and other control incidents. Ethical and legal incidents are reported to the Executive Committee and to the Audit Committee.

We also regularly audit our facilities' HSSE management systems and have dedicated safety audits done by process safety specialists. All our major plants are required to be externally certified to international environmental standards, for example ISO 14001. In 2007, we put in place a team of independent, senior internal auditors – specialised in process safety – to check that standards are implemented across the company.

External panels and observers help us monitor environmental and social performance. These include community panels at a number of facilities that advise us on our social performance (see page 26).

TRAINING

We integrate sustainable development issues into many of our training programmes, including the leadership courses for senior managers that we run in partnership with leading business schools in Asia, Europe and the USA. For key project and commercial staff, knowledge of sustainable development is built into the courses held by our Project Academy and Commercial Academy. Starting in 2008, senior decision makers on new projects in our exploration and production business will be required to take a sustainable development "masterclass" run with the charity Forum for the Future. In our downstream business, we are spreading expertise of local staff to carry out social performance reviews for operations in their country or region.

OUR INITIATIVE IN INDIA WHICH MAKES A SPECIAL EFFORT TO HIRE DISABLED PEOPLE AT OUR SERVICE STATIONS

PERFORMANCE DATA

ADDITIONAL WEB CONTENT
- Our environmental and social performance data
- Shell in the leading sustainability indices

www.shell.com/performancedata

ABOUT OUR DATA

Reporting environmental and social data differs from reporting financial data in a number of important ways. There are inherent limitations to the accuracy, precision and completeness of environmental and social data. These limitations stem from the nature of these data. Certain parameters rely on human behaviour and so are affected by culture and personal perception. Other parameters rely on complex measurements that require constant tuning. Still others rely on estimation and modelling. We accept that our published environmental and social data will be affected by these inherent limitations. We continue to improve data integrity by strengthening internal controls. Safety and environmental data are collected from companies and joint ventures where we have a controlling interest and certain companies to which we provide operational services. These data are reported on a 100% basis, regardless of our equity share in the company. Operations that were acquired or disposed of during the year are included only for the period of time we had ownership. In some cases, data for companies where control changed hands during the year, for example Sakhalin Energy,

ENVIRONMENTAL

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
K **Greenhouse gas emissions** million tonnes CO_2 equivalent[A]	103	99	101	103	106	112	112	105	98	92
Methane (CH_4) thousand tonnes	522	456	398	315	241	234	243	211	154	150
Carbon dioxide (CO_2) million tonnes	92	90	92	95	100	106	106	100	94	88
K **Flaring (Exploration & Production only)** million tonnes	9.1	8.1	9.3	10.3	7.6	9.3	9.2	8.0	5.7	4.2
Sulphur dioxide (SO_2) thousand tonnes	337	304	277	274	270	292	304	300[B]	296	263
Nitrogen oxides (NO_X) thousand tonnes	252	218	202	213	213	219	197	184	180	171
CFCs/halons/trichloroethane tonnes	11	12	6.0	5.0	8.0	3.3	2.6	1.0	0.6	0.4
Volatile organic compounds (VOCs) tonnes	584	499	538	372	379	294	265	244	224	209
K **Spills** thousand tonnes[C]	13.2	18.7	9.9	17.8	7.4	6.7	6.1	9.0	6.3	6.7[D]
Oil in effluents to surface environment thousand tonnes	5.2	3.3	2.8	2.9	2.5	2.4	2.3	2.5	2.1	1.9
Fresh water use[E] million cubic metres	N/C	N/C	681	683	679	667	657	638	560	574
Waste thousand tonnes										
Hazardous	240	272	400	445	504	554	455	451	594	722
Non-hazardous	521	468	490	452	524	510	470	668	1,199	1,971
Total waste	761	740	890	897	1,028	1,064	925	1,119	1,793[F]	2,693[G]
Energy intensity										
K In our refineries: Energy Intensity Index	N/C	N/C	N/C	N/C	86.5	85.9	85.0	83.9	84.0	85.0
K In our chemicals plant: Chemicals Energy Index	N/C	N/C	100	101.4	99.7	98.3	93.3	95.8	92.5	92.6
In our oil sands business (gigajoule per tonne production)[H]	N/C	N/C	N/C	N/C	N/C	13.0	7.0	6.8	6.4	6.7
K Exploration & Production (gigajoule per tonne production)[I]	0.8	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.9	1.0
K **External perception of environmental performance**[J]										
Special publics – % saying the best/one of the best										
Shell	N/C	N/C	N/C	N/C	31	39	31	32	28	39
Nearest competitor	N/C	N/C	N/C	N/C	19	31	24	28	25	24

K Key performance indicators.
$ In 2007, our social investment and contracting and procurement data were for the first time collected via our financial system.
N/C Not calculated.
[A] Petroleum Industry Guidelines for Greenhouse Gas Estimation, December 2003. (API, IPIECA, OGPI) indicate that uncertainty in greenhouse gas measurements can be significant depending on the methods used.
[B] Restated from 323 thousand tonnes due to calculation error in one of our Nigerian operations.
[C] 2006–7 data restated since the publication of our 2007 Annual Report and Form 20-F as a result of investigations into incidents in a difficult to access area that were completed in the interim.
[D] From 2007 we have aligned our definition of a spill with the industry standard. Only hydrocarbon spills are now included in the data.
[E] Restated for all years to exclude cooling water that travels only once through the plant.
[F] Restated from 1,582 due to inclusion of additional hazardous and non-hazardous soil into these categories by some downstream operations.
[G] Increase in 2007, mainly a result of non-hazardous waste. Two-thirds of the rise came from our upstream business in the USA due to the closure and clean-up of onshore well sites, where we bought a large brownfield operation. The rest came mainly from construction and demolition of retail sites, bought and sold by our downstream business.
[H] In 2007, we made our minable oil sands activities in Canada, a separate segment within our downstream business. It was previously part of Exploration & Production. We now report the energy intensity of oil sands separately.
[I] 2003–5 figures adjusted for the removal of oil sands activities from Exploration & Production.
[J] The Reputation Tracker survey is conducted on our behalf in 14 of our major markets, by the independent market research agency Ipsos MORI. In 2007, we reduced the number of markets where we use the Reputation Tracker with the general public, as the results from them are no longer representative we no longer report them externally. The response scale was changed for "external perception of environmental performance" in 2007. This prevents direct comparison of those results with previous years'. Comparisons can be drawn regarding the gap between Shell and its nearest competitor.
[K] Data reflect the changed scope of senior leader positions in 2005. Restated for all years.
[L] Country income level as defined by the UNDP human development index.
[M] Incidents of bribery and fraud, gathered by our internal audit system.

were included for the entire year, as this was needed to allow consistent comparison of performance trends at company level. Other data are collected from external sources, staff surveys and other internal sources as indicated and reported.

We only include data and events, like safety incidents, that have been confirmed by the time this publication goes to print. If incidents are reclassified or confirmed after publication, the data is restated in the next year's publication.

Data marked S in the social data table is obtained from an internal survey completed by the senior Shell representative in each country. The degree of accuracy for this is significantly lower than for data obtained through our financial systems.

We set internal improvement targets for our key safety and environmental parameters and have longer-term public targets for energy efficiency in our chemicals plants, for eliminating the disposal of gas by continuous flaring, and for reducing greenhouse gas emissions from our operations.

Unless otherwise noted, estimates of the number of homes served, or cars fuelled by our activities, throughout this report are based on the average electricity consumption of a household in Europe and the fuel efficiency and petrol tank size of a typical small car (Ford Fiesta).

Conversions into US dollars are based on the average rate for the year 2007.

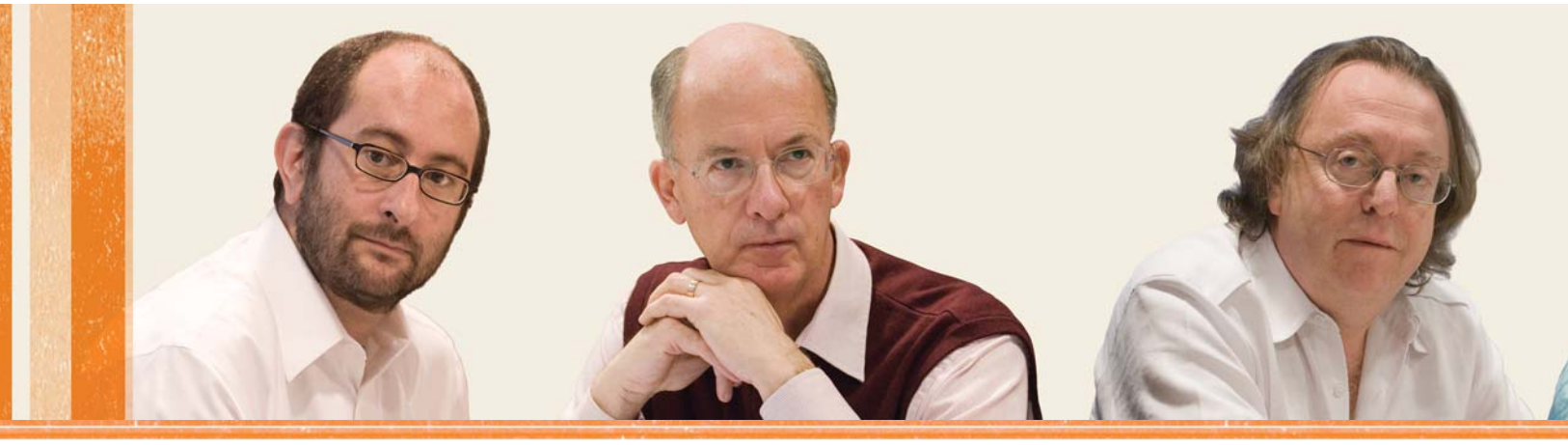
SOCIAL

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Fatalities[C]										
Employees	6	3	5	3	8	5	2	3	2	2
Contractors	57	44	55	37	45	42	35	33	41	28
Total number	63	47	60	40	53	47	37	36	43	30
K **Fatal accident rate**										
Number of fatalities per 100 million working hours (employees and contractors)	8.6	6.9	8.2	5.2	6.3	5.6	4.4	4.4	5.4	3.4
K **Injuries – total recordable case frequency (TRCF)**										
Per million working hours (employees and contractors)	4.4	3.7	3.2	2.9	2.6	2.6	2.6	2.5	2.3	2.2
Lost time injury frequency (LTIF)										
Injury hours per million working hours (employees and contractors)	1.6	1.4	1.3	1.2	1.1	1.0	1.0	0.9	0.8	0.7
Total reportable occupational illness frequency										
Illnesses per million working hours (employees only)	3.2	3.5	2.2	2.3	2.0	2.0	2.1	2.0	1.8	1.5
S **Security** % of countries										
Using armed security	24	26	22	18	16	22	18	19	15	16
Using armed company security	4	2	2	2	1	2	2	2	2	2
Using armed contractor security	16	15	12	12	12	22	11	11	9	12
Gender diversity % women[K]										
In supervisory/professional positions	N/C	15.4	17.1	17.7	18.9	19.5	20.7	21.8	23.2	24.6
In management positions	N/C	N/C	8.9	9.3	9.2	11.3	12.2	12.9	16.2	17.7
K In senior leadership positions	N/C	N/C	7.2	7.9	8.8	9.6	9.6	9.9	11.6	12.9
S **Staff forums and grievance procedures**										
% staff with access to staff forum, grievance procedure or other support system	N/C	N/C	N/C	99.9	99.9	99.9	100	100	99.2	100
S **Child labour** % countries with procedures in place										
In own operations	64	82	84	89	86	78	83	88	95	99
Contractors	39	46	51	57	56	57	61	69	89	98
Suppliers	21	30	31	41	42	50	53	62	82	96
$ **Contracting and procurement**										
Estimated expenditure on goods and services from locally owned companies in low and medium countries[L] $ billion	N/C	N/C	N/C	N/C	N/C	5.2	6.3	9.2	10	17
S **Contracts cancelled due to incompatibility with Business Principles**	69	62	106	100	54	49	64	63	41	35
S **Joint ventures divested due to incompatibility with Business Principles**	N/C	1	2	0	0	1	0	0	0	0
Business integrity[M]	N/C	N/C	N/C	N/C	N/C	N/C	123	102	96	112
$ **Social investment (equity share)** $ million	N/C	N/C	85	85	96	102	106	127	140	170
K **Favourability**[J]										
With special publics										
Shell	N/C	N/C	N/C	N/C	43	59	43	47	49	54
Nearest competitor	N/C	N/C	N/C	N/C	39	52	46	45	47	38

EXTERNAL REVIEW COMMITTEE

For the third successive year, Shell has invited an External Review Committee to assess the content of its Sustainability Report and the process through which it was produced.

This is our own assessment of Shell's 2007 Sustainability Report. We express our views as individuals, not on behalf of our organisations.



Aron Cramer
President and CEO, Business for Social Responsibility – External Review Committee Chair

Jermyn Brooks
Director of Private Sector Programmes, Transparency International

Roger Hammond
Development Director, Living Earth

WHAT WE DID

We concentrated on three main questions:

- Has the company selected the most important topics for the report?
- How well has the report dealt with these topics and responded to stakeholder interest?
- Did Shell give us sufficient information and access to do our job effectively?

HOW WE WORKED

In autumn 2007, we commented on Shell's initial choice of issues to address in the report. We reviewed and commented on the report outline in late 2007, and successive report drafts in January and March 2008. The Committee met in person twice, and held several teleconferences. Our in-person meetings involved interviews with senior management, including the Chief Executive and the Board's Social Responsibility Committee.

Our review is limited to the printed report. We welcome the report's links to supplementary information published on the web, but have not reviewed this information. We did not verify the accuracy of data underlying the report. In addition to our comments on the company's reporting, we have offered Shell our observations on its sustainability performance.

In recognition of our time and expertise, an honorarium was offered, payable to us individually or to a charitable organisation of our choosing. Shell reimbursed us for the expense of our travel and accommodation.

SHELL'S REPORTING

Shell's 2007 report reflects a new level of leadership in sustainability reporting. Specifically, Shell has made clear how its strategy addresses the most important sustainability issues facing the company. It also explains in detail its stated intention to advocate public policies that support a sustainable energy future. This reflects its strategy to contribute to concerted action to meet the energy challenge.

The 2007 report effectively prioritises the issues that are most material to the company, and of greatest interest to Shell's stakeholders, in addition to covering one of the most significant topics facing our world – climate change. In a short report, it will always be a challenge to provide sufficient depth on critical, complex issues. This year, because of the urgency of addressing climate change, we encouraged Shell to devote more space to explain its latest Strategic Energy Scenarios and advocacy efforts. Inevitably, due to space limits, other topics – such as local environmental impacts, Shell's contributions to achievement of the Millennium Development Goals (including the link between energy and poverty reduction), and social performance in difficult operating environments – received less attention as a result. We therefore encourage Shell to use other tools such as its website to reinforce the coverage of all sustainability issues of importance to its stakeholders, and provide periodic updates as circumstances warrant, in between the annual reporting cycle.

Overall, Shell has been highly responsive to our comments on its reporting, both those made in the Committee's letter last year and in the course of the process of developing this year's report. Nevertheless, we refer again this year to the need for Shell to provide greater insight into its investment levels in renewable energy sources. The credibility of Shell's advocacy efforts, on which it rightly focuses, will be greatly strengthened by providing this information.

THE ENERGY CHALLENGE

The 2007 report makes great strides in explaining Shell's view of a sustainable energy future and its role in achieving it. We commend Shell for the description of its Strategic Energy Scenarios and their use to frame the dialogue on energy and climate change in the report. We welcome in particular Shell's clear statement that it is now advocating the kind of policies and changes to the energy system described in the "Blueprints" scenario. We look forward to further reporting on these efforts in future years.

ADDITIONAL WEB CONTENT
• More about Committee members
• Committee terms of reference

www.shell.com/reviewcommittee

Karin Ireton
Head of Sustainable Development: Markets and Economics, Anglo American plc

David Runnalls NEW MEMBER
President, International Institute for Sustainable Development (IISD)

Dr. Ligia Noronha NEW MEMBER
Senior Fellow, The Energy Research Institute (TERI)

We also welcome the increased attention Shell pays in the Sustainable Transport section to managing energy demand. In particular, Shell takes a courageous step in highlighting its efforts to encourage customers to use less energy and its willingness to support stringent fuel economy standards.

We believe Shell can further strengthen its reporting on the energy challenge by providing additional information on:

- How its stated goal of achieving "top quartile performance" across the company will be measured and reported on in future.
- How the company's performance on carbon emissions will be measured using the concept of top quartile performance once the company's last absolute emission target expires in 2010. Without more detail about how it will be applied, it is not clear to us that this is a sufficiently ambitious target for an industry leader and whether this new benchmark will let readers see whether the company's overall emissions are going up or down.
- The expected increase in CO_2 emissions resulting from the company's operations over the coming decade. This is especially critical in light of growing reliance on unconventional energy sources, such as oil sands, before carbon capture and storage technology is widely deployed.
- The extensive energy and water needed to develop Shell's growing investment in its oil sands business.
- Its progress towards developing a significant capacity to capture and store CO_2.
- Its progress towards developing a material commercial-scale alternative energy business, particularly in next generation biofuels.
- How and when reductions in gas flaring in Nigeria will be achieved, given that Shell successfully ended continuous gas flaring in the rest of its operations in 2007.

WORKING IN DIFFICULT CONDITIONS

Shell's 2007 report again acknowledges that Shell's operations will occur increasingly in complex locations, where environmental and social conditions are often extremely challenging. We welcome Shell's recognition that integrating sustainable development early in projects will be critical to operating successfully at these locations. In future, we would like to see Shell include more case studies from developing economies and provide additional information on how effectively it is integrating social and environmental considerations across all its operations.

LOCAL DEVELOPMENT

Shell's contributions to local development and procurement and its tax contributions indicate positive impacts but could be more comprehensively reported. The section on Local Development would be strengthened by including a discussion on the *impact* of Shell's social investment spend.

WORKING IN JOINT VENTURES

Shell describes well the distinction between joint ventures it does and does not control. We believe that Shell should not take an overly mechanical view of which projects it should report on. We would like Shell to report on operations, including those it may not fully control, that are significant for its reputation and raise substantive questions about how Shell's Business Principles and social and environmental expectations are being upheld.

CONCLUSION

We applaud Shell for its serious approach to sustainability reporting and its commitment to contributing to a sustainable energy future. Shell's serious and forthright report provides a strong basis for readers to assess its efforts to address issues of critical importance and makes an important contribution to the debate over energy and climate.

OUR APPROACH TO REPORTING

ADDITIONAL WEB CONTENT
- Reporting in line with the Global Reporting Initiative
- How we select the topics that matter most
- Assuring our sustainability reporting

www.shell.com/sdreporting

We have voluntarily reported on our environmental and social performance since 1997 because it matters to our stakeholders and to our business success.

MEETING DIFFERENT AUDIENCES' NEEDS

Our Sustainability Report is targeted at external stakeholders. For those with specialist interests in environmental and social issues, our Responsible Energy website provides more in-depth information on our thinking, our policies and our performance. In addition, we describe our approach to managing environmental and social risks and opportunities in our Annual Report and Form 20-F. Throughout the year, we co-operate with many groups that provide investors with information and analysis about the environmental and social performance of companies. These groups include the producers of the Dow Jones Sustainability Indexes, FTSE4Good, Goldman Sachs Global Energy Environmental, Social and Governance Index, and the Carbon Disclosure Project. We provide a separate Sustainability Review for our customers and suppliers, summarising the areas of our performance most relevant to them. The review is also distributed to our staff as part of a wider internal communication effort to illustrate what our commitment to sustainability means for their day-to-day work.

WHAT ASSURES?

We continue with the approach to assurance we launched in 2005 – using an External Review Committee of experts to check that our reporting is balanced, relevant and responsive to stakeholders. The Committee's wide-ranging challenges and advice on our report are based on their deep knowledge of the issues and their first-hand experience of working with us. We continue to benefit from these insights and our readers remain strongly positive about the Committee's role. We intend to rotate two members out of the six-person Committee each year, so that we manage our demands on Committee members' time, and balance the need for continuity and fresh perspectives. We did this for the first time in 2007.

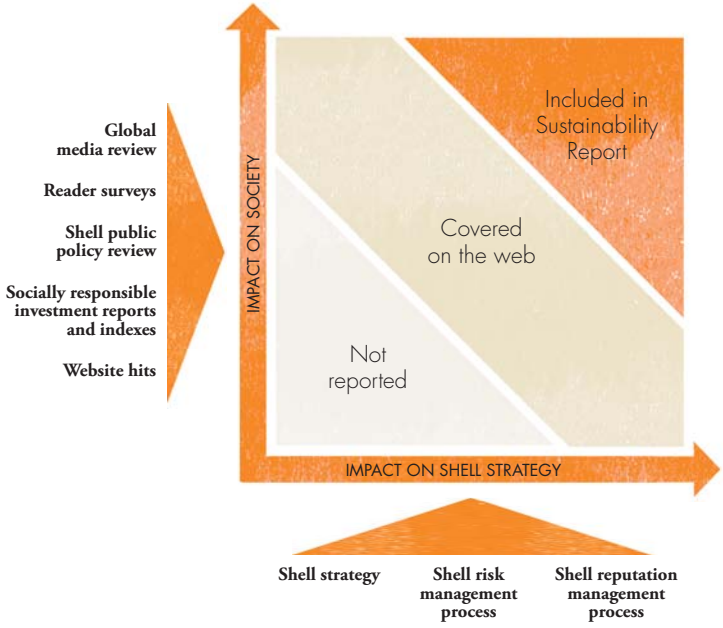
Between 1998 and 2004, with the advice of external auditors, we developed a range of internal controls to help assure accuracy of the facts in our Sustainability Report. These controls include audit trails for all the data and statements included in the report, approved by senior managers and available for inspection. Senior business leaders sign off on the quality of their HSSE data and we have extensive statistical checks in place to detect errors. In 2007, we strengthened controls on the information received from the internal questionnaire we send to our senior representatives in each country where we operate. We incorporated more of the information we require in our system for collecting financial information, so improving the reliability of that data.

ALIGNMENT WITH EXTERNAL GUIDELINES

We use the Global Reporting Initiative's G3 guidelines for sustainability reports. According to our own assessment, we achieved an A+ level of application of the guidelines in 2007. We also report in line with the guidelines of the International Petroleum Industry Environmental Conservation Association and describe on the Shell website our contribution to the UN Global Compact and to the Millennium Development Goals.

REPORTING ON WHAT MATTERS MOST

To ensure we address the environmental and social issues that matter most not just to us, but also to our stakeholders, we use a well-established and auditable content selection process.



STEP 1 **Ask readers what matters most to them, using surveys, interviews and media reviews. Also take account of topics that are important for society but attract less media attention.**

STEP 2 **Use our internal risk management systems to determine which environmental and social issues most affect our business strategy.**

STEP 3 **Combine the results. Allowing for legal restrictions, we include all the highest-priority topics in our report. Those at the next level of importance are covered on our website.**

STEP 4 **Check with stakeholders, and our External Review Committee, that our coverage of these topics is balanced and complete.**

Shell Sustainability Review 2007
This separate eight-page review is a summary of the main Shell Sustainability Report.

It is produced for our staff, customers and suppliers, and summarises the areas of our performance most relevant to them.

AVAILABLE FROM

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SHARE YOUR OPINION

Please let us know your views on this report, or any issues it raises, by e-mail to sustainabilityreport@shell.com

PHOTOGRAPHY BY SHELL STAFF

Some of the photos in this report were taken by Shell staff who were invited to show what sustainable development meant to them in action around the world.

We would like to thank:
Paul Anderson, Piltun B Platform, Sakhalin, page 33
Wendel Broere, Shell Eco-marathon, page 14
Dirk Nevelsteen, Sakhalin Island, page 21
Josef Schachner, Egmond Aan Zee offshore wind farm, page 7

LEGAL DISCLAIMER

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate entities. In this report, the expressions "Shell", "group" and "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 Wind Energy" and "Shell Solar" refer to the various companies engaged in trading, hydrogen, wind and solar businesses, respectively.

This report contains forward-looking statements concerning the financial condition, results of operations and businesses of Royal Dutch Shell. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Royal Dutch Shell to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases. There are a number of factors that could affect the future operations of Royal Dutch Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this Report including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for the Group's products; (c) currency fluctuations; (d) drilling and production results; (e) reserve estimates; (f) loss of market and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including potential litigation and regulatory effects arising from recategorisation of reserves; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. All forward-looking statements contained in this report are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Additional factors that may affect future results are contained in Royal Dutch Shell's 20-F for the year ended December 31, 2007 (available at www.shell.com/investor and www.sec.gov). These factors also should be considered by the reader. Each forward-looking statement speaks only as of the date of this report, May 13, 2008. Neither Royal Dutch Shell nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this report.

PAPER SPECIFICATION

The paper used is made from 25% de-inked post-consumer waste, 25% pre-consumer waste and 50% virgin fibre under ISO 14001. All pulps are Elemental Chlorine Free. The use of the FSC logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council.

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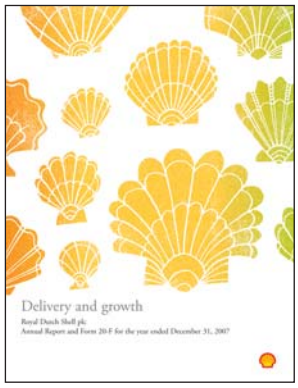
Shell annual reports

Annual Review and Summary Financial Statements 2007
A summarised overview of Shell.

www.shell.com/annualreport

Jaaroverzicht en verkorte jaarrekening 2007
Dutch language version.

www.shell.com/annualreport



Annual Report and Form 20-F for the year ended December 31, 2007
A comprehensive overview of Shell.

www.shell.com/annualreport

Financial and Operational Information 2003-2007 (available May 2008)
Five years' financial and operational information, including maps of exploration and production activities.

www.shell.com/faoi

Shell Sustainability Report 2007
Report on progress in contributing to sustainable development.

www.shell.com/responsibleenergy

OTHER PUBLICATIONS

Shell Technology Report
An overview of 27 advanced technologies.

www.shell.com/technology

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

www.shell.com/sgbp

Shell Code of Conduct
Provides standards of behaviour expected from employees.

www.shell.com/codeofconduct

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