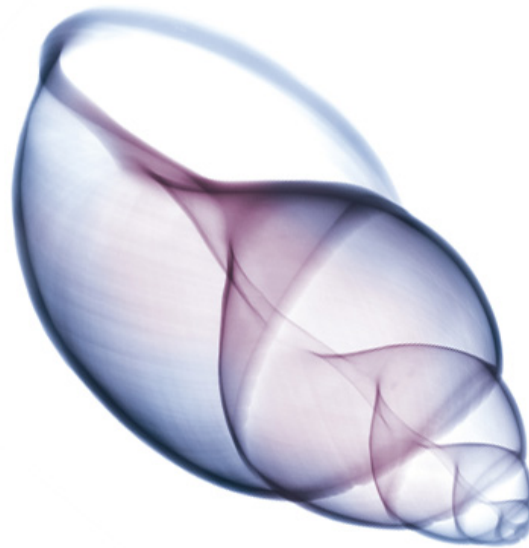




Sustainable Development: theory into practice



FIDIC Conference, 6 September 2005

Nick Wood

External Affairs Director





Presentation overview

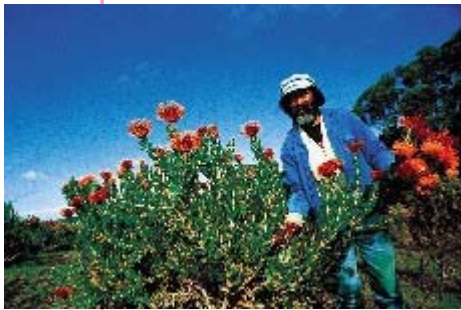


- Global perspective
- Shell's response
- Embedding sustainable development
- Into practice





In a nutshell...



Sustainable development for Shell means:

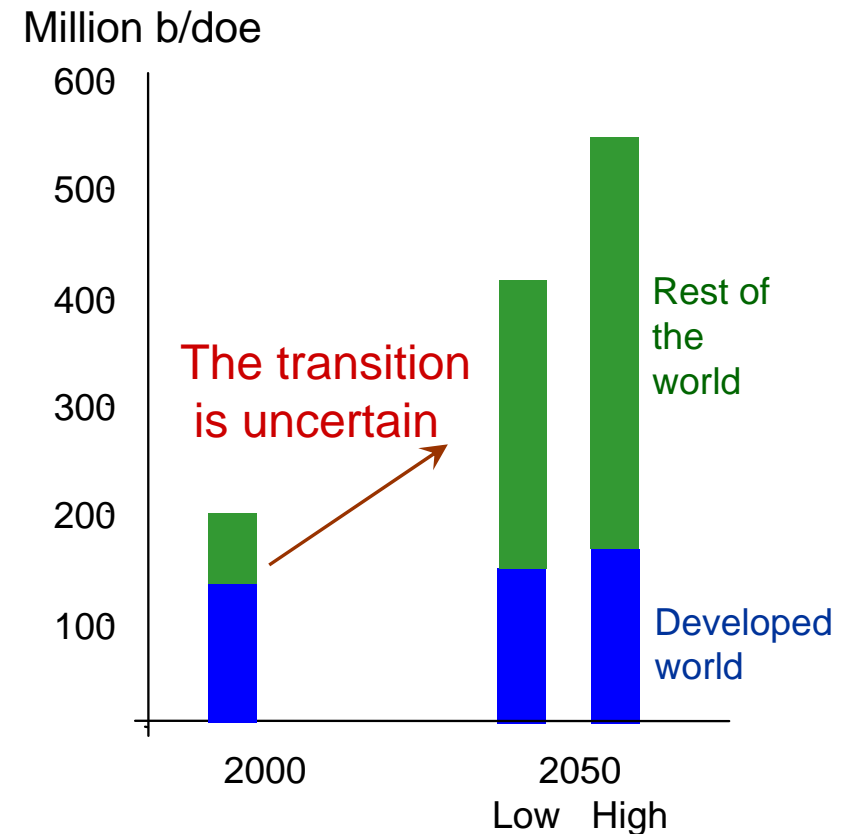
1. Helping to meet the global energy challenge.
2. Improving the environmental performance of our operations.
3. Improving our social performance
 - Starts with complying with laws, Shell policies and standards.
 - It is the right thing to AND the smart thing to do

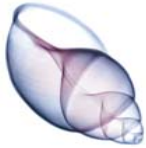




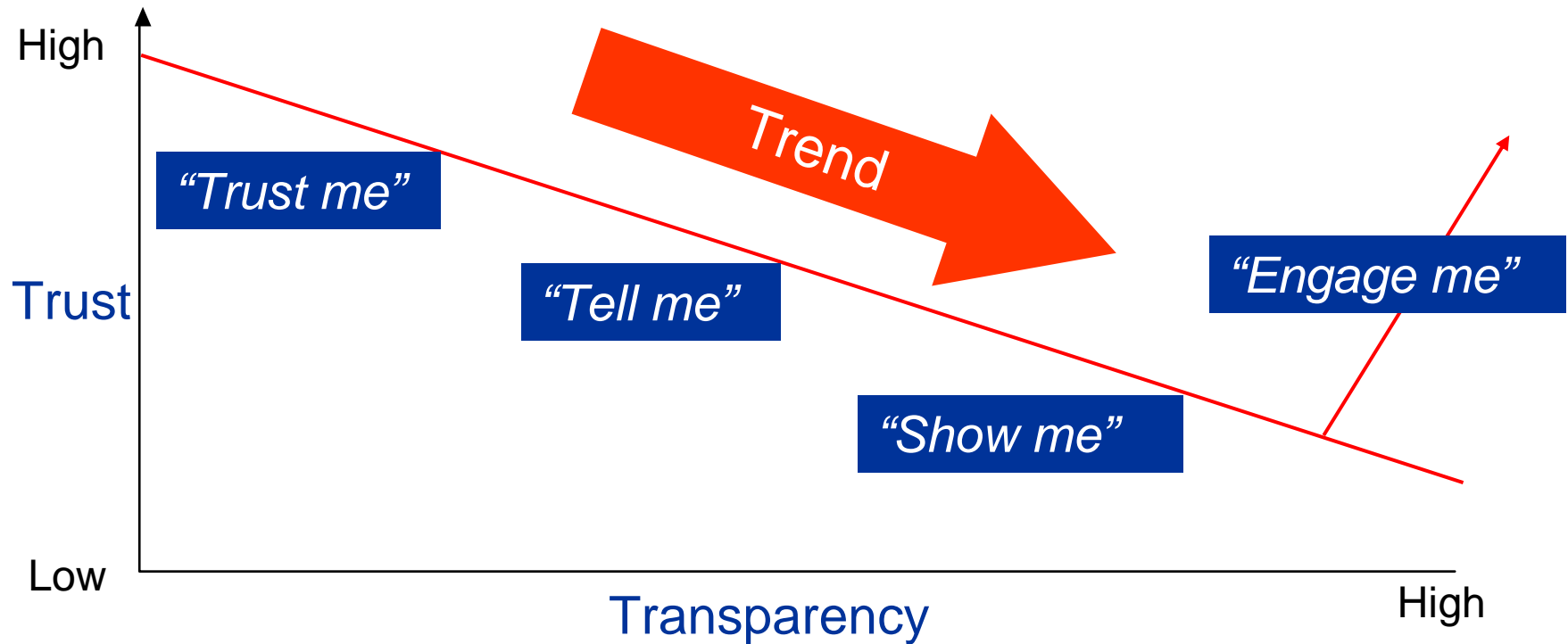
Energy demand is set to at least double

- World population expected to grow by 50%
- Developing countries will need 5 times more energy.
- Developed world 10-20% more
- Global GDP is expected to be 4 times larger
- Asia-Pacific largest growth area





Moving to an “engage me” world



As trust diminishes, the demand for partnering with stakeholders, for open reporting and external assurance increases.





Sustainable development aspiration



“Meeting the needs of the present generation without compromising the ability of future generations to meet their needs.”

Gro Harlem Brundtland
(The World Commission on Environment & Development)

developme

that is nt

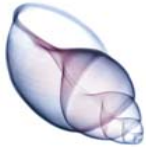
sustainabl

e

Finding ways for people to be healthier, safe, freer and richer

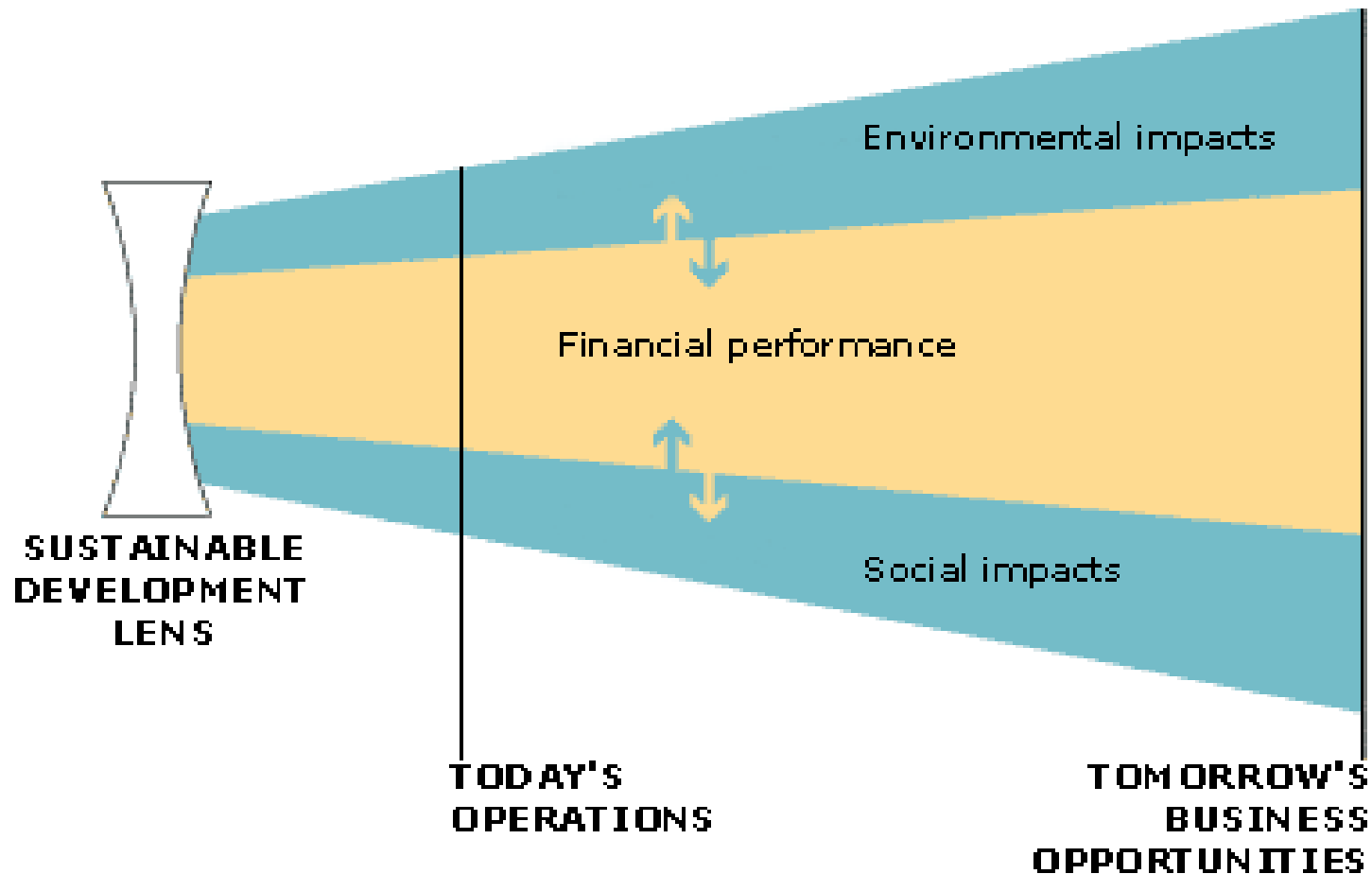
...that do not exceed the planet's carrying capacity or sacrifice the happiness of our children's children





Shell's response: sustainable development lens

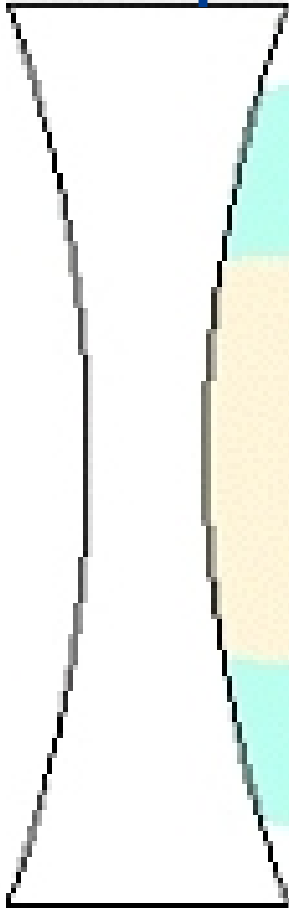
In 1997 committed to contribute to sustainable development in our General Business Principles





Shell's sustainable development principles

We are committed to contributing to sustainable development by:



- Protecting the environment
- Managing resources
- Generating robust profitability
- Delivering value to customers
- Respecting & safeguarding people
- Benefiting communities
- Engaging with stakeholders





Contribution to sustainable development



We look through the sustainable development lens to contribute in three interconnected ways:

1. Help to meet the global energy challenge.
2. Work to improve the environmental performance of our operations.
3. Take steps to improve our social performance.





Improve our environmental performance



- Global minimum environmental standards and risk-based HSE management systems for all operations
- Voluntary reduction targets for our 4 key environmental impacts (Global Warming Potential, Flaring, Energy Efficiency, Spills)
- Leaders in GHG emissions trading
- Continue to expand and improve lower carbon products and services
- First to commit not to explore or drill for oil and gas in natural world heritage sites, as part of Group Biodiversity Standard





Improve our social performance



1. Protecting and safeguarding employees and contractors

- Global safety standards
- HSE Management System
- Hearts and Minds
- Diversity and inclusiveness standard and targets

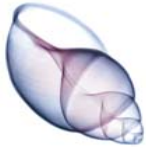
2. Maintaining trust by ensuring safety and benefits for local communities

- Social plans at all major facilities by end 2005

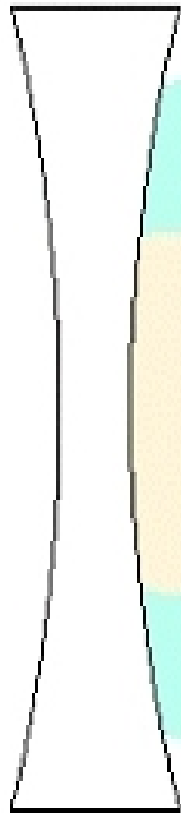
3. Creating lasting benefits for the societies where we operate

- Zero tolerance for bribes & support reporting payments to governments
- Promote use of local contractors and suppliers





Business value from sustainable development



Sustainable Development Lens



Talent

Innovation

Eco efficiency

Reputation

Customers

Risk

Portfolio

Access

Operational excellence

Acceptance





Embedding sustainable development

**Policies
Standards
Governance**

**Business principles
HSE Policy**

**Minimum Env. Standards
Biodiversity Standard
Health Standard
Security Standard
Diversity Standard
Animal testing**

**Governance
Supervisory board
committee**

**Strategy &
portfolio**

Scenarios, Shift to gas, New products, New services

**Targets
Systems
Tools**

**Key Performance
Indicators & targets
Scorecards**

**Sustainable dev in
business assurance
process and business
proposals
HSE Management
System**

**Environmental, Social
and Health Impact
Assessments
Carbon cost guidelines
Social Performance
major site plans**

People & skills

SD Learning, Communications, Training, Beyond training

**Reporting &
Assurance**



**Experts
Community
panels**



**Internal
assurance**





Into practice: Environmental, Social and health Impact Assessments (ESHIA)



- Parallel to BOD, feeding into Engineering, Procurement Contracting (EPC) tender process

Building into design and construction/operations mitigation measures for identified environmental and social issues

Biodiversity, social management

Stakeholder engagement

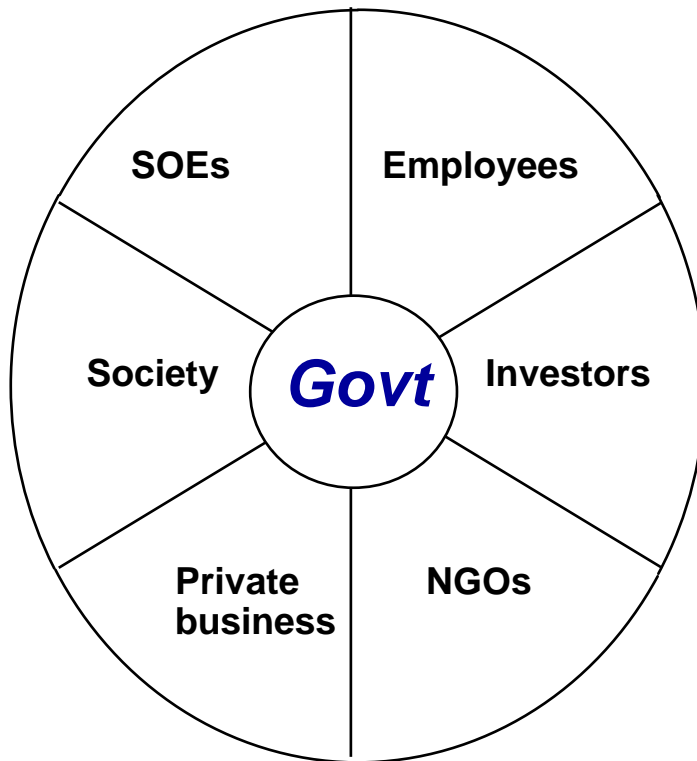
Looking for innovative solutions

Demand for consultants to deliver ESHIAs to international standards in complex and challenging environments

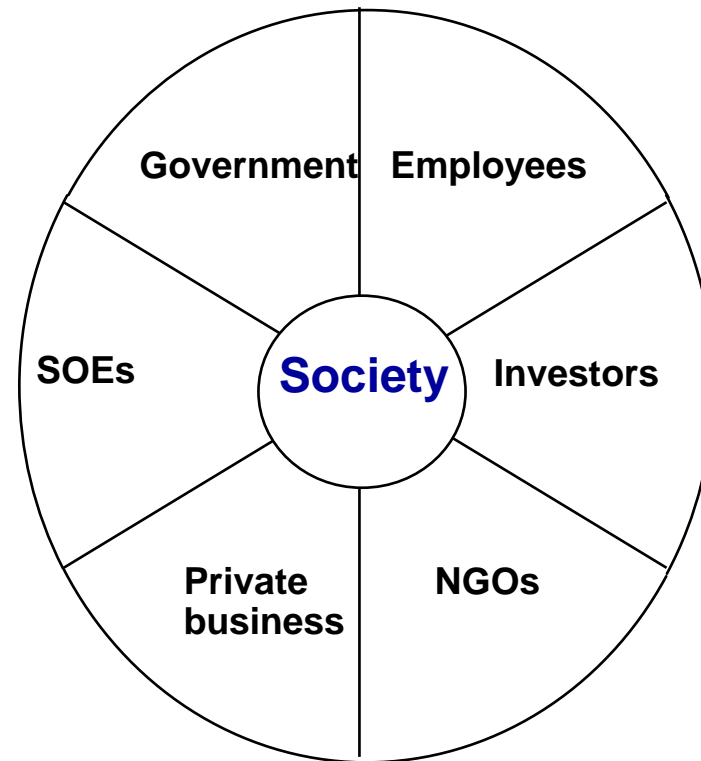




China: ESHIAs



CHINA



EUROPE





ESHIA: The challenge

The Multinational model

- Risk-based
- Inclusivity
 - Engaging external stakeholders - NGOs
 - Embracing wide-ranging expectations
- Global standards
 - Common global standards
 - External monitoring, verification
 - Public disclosure

The China model

- Regulation-based
- Exclusivity
 - Engaging government expertise
 - Meeting Chinese standards
- Chinese standards
 - Chinese provincial regulations
 - Internal monitoring, verification
 - Internal disclosure





ESHIA: The challenge



Building a case beyond regulatory compliance

- Satisfy all partner standards
- Partner aspirations for growth
- Financing requirements
- Cost

Justifying broader approaches to stakeholder consultation



Case study: Nanhai petrochemicals plant

- Project 90+% complete, start-up end of this year
- Largest Sino-foreign joint venture in China
- High profile world scale project – USD 4.3 billion
- Greenfield site - environmentally significant, high biodiversity
- Socially sensitive
 - 8,000 people resettled away from the site
 - 20,000 work force
- High expectations of communities and local government



Nanhai case study: resettlement



before relocation



- Govt responsibility
- Mutual goals
- International consultant
- Engagement, surveys
- Action plan
- Monitoring

after
relocation





Nanhai case study: Livelihood restoration



- 71% of first phase resettled people employed
- Government: provides land and infrastructure
- Joint venture:
 - Employment on project >500
 - Skills training/craft training
 - Assist formation of village companies
 - Provide SME training
 - Provide work on projects (bicycle lane and street lighting)





Nanhai case study: Contracting



- Priority to local contractors
- Engagement and workshops/training
- Partnerships international/local
- Sustainable development project – a condition of contract award
- Active participation in SD projects
 - Training
 - SME support
 - Recycling
 - Resource conservation
- Workforce management
 - STDs
 - Interaction with local communities





Nanhai case study: stakeholder engagement



China model:

- handled by govt; separate to project
- Attention only to directly affected people
- Closed process – no public reporting

Project model:

- Part of ESIA
- Wide range of local stakeholders
- Transparent – public reporting
- Regional and international engagement
- Extensive consultation locally, regionally





Sustainable development and compliance

Project/issue based initiatives

Added value

Shell requirements

(standards, policies, targets)

An internal must do

Legal requirements

(international, national)

An external must do

Policies: Risk and internal control policy

Standards: Financial compliance, financial controls, treasury etc.

Processes: Various

e.g Sarbanes Oxley
Combined code of corporate governance

Tabaksblat, SEC
FINANCIAL

Policies: HSE Commitment and Policy

Standards: Animal testing, biodiversity, minimum health and environmental

Processes: Investment reviews – requirements of ESHIA and carbon costs, HSEMS

e.g Mandatory GHG emissions cap, site permit

limits
ENVIRONMENTAL

Policies: SGBP

Standards: Reputation, diversity and inclusiveness, security

Processes: Social Performance plans and reviews, Assurance process, BCI process

e.g Labour laws
Discrimination laws
UN sanctions

SOCIAL

