

# About Shell

## WHO WE ARE AND WHAT WE DO

We are a global group of energy and petrochemicals companies, operating in more than 130 countries and employing approximately 108,000 people.

Our business is divided into:

### UPSTREAM

Our two upstream businesses, Exploration & Production and Gas & Power:

- Search for and produce oil and natural gas.
- Liquefy and transport natural gas.
- Market and trade natural gas and electricity.
- Convert natural gas to cleaner transport fuels and other products.
- Develop business opportunities for our proprietary coal gasification technology.

### DOWNSTREAM

Our two downstream businesses, Oil Products and Chemicals:

- Refine crude oil to produce a range of fuels, lubricants and chemical feedstocks.
- Trade and ship crude oil and refined products around the world.
- Supply and distribute petrol, diesel and other refined products through a network of storage facilities, pipelines and road tankers.
- Market petrol, diesel and other fuels and lubricants for domestic, industrial and transportation use.
- Blend, distribute and market transport biofuels.
- Produce and sell petrochemicals to global industrial customers.

### RENEWABLES, HYDROGEN AND CO<sub>2</sub>

- Develops businesses based on renewable sources of energy, including wind and solar power.
- Develops business opportunities in hydrogen technology.
- Co-ordinates research into mitigating carbon dioxide (CO<sub>2</sub>) emissions, including CO<sub>2</sub> capture and storage.

# Introduction from the Chief Executive

Welcome to The Shell Sustainability Report, which describes our efforts in 2006 to help meet the global energy challenge.

As the Report explains, this challenge has three parts: to provide the massive amount of extra energy needed to fuel development and reduce poverty; to keep supplies secure from disruption; and to do this in socially and environmentally responsible ways. Helping meet this challenge, while continuing to provide competitive financial returns, is at the heart of the commitment we made in 1997 to contribute to sustainable development.

Delivery and growth were our priorities for 2006. We delivered strong financial and operational performance, earning more than \$26 billion and adding approximately two billion barrels to our proven oil, gas and mining reserves. Most of these profits are being re-invested in our business. They are being used to develop new projects to meet future energy needs, to improve safety and environmental performance at our facilities, and to develop new energy technologies. For example, we increased our spending on research and development by 50% last year.

Last year showed, once again, how important good environmental and social performance is to our business success. Good performance has to start with personal and process safety. Without a strong safety culture, all other aspects of our culture will erode.

Addressing concerns about climate change is also a critical task. I have said repeatedly that, for us, the debate about CO<sub>2</sub>'s impact on the climate is over. I am pleased at how our people are responding to my call to find ways to mitigate CO<sub>2</sub> impacts from fossil fuels. Our focus is on what we can do to reduce CO<sub>2</sub> emissions. We are determined to find better, lower-cost ways to capture and store CO<sub>2</sub>.

In 2006, wide-ranging efforts to address local concerns and rebuild trust meant we could restart construction at our gas project in Ireland (page 26). In Russia, a protocol to partner with Gazprom helped clear the way for the Sakhalin II project to complete construction and for the joint venture to meet its environmental and social commitments (page 34). In Nigeria, we shut down approximately half our production in the Delta region because of the security situation that made it impossible for us to protect our staff and contractors there (page 32).

We further standardised our approach to managing environmental and social impacts, and did more to learn from our successes and failures. For example, we introduced our first global Code of Conduct (page 21), and increased our focus on sustainable development at the earliest stages of new upstream projects. Our Project Academy, established in 2005 to strengthen the skills of our Project Managers, is making good progress. All our major facilities with communities nearby are using standardised social performance plans.

This year's Sustainability Report includes a strong call for governments to act. That is because, as I discuss in an interview on page 4, leading companies and environmentally conscious consumers cannot meet the energy challenge on their own. Governments must set the framework to encourage the massive investments needed in new energy projects, in cleaner technologies and in conservation.

This Report has benefited significantly from the scrutiny and advice of our independent External Review Committee (pages 38–39). As in any dialogue, there will not always be agreement on all points, but the significant changes we have made as a result of their feedback have strengthened our reporting.

I hope this Report, and the additional information on our website, helps you judge for yourself how well we are acting on our commitment to meet the world's energy needs in environmentally and socially responsible ways.

Jeroen van der Veer  
CHIEF EXECUTIVE

