

Our reporting

How we are meeting our stakeholders' needs for honest and transparent reporting on our environmental and social performance.

The findings of our External Review Committee



Jermyn Brooks

DIRECTOR OF PRIVATE SECTOR PROGRAMMES
TRANSPARENCY INTERNATIONAL

Aron Cramer NEW MEMBER

PRESIDENT AND CEO
BUSINESS FOR SOCIAL RESPONSIBILITY
REVIEW COMMITTEE CHAIRMAN

Roger Hammond

DEVELOPMENT DIRECTOR
LIVING EARTH

What we did

For the second successive year, Shell has invited an External Review Committee to review its Sustainability Report. We concentrated on three main questions.

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

How we worked

We provided input into issue selection in 2006, and reviewed the Report outline late in 2006. Successive drafts of the Report were reviewed between December 2006 and March 2007. The Committee met in person twice; interviewed senior executives, including the Chief Executive and the head of Exploration & Production, and provided direct feedback to the Chief Executive and the Board's Social Responsibility Committee. The Committee's access to senior Shell decision-makers was exemplary, and Shell responded well to our questions and concerns.

Our review is limited to the printed Report. We welcome the additional links to supplementary information published on the web, but we have not reviewed them.

This is our own assessment of Shell's 2006 Sustainability Report. We express our views as individuals, not on behalf of our organisations. In addition to our comments on the company's reporting, we offered during our discussions with Shell staff our observations about how the company deals with key sustainability challenges.

In recognition of our time and expertise, an honorarium was offered, payable to us

individually or to the organisation of our choice, and Shell reimbursed us for the expense of our travel and accommodation.

Shell's reporting

Shell remains a leading reporter in this area and its 2006 Sustainability Report makes a valuable contribution to the welcome evolution of sustainability reporting.

We believe the Report includes the topics of greatest interest to Shell's stakeholders, and those with the greatest material impact on the company. The focus on the "energy challenge," particularly as it relates to climate change, prioritizes the most significant sustainability question facing Shell.

We are pleased that Shell has been responsive in the current Report to most of the comments provided in the Committee's letter reviewing the 2005 Sustainability Report. This applies particularly to Shell's clearer statement on the importance of meeting the energy challenge, and how it intends to do so. We refer again this year to the transfer of learning between projects, and the investment in renewables, which have not been addressed as fully as we would have hoped.

Dealing with the energy challenge

Shell's Report spells out the energy challenge very clearly, and explicitly acknowledges the need for concerted action to tackle climate change.

We welcome Shell's assertion that the debate on the science of climate change is over. The company has reported clearly on the emissions reductions achieved in its own activities in recent years, as well as the challenges that lie ahead. And it has said what types of government actions are needed to establish policy frameworks supporting effective action on climate. These are very important statements.



Karin Ireton **NEW MEMBER**

HEAD OF SUSTAINABLE DEVELOPMENT MARKETS AND ECONOMICS
ANGLO AMERICAN PLC

Dr Li Lailai

NATIONAL PROGRAMME DIRECTOR
LEADERSHIP FOR ENVIRONMENT AND DEVELOPMENT (LEAD) – CHINA

DIRECTOR INSTITUTE FOR ENVIRONMENT AND DEVELOPMENT, BEIJING

Jonathan Lash

PRESIDENT
WORLD RESOURCES INSTITUTE

However, in our view, the Report does not provide readers with enough information to judge whether the speed with which Shell is acting to tackle climate change is consistent with the challenge, which the company itself rightly describes as urgent. This is reflected in:

- Insufficient explanation of how the expected future rise in absolute annual emissions from Shell's operations is consistent with tackling climate change.
- The fact that no targets have been published for emissions reductions after 2010.
- Acknowledgement that an important part of the reductions to date have come from the ending of gas flaring, without telling readers enough about where future reductions will come once continuous flaring has stopped.
- Increased reliance on unconventional energy sources such as oil shale and oil sands, with high levels of CO₂ intensity, without sufficient explanation of how these higher emissions will be managed.
- Absence of sufficient information about the balance of spending in Shell's research and development activities to enable readers to assess Shell's commitment to develop renewable energy sources and greenhouse gas mitigation.
- Failure to set a target date for having one commercial scale alternative energy business in place. We also would like to see the company report more in the future on progress in the development of the three technologies it is targeting: biofuels, wind, thin-film solar.
- Finally, while Shell calls for more government action on climate change, it does not speak fully enough here about what it will do to help move policy frameworks in the desired direction.

Working in difficult conditions

The Report states that Shell's operations will

increasingly occur in complex locations, involving ever-more sophisticated technology, partnerships with other enterprises, and difficult social conditions. We are pleased that the Report focuses on two such locations, Sakhalin and Nigeria, which illustrate this trend well. We note that conditions in both locations were changing rapidly as the Report was being finalized.

We welcome Shell's commitment to uphold social and environmental performance across all its operations. But the Report does not provide sufficient insight into how this will be accomplished in complex or fast-changing environments.

Only brief mention is made of how Shell will implement its standards effectively in joint ventures where partners have significant influence over operations, as in Sakhalin. This question is particularly important where Shell holds a minority share in a project, and where it is dealing with partners that may not apply equivalent business principles concerning social and environmental performance. We would have liked to see more information on what sort of governance structures and operational controls Shell believes will help it deal with such situations.

Shell could have offered more perspective in the Report on how it transfers the experience of applying its social and environmental principles between projects throughout its operations.

Shell speaks with welcome candour about the overarching security concerns that aggravate interlocking human rights, development and governance challenges. These continue to have a serious impact on operations in the Niger Delta. Shell reports that there is a chance that it may not be able to meet its target to end flaring in Nigeria by 2009 because of

continuing unrest and lack of access to funding. We would have liked the Report to say more clearly how it will deal with the funding question, and in what way it will respond if civil conflict disrupts plans.

Safety

We would like to understand better how the company intends to refine its safety strategy in light of increased casualties this past year. This is particularly so in view of the Chief Executive's interview in this Report, in which he says that safety is a top priority for the coming year.

Human rights

In response to the Committee's feedback, Shell successfully shifted its human rights reporting to focus on the questions of greatest interest to stakeholders. This was a welcome and important change. We believe that readers also want to know how Shell selects guidelines on human rights issues, a question which applies especially to the company's approach to resettlement.

Conclusion

We thank Shell both for its commitment to reporting and its rare willingness to engage in this external review. The company has prepared its 2006 Report with seriousness of purpose and openness to our questions and concerns. Our critical comments are presented with the sole intention to enable further improvements in Shell's strong approach to reporting, and we are pleased to have had this opportunity to help the company advance in this direction.

Additional web content:

- More on our approach to environmental and social reporting.
- More about External Review Committee members (including the Committee Terms of Reference).

 www.shell.com/reviewcommittee

Our approach to reporting

We continue to fine-tune our reporting to meet the rising, and increasingly different, needs of our many stakeholders.

We have voluntarily reported on our environmental and social performance since 1997.

We do it because of our commitment to being transparent and honest; and because this performance matters to our stakeholders and to our business performance.

One size fits none

Stakeholders have very different reporting needs. For investors, our approach to managing environmental and social risks and opportunities is described in our 2006 Annual Report/Form 20-F. We co-operate with many groups that provide investors with information and analysis about the environmental and social performance of companies, including the producers of the Dow Jones Sustainability Indexes, FTSE4Good, Goldman Sachs Global Energy Environmental, Social and Governance Index, and the Carbon Disclosure Project. For staff, we provide a separate Sustainability Review. It is part of a wider internal communication effort to illustrate what our commitment to sustainability means for their day-to-day work.

Our Sustainability Report is targeted at external stakeholders, often specialists. Our Environment and Society website lets this audience explore our response to their particular environmental and social issues in

greater depth, as well as introducing a wider public to our approach to sustainability.

What assures?

There is still much to learn about assuring sustainability reporting. We were pleased to see the Global Reporting Initiative's new G3 guidelines giving companies room to experiment with different assurance models. We continue to improve on the approach we launched in 2005 – using an External Review Committee of experts to check that our reporting is balanced, relevant and responsive to stakeholders. Reactions from readers to the 2005 Committee were strongly positive. We benefited from the Committee's wide-ranging challenges and advice, which were based on their deep knowledge of the issues and their first-hand experience working with us. In 2006, the Committee was expanded, involved earlier in the selection of topics for the Report, and provided with greater access to senior management.

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 Reports. These controls include audit trails for all the data and statements included in the Report, signed off by senior managers and available for internal audit. In 2006, our internal controls were improved further.

For example, senior business leaders now sign-off on the quality of their HSE data. Extensive

statistical checks have been introduced to detect errors in these data. In Nigeria, KPMG provided external assurance on the accuracy and completeness of the HSE and social investment data. Work is underway to strengthen controls on the information received from the internal questionnaire we send to our senior representatives in each country where we operate. The aim is to improve the reliability of that data.

Alignment with emerging guidelines

The Global Reporting Initiative released its new G3 guidelines for sustainability reports in late 2006. In response, we have made a number of changes, mainly on the web, to align with these guidelines. According to our own assessment, we achieved an A+ level of application of the guidelines. We also report in line with the guidelines of the International Petroleum Industry Environmental Conservation Association and describe on the web our contribution to the UN Global Compact and to the Millennium Development Goals.

Additional web content:

- How we are reporting in line with The Global Reporting Initiative.
- Our approach to assuring our reporting.
- The process we use to select the content for our reporting.
- Our previous Sustainability Reports.
- Sustainability Reports from our local operations.

 www.shell.com/sdreporting

New in 2006

We listened to our External Review Committee and:

- Expanded and refined its role in assessing the Report.
- Improved the process for selecting Report content.
- Increased coverage of human rights, public advocacy and our contribution to the Millennium Development Goals.

Listened to reader and expert feedback and:

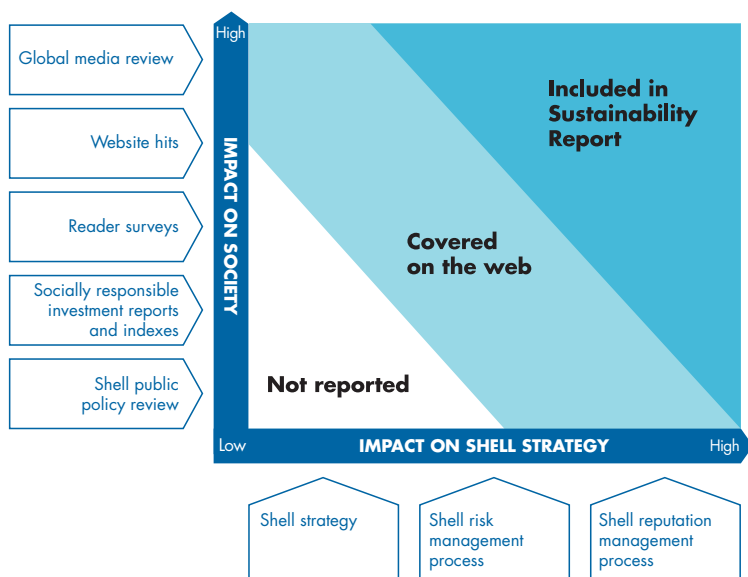
- Strengthened the link between the printed Report and more in-depth information on our website.
- Made changes to align with the Global Reporting Initiative's new G3 guidelines.



Workshop with reporting experts
London, October 2006.

REPORTING ON WHAT MATTERS MOST

Sustainability reporting must focus on the environmental and social issues that matter most to a company and its stakeholders. That is why we have again selected “Meeting the Energy Challenge” as our theme; why we use key performance indicators that were developed with our stakeholders to report on our biggest environmental and social impacts; and why we use a well-established and auditable process to select the issues to cover.



- Step 1. Ask readers what matters most to them, using surveys, interviews, media reviews and workshops with reporting experts.
- 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 (see figure). 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.

The Committee helped us refine this process in 2006. The weightings used in Step 1 now take more account of topics that are important for society but attract less media attention.

Share your opinion

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

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, project delay or advancement, approvals and cost estimates; 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 Form 20-F for the year ended December 31, 2006 (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, 8 May 2007. 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.

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