

Standards, governance, controls and incentives

Making sustainable development central to how we work needs the right standards, governance, controls and incentives. These are outlined here and described in detail on our website.

In 2006, we took additional steps to clarify what we expect from staff, increase their skills and share our knowledge better around Shell.

Standards

All companies and joint ventures where we have a controlling interest – for example as majority shareholder or operator – apply the Shell General Business Principles, the Code of Conduct and the other parts of the Shell Control Framework.

Our Principles require compliance with all applicable laws and support for human rights. They forbid bribery, fraud and anti-competitive behaviour and commit us to contribute to sustainable development, including engaging with external stakeholders.

These companies and joint ventures must also apply Shell-wide environmental and social standards. These include the Group HSE policy and commitment and standards for animal testing, biodiversity, climate change, environmental management, health management, security, ship quality and our relationship with our people.

We require contractors to manage HSE in line with our standards and expect them to follow our Business Principles or equivalent ones when working for us. We also encourage joint ventures where we do not have a controlling interest and suppliers to adopt and follow equivalent principles and HSE standards. If these contractors, suppliers and ventures cannot meet our expectations within a reasonable time, we are required to review the relationship, which can involve actions up to and including ending the relationship.

Our principles and standards are reflected in our business processes. They are included in the criteria used to assess investment proposals and in the planning and design of major new projects. For example, we include the expected future costs of emitting CO₂ when making all major investment decisions. An impact assessment is required before we begin significant work on a project or at an existing facility. The actions the impact assessment identifies must be part of the project's design and operation. All our major refining and chemicals facilities, and upstream operations with potential for high social impact, must also have social performance plans.

These plans set out how the facility will manage its social impacts and generate benefits for the local community (page 26).

In 2006, our Exploration & Production business further tightened its requirements in this area for new projects at the earliest stages of project design. It introduced reviews of our 70 most important new oil and gas prospects by environmental and social experts from the business and central functions. Some of these projects are still in the exploration or early design phases.

We also align our requirements with external principles and standards such as the UN Universal Declaration on Human Rights, UN Global Compact, OECD Guidelines for Multinational Enterprises and the Extractive Industries Transparency Initiative (page 28).

Governance

The Social Responsibility Committee of our Board reviews our sustainable development policies and performance (see box). The Chief Executive is responsible for sustainable development. On his behalf, the Corporate Affairs Director chairs the Group Sustainable Development and HSE Executive, which reviews performance and sets priorities, key performance indicators and targets. The central Social Performance Management Unit, the Group HSE Function and Group Issues Management challenge, and support our businesses, helping them develop the skills they need, share learning and take a consistent approach to addressing their environmental and social issues.

New in 2006

- First Shell-wide Code of Conduct launched.
- Guidance for new upstream projects revised to integrate environmental and social considerations earlier into major decisions.
- Guidance issued on responsible public advocacy.
- First Project Academy learning events rolled out to strengthen project management skills and share best practice.

