

ROYAL DUTCH SHELL PLC SUSTAINABILITY REVIEW 2008

RESPONSIBLE ENERGY **SUSTAINABILITY REVIEW**



INTRODUCTION

Welcome to the 2008 Shell Sustainability Review, a summary of our 2008 Shell Sustainability Report. It describes our efforts to contribute to sustainable development in what was, for all of us, an exceptionally turbulent year.

The financial crisis and the economic recession it triggered affected people around the world. Our response has been to intensify our drive to reduce costs while continuing to improve our performance and invest in the big projects that will deliver more energy and growth.



We must keep the long-term view. With rising greenhouse gas (GHG) concentrations and more than 3 billion more energy users by 2050, we are convinced that the energy challenge is here to stay. The world will need much more and much cleaner energy in the decades to come, and supplies will struggle to keep up. Meeting that challenge will require steady investment in new production capacity and technologies. Stopping and starting at each phase of the business cycle will not work.

In 2008, we invested a record \$32 billion net of proceeds from divestments, and expect to maintain these levels in 2009. Our focus on safety, which is always our first priority, continued as we stepped up our Goal Zero programme. Our focus on CO₂ emissions also remained strong. We continued to reduce GHG emissions from the facilities we control or operate, and are involved in a number of demonstration projects for technology to capture and store CO₂ safely underground. We also continued to roll out advanced lubricants and transport fuels, like Shell Fuel Economy (and in 2009 Shell FuelSave), that can help drivers improve their fuel efficiency.

While our primary focus continues to be on delivering oil and natural gas responsibly, we also made progress developing renewable energy. In 2008, we increased our wind capacity by nearly a quarter to 550MW, and will step up our efforts in sustainably sourced transport biofuels with good CO₂ performance.

In mid-2009, after some five years as Chief Executive, I shall hand over to Peter Voser, currently our Chief Financial Officer. I wish Peter every success. I would also like to thank our people for the tremendous effort, dedication and passion they have shown. I am proud of the way they are embracing the sustainable development mindset and am convinced this will serve Shell well in the challenging times ahead.

Jeroen van der Veer CHIEF EXECUTIVE

SHELL BY NUMBERS 2008

PRODUCING
2%
OF THE
WORLD'S
OIL ...

... AND
3%
OF THE
WORLD'S
GAS

OIL AND GAS
PRODUCED
3.2
MILLION
BARRELS
A DAY ...

... ROUGHLY
45%
OF IT IS
NATURAL
GAS

INCOME
\$26.5
BILLION

CAPITAL
INVESTMENT
\$38.4
BILLION

INVESTMENT
IN R&D
MORE THAN
\$1.2
BILLION

SPENDING ON
ALTERNATIVE
ENERGY AND CCS
\$1.7
BILLION IN THE
LAST 5 YEARS

SELLING
TRANSPORT
FUEL TO SOME
10
MILLION
CUSTOMERS
A DAY

SELLING
7.5%
OF THE
WORLD'S LNG

GENERATING
WIND POWER
FOR NEARLY
250,000
HOMES

REFUELLING A
PLANE EVERY
12
SECONDS

EMPLOYING
102,000
PEOPLE

OPERATING IN
100+
COUNTRIES

WITH AROUND
45,000
SERVICE
STATIONS
WORLDWIDE

RUNNING
25+
REFINERIES
& CHEMICAL
PLANTS

SHELL AND THE ENERGY CHALLENGE

Building an energy system that produces more energy with less CO₂ is one of the biggest challenges facing the world this century.

Three hard truths make this challenge tougher: demand for energy will rise over time as the population grows and the world gains 3 billion more energy users by 2050; energy supplies will struggle to keep up with this demand; and stress on the environment from this growing energy use is set to rise.

The current economic downturn makes responding to the three hard truths more difficult. The drop in economic activity has temporarily reduced energy use and sent energy prices tumbling. Lower prices bring some relief in the short term for energy users, and may help reverse the recent sharp rise in the costs of producing oil and gas. However, they reduce the funds companies have to invest in new energy projects. As a result, worldwide investment in energy projects is dropping at a time when it needs to be rising to meet future growth in demand.

The economic crisis is a powerful storm. To stay on course and address the three hard truths, we are intensifying our drive to reduce costs and sticking with our business strategy: More Upstream, Profitable Downstream. More upstream means concentrating the bulk of our investment in oil and natural gas production, where returns are typically higher than in the downstream. Profitable downstream means focusing on generating cash from our existing Oil Products and Chemicals assets and continuing to adjust our downstream portfolio so we can contribute to growth in emerging markets.

BUILDING A RESPONSIBLE ENERGY FUTURE

We are working steadily through the recession on the projects and technologies needed to provide more and cleaner energy in the decades to come (see page 4). Natural gas, the cleanest-burning fossil fuel, could grow from 45% of our production in 2008 to more than half in 2012. In 2008 and early 2009, we increased our capacity in liquefied natural gas by nearly 25% compared to 2007. We are developing the technologies and skills needed to produce oil responsibly from more difficult-to-reach sources like the Arctic, deep water and the oil sands. We continue to make advanced transport fuels and lubricants available to more customers, to help them improve their fuel efficiency and reduce emissions. And because of their fit with our current business, we will be focusing our investments in renewable energy on biofuels. We are also building our capabilities in carbon capture and storage (CCS) and are involved in a number of demonstration projects to advance CCS technology, including the first research project in Europe to inject CO₂ onshore.

RESPONSIBLE OPERATIONS

Reducing the environmental and social impacts from producing oil and gas is a big part of our contribution to sustainable development. Despite these tough economic times, we remain focused on the basics: operating safely, reducing the environmental footprint of our operations, and building strong relationships with our neighbours, based on trust and mutual benefit, in the places where we operate (see page 5).

Our efforts are yielding results. For example, our injury rate has fallen by more than 50% since 1999. We have reduced GHG emissions from our facilities by nearly 30% compared to 1990.

CALLING FOR CHANGE

We were one of the first energy companies to recognise the climate change threat and to call for action. We understand we have a role to play in helping address this challenge: firstly, by managing emissions from the operations we control, which were approximately 75 million tonnes of GHGs in 2008 (see page 5). Secondly, by helping customers manage their emissions from the use of transport fuels and other energy products we provide, which are typically more than 690 million tonnes of CO₂ a year (approximately 2.4% of the annual CO₂ emissions from fossil fuels). And thirdly, by advocating the wide-ranging policy changes needed from governments.

We have the same message for governments everywhere as they prepare for the 2009 climate change conference in Copenhagen. Firstly, that a stable, long-term regulatory framework, including an international cost of emitting CO₂, is urgently needed. Secondly, that different types of energy users will require different policy instruments, for example, measures for transportation that encourage greater vehicle efficiency, and fuels that emit less CO₂ on a “well-to-wheel” basis. Thirdly, that renewable power sources like wind and solar need simple, stable and credible targets for their share of electricity supply. Finally, that these changes need to happen fast. They cannot be delayed by the current recession.



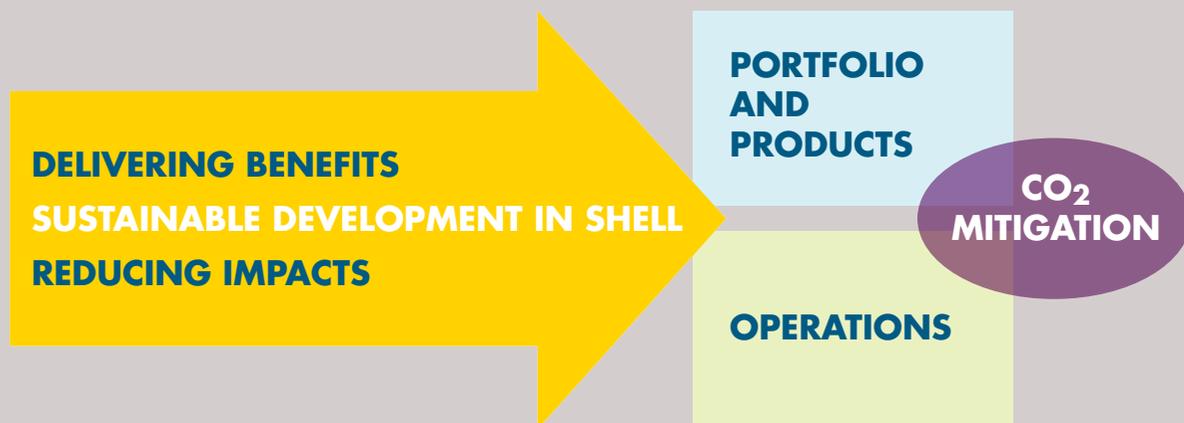
OUR APPROACH

Our Shell General Business Principles define our approach to our business, as they have done for more than 30 years.

Our Business Principles include contributing to sustainable development, which for us means helping to meet the world's growing energy needs in economically, environmentally and socially responsible ways.

In practice, this is about our products: producing more cleaner-burning natural gas, for example, or working to build a transport biofuels business. It is about our operations: building projects, running facilities and managing our supply chain safely, and in ways that mitigate environmental impacts and create benefits in the societies where we operate. It is about our people: using their expertise, creativity and skill so we can compete successfully and help meet the energy challenge. It is also about our relationships: with customers, business partners, governments, academic institutions, non-governmental organisations, and our neighbours.

Contributing to sustainable development means consciously balance short- and long-term interests; integrating economic, environmental and social considerations into business decisions; and regularly engaging with our many stakeholders.



DID YOU KNOW?

- **Contributing to sustainable development has been in our Business Principles since 1997.**
- **Sustainable development counts for 20% of the Shell Scorecard that we use in determining bonuses.**
- **We have a Corporate Affairs and Sustainable Development Director reporting to our Chief Executive.**
- **Social performance plans are in place at all our refineries and major chemical facilities, and at upstream operations where impacts could be high.**
- **Our global environmental standards define company-wide requirements in areas like the energy efficiency of our facilities.**

HOW WE WORK

All companies and joint ventures (JV) we control are required to apply the Shell Control Framework, which includes our Business Principles, Code of Conduct and our Health, Safety, Security and Environment (HSSE) standards, or materially equivalent principles and standards. In JVs we do not control, we encourage the JV to operate in line with our values and apply business principles and an HSSE commitment and policy materially equivalent to our own.

Environmental and social considerations play a growing role in our investment decisions and in the way we plan and design major new projects. For example, since 2002, we have considered the expected future costs to a project from its CO₂ emissions when making all major investment decisions. An environmental, health and social impact assessment is required before we begin significant work on major projects or existing facilities. It identifies the concrete steps needed to mitigate significant impacts on the environment or people. To ensure these changes are made effectively and enough, we now check progress as part of the normal project review process in our upstream business. Additional checks are done twice a year on the 70 largest early-stage exploration and production projects.

To assess our policies and performance with respect to our principles, standards and commitments, we have a Board-level Corporate and Social Responsibility Committee, made up of three Non-executive Directors. Management responsibility for sustainable development rests with our Chief Executive. He chairs Shell's HSSE and Social Performance Executive Committee, which reviews performance and sets priorities, key performance indicators and targets. Each business is responsible for complying with Shell's environmental and social requirements and achieving its own specific targets in this area.

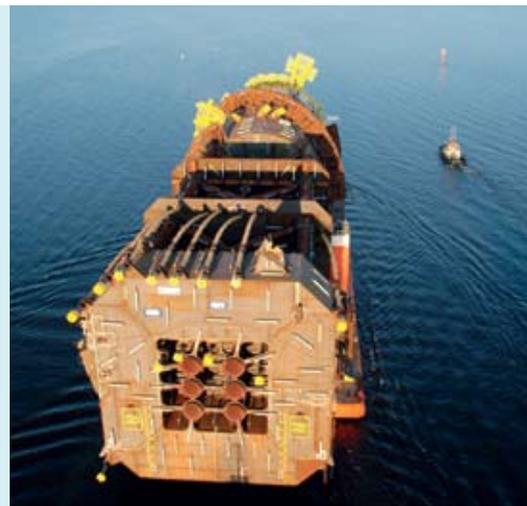
MORE UPSTREAM OIL

As supplies of “easy oil” struggle to keep up with demand, we are working to get more energy from harder to reach places.

Deep water: We remain at the technological and commercial forefront in deep-water exploration and production. The Perdido development in the US Gulf of Mexico, for example, will connect three fields over a 50km radius and include the world’s deepest undersea wells.

The Arctic: We are working in the Arctic and sub-Arctic regions of Alaska, Canada, Norway and Russia. Our experience on projects such as Sakhalin II in Russia’s far east has helped us develop the skills to operate responsibly and build effective relationships with local communities.

Unconventional oil: In Canada we are expanding the Athabasca Oil Sands Project (60% Shell share). Producing petrol from minable oil sands requires more energy and hence emits about 15% more CO₂ than conventional oil “well-to-wheel”. Our current oil sands operation is the most energy efficient in the industry, and we are continuing to find ways to reduce energy use.



CLEANER FUEL FOR POWER

To develop more electricity with lower emissions we are investing steadily in natural gas, the cleanest-burning fossil fuel, and have a significant wind power portfolio.

More natural gas: A natural gas-fired power plant emits on average half the CO₂ of a modern, coal-burning plant to produce the same amount of electricity. In 2008 we continued to develop a range of big, integrated natural gas projects, like Ormen Lange off the coast of Norway and Qatargas 4. We also increased our capacity in liquefied natural gas (LNG) by nearly 25% in 2008 and early 2009, compared to 2007, with the completion of Sakhalin II in Russia and the fifth LNG unit at the North West Shelf project in Australia.

Renewable electricity: We have been a wind-power developer for a decade. In 2008, the 264MW Mount Storm onshore wind power project in the USA (50% Shell share) was brought into operation. We have an interest in wind projects with an overall capacity of about 1,100MW. Shell’s share of these projects (amounting to some 550MW) is enough to power nearly a quarter of a million homes.



MORE SUSTAINABLE TRANSPORT

We are helping customers use less energy and lower their emissions when they drive.

Raising fuel economy: Shell Fuel Economy formula fuels contain blends of advanced additives and cleaning agents that help drivers improve their fuel efficiency. By end 2008, these fuels were available in main grade Shell petrol in 21 countries, and in main grade diesel in nine of these. We will be continuing to roll out and update advanced main grade fuels under the Shell FuelSave brand.

Biofuels: We are serious about trying to build a substantial business in biofuels. This involves building capacity in sustainable current generation biofuels, and investing in technologies that, if they turn out to be commercial, could help overcome the remaining hurdles to large-scale use of more advanced biofuels. For example, we continued rolling out our sustainable sourcing safeguards with our biofuel suppliers, and increased our stake to 50% in advanced biofuels company Iogen Energy.



CLEANER PRODUCTS

The recession has not slowed our efforts to provide products that give our industrial and business customers better environmental and social performance.

Industrial lubricants: In 2008, we launched Shell Tellus[®] EE (Energy Efficiency) lubricant, which is designed to increase the energy efficiency of hydraulic equipment. In customer trials, machinery using Shell Tellus[®] EE used up to 8% less energy than those using conventional mineral oils.

Pavement: In 2008, we launched Shell Floraphalte, our first asphalt binder made almost entirely from plant-based ingredients. Mixed at temperatures up to 40°C lower than traditional asphalt, it reduces energy use when the asphalt is mixed.

New uses for sulphur: Through Shell Sulphur Solutions, we are finding environmentally-friendly ways to use the sulphur removed from petrol and diesel. For example, we have developed technology to make concrete that uses sulphur called Shell Thiocrete[™]. It can be produced without water and avoids much of the CO₂ emitted when making traditional Portland cement.





OUR NEIGHBOURS

Our business success depends more than ever on winning and maintaining our neighbours' trust. We have a structured company-wide approach for listening to our neighbours, for working with them to reduce negative impacts from our operations and produce local benefits, and for raising the skills of our staff in this area. Social performance plans are in place at all of our refineries, chemicals facilities and upstream operations where impacts on the community could be high. We also work closely with external experts like the Living Earth Foundation. We have programmes to use local companies and to attract and train local staff in more than 90% of the countries where we operate. We also support community development projects, indirectly, through the independent Shell Foundation, and directly through programmes run by Shell operations in individual countries. In these country programmes, we aim to work with the community on projects that address issues directly linked to our business, like access to energy or education. In 2008, our country operations spent a total of approximately \$148 million on social investment, mostly on community development activities.



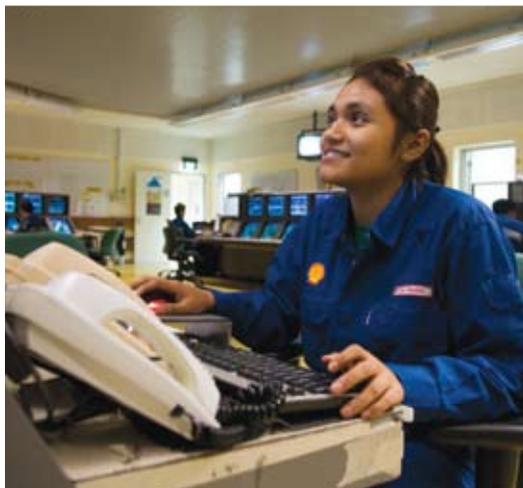
ENVIRONMENTAL IMPACTS

We are working steadily to mitigate the environmental impacts from our operations. We have already reduced the direct GHG emissions from the facilities we operate by approximately 30% compared to 1990. Our biggest reductions have come from our multi-billion dollar programme to end the continuous venting and flaring of natural gas at oil production facilities. Our total upstream flaring has dropped by more than 70% since 2001, lowering our CO₂ emissions by 18 million tones per year. By 2008, we had effectively ended continuous flaring everywhere outside Nigeria. As our biodiversity standard requires, we have biodiversity action plans in place at all of our eight major operations that are located in areas of high biodiversity value. We have a global partnership with the International Union for the Conservation of Nature (IUCN) and Wetlands International to work together on biodiversity conservation. In early 2009, we also signed a cooperative agreement with The Nature Conservancy.



PERSONAL AND PROCESS SAFETY

We aim to have zero fatalities and no incidents that put our people, neighbours and facilities at risk. We are making progress towards that aim. In 2008, we created a dedicated centre of road safety expertise headed by a road safety manager. He is charged with implementing a company-wide road safety programme, based on what has worked well locally. We are also supporting local and national road safety programmes. In Brunei, for example, we support the "Tell A Friend" campaign to increase seat-belt wearing, which had reached nearly a fifth of the population within nine months of its launch in 2008. We continued to implement our process safety standards across Shell, and completed a three-year long review of facilities in our upstream business in 2008. We closed out all of the review's high-risk findings by year-end.



LIVING BY OUR PRINCIPLES

We are helping staff and business partners live by our Business Principles. Our Code of Conduct gives staff more detailed instructions on the behaviour our Business Principles require. All staff must complete training that explains what our Code of Conduct requires of them. We also provide staff with online and face-to-face training in specific areas, including combating bribery and corruption, and complying with competition laws, as the Business Principles require. Our global helpline and supporting website allow staff and business partners to report concerns confidentially and get advice on suspected infringements of the law, our Code of Conduct or our Business Principles. We report violations of our Code of Conduct, including proven cases of bribery and fraud, to the Audit Committee of the Board of Royal Dutch Shell plc. In 2008, 204 violations of the Code of Conduct were reported (361 in 2007). As a consequence, we ended our relationship with 138 staff and contractors (151 in 2007).

SUSTAINABLE DEVELOPMENT IN PROJECTS

We continue to invest in large, complex, projects that can reliably deliver energy supplies for decades. These new projects are often found in complex political, social, geographic and geological environments. To win access and deliver them successfully we will have to make certain that sustainable development is at the very heart of our thinking when we plan, build and manage them.

PEARL GAS TO LIQUIDS

The Pearl project in Qatar includes building the world's largest gas to liquids (GTL) plant and developing part of a large offshore natural gas field. Construction began in 2006 and is expected to be complete around the end of 2010. A commitment to sustainable development has been part of the project from the start.

The project team brought hands-on experience from other big projects. This helped ensure that environmental and social factors were considered from the design phase onwards. The environmental, health and social impact assessment identified sustainability issues and opportunities, which included energy efficiency, water use and the safety and welfare of construction workers.

The plant's design includes a number of energy-saving features. For example, waste steam will be used to power compressors in the air separation unit and to generate some of the plant's electricity.

The GTL plant will produce as much water as GTL products. The water will be purified to such a high level that it can be reused by the plant, for example for steam and cooling water. As a result, the plant will take no fresh water from this largely arid region.

Before construction began, we sat down with the leaders of our contractor companies and together agreed on a common manifesto for worker welfare, training and safety. By mid-2009, these leaders had made four full day visits to the site to show their personal commitment to this manifesto and to underline the importance for them of their employees' safety and well-being.



CHEMICALS IN SINGAPORE

We are currently building one of the world's largest petrochemical complexes near our Pulau Bukom refinery in Singapore. The project includes construction of two new chemicals plants and integrating them with the existing refinery on Pulau Bukom (Bukom Island), which will also require major modifications.

In line with Shell's policy, we carried out impact assessments that identified environmental and social priorities for the project. These included improving energy efficiency, hence reducing GHG emissions; avoiding warming up the surrounding sea with waste cooling water; building the skills of Singaporean companies; and maintaining the health and safety of more than 12,000 workers during construction.

To improve energy efficiency, all of the project's new plants are designed to re-use much of the steam and heat they generate several times, in different parts of the process. Cooling water will also be re-used in a closed-loop system using cooling towers, so no warm water will be sent back to the sea.

By end 2008, more than 90% of construction contracts were with Singaporean companies. We have worked closely with these companies to help them make the changes needed to comply with our standards, with a particular focus on HSSE standards. Clean and comfortable dormitories, equipped with a clinic and a full-time "welfare officer" were built for the largely foreign construction workers. In 2008, government inspectors cited the project for setting a new standard for housing foreign workers in Singapore.

MEASURING OUR PERFORMANCE

SHELL SCORECARD

	2008	2007
1 Total shareholder return [A]	(33.5)%	23.8%
2 Net cash from operating activities (\$ billion)	44	36
3 Operational excellence:		
Oil and gas production (thousands boe/d) [B]	3,248	3,315
LNG sales (million tonnes)	13.1	13.2
Refinery availability	92.1%	91.6%
Chemical plant availability	94.3%	92.6%
4 Sustainable development (TRCF) [C]	1.8	1.9

[A] Total shareholder return is calculated based on dividends and share prices in US dollars.

[B] Combined Exploration & Production and Oil Sands production.

[C] Shell's standard safety measure – total recordable case frequency (TRCF).

We have summarised our environmental and social performance below. More data, including our GHG emissions on an equity basis, and information on the scope and limitations of this data, can be found at www.shell.com/performance

This is a shortened version of the Shell Sustainability Report 2008. In case of any inconsistencies, the Shell Sustainability Report 2008 prevails. Additionally, prior to making investment decisions, please see Royal Dutch Shell plc's 2008 Annual Report and Form 20-F for the year ended December 31, 2008 for risks associated with an investment in Royal Dutch Shell.

www.shell.com/responsible

GREENHOUSE GAS EMISSIONS [A]

Million tonnes CO₂ equivalent



GHG emissions at Shell-operated facilities were about 30% below 1990 levels in 2008. Most of the reductions from 2007 to 2008 were due to changes in our portfolio and reduced flaring outside Nigeria in our Exploration & Production business.

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

FLARING – Exploration & Production

Million tonnes CO₂ equivalent



Since 2001, natural gas flaring has been reduced by more than 70%. Total flaring dropped again in 2008 as operational improvement programmes started showing results. In Nigeria, levels were the same as in 2007 as progress to end continuous flaring was largely blocked by ongoing government funding and security problems.

ENERGY INTENSITY – Refineries [A]

Energy Intensity Index (EII™)

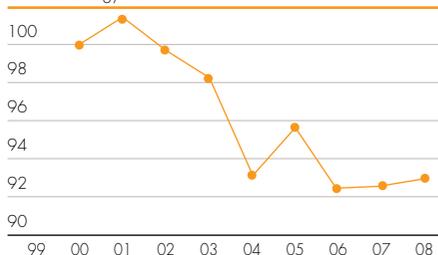


Energy efficiency at our refineries has improved slightly since 2002. But compared to 2007 it slipped back in 2008, partly due to unplanned shutdowns and running below capacity.

[A] Solomon Associates changed their proprietary Energy Intensity Index calculation methodology in 2006. Reported historical values have been recalculated based on this revised methodology.

ENERGY INTENSITY – Chemical Plants

Chemical Energy Index



Energy intensity at our chemicals plants has improved by 7% since 2000. In 2008, we were not able to improve further mainly because of unplanned shutdowns in US plants resulting from Hurricane Ike.

ENERGY INTENSITY – Exploration & Production

Gigajoule/tonne production



Our upstream energy intensity has risen by around 27% since 2000 as fields age and more heavy and harder-to-reach oil is produced. In response, all our upstream operations are putting five-year energy management plans in place, which set out operational steps to take such as optimising processes and equipment use.

ENERGY INTENSITY – Oil Sands

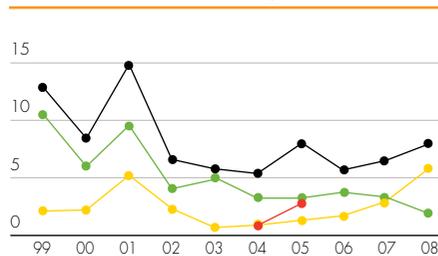
Gigajoule/tonne production



Producing petrol from oil sands requires more energy than producing it from conventional oil. Our current oil sands operation is the most energy efficient in the industry, according to a 2008 study by the Pembina Institute and WWF that was critical of oil sands activities. Energy intensity rose slightly in our oil sands business last year due to plant shutdowns, maintenance and construction activities.

SPILLS

Volume in thousand tonnes



Since 1997, we have been reducing the amount of spills from our operations that occur for reasons we can control. We have done so through clear procedures, consistent compliance and a lot of hard work. However spill volumes from sabotage rose sharply in 2008 due to one sabotage incident in Nigeria, pushing up our total volume.

INJURIES – Total Recordable Case Frequency

Per million working hours



Our injury rate has come down by approximately 50% since 1999. This reflects our efforts to build a safety culture where all employees and contractors must aim for “Goal Zero” – operating with zero fatalities and significant incidents.

SAFETY

In 2008, 26 people (two employees and 24 contractors) lost their lives working for Shell. That was five more than in 2007, based on the updated scope of our reporting. Of these fatalities, nine happened on the road. A further 10 occurred in Nigeria, three of these as a result of security incidents and the rest in one tragic incident in which seven contractors died when repairing a pipeline after a sabotage incident.