

# REVENUE TRANSPARENCY

## INTRODUCTION FROM THE CFO



“WE ARE PRESENTING THIS INFORMATION IN ORDER TO DEMONSTRATE OUR COMMITMENT TO REVENUE TRANSPARENCY”

In this table, we provide more insight into the revenues that we pay to host governments in respect of our activities.

In the interests of transparency and accountability, we believe in the disclosure of revenues that extractive industries pay to governments.

We encourage and support government efforts to use energy revenues effectively. In resource dependent countries, oil and natural gas revenues can be a major driver of development.

Governments have responsibility for using these funds for social benefits. We believe it is important that companies like ours are open regarding how much we pay to governments and also encourage governments to be open regarding how they spend these funds.

### EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

We are a founder and board member of the Extractive Industries Transparency Initiative (EITI).

The UK government launched the initiative in 2002 to increase the transparency of revenues governments receive from oil and mineral activities. This includes payments made by companies like ours, such as signature bonuses, taxes and royalties, and profits from state-owned companies.

Governments, agencies and companies in the oil, gas and minerals businesses support the initiative.

We were the first company in 2003 to publish the royalties, taxes and other payments made to the Nigerian government, with their permission and support. Shell companies have been directly involved with governments, NGOs and industry peers in EITI implementation in Gabon, Iraq, Kazakhstan, Nigeria and Norway.

We believe that the EITI's multi-stakeholder approach (which includes governments, non-governmental organisations (NGOs), regulators, the public and companies) remains the most effective way of providing transparency regarding government revenues, for resource dependent countries.

[www.eiti.org](http://www.eiti.org)

### EXTERNAL DEVELOPMENTS

A range of possible mandatory disclosure requirements are being discussed by the SEC, European Commission and other bodies such as the NGO community.

We support, in principle, a 'fit-for-purpose' mandatory global reporting rule for all companies across the globe consistent with current EITI requirements and in support of the EITI goals as regards extractive activities. We believe this would help achieve improved accountability and comparability. We recognise that this would require coordination between the EU, the US and other relevant governments, globally and consistently.

We are presenting this information in advance of any mandatory requirements coming into effect in order to demonstrate our commitment to disclosures of revenues paid to governments.

### TAX GOVERNANCE

Shell is in favour of tax regimes that are stable in the longer term. Such regimes will attract and facilitate economic commitment and investment due to reduced risk and uncertainty and can also benefit the national economy in terms of increased tax revenues and employment in the longer term.

We actively seek to engage openly and proactively with governments on matters of tax policy and potential changes to tax legislation. This also fosters close relationships with tax authorities in order to reduce the number of disputes and the length of time taken to resolve them. Shell is widely seen to be at the forefront of maintaining good working relationships with tax authorities.

Shell's approach to the management and control of its taxes and related risks is based on a responsible and transparent tax strategy which is aligned with our long-term business strategy. Shell is committed to acting with integrity and transparency in all tax matters, seeking at all times to comply with the tax legislation.

**Simon Henry**  
Chief Financial Officer

## REVENUE TRANSPARENCY

The table below reflects income taxes and royalties paid in 2011 by our subsidiaries to their host governments, sales taxes collected on behalf of these governments, and these governments' share of production through activities involving our subsidiaries.

We also undertake activities through companies in which we do not have financial control, and for which we do not generally have access to detailed information. Our share of the income tax charges incurred by these companies in 2011 was around \$5.5 billion, mainly arising in Brunei, the Netherlands, Nigeria, Russia and the USA.

	\$ MILLION						MILLION BOE
	Income taxes [A]	Royalties [B]	Sales taxes [C]	Total	By Segment		Volumes [D]
					Upstream	Downstream/Corporate [E]	
<b>Total</b>	22,622	4,407	88,104	115,133	28,514	86,619	674
<b>LARGEST AMOUNTS BY COUNTRY [F] [G]</b>							
<b>Australia</b>	7	212	6,721	6,940	351	6,589	-
<b>Brazil</b>	196	171	1,489	1,856	364	1,492	9
<b>Canada</b>	(32)	320	6,492	6,780	718	6,062	-
<b>Denmark</b>	2,502	-	1,429	3,931	2,502	1,429	-
<b>Gabon</b>	491	185	-	676	676	-	-
<b>Germany</b>	35	235	24,164	24,434	883	23,551	-
<b>Italy</b>	481	151	2,855	3,487	868	2,619	-
<b>Malaysia</b>	460	518	5	983	926	57	190
<b>Nigeria</b>	4,772	1,301	-	6,073	6,073	-	169
<b>Norway</b>	1,806	-	2,355	4,161	1,848	2,313	-
<b>Philippines</b>	220	-	471	691	179	512	11
<b>Turkey</b>	21	-	5,397	5,418	-	5,418	-
<b>United Kingdom</b>	1,174	-	17,704	18,878	3,535	15,343	-
<b>USA</b>	839	965	2,387	4,191	1,691	2,500	1

[A] Paid on the profits of our activities in compliance with the relevant laws and contracts in the countries reported. Includes corporate income tax and governments' share of production paid in cash, where applicable.

[B] Based on hydrocarbons produced or sold from areas under the relevant government's jurisdiction. It excludes royalties paid in kind (oil and gas), and royalties paid to private parties in North America. This is provided on an accruals basis which means on the amounts produced or sold in the period, which may be different from the period in which the related cash payments are made. We estimate this is not materially different from a cash basis.

[C] Sales taxes, excise duties and similar levies collected on behalf of governments or local authorities. This is provided on an accruals basis, which we estimate is not materially different from a cash basis.

[D] The share in millions of barrels of oil equivalent (BOE) that governments or national state-owned companies receive through production entitlement contracts, royalty in kind arrangements and service contracts involving our subsidiaries, irrespective of our percentage interest in the venture.

[E] The total for the Corporate segment (our key support functions) was \$64 million.

[F] The Netherlands has been excluded from the above table because, to a significant extent, operations occur in equity-accounted investments rather than subsidiaries. The 2011 total amount of income taxes paid, royalties accrued and sales tax collected on behalf of the government amounts to USD 10.1 billion (Shell share).

[G] The above table excludes countries whose governments have prohibited or have otherwise indicated that we should not make such disclosure.

*This table has not been subject to external assurance or audit. The financial information it contains is consistent with that used to prepare our 2011 Consolidated Financial Statements, which were presented in US dollars.*