

Contents

The documents in this folder provide materials to help us think about how to contribute to Sustainable Development as we go about our business. They can be used by anyone, at any level in Shell. By applying the processes and tools described here and by thinking about how our work or project fits in, we can integrate the economic, environmental and social elements of our business to achieve our aspirations and meet our commitments.

The material in this folder is also available on the Sustainable Development web site which will be regularly updated. <http://sww-sd.shell.com>

Sustainable Development – Making it Happen

THE SUSTAINABLE DEVELOPMENT MANAGEMENT FRAMEWORK OVERVIEW

This booklet gives an overview of what Sustainable Development means for Shell, our aspirations and commitments and the Sustainable Development Management Framework. It can be used by anyone, at any level in Shell, to think about how to turn our commitment of contributing to Sustainable Development into a practical reality.

Because this booklet may be useful in engagement with people who do not work for Shell it is classed as Unclassified¹ according to the Group guidelines.

Sustainable Development – In Action

WORKED EXAMPLES AND CASE STUDIES

This section provides some worked examples of how different people and groups have made, or are making, contributions to Sustainable Development.

Because we would like the sharing of learning inside Shell to be as open as possible the worked examples are classified as Restricted² according to the Group guidelines.

Sustainable Development – Toolkit

TOOLS AND REFERENCES

The toolkit gives some practical ideas, tools and references that may be helpful in making Sustainable Development part of your day-to-day business. The tools are documented on the enclosed diskettes and the content pages give a brief outline of each tool.

Because a number of tools represent Group best practices the toolkit is classified as Restricted² according to the Group guidelines.

Sustainable Development – Step by Step

THE SUSTAINABLE DEVELOPMENT MANAGEMENT FRAMEWORK DETAILED STEPS

This booklet is for people who want to put the Sustainable Development Management Framework into practice. Links to some of the major existing systems are shown and there is a more detailed description of the deliverables, activities and key competencies underlying each step of the Framework.

Because this booklet represents the detail of the Sustainable Development Management Framework it is currently classified as Restricted² according to the Group guidelines.

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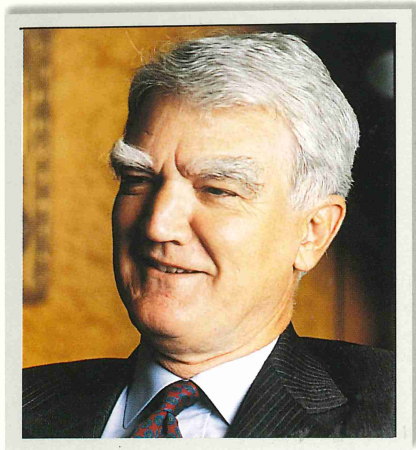
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²Restricted – information which can be freely shared with staff in Shell and Associated companies*, but not with third parties.

* "Shell company staff" includes all staff, contractor staff with a personal contact, designated non-Shell and contractor staff if such access is required for the business, has been authorised by a Shell line manager and a confidentiality agreement has been signed. "Associated companies" are those where a business rationale for access to Restricted information has been approved for selected categories of staff by the responsible regional business adviser.



Sustainable Development
making it happen



At a time when we are striving with determination to improve our financial performance, one could ask why we are worrying about concepts such as Sustainable Development. The answer is quite simple – financial performance is essential, but without working on the other two legs of the stool, environmental and social performance, we will not have developed a business platform that is balanced and sustainable in the long-term.

As I travel around the world, I find people in areas as diverse as China and California asking the same kinds of questions and worrying about the same sorts of things. Most people want economic development and the personal freedom that comes with it, including personal transportation. But then they worry about the resulting gridlock and the fumes. People want instant access to reliable and cheap sources of energy, but then they worry about the possible impact on global climate. People see the very great disparities in wealth and social conditions in different parts of the world and often within their own countries. They do not feel comfortable about it, but they worry about how we could conceivably bring the mass of the world's population to even moderate levels of development without unsustainable demands on the world's resources.

The people I talk about are of course our customers. We need to provide them with solutions and products which address

some of these dilemmas. We need to provide them with a variety of energy products, materials and services which meet their requirements economically, but also in a way which does not do so to the detriment of the environment. We need to convince them that our activities, and their support for us, do not lead to unsustainable social differences but create wealth which benefits society as a whole. And we need to convince them that there is a clear path for the future development of our industry which will benefit the next generation. If we can do these things, we will really be the company of first choice.

So why do we need a Framework? This is not just another piece of bureaucracy or defensive decoration for the book shelf to be pulled out in case of emergency so we can say "Yes, of course, we have one of those too!" This is a Framework to help each one of us think about practical solutions to some of those dilemmas our customers worry about. We can have overall strategies to address some of them at a corporate level, but the real impact comes with the everyday examples and behaviour of each one of us thinking about how our work or project fits into the Framework. Who will be affected by it? Have we thought about their needs and concerns? What are the risks? Can we set hard targets? How are we going to achieve them? Can we measure how we are doing? And then review progress? We can apply this process to jobs small and large and if we do it well I am convinced that we will take a big step towards addressing some of those dilemmas which our customers, actual and potential, struggle with. And if we can do that it is worth a great deal. To all of us.



Mark Moody Stuart

Ask yourself...

- How am I helping to integrate Sustainable Development into our day-to-day business?
 - What do people around me understand about Sustainable Development?
- How do our business activities (e.g. planning, decision making, target setting, appraisal and reward) take into account economic, environmental and social considerations?
- How do we identify stakeholders and the risks and opportunities that are most important?
 - How do we involve stakeholders in our business?
 - How do we measure our business performance?
- How do we demonstrate to stakeholders what we did compared with what we said we would do?
- How do I make sure that we don't repeat mistakes and that we take advantage of the things we did well?

These are the types of questions we have to ask ourselves in order to meet our commitment to contribute to Sustainable Development and to embody it in the planning and daily conduct of our business.

This booklet provides a framework for all of us to address the questions but it cannot provide all the answers. They are different for different people and situations, and will evolve as we learn more about Sustainable Development.

You do not need to be a manager to use this booklet or the Sustainable Development Management Framework. It can be used by all of us, at any level in Shell, to think about how to make our commitment to contribute to Sustainable Development a practical reality.

Sustainable Development Aspirations and commitments

Shell companies are committed to contribute to Sustainable Development and embody it in the daily conduct of their businesses.

What is Sustainable Development?

Sustainable Development is about integration and balance. Integrating the economic, social and environmental aspects of everything we do and balancing short-term wants with long-term needs. Sustainable Development applies to everyday choices we make like how we dispose of our waste as much as to large regional projects.

To contribute to Sustainable Development we must approach our business in a different way. A way that meets the needs of the present without compromising the ability of future generations to meet their own needs¹. Finding this balance between the long-term and the short-term requires us to think about more than just how much money we will make today. We must take economic, environmental and social considerations into account in everything we do.

Because Sustainable Development means taking a broader, more integrated approach to our business, it opens up exciting business opportunities in emerging markets and new customer groups. Sustainable Development is a way of developing and safeguarding our reputation and it will help us develop our businesses in line with society's needs and expectations.

Society is still exploring exactly how to put Sustainable Development into practice but it is clear that we are on a journey and not aiming at a known end point. For Shell, this journey is part of our transformation to become 'top performer of first choice'.

Com Opportun

Achieving our aspirations, meeting our commitments

We aspire to be a leader in the economic, environmental and social aspects of everything we do; first choice for our shareholders, our customers, our employees, those with whom we do business, society and future generations.

We believe that our commitment to contribute to Sustainable Development holds the key to our long-term business success. The values that underpin Sustainable Development are embodied in our Business Principles that provide the foundation for everything we are and everything we do.

We will strive to help build a better world in which current and future generations enjoy greater economic, social and environmental security. We will embrace the concept of Sustainable Development in our business decisions, large and small. In this way we will continue to create value for our shareholders and society, while being responsive to society's changing expectations. We will participate fully in the development of sustainable, commercially viable alternatives to fossil fuels.

We will evaluate the economic, environmental and social impact of our options and strive to get the balance right in our decisions. This will mean that some business decisions will be made differently and some may have different outcomes from the past.

We will seek out and value the views of others. We may not always agree about everything with every stakeholder, but we will participate in an open and honest process of engagement to develop a shared understanding.

We will be open about our progress; wherever needed, we will provide external verification.

We believe too, that Sustainable Development is everybody's responsibility. We will therefore actively encourage our service providers, partners and contractors to support us in our commitment.

¹ This is the Brundtland Commission definition of Sustainable Development which is commonly used in Shell

commitments Aspirations

● Integrating Sustainable Development into our Business

The Shell Group of companies has made a strong public commitment to embed Sustainable Development into our business processes and is already getting some recognition for this. Making Sustainable Development part of our normal behaviour, at all levels of the Group, is a huge challenge in which everyone will need to take an active role. A clear, consistent structure will help us move forward; enthusiasm and determination will accelerate our progress.

Many parts of the Group are already adjusting business processes to make sure they take economic, environmental and social considerations into account. This means that the criteria by which we measure success and make decisions are changing.

This booklet describes a Sustainable Development Management Framework that can help all of us in Shell manage our business in a way that takes Sustainable Development into account. Specific actions for each of us are different, but the Framework provides a way to help us structure our approach and learn from each other.

The Framework incorporates external best practice and has been designed with a large and diverse team from across the Shell Group. It consists of a series of inter-linked steps, forming a cycle, which we can use to help us integrate and balance the economic, environmental and social elements of our every day business. Incorporated in each step are clearly a number of deliverables and activities with associated competencies. This structure will enable us to appraise, report and continuously improve our performance in all three areas.

The Framework can be applied over any time frame and to a wide range of situations. For example, developing a business plan, managing a small project, in everyday business. It is not necessary to start at one specific place in the Framework, but over time we need to be able to complete all of the steps.

We already carry out many of the steps and activities described in the Sustainable Development Management Framework (for example within the Business models, HSE, HR and financial management systems). We typically carry out our business in a 'plan, do and review' cycle and integrating Sustainable Development does not change that familiar sequence.

● What's new?

INTEGRATION

The Framework extends and builds on existing systems with a focus on integrating all three elements of Sustainable Development in each step. That's to say taking economic, environmental and social considerations into account as we go about our business. We need to bring together and understand these different factors as teams and show good decision-making skills to do this well. The results of our decision-making must be transparent to stakeholders. Tools such as scenario planning and the Sustainable Development 'triangle' can help us here.

ENGAGEMENT

Systematically identifying and engaging with stakeholders from the earliest stages of planning is also something that differentiates the Sustainable Development Management Framework from a traditional management process. We need to be open-minded, have the ability to understand a different perspective and have good engagement skills to do this well.

REPORTING AND VERIFICATION

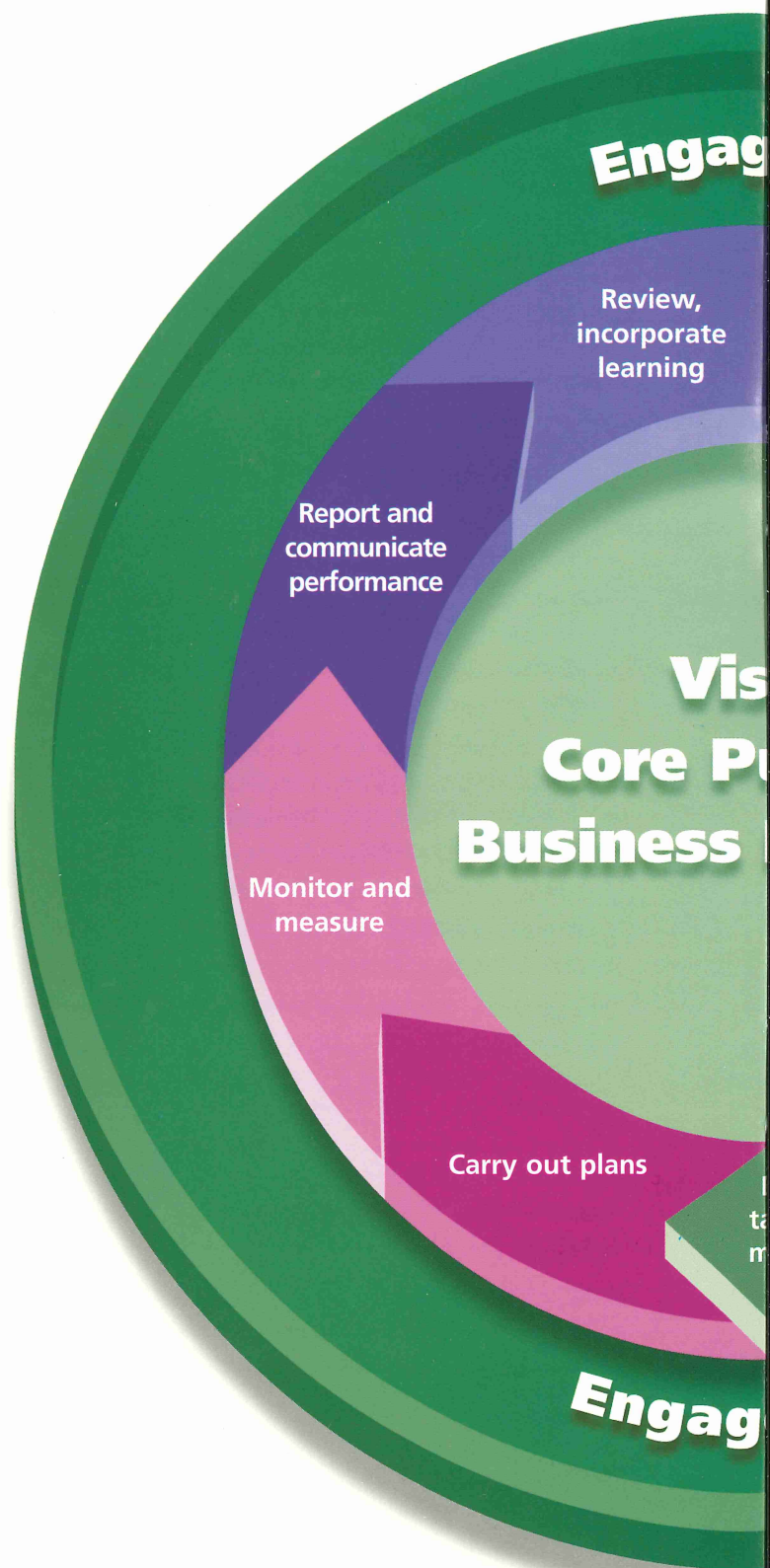
Being able to demonstrate what we have done and why we have done it is increasingly important in building trust with stakeholders and it also helps us to focus our attention. Society expects us to be open and transparent and we must meet these expectations. Anticipating and understanding our stakeholders' needs, as well as good communication and recording skills are important here.

BEHAVIOUR AND SKILLS

Sustainable Development is about a different mindset and behaviour rather than a number of years of technical training.

The overview, decision-making and engagement skills we need to make Sustainable Development part of our business are skills that anyone can develop as long as they are open and willing to learn. Valuing the diverse backgrounds and approaches of those around us will also increase our effectiveness.

Sustainable Development



We take economic, environmental and social co

Management Framework



considerations into account in everything we do.

The Sustainable Development Management Framework

lead focus

Each of the steps in the Sustainable Development Management Framework involves a number of activities. They are summarised below as if they were a complete and ongoing process, with an explanation and some examples to help you assess how well what you already do in your day-to-day work contributes to Sustainable Development.

- Consider how Sustainable Development helps achieve our aspirations

- Demonstrate leadership and commitment to Sustainable Development
- Communicate vision and enrol others
- Empower front-line to act

- Set selection criteria
- Scan for relevant risks and opportunities and stakeholders

Vision, Core Purpose and Business Principles

We consider how Sustainable Development helps us achieve our aspiration of 'top performer of first choice' as articulated in the Shell Business Framework. Sustainable Development is the practical expression of our Core Purpose of 'helping people build a better world' and with the Statement of Business Principles, is central to the way we do business. As a result, all of our activities should incorporate economic, social and environmental considerations.

Demonstrate leadership

We demonstrate strong, visible leadership and commitment to Sustainable Development. We define and communicate a locally meaningful vision and enrol others in this vision. We ensure that motivators (such as scorecards, appraisal and reward systems) are aligned with Sustainable Development objectives. We set and communicate clearly defined aspirations with supporting policies, and make sure systems exist to help implement them. Our aim is to create and maintain a culture that contributes to Sustainable Development through the actions of the company, individuals and those with whom we do business.

Identify stakeholders and risks and opportunities

We set top level criteria for identifying stakeholders and risks and opportunities, making sure that we have taken account of economic, environmental and social considerations. Through engagement we scan our environment for any relevant risks and opportunities, using our own internal networks and with external stakeholders. As a result, we know and record which issues are significant and who the relevant stakeholders are for each of these risks and opportunities.

Partnership Stakeholders

- Evaluate and prioritise risks and opportunities
- Determine ways to address risks and opportunities
- Screen current activities and plans
- Establish measurement process
- Define range of options
- Set objectives

- Scope the risks and opportunities
- Establish a strategy to meet the objectives
- Plan and communicate how we are going to meet the objectives
- Put in place resources and organisation to meet goals

- Put our plans into action

● Prioritise risks and opportunities and set objectives

In order to focus our efforts, we evaluate and prioritise risks and opportunities that we have identified and assess who the relevant stakeholders are. We consider what we can do to address these risks and opportunities. Bearing in mind the views of our stakeholders, we re-evaluate our current activities and plans and decide how to measure progress. We also decide which key performance indicators we will use and relate our data to our performance targets. For each risk and opportunity, we assess the range of options we have, together with their associated implications, before finalising our objectives across all dimensions of Sustainable Development.

● Define strategy, targets and plans, mobilise resources

We identify the strategy needed to meet our objectives and record how we decided strategy and our targets and our stakeholders' views. Our plans show how progress will be measured and what will be subject to verification. Plans and targets are communicated, allowing for more detail as appropriate (for example individual or team tasks and targets) and we make sure they are understood. We set up a suitable organisation, adequate resources with the required skills and define authorities and responsibilities to make things happen. We apply well-understood standards and procedures to show how individual performance will contribute to the overall plan. We also apply these requirements to contractors and to joint ventures under our operational control.

● Carry out plans

Our plans, which integrate economic, environmental and social considerations into our activities, are effectively put into action.

community Eng

- Take agreed measurements and store data
- Analyse and monitor the results
- Act on conclusions

- Gather and prepare available information
- Verify relevant performance measures externally
- Select what, how and to whom we will communicate
- Finalise reports and communicate appropriately

- Review performance against plan
- Review how effective the process is
- Learn from the results and identify opportunities
- Incorporate learning and revision if appropriate

● Monitor and measure

We measure both hard and soft data that act as indicators for the economic, environmental and social aspects of our performance, ensuring that we involve stakeholders as we said we would. We monitor how activities are carried out and controlled, investigating unusual results. Where action is needed to meet our current plans, or where we need to modify the plan, we make and document any immediate changes required. We also identify any significant opportunities or risks that emerge.

● Report and communicate performance

We request and gather our performance data relating to all three areas of Sustainable Development, collating and aggregating the results as agreed. Where appropriate, the accuracy and appropriateness of performance indicators is verified independently. We select suitable reporting formats, finalise the information for the reports and communicate in a way that meets the wishes and expectations of our stakeholders. We report performance at the Group level in a consistent way.

● Review and incorporate learning

At intervals we formally review actual performance against plans. We analyse and seek to understand any variances. We review and assess the overall effectiveness of our business processes to ensure their continuing suitability for embedding Sustainable Development. We reward business behaviour which takes Sustainable Development into account. We learn from the results of these reviews and incorporate any feedback from stakeholders to understand how we can improve – assessing the implications of any improvements we may make. We act on any quick wins and identify focus areas for improvements. We reconsider our vision as the world around us changes.

Communicate Engage learn

Engagement

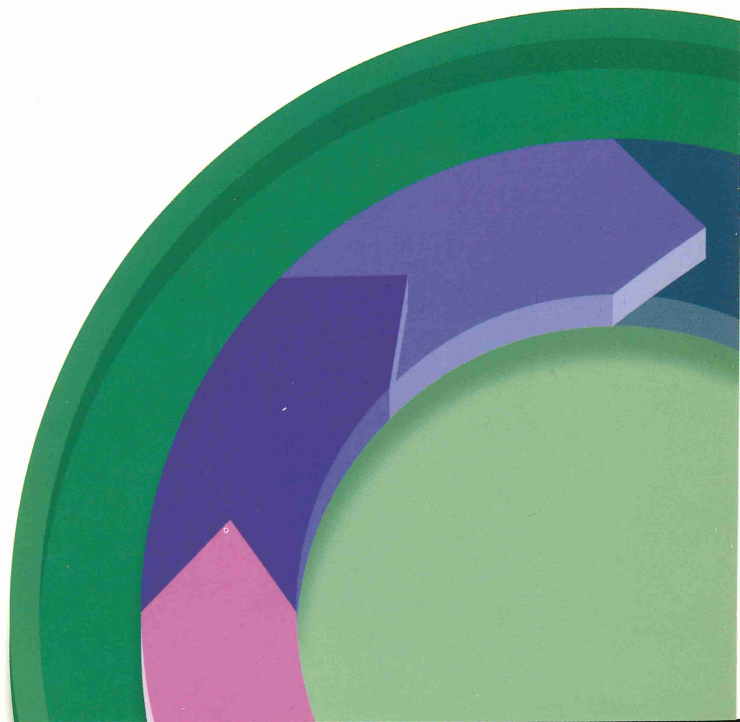
- Identify process owner
- Research your own and the stakeholders' objectives, thoughts and interests
- Choose engagement mode
- Hold dialogue with the stakeholder and build the relationship
- Measure output of engagement

Engagement is about developing a shared understanding and respect for each other's positions, interests and needs with respect to a particular issue. It does not mean that we give up our role in decision-making, instead it allows us to make better, more informed decisions. For each risk or opportunity, we identify who the appropriate people to engage with the stakeholders are and who has the authority to make commitments for us as Shell.

Before engaging with stakeholders, we clarify our own position and consider the stakeholders' position on each issue, taking account of experience of previous relationships and the particular situation. We assess where the greatest similarities and differences are likely to be and set objectives that may be refined once the dialogue develops.

In choosing how we engage and carry out the ongoing dialogue in the most appropriate way, we make sure we respect the experience and wishes of our stakeholders. After each exchange, we review what progress we have made both on the issues and in developing our relationship with the stakeholders.

We document the output of our dialogue, including agreed action plans, performance indicators and our progress in building the relationship, as input for reporting on our performance in all aspects of Sustainable Development.



Sustainable Development in action

A worked example

Smit, Cees JAN/1

To:

Subject:

Smit, Cees JAN/1

RE: Sustainable Development in Action

Cees,

Well when the document landed on my desk I must admit that my main thought was 'Oh no not another initiative'. I was also a bit cynical about how it would help my bottom line, which, as you keep reminding me, is not exactly healthy at the moment.

On reading the document it seemed to make sense but it was only when I looked at the worked examples in the folder that I got an idea of what we could actually do.

The first thing I had to do was find out a bit more about Sustainable Development (and educate the rest of the management team here). The web page referenced in the booklet helps, and I thought one of the most useful things was the Plain English Guide to Sustainable Development available from Expro.

We had a meeting amongst the management team and I presented what the Group and Business aspirations are so that we could decide where we fitted in.

The first thing we did was talk our way around that wheel diagram to see which bits we're already doing. I realize now that it's not really a new initiative, it makes common sense really and we're already doing a lot of it. Here were the key things that we picked up:

- We certainly don't engage with stakeholders anywhere near as much as we should. We're talking to some stakeholders but we don't have a structured way of doing it. That's probably something that you'll find too.

- As part of our Asset Reference Planning, we regularly sit down with the team leaders and brainstorm on our Strengths, Weaknesses, Opportunities and Threats. We tend to focus on the financial and environmental side and I think we need to involve all disciplines and also some people from the site, so we can really work out what's happening on the ground and look at our social impact too. We need to minute this rather than just keep a record of the top three like we used to.

- We're better at looking at risks (particularly as part of HSE cases) than we are at looking at opportunities. There's a couple of new things in the toolkit which we might try, I'll let you know how we get on.

- I think it's going to be difficult engaging the stakeholders and we're going to send a few people on some training for this. Stakeholders like staff are covered in our HR processes but head office normally talks to the local community. There's a pretty comprehensive EP guide that gives some ideas and again the worked examples give some ideas too.

- I think the key thing that's different in strategy, targets and so on is that you have to take account of the social and environmental aspects of a project too. We need to get more people round the table so that we can be clear what we're juggling with. My last GM just used to lay down the law here and tell people that if they had not taken social and environmental aspects into account he did not give the go-ahead. It was excellent, he just had a clear commitment that he wanted it done properly. He laughed at the idea of quantifying each of the three elements and balancing them and I think I agree. It's just about good decision-making. I think as long as it's clear to the outside world that we've genuinely taken the environmental and social considerations into account as well as the financial, we'll be fine.

- Carry out plans, they make it sound so easy there in corporate centre!

- Monitor and measure, it sounds obvious but again the thing we're missing is the integration of the three elements. When we did sit round the table we realized that the discussions that HR are having with the staff at the moment can help us measure perception of our performance. We think that'll be just as important as the financial figures in some ways.

- We reckon that we do all the reporting and communicating we need to, maybe we'll just have to report on some different things next time. Jim brought up an interesting point that we ought to make a list of who looks after what data, so that if a stakeholder asked us we could get hold of it easily.

– Reviewing sounds pretty obvious too, but I think we'll need to find a way of communicating what we've learned to everyone else. We should work together on that. I keep meaning to put my thoughts onto the forum on the web page but I've just been too busy. I'll get round to it soon, or maybe I'll just post this email.

I demonstrate leadership all the time, but my team said I could do with a more modest approach in my 360 degree feedback, so I've decided to go on the LEAP leadership challenge just to make sure I've got my skills honed.

The next stage for us is to get a really clear message to give to everyone and to raise the awareness levels and enthusiasm amongst the staff. I don't think it'll be too tricky since it's much easier to get yourself motivated about Sustainable Development than just ROACE and bleeding the Asset. Even in our first meeting we started getting quite animated and I reckon there's the potential for some short-term wins and cost savings by taking this more integrated approach. Because it's so strongly linked to the business but also has that 'hearts and minds' feel to it we could be onto a winner. Can't we talk about it as part of our Shell Report communications?

We then have to target specific areas where we're not doing what we could. I think the key message is that Sustainable Development is not an extra little project, it's something that should be completely integral to our business and that without getting our house in order in all three areas we can't carry on.

In terms of actually getting it into the business, it seems to be a question of people talking to each other across the disciplines and making decisions based on more than just how much money we make. We need to talk to the outside world and be clearer in the way we keep records.

On that note I'm going to speak to John about the criteria we use for peer reviews – I think they should include some elements to test how much people have thought about Sustainable Development. What do you think?

Anyway, I hope this helps.

Best Regards,

Jane

—Original Message—

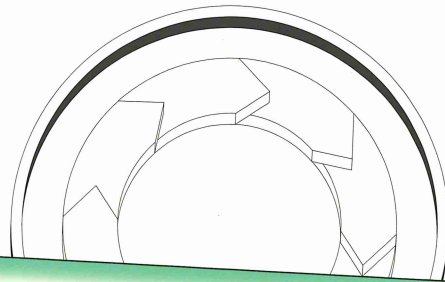
From: Smit, Cees JAN/1
Sent: 16 April 1999 19:13
To: Harris, Jane JAS/6
Subject: Sustainable Development in action

Jane,

I thought I'd follow up by asking you how you are getting on in integrating Sustainable Development into the everyday business of running Asset North. I'd really like to know what are the learning points and the 'tips' for how we can go about integrating it here in Asset South.

Thanks,

Cees



Sustainable Development Next steps

What happens now?

Integrating Sustainable Development into our business is already happening in many parts of the Group. The CMD have taken ownership of the Sustainable Development Management Framework at Group level and a Sustainable Development Council made up of Business executive committee and Corporate Centre heads chaired by Mark Moody-Stuart is responsible for steering Sustainable Development.

At Group level we are already incorporating Sustainable Development into our business processes: the scorecard, decision-making criteria (502F), planning, appraisal and reward systems are changing to take economic, environmental and social considerations into account. We have begun reporting our economic, environmental and social performance in an integrated way in the Shell Report and in detail in the Annual Report, the HSE reports and Shell's Investment in Society report. We will continue to ask for data and examples from the OUs and Businesses so that we can tell our stakeholders openly about our progress.

What next?

We will all be affected by the changes resulting from the Group level implementation of the Sustainable Development Management Framework.

Just as at the Group level, we can all use the Framework to help us manage our business in a way that is consistent with the concept of Sustainable Development. What you do next will depend on what you are already doing. Below are some ideas of how to move forward. Examples of how others are putting Sustainable Development in Action may also help you.

WORK OUT THE GAPS...

Working out where the gaps and duplications are allows us to focus our efforts and resources.

Working around the wheel and comparing it to what you already do can help identify where there are gaps in your activities, or where your current activities today do not cover all three aspects of Sustainable Development. You can also see where there is duplication in your systems or where your business processes could be more efficient.

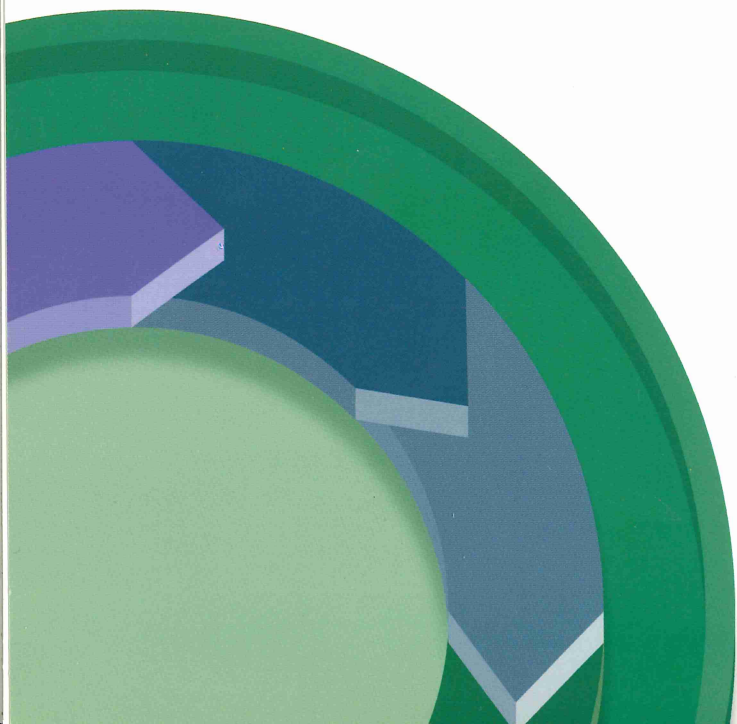
...AND FILL THEM

Finding out what's happening elsewhere means we don't have to re-invent the wheel.

The Framework is a flexible template for the Group, the Businesses and OUs and can be adopted and modified to fit specific needs, while giving the necessary consistency to report our overall Sustainable Development performance at the Group level. Having worked out where the gaps and duplications are you can work out how you can fill them most efficiently. Checking what other people have done and which systems are used in other places stops re-invention of the wheel.

Deciding where we are going and working out the most effective way to get there helps us move forward faster.

Working out what Sustainable Development means in your context and making sure that everyone understands what that means gives the clarity and the direction to move forward. Strong leadership and commitment is a powerful motivator. Integrating Sustainable Development considerations into the key processes which drive the business such as planning, decision-making, target setting, appraisal and rewards means that you 'walk the talk'.



The long-term commitments
have been made.

The Sustainable Development
Management Framework
can help us meet them.

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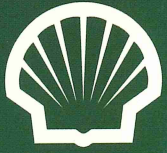
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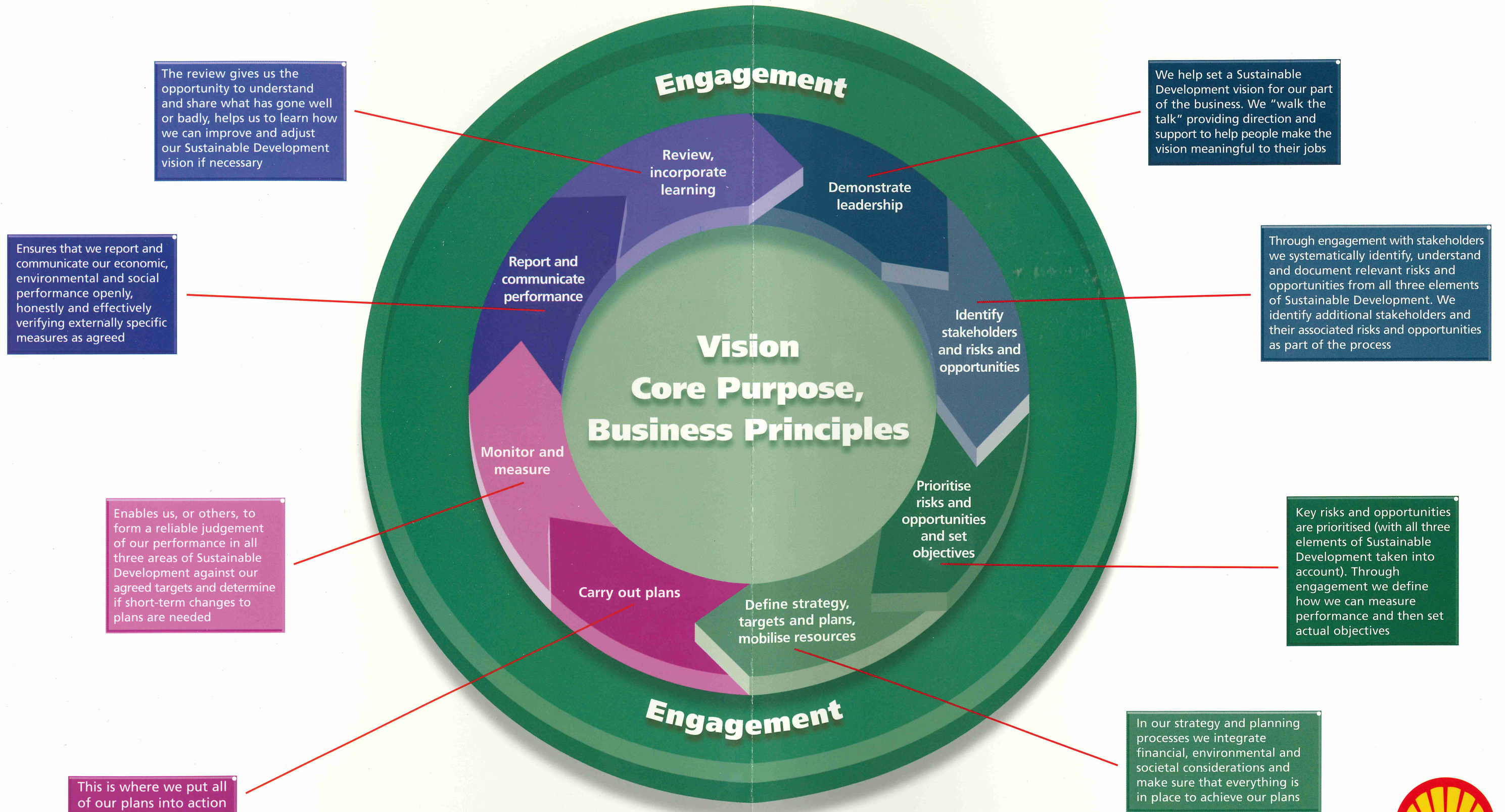
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Sustainable Development Management Framework

Engagement is a key characteristic of the SDMF. It is a recurring activity that drives the SDMF allowing us to develop a shared understanding and trust with our staff and external stakeholders.



We take economic, environmental and social considerations into account in everything we do.



Sustainable Development In Action

WORKED EXAMPLES AND CASE STUDIES

This section provides some worked examples of how different people and groups have made, or are making, contributions to Sustainable Development.

Because we would like the sharing of learning inside Shell to be as open as possible the worked examples are classified as Restricted¹ according to the Group guidelines.

As more examples or learning experiences become available they will be posted on the website <http://sww-sd.shell.com/>. If you have any examples or learning you would like to add please let us know using the web site feedback facility, discussion page or by e-mail to anyone in SI-PXR.

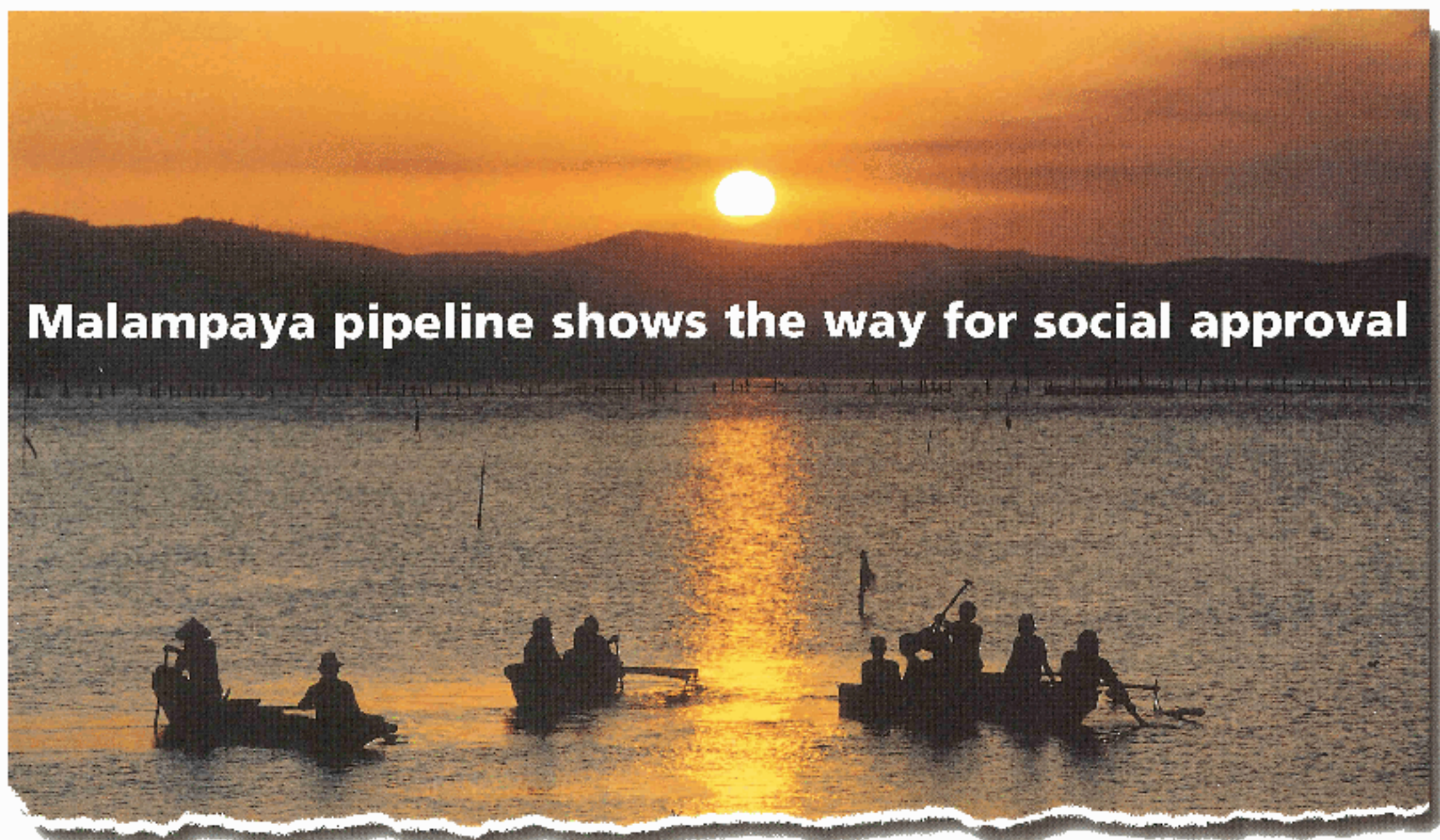
Each of the companies within the Royal Dutch/Shell Group of companies is a separate and distinct entity. In this publication, the expressions 'Group' and 'Royal Dutch/Shell Group' are used to refer to the companies of the Royal Dutch/Shell Group as a whole. The words 'Shell', 'we' and 'us' are used in some places to refer to the Group and in others to an individual Shell company or companies where no useful purpose is served by identifying it or one of them more particularly.

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¹Restricted – information which can be freely shared with staff in Shell and Associated companies*, but not with third parties.

* "Shell company staff" includes all staff, contractor staff with a personal contact, designated non-Shell and contractor staff if such access is required for the business, has been authorised by a Shell line manager and a confidentiality agreement has been signed. "Associated companies" are those where a business rationale for access to Restricted information has been approved for selected categories of staff by the responsible regional business adviser.



Malampaya pipeline shows the way for social approval

In preparing to lay one of the world's longest deep water natural gas pipelines, Shell Philippines Exploration B.V. conducted a comprehensive review of all possible environmental and societal expectations. There were consultations from local communities and government, as well as discussions to resolve a wide range of issues which helped in securing the project's social acceptability. These also served as useful input in determining the final pipeline route. The project's viability was also helped by a non-profit corporate foundation started 16 years ago.

The discovery of commercial quantities of natural gas in Malampaya located offshore Palawan in the Philippines has put the country firmly on the world's oil and gas E&P map. A number of exceptional challenges needed to be hurdled before first gas sales could be realised in 2002. In the case of Malampaya, one major hurdle was securing social acceptability for an environmental compliance certificate for the 520-kilometer underwater pipeline that will bridge the Malampaya offshore field to the landfall site in Tabangao in southern Luzon.

At about the same time that Shell discovered gas in Malampaya, the Philippines – like many developing countries – was drawing up more stringent rules and regulations governing new projects being built. Social acceptability was an added requisite that rated high and was critical to gaining Government approval for project construction.

Two pipeline routes were initially considered: the first required construction along the western shores of the island of Mindoro; while the second option was to go offshore all the way. Both plans were discussed during the consultation sessions involving more than 250,000 residents and stakeholders from the provinces of Palawan, Mindoro and Batangas.

The idea of building a US\$2-billion project that would provide indigenous, natural gas to power electricity generation for half the island of Luzon in the 21st century was not impressive enough to persuade locals from allowing Shell Philippines Exploration B.V. (SPEX) as project contractor to commence its project. The environmental issues as well as societal concerns were priority issues at the local community level.

Residents from the coastal towns and barrios had a variety of environmental concerns. They were wary about possible changes in water temperature that may adversely affect the fishing habitat. To them, the idea of an industrial project that involved harnessing a fuel from nine subsea wells located in 850-meter subsea depths 75km off the northern regions of Palawan was a potential source of pollution, and therefore could affect their source of livelihood.

Pearl farmers, on the other hand, feared that Palawan waters – which are considered the most pristine in the Philippines and therefore most conducive to pearl farming – would be affected by any great changes, and thus would adversely inhibit the growth of pearls.

Others voiced concerns about the instability of the Mindoro tectonic plates, or the possible disturbance of coral reefs when laying the subsea pipelines.

The SPEX project team also received 'friendly' advice from a rebel faction allegedly operating in Mindoro that it was best to avoid any onshore pipe-laying if it would run across terrain where its activities would unduly be exposed.

The Tagbanua tribe indigenous to Palawan also requested SPEX to revise pipeline coordinates because portions of it would disturb burial sites and run across ancestral land and waters.

The pipeline proposal also elicited negative feedback from farmers, fishermen, and local government officials who remained sceptical of the project's benefits. Many felt that the huge investment to bring the project to completion was not going to directly benefit them. Residents questioned why indigenous natural gas from offshore Palawan could not be tapped to generate electricity for both Palawan and Mindoro.

Clearly, not all the local communities' environmental anxieties were figments of their imagination. There were, however, myths and exaggerations that needed to be corrected. This was addressed by a more detailed information campaign bolstered by extensive evidence from surveys on marine life and the eco-tourism, and a better understanding of the major fault lines. Thus, SPEX returned to the communities to once again address earlier concerns and resolve pending issues.

It also helped that SPEX had asked the advice of external experts in the ecological and geological aspects of the project, and that they in turn were allowed to give their opinion openly and frankly to the residents and local government officials.

The communities were also impressed by the technologies being harnessed by Shell to learn more about the subsea environment where the pipeline was to pass, and by the company's willingness to 'reroute' the pipeline to avoid difficult terrain or precious coral reefs.

Through continuous dialogue, the locals learned to understand that natural gas is an environmentally-friendly methane gas that may lessen the annual atmospheric CO2 emissions by 5 million tons. They came to understand and believe in Shell's commitment to internationally accepted safety measures, and in the extensive measures taken by the company towards preventing accidents.

A different sustainable fuel

In answering social development expectations, it helped that Shell had a reputation of being a good neighbour. Recognising the validity of most communities' plea for concrete projects that could help uplift their lives, Shell offered to provide industrial, agricultural and livelihood skills training programs through the Pilipinas Shell Foundation.

Started in 1982, the Shell Foundation had steadily gained through the years a parallel reputation of being a 'fuel of the future' by providing sustainable development opportunities for underprivileged Filipinos. By consistently supporting skills acquisition and upgrading for farmers, housewives and out-of-school youths, the Shell Foundation had come to help over 12,000 people from all over the archipelago.

It was not surprising therefore that many residents from Palawan, Mindoro and Batangas knew of the Shell Foundation, and that not just a few were touched at one time or another by the foundation's outreach programs.

The Malampaya project team eventually chose the offshore route for the pipeline. The extensive efforts made by the project to consult and listen to its stakeholders bode well. The Malampaya natural gas project eventually received its environmental compliance certificate with full support from the various communities involved.

And now that the project is well underway, steps are being taken for Shell to live up to its promise and commitment. Social development programs continue to be a major component of the Malampaya project as it moves to completion in year 2002. Already, SPEX has more than two hundred farmers and out-of-school youths in training schools this year. More residents of Palawan, Mindoro and Batangas will be reached in the next years.

From Shell's point of view, life does look brighter for more Filipinos.

This article can be found with photographs in the magazine 'Interchange' Number Four 1998 available from SI-PXX and found on the PX intranet.





Dear Louisa

I just thought I'd write to say Happy Birthday and to let you know our family news. As you know we've been living in our new house for about 6 months now and so far it's going well. I haven't had a chance to write for a while so I'll start from the beginning and tell you the whole story.

The neighbourhood where we used to live just isn't what it used to be. It had been getting worse for a while but I only really noticed when last year I was talking to someone outside my childrens' school. They said they were moving on to a better place because their family just didn't want to live here any more. It got me thinking and when I got home I talked about it with Helen. We started looking at what our options were and it didn't take long to decide that for our children and ourselves there had to be something better.

First of all we talked to our children. We explained to them that we wanted to move on and that we could list all the things we really wanted so that we could choose where we would go and what it would be like. We all had a picture in our mind of what the perfect place would be and we compared what we really wanted.

I wanted to live in a quieter neighbourhood with a less stressful atmosphere, where it was safe for my family to walk wherever they wanted. I also wanted to get out more and meet people in the neighbourhood.

Both my wife and I wanted to be close to our workplace, that was our highest priority. We also needed to be close to the shops because we both work and need to shop in the evening sometimes. We wanted to be close to a good school for our two eldest children and a nursery for our youngest.

My eldest boy wanted to be close to the town centre, he wanted to go out and meet his friends and make new friends as well. Our youngest boy wanted a bigger bedroom and a garden big enough to play football. Our daughter, who is still very young, was really pleased when we said she could go to a nursery school.

Once we'd decided on the types of things we were looking for there were just a couple of places we could go. We talked to people locally and the schools and were pleased that both places were quiet and safe with plenty of open space.

The only problem was money, both of the houses were more expensive than where we already live and one, which was walking distance from my office, was almost completely out of our price range.

We talked it over and agreed that we would have to make compromises. We would take the slightly cheaper house and I would do the 20 minute drive to the office, we would see how quick the journey was. Sometimes we would drive our eldest son to the town centre.

We made an offer for the house and the move went with very few hitches.

After a few weeks I realised that the drive to work would take a lot longer than 20 minutes in the traffic. I asked a colleague and found out that there was a bus that went early in the morning which missed the traffic and which most of my colleagues used so I started doing that. It's going much better.

Looking back on it and talking it through we all agree it was worth it, the house was still more expensive than our current house but we can still afford it. Anyway, it looks like it'll be a good investment since lots of other people are starting to move here too, it's becoming a popular area. We'll focus next year on getting the garden into shape.

If I had to do it again I would have tried to check the route to work first and I should have asked my colleagues straight away whether they knew. Oh well next time I'll know better!

As I said Happy Birthday, I hope you are well and that your new job is going well, give my love to the family, we'll speak on the phone soon.

with warm wishes
James



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How do we know...

Shell Chemicals' products are sustainable?

Working through an independent consultant, Shell Chemicals Canada Ltd. brought the panel together to examine impacts of its chemical products – on the environment, on health & safety, on natural resources, on society and the economy.

Panel developed a scoring system to judge sustainability of products.

The system looked at impacts from product creation to disposal. It combined panel insights with standardized criteria and a mathematical scoring method.

"Red flags" highlighted actual or potential problems.

The panel tested the new system on styrene monomer, which ends up in such products as auto interiors, home insulation and plastic utensils.

They also asked a group of environmentalists to judge the usefulness of the system.

The environmentalists liked the idea.

The panel refined the system, building in the environmentalists' suggestions.

Panel found scoring system effective but very complex, so it was computerized to make it easy to use.

Panel then used scoring system to judge sustainability of elastomers (end up in footwear, automotive products, wire, cable, hoses and tubes); resins (end up in beer can liners, adhesives, pipes, tanks); and ethylene glycol (ends up in plastic soft drink bottles and antifreeze).

Panel sustainability scores helped Shell Chemicals to make major business decisions:

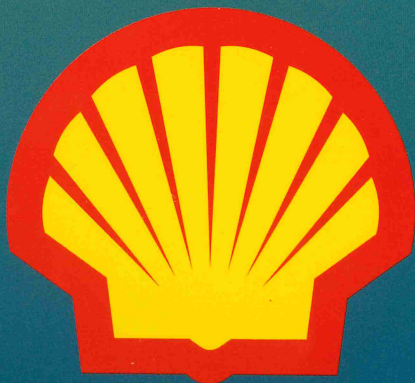
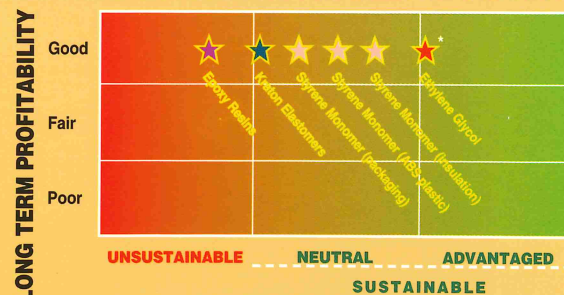
Shell decides to:

- expand styrene monomer business
- work with manufacturers who use Shell resins and elastomers to ensure they do so safely
- proceed with engineering design of a new world-scale ethylene glycol plant at Scottford site

Representatives of the panel and Shell Chemicals talk about this very useful scoring system at environmental conferences.

A diverse panel of public spirited citizens provides independent and expert advice...

SUSTAINABILITY BALANCE FOR SELECTED PRODUCTS



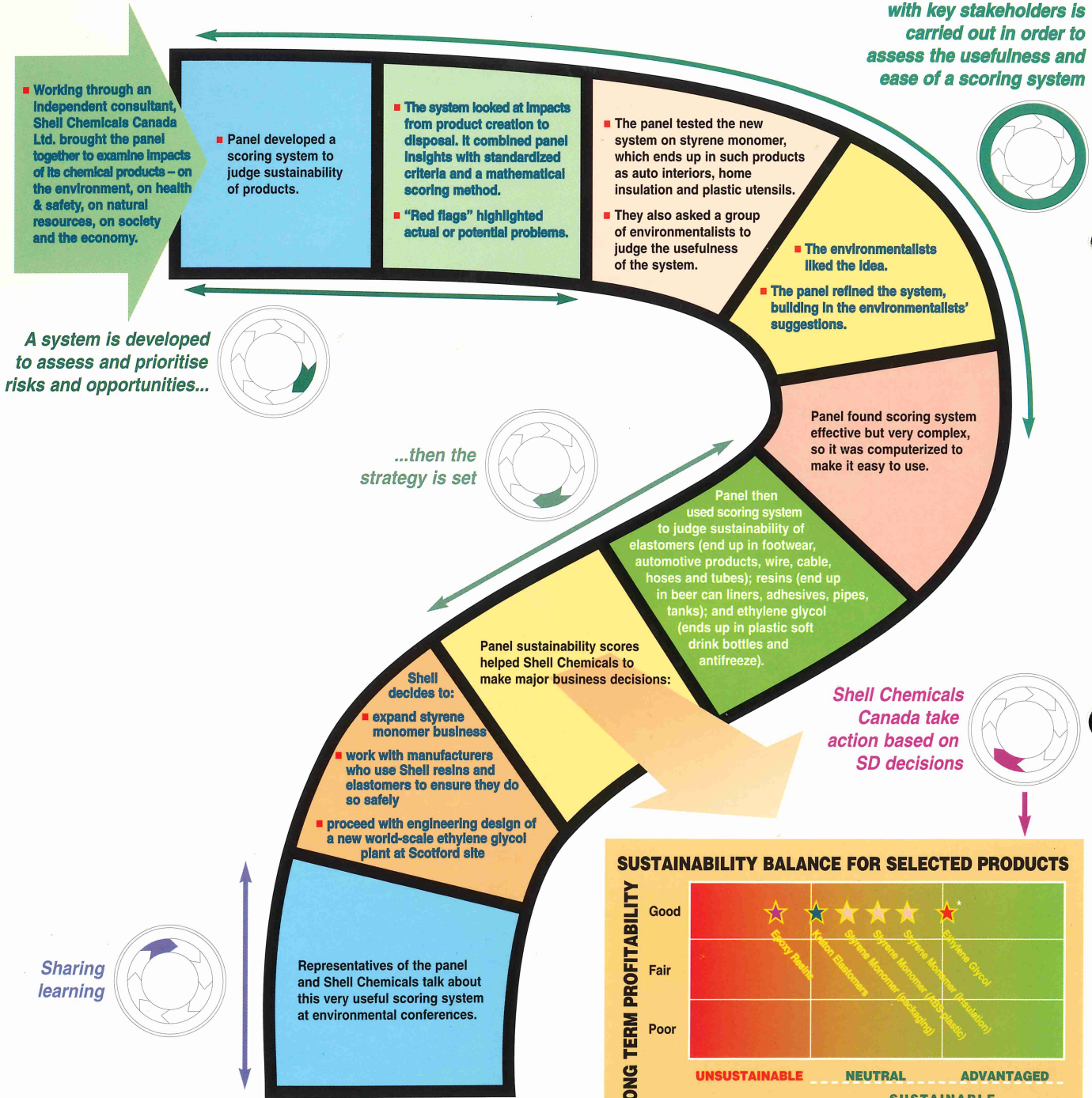
How do we know...

Shell Chemicals' products are sustainable?



For Shell Chemicals, demonstrating leadership meant having a vision of a sustainable portfolio

Extensive engagement with key stakeholders is carried out in order to assess the usefulness and ease of a scoring system

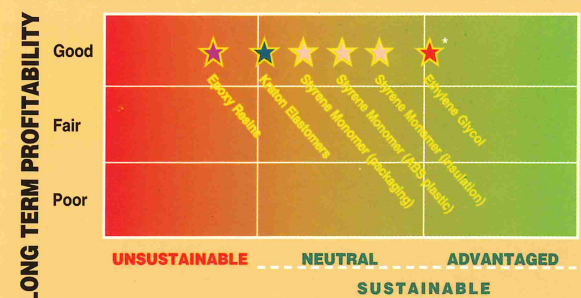


A system is developed to assess and prioritise risks and opportunities...

...then the strategy is set

Sharing learning

SUSTAINABILITY BALANCE FOR SELECTED PRODUCTS



Sustainable Development in Action in Peru



Mission:

We will develop the Camisea hydrocarbon reserves, using the best available technology and innovative methods, and will maximise economic value for corporate and Peruvian stakeholders. We will meet world class HSE criteria, working with integrity in a truly open and honest fashion in all activities, ensuring that a sustainable development is achieved for the communities most affected by our operations. We will successfully execute the Camisea Project through an Alliance which will be instrumental in creating lasting economic and social benefits to Peruvian society at large and will contribute to the achievement of long-term business success of the corporations involved.

Principles:

Openness, Partnership and Consultation.

Learning and best practice from the Camisea project is being used all over Shell and externally as a model for new projects.

A website and discussion page allowed the general public to find out more.

A number of ways of communicating and reporting were used. They included:

- one to one meetings
- regular briefings papers
- publication of studies
- informal & formal local village/community sessions

No staff were employed solely for the process of consultation.

An extensive monitoring programme was designed. It was not a static programme and was constantly reassessed, depending on the results of the sampling.

The main environmental aspects that were being monitored were:

- water quality
- solid wastes • noise
- soil quality • air purity
- biological diversity.

Drilling operations were carried out as if the locations were offshore. No roads were used and equipment and personnel were transported using hovercraft, boat and helicopter.

A clear, documented commitment and vision from management based on openness, transparency and uncompromisingly high standards was set.

Environmental and social issues were identified together with 50 stakeholders which later grew to some 200. They included partners, non-governmental organisations and indigenous peoples. Independent bodies carried out environmental and social impact assessments and studies, made recommendations and scrutinised the project. Engagement led by the HSE department consisted of consultation, which is not required by law, over 4 years.

Prioritisation with stakeholders, identified a core representative group. Their key expectations were to address bio-diversity and human rights (social capital enhancement). Native communities had interests including direct impact and the need for benefit.

Agreements were made with local people, personnel were specially trained and inoculated to stop the spread of disease. Logistics and operations were planned and a monitoring programme was set up. Critical to the decision-making was extensive consultation with Peruvian stakeholders to understand and integrate their concerns.

Mission:

We will develop the Camisea hydrocarbon reserves, using the best available technology and innovative methods, and will maximise economic value for corporate and Peruvian stakeholders. We will meet world class HSE criteria, working with integrity in a truly open and honest fashion in all activities, ensuring that a sustainable development is achieved for the communities most affected by our operations. We will successfully execute the Camisea Project through an Alliance which will be instrumental in creating lasting economic and social benefits to Peruvian society at large and will contribute to the achievement of long-term business success of the corporations involved.

Principles:

Openness, Partnership and Consultation.

Sustainable Development Toolkit

TOOLS AND REFERENCES

The toolkit gives some practical ideas, tools and references that may be helpful in making Sustainable Development part of your day-to-day business. In some cases the tools refer to a training course, contact point, book or web page, in others a description of a new tool developed specifically for Sustainable Development.

The toolkit consists of the following parts

- Toolkit Index – this provides a list of all the tools (including icons to identify the type of tool), the tool number and name with a short description of what you will find when you access the tool
- Disks containing the tools mentioned in the index (in Word documents for Windows 95) and an empty template for you to add new tools yourself

The tools are also available on the Shell Wide Web <http://swv-sd.shell.com> where they will be kept up to date supported by your learning and comments.

Because a number of tools represent Group best practices the toolkit is classified as Restricted¹ according to the Group guidelines.

If you have documented a new or useful tool please send it to us (at SI-PXR or using the feedback mechanism on the web) for it to be added to the toolkit.

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Toolkit Contents

This is a list of some tools and references that may be helpful in making Sustainable Development (SD) part of your day-to-day business. In some cases they refer to a training course, contact point, book or web page, in others a description of a new tool developed specifically for Sustainable Development.

The tools are arranged in the same sequence as the steps of the Sustainable Development Management Framework. Some tools are relevant to more than one step and the links to other steps are mentioned at the end of each section.

The tools themselves can be found in electronic form on the disks accompanying this document and are accessible by selecting the tool number shown in the index. There is also a template (in Word for Windows 95) on the disk (and on the web site) so that you can add new tools. If you have documented a new or useful tool, please send it to SI-PXR (or use the feedback mechanism on the web) so that it can be incorporated.

The following icons indicate the type of the tool:



Indicates key questions – how can I tell how well I am doing?



Indicates details of a training course or courses



Indicates a description of a new (or newly documented) tool



Indicates a reference to Shell documentation



Indicates a reference which is external to Shell



Indicates a web page



Vision, Core Purpose and Business Principles



A Key questions – Vision, Core Purpose and Business Principles

A short list of questions that can help you see how well you are doing in this step.



A1 Statement of General Business Principles

A web page and references to the Statement of General Business Principles; the values and principles that form the foundation of everything we are and everything we do.



A2 Shell Business Framework

The outline of and references to a booklet expressing Shell's aspirations and how we can achieve them. It includes training programme details.



A3 Sustainable Development – Achieving our aspirations, meeting our commitments

A statement explaining Shell's understanding of what Sustainable Development means, our aspirations and our commitments.



A4 Creating and reviewing a vision

Some references to proven techniques, examples and training courses for creating and developing a vision.



Demonstrate leadership



B Key questions – Demonstrate leadership

A short list of questions that can help you see how well you are doing in this step.



B1 Leadership Development Training

Details of the LEAP team, its web page and the training courses offered to develop leaders at all levels in Shell.



Identify stakeholders and risk and opportunities. Prioritise risks and opportunities and set objectives



C Key questions – Identify stakeholders and risks and opportunities. Prioritise risks and opportunities and set objectives

A short list of questions that can help you see how well you are doing in these steps.



C1 Issues Identification and Management (IIM)

An overview, references and training for a management process. It is used in the Group to scan for and predict issues that could have a direct business or reputation impact.



C2 EP Sustainability Assessment guide

A reference to a detailed guide in EP for issues scanning and prioritisation based on two key tools: 'Sustainable Development Company Evaluation Tool' and 'Sustainable Development Assessment Checklist'. The guide also references other tools and techniques that may be useful in the engagement and monitoring and measuring steps of the SDMF.



C3 Impact assessment tools

References to processes and guidelines for determining the likely impact (social, health, environmental and financial) of a project or activity.



C4 Systems thinking

A description of an approach and a language for describing and understanding forces that drive the bigger picture. Includes references to some training courses and further reading.



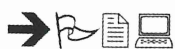
C5 Media scanning and Bibliometrics

A description and references to a method for using books, newspapers and other sources of information to monitor the coverage or emergence of Sustainable Development issues.



C6 Sphere of influence

A brief description of a simple, paper-based exercise to focus on our concerns that we can influence. References and a worked example are given.



C7 Prioritisation matrices

A description and examples of four different types of matrices (impact/uncertainty, influence/importance, interest/influence and HSE risk assessment) that can be used to help in the prioritisation and positioning of risks, issues and stakeholders.



C8 SWOT analysis (Strengths, Weaknesses, Opportunities, Threats)

A short description and an example of a simple paper-based exercise that uses a matrix to help categorise a situation or a stakeholder.



C9 HSE Management System (including HEMP)

A description, an overview and reference to the Group's policy on HSE Management Systems and the training and documentation that is available. This also includes a reference and the training for the Hazards and Effects Management Process (HEMP) which specifically deals with the management of hazards.



C10 The SD Triangle

A description of a new, graphical tool that can be used to plot and assess SD objectives and performance in terms of economic, environmental and social considerations.



C11 Stakeholder Identification for large-scale projects

A list of considerations relevant to identifying stakeholders who may have a direct or indirect influence over the acceptance, development and implementation of a large-scale project.

Other tools mentioned in this guide that are relevant for this step:

- D3 External affairs and project management for large-scale projects
- H4 Knowledge Management Framework
- I3 Political mapping
- I5 Fast track external affairs competence development



Define strategy, targets, plans and mobilise resources

D Key questions – Define strategy, targets and plans, mobilise resources

A short list of questions that can help you see how well you are doing in this step.



D1 Scenario planning

A description of and some references to this planning technique, in which various possible futures and options are described to help in the planning process.



D2 Project management

An overview of the fundamentals for good project management and references to courses and further reading.



D3 External affairs and project management for large-scale projects

A checklist to help 'think through' the external affairs aspects involved in carrying out large-scale projects.



D4 Selecting staff for large-scale projects

A list of competencies required by teams dealing with external relations issues. Also included are guidelines on how to select appropriate external support.

Other tools mentioned in this guide that are relevant for this step:

- B1 Leadership Development Training
- C2 EP Sustainability Assessment guide
- C6 Sphere of influence
- C7 Prioritisation matrices
- C10 The SD Triangle
- G2 Communications planning for large-scale projects



Carry out plans

?

E Key questions – Carry out plans

A short list of questions that can help you see how well you are doing in this step.



Monitor and measure

?

F Key questions – Monitor and measure

A short list of questions that can help you see how well you are doing in this step.



F1 Surveys as a means of gathering soft data

A number of hints and tips on how to conduct a good survey, with references to further reading.



F2 Focus groups as a means of gathering soft data

A number of hints and tips and references on setting up and working with a group of stakeholder representatives to gain qualitative, in-depth research and opinions on a particular issue.

Other tools mentioned in this guide that are relevant for this step:

C2 EP Sustainability Assessment guide.

C10 The SD Triangle



?

G Key questions – Report and communicate performance

A short list of questions that can help you see how well you are doing in this step.



G1 Reporting and communicating

A series of references to company standards and guidelines, training courses and further reading. These address the issues of consistency and clarity of the message to be conveyed.



G2 Communications planning for large-scale projects

A description of how to develop and plan a communication strategy for large-scale projects, highlighting areas in the business process where communication needs to be emphasised.

Other tools mentioned in this guide that are relevant for this step:

C10 The SD Triangle

H4 Knowledge Management Framework

I4 Communication checklist

I5 Fast track external affairs competence development

I7 Effective meetings

I8 Productive conversations



Review, incorporate learning



H Key questions – Review, incorporate learning

A short list of questions that can help you see how well you are doing at this step.



H1 Post implementation reviews

A description of a structured process used in Shell to assess and understand project performance after implementation. It largely concentrates on financial and HSE factors but could be expanded to cover social performance.



H2 Root cause analysis

A short description, references and an example of a paper-based exercise to understand underlying causes of problems, using standard categories to stimulate thought. A modified version (Tripod-BETA) specifically for examining hazards is also mentioned.



H3 360° Feedback

Hints and tips as well as references for giving and receiving feedback. Also mentioned are training courses and references for 360° appraisals, in which you seek input from people working around you at all levels.



H4 Knowledge Management Framework

A description of the purpose and features of the Group Knowledge Management Framework, highlighting the key drivers for successful knowledge management. References to web sites and external reading are also provided.

Other tools mentioned in this guide that are relevant for this step:

- B1 Leadership Development Training
- C4 Systems thinking
- C7 Prioritisation Matrices
- C8 SWOT analysis
- C10 The SD Triangle
- D2 Project management
- D3 External affairs and project management for large-scale projects
- D4 Selecting staff for large-scale projects
- F1 Surveys as means of gathering soft data
- F2 Focus groups as a means of gathering soft data



Engagement



I Key questions – Engagement

A short list of questions that can help you see how well you are doing in this step.



I1 Situation characterisation checklist

A list of criteria to apply to a situation or issue to help in planning the most appropriate mode of engagement.



I2 Stakeholder characterisation checklist

A list of criteria to apply to any stakeholder group to help in planning the most appropriate engagement mode.



I3 Political mapping

A description of a tool and an external reference that can help identify the position of stakeholders with respect to a specific situation, and the power each stakeholder has to change the course of action.



I4 Communication checklist

A list of appropriate communication modes depending on the number of people involved and your expectations of the extent of their participation.



I5 Fast track external affairs competence development

An overview of a training programme for dealing with external groups.



I6 EP Stakeholder consultation guide

An overview of a document produced by EP to provide guidance on consultation as it relates to the environmental assessment process.



I7 Effective meetings

A short list of hints and tips to make a meeting as constructive as possible.



I8 Productive conversations

Descriptions and references for three important tools (advocacy/inquiry, ladder of inference, left-hand column) to help achieve a shared and deep level of understanding amongst all the people involved in a discussion.



I9 Facilitation, interviewing and negotiating skills

Overviews and references to some key skills needed when engaging in dialogue.



I10 Place the dot

A description of a tool that is a graphical way of seeing changes in attitude of stakeholders before, during and after the engagement.



Engagement

Other tools mentioned in this guide that are relevant for this step:

- B1 Leadership Development Training
- C1 Issues Identification and Management (IIM)
- C2 EP Sustainability Assessment guide
- C3 Impact assessment tools
- C6 Sphere of influence
- C8 SWOT analysis
- D1 Scenario planning
- D2 Project management
- D3 External affairs and project management for large-scale projects
- F1 Surveys as means of gathering soft data
- F2 Focus groups as a means of gathering soft data
- G1 Reporting and communicating
- G2 Communications planning for large-scale projects
- H3 360° Feedback

Sustainable Development Step by Step

THE SUSTAINABLE DEVELOPMENT MANAGEMENT FRAMEWORK DETAILED STEPS

This booklet is for people who want to put the Sustainable Development Management Framework into practice. Links to some of the major existing systems in Shell are shown and there is a more detailed description of the deliverables, activities and key competencies underlying each step of the Framework.

Because this booklet represents the detail of the Sustainable Development Management Framework it is currently classified as Restricted¹ according to the Group guidelines.

Each of the companies within the Royal Dutch/Shell Group of companies is a separate and distinct entity. In this publication, the expressions 'Group' and 'Royal Dutch/Shell Group' are used to refer to the companies of the Royal Dutch/Shell Group as a whole. The words 'Shell', 'we' and 'us' are used in some places to refer to the Group and in others to an individual Shell company or companies where no useful purpose is served by identifying it or one of them more particularly.

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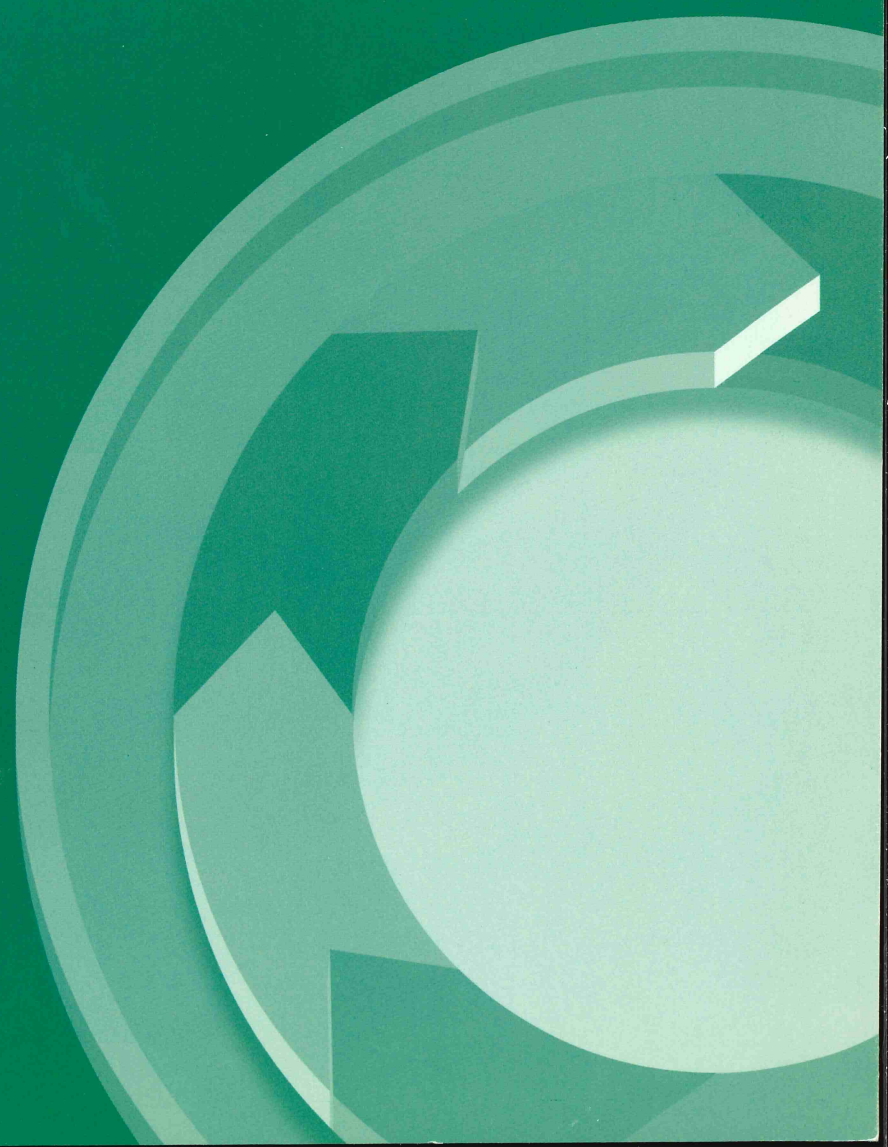
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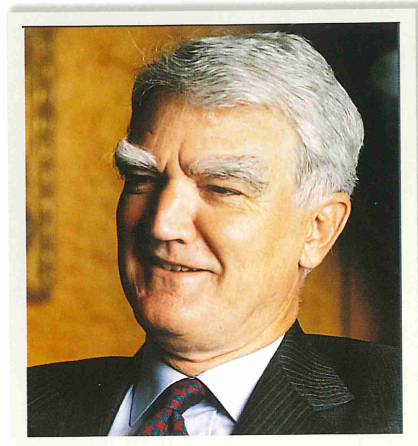
¹Restricted – information which can be freely shared with staff in Shell and Associated companies*, but not with third parties.

* "Shell company staff" includes all staff, contractor staff with a personal contact, designated non-Shell and contractor staff if such access is required for the business, has been authorised by a Shell line manager and a confidentiality agreement has been signed. "Associated companies" are those where a business rationale for access to Restricted information has been approved for selected categories of staff by the responsible regional business adviser.

RESTRICTED

Sustainable Development
step by step

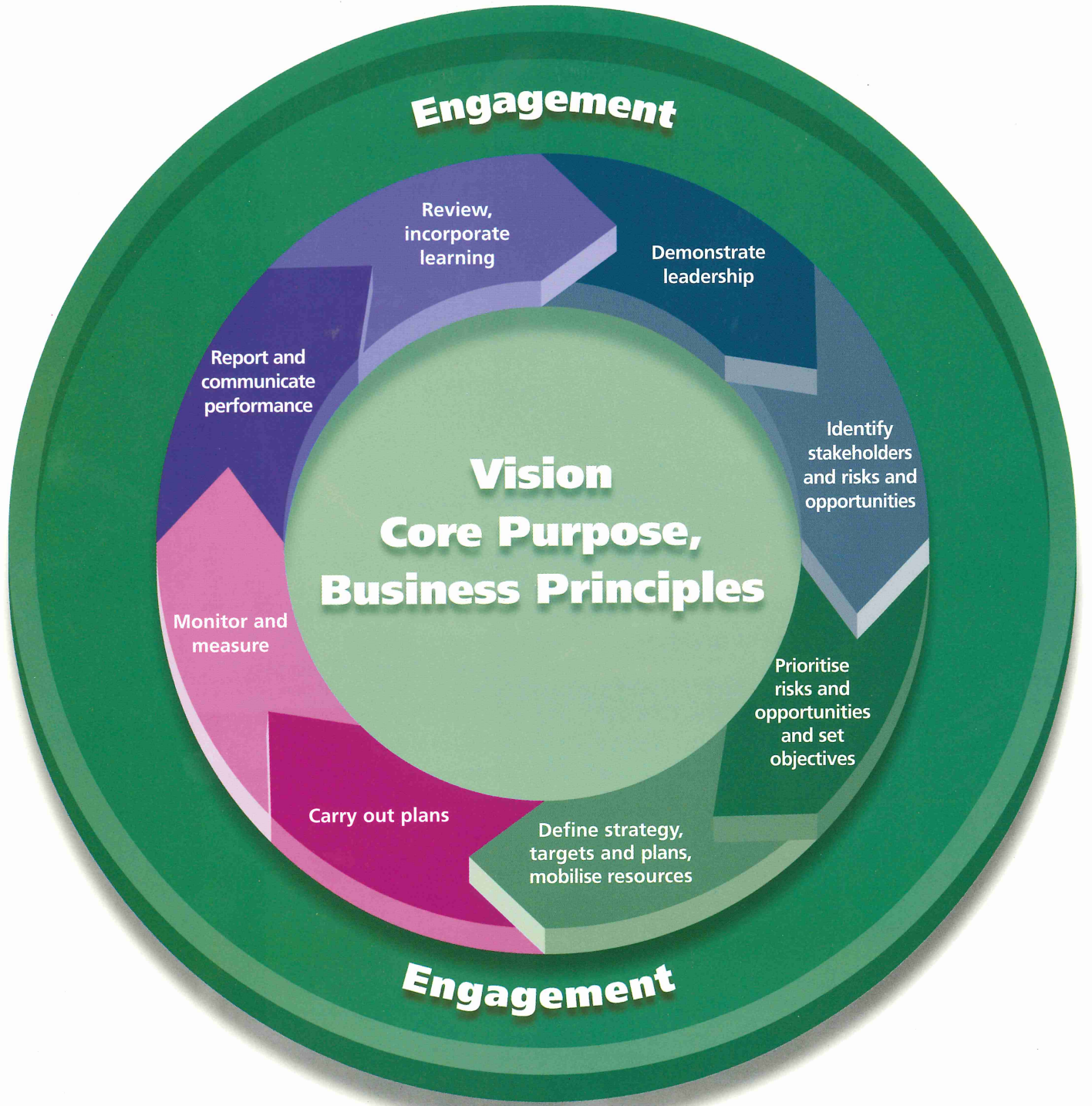




“ So why do we need a Framework? This is not just another piece of bureaucracy or defensive decoration for the book shelf to be pulled out in case of emergency so we can say “Yes, of course, we have one of those too”. This is a Framework to help each one of us think about practical solutions to some of those dilemmas our customers worry about. We can have overall strategies to address some of them at a corporate level, but the real impact comes with the everyday examples and behaviour of each one of us thinking about how our work or project fits into the Framework. Who will be affected by it? Have we thought about their needs and concerns? What are the risks? Can we set hard targets? How are we going to achieve them? Can we measure how we are doing? And then review progress? We can apply this process to jobs small and large and if we do it well I am convinced that we will take a big step towards addressing some of those dilemmas which our customers, actual and potential, struggle with. And if we can do that it is worth a great deal. To all of us. ”

Mark Moody-Jones

The Sustainable Development Management Framework



Sustainable Development step by step

The Shell Group has made a strong public commitment to embed Sustainable Development into our business processes and we are already getting some public recognition for this. We are following up with strategy and targets at Group level and report our Sustainable Development performance every year in the Shell Report.

Making Sustainable Development part of our normal behaviour, at all levels of the Group, is a huge challenge in which everyone will need to take an active role. A clear, consistent structure will help us move forward; enthusiasm and determination will accelerate our progress.

This booklet describes the details behind the Sustainable Development Management Framework. It provides an outline of the deliverables, key competencies and a checklist of activities for each step in the Framework. It is designed to be used with the booklet 'Sustainable Development – Making it Happen', which provides an overview of the Framework, and the Sustainable Development Toolkit, to help us manage our business in a way that takes Sustainable Development into account.

The Sustainable Development Management Framework incorporates external best practice and has been designed with a large and diverse team from across the Shell Group. It consists of a series of inter-linked steps, forming a wheel, which we can use to help us integrate the economic, environmental and social elements of our business. It will also enable us to appraise, report and continuously improve our performance in these three areas.

We already carry out many of the steps and activities described in the Sustainable Development Management Framework (for example within the Business models, the HSE, HR and financial management systems). We typically carry out our business in a 'plan, do and review' cycle and integrating Sustainable Development does not change that familiar sequence. In the booklet 'Sustainable Development – Making it Happen' four elements which are likely to be new are discussed;

INTEGRATION – Building on existing systems with a focus on integrating the three elements of Sustainable Development in each step. That is to say taking economic, environmental and social considerations into account as we go about our business.

ENGAGEMENT – Systematically identifying and engaging with stakeholders differentiates the Sustainable Development Management Framework from a traditional management process.

REPORTING AND VERIFICATION – Being able to demonstrate what we have done and why we have done it is increasingly important in building trust with stakeholders.

BEHAVIOUR AND SKILLS – Sustainable Development is about a different mindset and behaviour rather than a number of years of technical training. The overview, decision making and engagement skills we need to make Sustainable Development part of our business are skills that anyone can develop, as long as they are open and willing to learn.

What about our existing processes and systems?

The idea is not to 're-invent the wheel'. The Sustainable Development Management Framework allows us to look at our business and work out what we are already doing and how we might need to adapt our existing processes and systems to help us contribute to Sustainable Development in our everyday business.

The matrix shown overleaf illustrates how some of our existing systems map onto the steps of the Sustainable Development Management Framework. Clearly there are many more systems and processes working at all levels in Shell than are shown here. You will need to find out which parts of the Framework are already working in your area of the business yourself before you can go about 'filling the gaps' and making sure your existing processes and systems are contributing to Sustainable Development in an efficient way.

How to use the step by step pages

The detailed pages in this booklet provide you with the working level of the Sustainable Development Management Framework. Using the descriptions of the detailed steps, the deliverables, the competencies and the activity checklists you can work out where the gaps and duplications are in your existing systems. You can then think about how to fill them and assign roles and responsibilities.

Each step of the Framework is designed to be comprehensive. Some of the steps and activities may seem rather obvious but are nevertheless important and necessary.

Links to other parts of the Framework are shown using the wheel symbol as a guide. Where the engagement ring is coloured green, it means an active engagement with stakeholders should probably take place.

It is not necessary to start at one specific place in the Framework but, over time, we need to be able to complete all of the steps. In the Sustainable Development toolkit there are a series of key questions per step of the Sustainable Development Management Framework to help you see how well you are doing. Used with the activity checklists in this booklet they will help you to check the completeness of your processes.

The information in this booklet is designed to be used with the booklet 'Sustainable Development – Making it Happen', worked examples and the Sustainable Development Toolkit on the web page <http://www-sd.shell.com/>

Our existing systems and processes

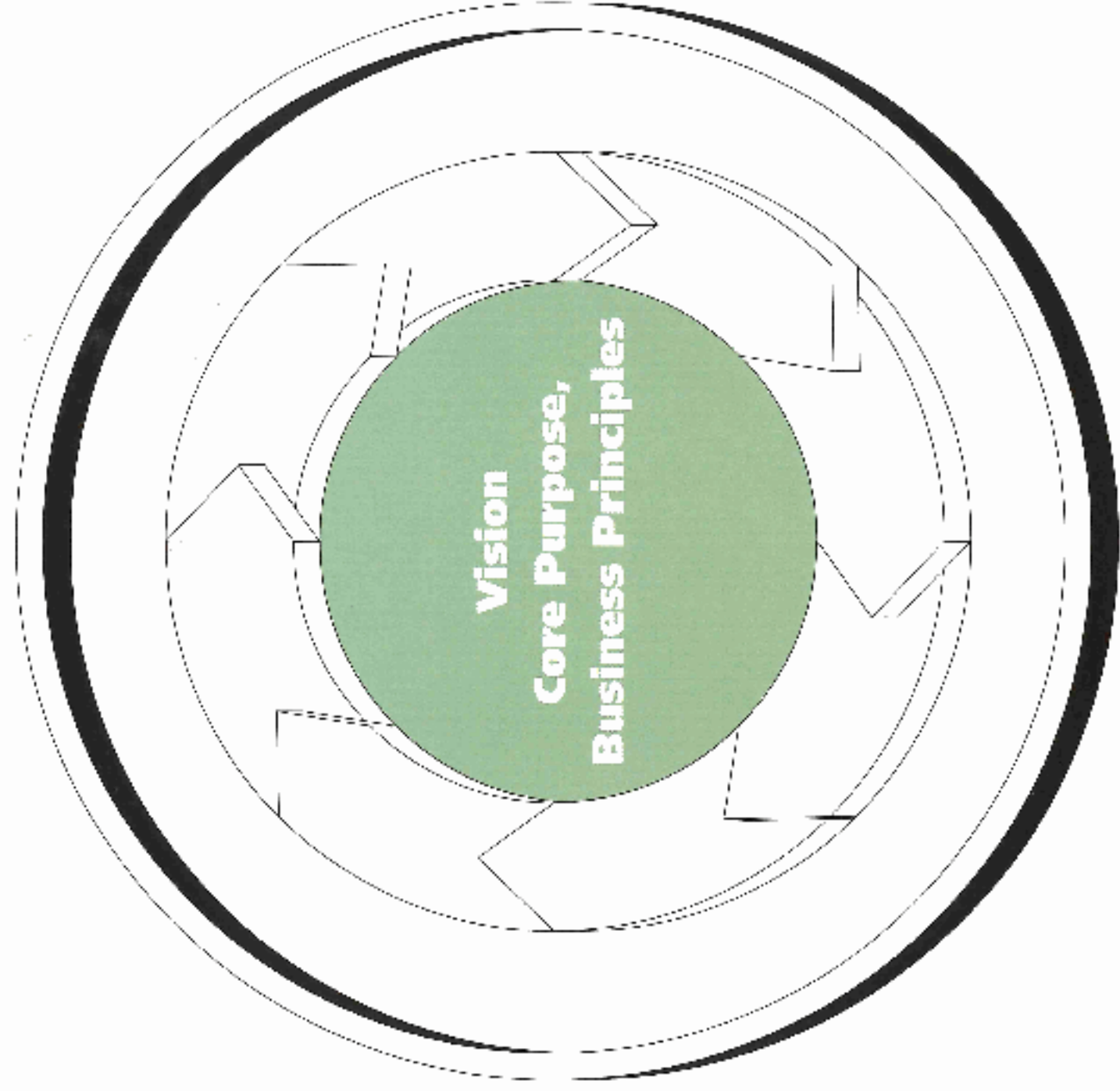
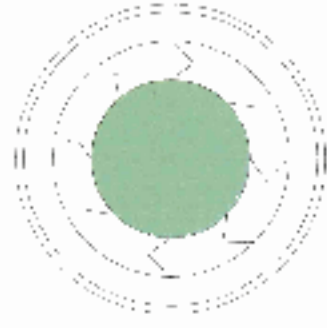
This matrix shows how some of our existing systems map onto the steps of the Sustainable Development Management Framework.

Demonstrate leadership	Identify stakeholders and risks and opportunities	Prioritise risks and opportunities and set objectives	Define strategy, targets and plans, mobilise resources	Carry out plans	Monitor and measure	Report and communicate performance	Review and incorporate learning	Engagement	SDMF STEPS
	●	●						●	Issue Identification and Management
	●	●	●	●				●	EP Sustainability Assessment Guide
		●	●						Targets & Resources (T&R)
			●		●	●	●		Scorecards
			●	●	●				Business Activity Models
					●	●			Social, Financial, HSE Reports
					●	●			Management Information System (e.g. SAP)
●			●	●	●	●		●	Independent Auditing
●	●	●	●			●	●	●	Statement of General Business Principles Implementation Process
●	●	●	●	●	●	●	●	●	HR Processes
●	●	●	●	●	●	●	●	●	HSE Management System including HEMP
●	●	●	●	●	●	●	●	●	Quality Management Systems

Not all of the circles represent a complete overlap. For example in the HSE-MS the identification of stakeholders and risks and opportunities does not take place systematically for economic, environmental and social elements.

Vision, Core Purpose and Business Principles

Sustainable Development is a practical expression of our core purpose. Together with our values which are expressed in the Statement of General Business Principles (SGBP) it helps us to achieve our aspirations



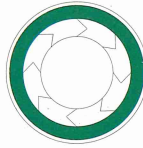
Demonstrate leadership



Objective

To enable leaders (champions of Sustainable Development, not only managers) to turn the vision into operational reality and to show their commitment to Sustainable Development by what they say and do

Links to other SDMF steps



Vision

Clearly defined aspiration levels

Deliverables

1) Demonstrate leadership and commitment to Sustainable Development

- Clear vision and direction incorporating the three aspects of Sustainable Development – what it means at the local level
- Behaviour that reinforces the vision

2) Communicate vision and enrol others

- Communication materials
- Shared understanding of the vision
- Network of leaders committed to contribute to Sustainable Development
- Clear definition of aspirations

3) Empower front-line to act

- Culture and systems that take into account economic, environmental and social considerations in day-to-day work in line with the vision

Competencies

- Leadership skills: in particular open mindedness and willingness to change, understanding of and commitment to Sustainable Development and the ability to nurture that commitment in others

Activities

Vision

1) Demonstrate leadership and commitment to Sustainable Development

- Clarify the meaning of the vision for your part of Shell
- Be seen to act in alignment with the vision – ‘walk the talk’
- Provide direction and support to help people make the vision meaningful to their jobs
- Determine what more can be done to integrate the economic, environmental and social aspects into your business

2) Communicate vision and enrol others

- Prepare communication materials that you and others can use
- Take every opportunity to talk about the vision internally and externally
- Make Sustainable Development explicit in staff development (e.g. staff training, individual performance appraisals)
- Develop informal network of leaders aligned with the vision
- Define specific aspiration levels

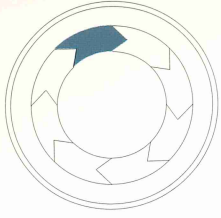
3) Empower front-line to act

- Ensure that actions or decisions embed economic, environmental and social considerations at all levels
- Provide training and tools for decision making that integrate the three aspects of Sustainable Development
- Establish learning culture and encourage continuous improvement
- Develop high level of trust and encourage a ‘can do’ attitude

Clearly defined aspiration levels

Checklist

Identify stakeholders and risks and opportunities



Objective

To provide an effective way of identifying and understanding risks and opportunities and the stakeholders, making sure that we have taken into account the economic, environmental and social considerations

Links to other SDMF steps



Clearly defined aspiration levels

1) Set selection criteria

2) Scan for relevant risks and opportunities and stakeholders

Matrix of risks and opportunities and stakeholders

Deliverables

- Criteria to identify relevant risks and opportunities and stakeholders

- A list of the key risks and opportunities in your existing activities and plans
- Matrix plotting risks and opportunities against relevant stakeholders

Competencies

- Effective scanning skills
- Sensitivity to important issues for both silent and vocal stakeholders

Activities

Clearly defined aspiration levels

1) Set selection criteria

- Define what makes a risk or opportunity relevant to your operation (e.g. has a potential impact or current impact on business or reputation on economic, environmental and social grounds)
- Define what makes a stakeholder relevant to your operation (e.g. shareholders, customers, employees, those who impact or are impacted by our business and society)
- Maintain an up-to-date list of your selection criteria
- Ensure process for determining selection criteria is open to review and could allow stakeholder scrutiny

2) Scan for relevant risks and opportunities and stakeholders

- Maintain a diverse internal communication network to highlight risks and opportunities and the relevant stakeholders
- Collect information on risks and opportunities from known external stakeholders
- Use other scanning tools as appropriate (e.g. market research, scenario planning, internet searches)
- Collect and document output from scanning, giving sources
- Confirm who the relevant stakeholders are for each risk and opportunity
- Maintain an inventory of existing risks and opportunities and stakeholders in your current activities and plans
- Plot matrix of risks and opportunities against stakeholders

Matrix of risks and opportunities and stakeholders

Checklist

Activities

Matrix of risks and opportunities and stakeholders

Checklist

1) Evaluate and prioritise risks and opportunities

- Consider relative impact of risks and opportunities (e.g. use impact/uncertainty matrix)
- Obtain views of stakeholders
- Prioritise the key risks and opportunities appropriate to your operations
- List stakeholders relevant to these risks and opportunities
- Position these stakeholders (e.g. use influence/interest matrix)
- Maintain up-to-date documentation

2) Determine ways to address these risks and opportunities

- Consider conventional and innovative ways to address each risk and opportunity
- Decide which ways are most effective
- Document most effective ways

3) Screen current activities and plans

- Re-evaluate current activities and plans in light of the prioritised risks and opportunities and feedback from stakeholders
- Document Sustainable Development status document (e.g. use Sustainable Development Triangle)
- Identify where and why risks and opportunities could arise with the associated stakeholders

4) Establish measurement process

- Decide through engagement what is relevant, practical and most credible to measure and report
- Document how the measurement process was established
- Communicate to stakeholders what you will measure, why and how

5) Define the range of options for risks and opportunities

- Establish the options for each risk and opportunity
- Assess the implications of each option
- Obtain feedback from stakeholders
- Document final list of options

6) Set objectives

- Take the range of options and decide on objectives (integrating economic, environmental and social considerations)
- Communicate objectives

Clearly defined objectives



Define strategy, targets and plans, mobilise resources

Objective

To make plans for the objectives and to make sure that they can be carried out

Links to other SDMF steps



Clearly defined objectives for the risks and opportunities

1) Scope the risks and opportunities and establish the strategy to meet the objectives

2) Plan and communicate how we are going to meet the objectives

3) Put the organisation and resources in place to meet the objectives

Deliverables

- Defined strategy
- Shared understanding of the scope as the basis for preparing detailed plans

- A documented, detailed plan that is understood

- A team well prepared to carry out the plan

Basis for action and agreed detailed plans and metrics



Carry out plans

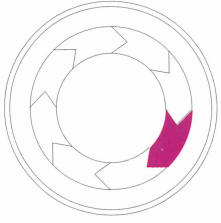
Objective

To carry out plan as agreed and incorporate any short-term corrective actions identified during monitoring

Carry out plan as agreed

A team well prepared to carry out the plan

Plans in action



"The words 'contribute to Sustainable Development' are in our Business Principles. Actions speak louder than words. We have a lot to be proud of... there's more to do"

Phil Watts, Group Managing Director, CEO Exploration and Production, Jan 1999

"For the coming decades gas will be the energy of first choice to meet the world's objectives for Sustainable Development – our mission is to deliver energy profitably, effectively and safely to meet our customers' needs."

Karen de Segundo, CEO Gas and Power, Jan 1999

"We can't operate without society's trust. What we say about Sustainable Development helps. But it is what society sees us doing that will really make the difference."

Evert Henkes, CEO Shell Chemicals, Jan 1999

"Clarity of expectation and a determined commitment from everybody to deliver are essential if we are to realise our full potential and turn our business plans into a sustainable reality."

Paul Skinner, CEO Oil Products, Jan 1999

"For Renewables the challenge is to turn an emotional winner into a commercial reality"

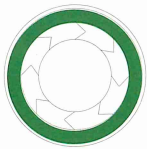
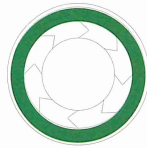
Jim Dawson, CEO Shell International Renewables, Jan 1999

Monitor and measure

Objective

To form a judgement of performance against plans and to initiate any short-term corrections needed

Links to other SDMF steps



Plans in action

1) Take measurements as agreed and store the data

Deliverables

- Stored, reliable data

2) Analyse and monitor the results

- Results
- Trends and initial conclusions
- Recommendations for improved data collection

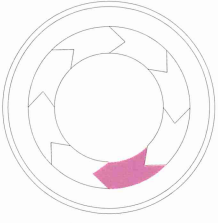
3) Act on conclusions

- Immediate actions taken and recorded
- Modified plan
- Information available for reporting

Corrective action. Information for reporting

Competencies

- Ability to collect both hard and soft data



Activities

Plans in action

1) Take measurements as agreed and store the data

- Collect robust data (both hard and soft) using accredited sources and existing data streams where possible
- Check the quality and reliability of the measurement tools and methods
- Check the quality and reliability of the data and determine confidence levels
- Record results and source of data
- Retest if required
- Store data

2) Analyse and monitor the results

- Collate, aggregate and cross-reference results
- Maintain data
- Calculate the results for each metric and indicator from the data
- Identify trends, outliers and unusual results
- Prepare information into agreed format for reporting
- Identify improvement to measurement tools and methods

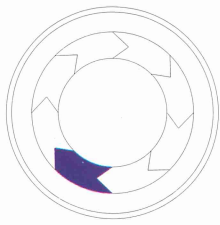
3) Act on conclusions

- Review against plan as appropriate
- Identify and capture ideas for new short-term opportunities and risks and make any quick wins
- Authorise or propose any immediate changes and short-term corrections required from a Sustainable Development viewpoint
- Document and communicate changes to the plan
- Identify areas to investigate in subsequent engagement work
- Finalise information for reporting

Corrective action. Information for reporting

Checklist

Report and communicate performance



To ensure that reporting and communication of performance is open, honest and effective

Objective

Links to other SDMF steps



1) Gather and prepare available information

Deliverables

- Relevant information ready to incorporate into reports

2) Verify relevant performance measures externally

- External verification of performance measures as agreed

3) Select the content and the best way to communicate

- Correct match of media, message and audience

4) Finalise reports and communicate appropriately

- Finalised reports
- Accompanying communication



Competencies

- Ability to interpret soft and hard data
- Awareness of stakeholder expectations for reporting

Activities

Information available for reporting

1) Gather and prepare available information

- Request and gather information from sources including changes made to plans
- Consolidate information and aggregate the results as agreed
- Explain gaps in data
- Identify additional findings

2) Verify relevant performance measures externally

- Complete mandatory audits (financial and HSE)
- Verify data and its handling processes
- Prepare auditors' statements

3) Select the content and the best way to communicate

- Select appropriate message and media for target audiences (internal and external)
- Finalise other issues and themes to incorporate into reports as agreed with stakeholders
- Prepare information for mandatory external reports
- Prepare information for internal reports

4) Finalise reports and communicate appropriately

- Finalise the format and information in each report
- Finalise any accompanying information (e.g. covering letter, speech)
- Provide reports
- Deliver accompanying communication

Verified reports and communication of performance

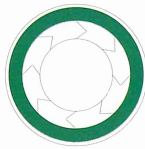
Checklist

Review and incorporate learning

Objective

To provide an opportunity to understand what has gone well or badly and to help learn how we can improve

Links to other SDMF steps



Verified reports and communication of our performance

1) Review performance against plan

Deliverables

- Documented understanding of performance and variances

2) Review how effective the process is

- Documented understanding of how well processes and systems are contributing to Sustainable Development performance

3) Learn from results and identify opportunities

- Identified improvement opportunities
- Understanding of the implications of these improvements
- Rewards to staff

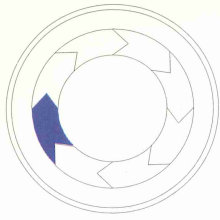
4) Incorporate learning and revision if necessary

- Recommendations for future action and investment
- Revised vision if necessary

Recommendations for future action and investment and a revised vision

Competencies

- Ability to transfer learning into future activity



Activities

Verified reports
and communication
of our performance

Checklist

1) Review performance against plan

- Compare results of performance against targets
- Understand what caused the variances
- Seek feedback from stakeholders on performance
- Explain key results and variances

2) Review how effective the process is

- Seek feedback from staff on ease of use and effectiveness of processes and systems
- Assess whether processes and systems have produced the information required
- Understand what has gone well and what has gone badly
- Seek feedback from external stakeholders on their perception of how processes and systems improve and report Sustainable Development performance

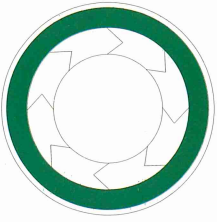
3) Learn from results and identify opportunities

- Combine the output from the two reviews and investigate correlation
- Incorporate the feedback from internal and external stakeholders
- Identify quick wins and other improvements
- Assess the implications of these improvements (resources, timing, etc.)
- Summarise and communicate key learnings
- Give staff feedback and reward accordingly

4) Incorporate learning and revision if necessary

- Incorporate any quick wins to improve Sustainable Development performance
- Make recommendations for future actions and improvements
- Implement key longer term improvements
- Assess relevance of the existing vision
- Revision if necessary

Recommendations
for future action
investment and a
revised vision



Stakeholder engagement

To develop, with stakeholders, a shared understanding and respect for each other's position, interests and needs on a particular risk or opportunity

Objective

Clearly defined objectives for a risk or opportunity

Deliverables

Competencies

Dialogue

Research

1) Identify process owner

- Defined responsibility for engagement

2) Clarify own objectives, thoughts and interests

- Understanding of Shell's current and desired position/objectives
- Authorisation to engage

3) Speculate other party's objectives, interests and needs – consider the gap

- Speculated stakeholder position/objectives
- Prioritised lists of situation and stakeholder characteristics
- Prioritised list of gaps between Shell and stakeholder(s)

4) Test the water

- Clear objective for engagement

5) Redefine objectives

6) Choose engagement mode

- Engagement plan e.g.
 - Engagement mode selected
 - Scope
 - Level of detail
 - Timeline
 - Budget

7) Engage and build relationship

- Commitment to continue
 - Agreed objectives, indicators and shared action plan
 - Changed attitudes and behaviours

8) Test for convergence

- Common view of progress on risks and opportunities and quality of relationship
- Assessment of progress towards objectives

Measurable output of engagement process

- Information capture – e.g.
 - Meeting minutes
 - List of stakeholders engaged
 - Statement of "Where we are on the risks and opportunities"

- Engagement skills
- Empathy
- Respect for people and their different perspectives

Activities – Research



1) Identify process owner

- Identify owner of overall engagement process
- Identify particular risk or opportunity expert(s)

2) Clarify own objectives, thoughts and interests

- Clarify objectives for purposes of engagement based on economic, environmental and social considerations
- Determine Shell's current and desired position
- Test internally to gain buy-in and necessary authority, if needed

3) Speculate other party's objectives, interests and needs – consider the gap

- Research stakeholder:
 - Internal knowledge
 - External contacts
 - Empathy
 - Links to other stakeholders
- Identify most critical stakeholder characteristics
- Characterise situation
- Plot speculated stakeholder position
- Identify common ground and where greatest gaps appear to be
- Assess likely stakeholder response to risks and opportunities

4) Test the water

- Plan approach sensitively:
 - scale
 - culture
 - confidentiality
 - people involved
- Seek feedback from informal networks (internal and external) and key opinion formers
- Update stakeholder and situation characterisation
- Update stakeholder position
- Update common ground and gap analysis
- Check relevance of topic to stakeholder

5) Redefine objectives



Activities - Dialogue

4) Test the water

Checklist

5) Redefine objectives

- Review Shell's position in light of further information received
- Modify objectives for engagement as appropriate

6) Choose engagement mode

- Draw on experience to evaluate situation and characterise stakeholder(s)
- Consider expert/ external advice
- Select appropriate engagement mode (e.g. use communication matrix)
- Develop detailed engagement plan

7) Engage and build relationships

- Select engagement tools appropriate to mode
- Select and authorise competent engagement team and/or facilitator invite stakeholder to engage
- Jointly agree ground rules and agenda for dialogue
- Use production conversation model for dialogue
- Agree shared goals, performance indicators, action plan and follow-up
- Debrief and document learning on content and process
- Decide when and how to close dialogue

8) Test for convergence

- Seek common understanding with stakeholder on perceived progress for the risk and opportunity and the quality of the engagement
- Identify wider audience to text perception of progress on content and process e.g. use questionnaires, challenge with third party view
- Collate views and compare to objectives to assess progress and willingness to commit to further action

Measurable output of engagement process

- Document meetings
- Review progress on content (e.g. outcome; action plan, performance indicators and agreed follow-up)
- Review and document the quality of the relationship
- Summarise into a position statement
- Review effectiveness of the engagement process

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