Working together

We collaborate with partners, contractors, suppliers, non-governmental organisations and other businesses around the world. Together, we are achieving goals in operational excellence, best practice on sustainability challenges and improving standards within the energy sector.

HIGHLIGHTS IN 2017

- We screened around 10 million potential trading partners against a range of watch lists to meet our requirements for anti-bribery and corruption, anti-money laundering and trade compliance.
- Internal investigations confirmed 261 substantiated Code of Conduct allegations. As a result, we dismissed or terminated the contracts of 73 employees, contract staff or contractor employees.
- Most of the Code of Conduct violations related to protection of assets, data privacy, conflicts of interest and harassment.

The Shell General Business Principles detail our responsibilities and set the standards for the way we conduct business. We aim to do business fairly, ethically and in accordance with all applicable laws.

All Shell employees and contract staff must follow our Code of Conduct, which guides employees on how to apply the Shell General Business Principles in line with our core values. Employees and contract staff are also required to complete Code of Conduct training and to confirm they understand their personal responsibilities under the Code of Conduct. Contractors and consultants are also required to act consistently with the Code of Conduct when acting on our behalf.

Shell employees, contract staff and any third party can report any potential breaches of the Code of Conduct confidentially and anonymously through a variety of channels, including the Global Helpline, which is operated by an independent provider.

INVESTIGATING CODE BREACHES

Shell has specialists who investigate concerns or allegations about a breach of our Code of Conduct. If a violation is confirmed, we take appropriate action up to and including contract termination or dismissal. We maintain a stringent no retaliation policy to protect any person making a good faith allegation.

Internal investigations confirmed 261 substantiated Code of Conduct violations in 2017 compared with 341 in 2016. We dismissed or terminated the contracts of 73 employees, contract staff or contractor employees, compared with 114 in 2016.
Shell global helpline statistics in 2017

1007
ALLEGATIONS REPORTED
to the Shell Global Helpline

202
DISCIPLINARY ACTIONS TAKEN
(including 73 contract
terminations or dismissals)

SCREENING FOR INTEGRITY AND
COMPLIANCE
Various national and international laws prohibit business
involvement with certain individuals, entities and
organisations. Our anti-bribery and corruption and anti-
money laundering and trade compliance programmes set
out the requirements for screening business partners.

These checks provide an overview of the key risks and
allow us to manage these risks appropriately. Using a risk-
based approach, we screen potential business partners
before and during the contractual relationship. In 2017,
we carried out 7,243 enhanced pre-screenings for higher
risk contracts. Additionally, Group counterparties
(around 10 million) are screened on a continuous basis
against a range of trade compliance, anti-bribery and
corruption and anti-money laundering watch-lists.

MANAGING ETHICAL RISK
In 2017, we launched a training programme for our
500 most senior leaders covering a range of ethical risks
faced by the energy industry. The programme simulates
realistic situations and requires leaders to make real-time
decisions on which they receive instant feedback. Leaders
are faced with risks covering bribery and corruption,
money laundering, antitrust, data privacy and
trade compliance.

We consult with international organisations, companies
and civil society to understand and respond to current and
emerging human rights issues relevant to our business. For
example, we collaborate with The Danish Institute for
Human Rights to assess and improve our approach. We
are members of the Business for Social Responsibility
human rights working group which enables us to engage
with companies across industries. We participate in
IPIECA, the global oil and gas industry association for
environmental and social issues, to share social
performance good practice and guidance tools that can
be used more widely. We actively adhere to the
Voluntary Principles on Security and Human Rights
and participate in FPIC Solutions Dialogue, hosted by the non-profit
organisation Resolve, to promote the practical
implementation of Free Prior and Informed Consent.

We recognise our responsibility to respect human rights
and our approach applies to all of our employees and
contractors. It is informed by the Universal Declaration
of Human Rights, the core conventions of the
International Labour Organization, and the United
Nations Guiding Principles on Business and
Human Rights.

We have embedded human rights into our policies,
business systems and processes. We believe this
integrated approach allows us to efficiently and effectively
manage human rights within our existing ways of working.

We focus on four areas where respect for human rights is
particularly critical to the way we operate: labour rights,
communities, supply chains and security. Our Community
Feedback Mechanism and Global Helpline enable us to
meet our commitment to provide access to remedy.

We respect the rights of our staff
and suppliers by working in
alignment with international
conventions and guidelines.

Shell aims to keep staff and
facilities safe, while respecting
the human rights and security of
local communities.

The Shell Supplier Principles
include expectations for
contractors and suppliers
concerning human rights.

Approach to human rights

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<tr>
<th>Commitment to human rights</th>
<th>Focus areas</th>
<th>Access to remedy</th>
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| Shell General Business
  Principles | Communities | Community
  Feedback
  Mechanisms |
| Code of Conduct | | Shell Global
  Helpline and
  internal channels |
| Shell Supplier
  Principles | Labour rights | |

Human rights
Shell aims to work with contractors and suppliers that behave in an economically, environmentally and socially responsible way, as set out in our Shell General Business Principles. The Shell Supplier Principles cover our requirements for suppliers in business integrity, health and safety, social performance and labour and human rights.

In 2017, Shell spent $42.2 billion on goods and services from 33,505 suppliers globally.

Suppliers who work to deliver Shell projects and help run our operations are invited to register with our supplier qualification system (SQS). Certain areas of our supply chain may pose a higher risk to labour rights due to their location and the nature of the goods and services we procure. In these cases, we use a defined set of criteria to identify potential supply chain risks and, where we see risk, we ask suppliers to undertake due diligence assessments prior to the award of a contract. We require our suppliers to declare whether they have a process in place to assess and manage social risks with their own suppliers.

If gaps are identified, we may work with suppliers and contractors to help them understand how to close these gaps, implement corrective action – which may include on-site audits from Shell – or we may consider terminating the contract.

This risk-based approach is shared in several external regulatory declarations that describe how we manage human rights risks in our supply chains, most recently in our statement under Section 54 of the UK Modern Slavery Act 2015.

**Applying risk filters**

When we assess our suppliers, we use a combination of the type of work they do and the country in which the work will be delivered to identify suppliers we consider high risk for potential labour rights violations.
RESULTS AND WORKING WITH SUPPLIERS TO CLOSE GAPS

The results of our supplier assessments are summarised in a green/amber/red rating depending on the number and significance of any gaps between our requirements and the supplier’s policies or performance.

We engage with each supplier that has serious gaps to ensure they have a correction plan. The most common gaps found during our supplier assessments, which typically relate to policy rather than performance gaps, are:

- freely chosen employment;
- child labour avoidance;
- working hours, wages and benefits;
- dormitory, housing and working conditions;
- humane treatment, equal opportunities and freedom of association; and
- supply chain and performance management.

CONTRACTOR SAFETY LEADERSHIP

We share our safety experience and standards with other operators, contractors and professional organisations, including the International Association of Oil & Gas Producers (IOGP). For more details on how we helped raise industry standards in 2017, see the Safety section.

SHELL Ariba PROCUREMENT: SHARP

We have adopted a new contracting and procurement platform to make it as easy and smooth as possible to do business with Shell. SAP Ariba, a market standard solution, has replaced some of our IT systems and will be known as Shell Ariba Procurement, or SHARP. It enables us to process procurement data more efficiently, reduce costs and track purchase orders and invoices in real time. For more details on ways Shell Ariba Procurement is improving our supply chain see www.shell.com

SHARP also helps suppliers easily take part in online sourcing or tenders and provide their web catalogues for Shell employees wishing to place orders. This video gives a supplier’s perspective on what it has meant to them to join SAP Ariba.

CARE FOR PEOPLE

Good working and living conditions help to bring about a safer and more productive working environment. Our approach to worker welfare means supporting the needs of the individual worker, their relationship with their family and connections with colleagues. We aim to provide a home away from home for people by delivering a standard of accommodation and facilities that improves their quality of life and well-being, and as a result promotes safe and productive work.

In Shell contracts, suppliers agree to provide and maintain safe and healthy working conditions for all supplier personnel. In 2017, we ran a series of engagements with Shell procurement teams in high-risk locations to raise awareness and improve understanding of contractor worker welfare. For some services in these locations, we also require contractors to develop a worker welfare plan that includes ethical recruitment practices and no use of forced labour. In our Singapore operations, for example, an opportunity was identified for our contractors to improve on-site and off-site welfare of workers, as well as clarify worker recruitment practices. An element of this included building awareness of worker welfare and the correlation to increased performance in safety, productivity, quality and retention with government and local industry bodies. Several changes have been made, including in on-site and off-site infrastructure, fatigue management, and transport, all done with a strong voice from the workers themselves.

We engage with each of our suppliers that have serious gaps in their policies or performance to ensure they have a correction plan.
Our business partners

Shell often work in joint ventures with national and other international energy companies. Our business partners bring important skills and experience to a joint venture.

NON-OPERATED VENTURES
More than half of Shell’s joint ventures (JVs) are not operated by Shell. For these ventures, our Shell JV representatives and the Shell-appointed member(s) of the JV board require our partners to adopt the Shell commitment and policy on health, safety, security, environment and social performance (HSSE&SP) or one materially equivalent to our own. They are also required to put in place standards to adequately address HSSE&SP risks.

When these JVs implement our control framework, or a similar approach, Shell teams carry out independent audits or participate in the JV’s own auditing programmes. This provides assurance on the JV’s compliance. We also offer to review the effectiveness of the framework’s implementation, overseen by the JV’s board of directors.

We periodically evaluate the health, safety, environment and community risks of the JV. If the JV is falling below expectations, plans will be put in place, in agreement with the other partners, to improve performance.

In 2017, we connected 159 community liaison officers and experts in social performance in operated and non-operated ventures with contractors via a virtual platform. This network aims to share knowledge and discuss challenges and holds regular teaching sessions focused on respectful engagement with communities close to our operations. This also enabled our business leaders to share their priorities and ensure contractors comply with standards of behaving in a socially responsible way.

We also continued to work with our partners on how to adopt the Shell greenhouse gas (GHG) and energy management process. For example, we supported Brunei Shell Petroleum (BSP, Shell interest 50%) to assess its GHG emissions to a reasonable level of assurance. We ran GHG and energy management workshops with other ventures such as Petroleum Development Oman (PDO, Shell interest 34%), Badr Petroleum Company in Egypt (Bapetco, Shell interest 50%) and Karachaganak Petroleum Operating B.V. (KPO, Shell interest 29%). These workshops helped to identify opportunities to improve their GHG emissions management.

An important part of our efforts to keep JV staff, contractors and communities safe is our focus on a culture of road safety. In 2017, PDO worked with the police and the Oman Road Safety Association to raise awareness about safe road behaviour. The initiative was launched in 2013 and has so far reached about 8,000 customers. In the city of Salalah, for example, the campaign focused on promoting safe driving habits, including respecting speed limits, not using mobile phones while driving and wearing seat belts at all times. The campaign featured in Shell service stations and at a police road safety exhibition with various interactive and educational activities.

Environmental and social partners

Shell collaborates with environmental and developmental organisations to bring important insights to our work to protect the environment and contribute to the well-being of communities where we operate.

Our environmental partners can bring specific expertise to our projects in areas such as biodiversity and livelihoods, while at the same time advancing their own scientific or conservation knowledge by working on our projects.

Our social partners help us tackle a range of community or human rights topics. They help us address specific priorities such as boosting local employment and improving road safety.

ENVIRONMENTAL PARTNERS OPERATING IN SENSITIVE LOCATIONS
We partner with major conservation organisations to understand how to protect areas that are rich in biodiversity known as critical habitats.

Mainnoon
The Mainnoon marshlands form one of the world’s largest inland delta systems. In 2016, the Mesopotamian marshes north of the Mainnoon field were recognised as a UNESCO World Heritage Site. In 2017, we worked with environmental organisations Flora & Fauna International, Nature Iraq and Wetlands International to bring together experts in the field to develop a biodiversity monitoring plan for Mainnoon. They considered the latest techniques and technologies that could be deployed to better monitor the risks to biodiversity in the region, including using satellite imagery, radar and DNA analysis. We also worked with the International Union for Conservation of Nature (IUCN) and 30 government officials in Basrah, southern Iraq, to share best practices in protected area management.

Niger Delta
Based on recommendations from the IUCN Niger Delta panel, in 2017 Shell Petroleum Development Company of Nigeria Limited published a study on bioremediation of oil spills in Niger Delta soils. Bioremediation is a process that involves stimulating growth of microorganisms that help to degrade the pollutants. The study helped confirm the best remediation techniques to treat contaminated soil for the area in which we operate in Nigeria.

Working with the IUCN Niger Delta panel and regulators, we also developed a new framework for remediation of soil and groundwater. The framework is based on the latest science and best practice, taking into account the climate, landuse and how people live and work in the area. This framework will be tested in 2018. The collaboration has also led to a Niger Delta biodiversity strategy and a toolkit which provides guidance on restoring mangroves.

Oman
In 2017, Shell Development Oman continued to support Wetlands International’s bird survey at Barr Al Hikman wetlands, a globally significant wetland for more than 550,000 waterbirds. This initiative is helping to build scientific knowledge and understanding of the area. It supports Oman’s plans for the initiative to be recognised under the Ramsar Convention, an international treaty for the conservation and sustainable use of wetlands.
In 2017, we worked with The Nature Conservancy to launch an online tool to monitor migratory species in the Gulf of Mexico and the Caribbean Sea, both areas where Shell has operations. The portal includes details on fish, sea turtles, mammals and birds to provide information on migration patterns and possible threats to the species. For more information, see the Migratory Species Conservation Programme site.

NATURE-BASED SOLUTIONS

We work with The Nature Conservancy to better understand how investing in natural climate solutions can help address the global climate challenge. This includes exploring how nature-based projects, such as large-scale reforestation, can reduce CO₂ levels in the atmosphere while improving the livelihoods of local communities and preserving biodiversity and wildlife. These projects can generate carbon credits which are used to compensate for emissions elsewhere as part of a ‘biological bridge’ to a lower carbon future.

ENGAGING EMPLOYEES

We partner with Earthwatch through Project Better World, an employee volunteer scheme that enables Shell staff to make a meaningful contribution to global science and conservation. The programme also gives staff a more strategic and informed understanding of Shell’s sustainability strategy and goals.

In 2017, 50 Shell employees from 12 countries took part in Earthwatch Expeditions to South Africa, the UK and the USA, which included a learning programme to hone their sustainability leadership skills. A further 50 staff took part in other Earthwatch Expeditions to Canada and India. Over the past 19 years, the programmes have contributed around 49,000 work hours to environmental research and we welcomed the 1,000th Shell participant in 2017.

Through the Earth Skills Network programme, Earthwatch continues to help Shell build staff leadership skills by supporting them to adopt a mentoring role for IUCN or UNESCO protected areas. We have supported 51 protected areas since 2009, including six in 2017.

PARTNERING FOR CONSERVATION

Over the past 20 years, we have funded around 270 projects with our conservation partners in the USA, including the National Fish and Wildlife Foundation, to support the protection, restoration and management of habitats in the Gulf of Mexico. This approach includes using wetlands, reefs, marshes and outer island barriers to reduce coastal erosion.

In 2017, we widened our focus. We joined the Killer Whale Research and Conservation Program, a public-private partnership to help the killer whale population recover in the Pacific Northwest. The programme awards grants to projects for improving food supply and the quality and management of habitats.

Read more about Shell’s environmental and community partners.

External voice: "We are helping companies build natural capital into their decision-making"

Improving how businesses value, manage and account for their impacts on nature forged the first International Union for Conservation of Nature (IUCN)-Shell collaboration back in 1999. We have worked to improve Shell’s biodiversity management and environmental performance and, in return, Shell has shared valuable insights with us on IUCN’s business engagement tools.

Our collaboration is built on applying scientific evidence to improve conservation in the world of business. Together in 2017, we launched a pilot framework to help companies include natural capital in their decision-making.

IUCN and Shell don’t always see eye-to-eye and we accept that sometimes our positions may differ. But with mutual trust and respect, these differences become a strength in working through challenges. Shell’s support for IUCN-led independent, scientific and technical advisory panels, for example, has helped address contentious environmental issues in places such as the Niger Delta and the Russian Far East.

Stewart Maginnis
Global Director, Nature-based Solutions Group, International Union for Conservation of Nature
SOCIAL PARTNERS
RESPECT FOR HUMAN RIGHTS
We consult with international organisations, companies and civil society to understand and respond to current and emerging human rights issues relevant to our business. We have collaborated closely with The Danish Institute of Human Rights since 1999 to assess and improve our approach. In 2017, the institute developed an analysis to help us improve our transparency, advised us on industry benchmarking, and supported us to strengthen the application of internal metrics in some of our key areas.

DISASTER RELIEF
We partner with Mercy Corps to meet urgent needs, help people to recover from crises and build stronger futures. For example, in 2017, we donated $100,000 to Mercy Corps in response to the drought in the Lower Shabelle region of Somalia helping reach 1,950 households.

Mercy Corps’ response, with Shell’s support focused on three areas:

1. Food: distributing about two months of food rations to recently displaced people in the emergency camp in Baidoa and the worst affected villages of Lower Shabelle;
2. Water: providing 10,000 litres of safe, drinkable water twice a week for two months for displaced families and 10,000 litres of water for both human and livestock use to households in four villages in the Lower Shabelle region; and
3. Hygiene: promoting hygiene awareness for displaced people to reduce the risk of acute watery diarrhoea or cholera outbreaks.

In northeast Nigeria, with Shell’s support, Mercy Corps provided emergency humanitarian relief to 1,000 vulnerable families in Dikwa, Borno State. This response included distributing kits containing essential household items and providing people with the skills, tools and seeds needed for basic agriculture and cultivation, to help them rebuild and become more resilient to future shocks and stresses.

DIALOGUE WITH INDIGENOUS COMMUNITIES
In 2016, as part of our acquisition of BG, we entered into a partnership with RESOLVE, a nonprofit organisation that founded the Free Prior Informed Consent (FPIC) Solutions Dialogue in 2012, and we are an active member of the FPIC Solutions Dialogue steering committee. This enables us to improve our approach to developing projects through better engagement with indigenous communities.

DEVELOPING SKILLS AND ENTERPRISES
From 2012 to 2017, we provided funding for GroFin, a finance company and long-standing partner of Shell Foundation that invests in small- and medium-sized enterprises in the Middle East and North Africa, to launch the Nomou job creation programme. Now active in Oman, Jordan, Iraq and Egypt, Nomou has invested around $46 million, helping to sustain more than 12,000 jobs, 17% of which are held by women. This programme has created around $120 million of additional economic value to date. 2017 was the last year Shell provided funding for GroFin.

In Tanzania and Kenya, we are supporting a programme called E4D/Employment and Skills for Eastern Africa with the German, British and Norwegian governments. The programme aims to improve access to jobs and economic opportunities for local people in natural resource-based industries and related sectors. By the end of 2017, the partnership raised more than 35 training programmes to industry standards and provided training for around 13,000 people. So far, 73% of the graduates have found a job.

External voice: “Helping Shell conduct business responsibly”

The Danish Institute for Human Rights was one of the first human rights organisations to work in partnership with business. Our work with Shell goes way back. They contributed to the development of our human rights compliance assessment tool, which continues to be one of the most comprehensive tools for businesses to understand how their policies, procedures and performance align with over 80 international human rights instruments.

In recent years, we worked with Shell on research that is helping further strengthen human rights implementation in the company, explore new concepts, developments and opportunities for Shell to help it conduct its business in a responsible way. This includes respecting the rights of communities.

Catherine Bloch Veiberg
Danish Institute of Human Rights, Corporate Engagement Programme Manager, Denmark
Shell’s work with organisations around the world gives us insight into our business, while the sharing of knowledge and experience with others contributes to better practices.

We define collaboration as all forms of working with organisations outside Shell. These collaborations range from working with organisations on a project to sponsoring a particular group. We collaborate with a variety of companies, academics, think tanks and individuals. We also play an active role in many trade organisations across the world on a wide range of topics.

As a member of IPIECA, the global oil and gas industry association for environmental and social issues, we discuss and share industry best practice on topics including biodiversity, climate change and resettlement.

Some of the views of the organisations with which we participate may differ from our own. For example, we may not always agree with their opinions on topics such as climate change. In these cases, we make our views known within the organisation and seek to influence its position on certain policies.

In June 2017, we joined the Global Industry Alliance, a public-private partnership of the International Maritime Organisation, which brings together maritime industry leaders to support the development of more energy-efficient and lower-carbon shipping.

We aim to reduce our methane emissions and are working with seven other energy companies to further reduce methane emissions from natural gas facilities around the world.

We have been engaging with the Task Force on Climate-related Financial Disclosures (TCFD) before and after its launch of financial disclosure recommendations in June 2017, which help investors to see which companies are resilient through the energy transition. As a member of the TCFD’s Oil & Gas Preparer Forum, we are working with three other oil and gas companies to develop more specific guidance on meaningful disclosures building on existing good practices.

Collaborations overview

The table shows some of the organisations we collaborate with globally on topics such as environmental sustainability, climate change and technology. Shell also works with many community-based organisations.

<table>
<thead>
<tr>
<th>Environmental sustainability</th>
<th>Human rights and social responsibility</th>
<th>Safety and technical standards</th>
<th>Technology and innovation</th>
<th>Transparency and governance</th>
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<tr>
<td>American Petroleum Institute (API)</td>
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<td>Bonucro</td>
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<td>Center for Sustainable Shale Development (CSSD)</td>
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<td>Danish Institute for Human Rights (DIHR)</td>
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<td>Energy Institute (EI)</td>
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<td>Global Alliance for Clean Cookstoves</td>
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<td>Global Gas Flaring Reduction Partnership (GGFR)</td>
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<td>Global Road Safety Partnership (GRSP)</td>
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<td>International Association of Oil and Gas Producers (IOGP)</td>
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<td>International Emissions Trading Association (IETA)</td>
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<td>World Business Council for Sustainable Development (WBCSD)</td>
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