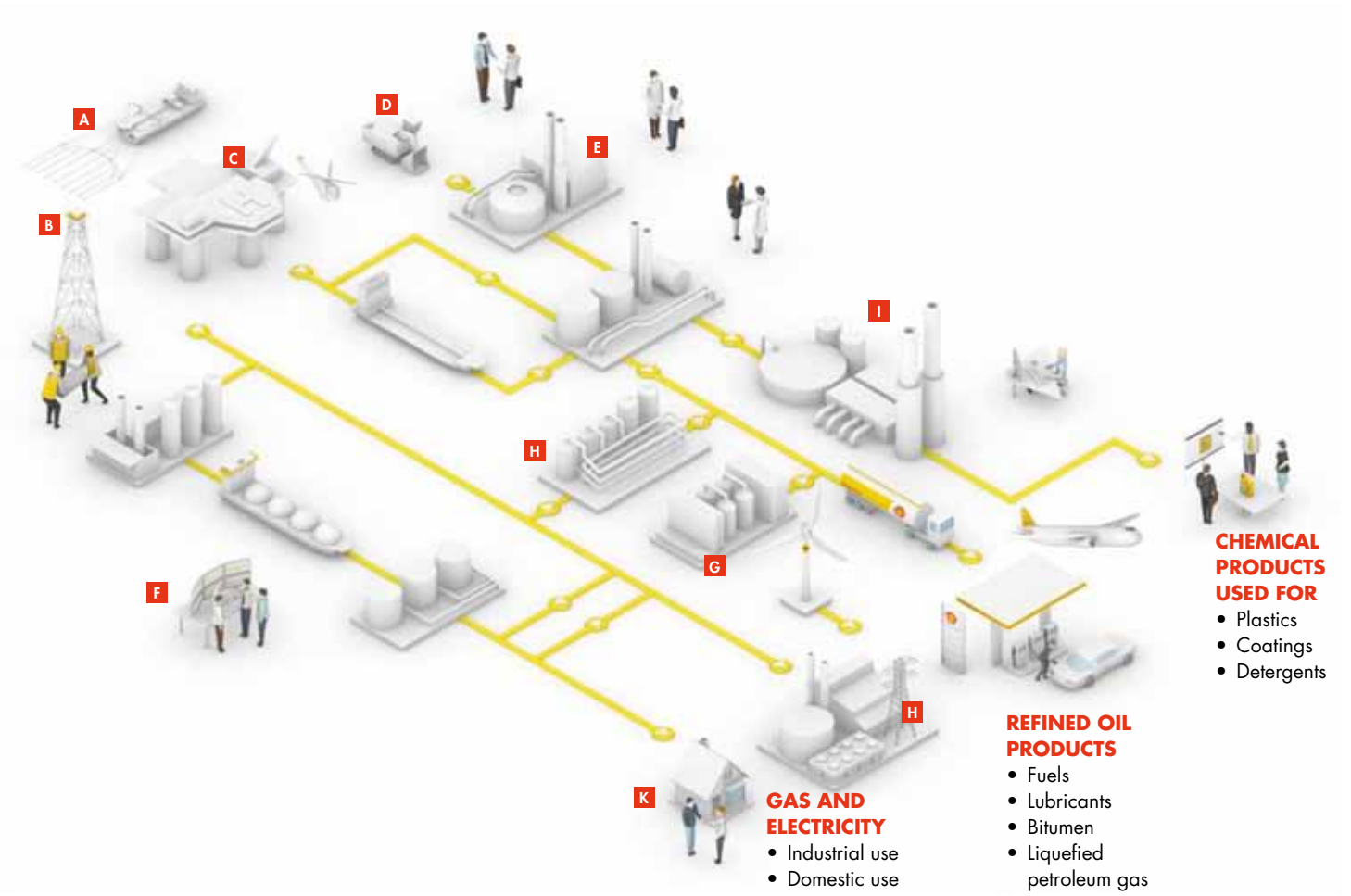
ERRATUM TO THE ANNUAL REPORT

ROYAL DUTCH SHELL PLC ANNUAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2010

SPECIAL EDITION

IDENTIFYING PROBLEMS IN OUR BUSINESSES



ENERGY FOR A CHANGING WORLD

Global energy demand is rising and so are consumer expectations – more people want energy from cleaner sources. At Shell we work with others to unlock new energy sources. We used to operate without considering the impacts on the environment and the people affected by our business. This was the past. Now and in the future, we will focus on finding ways to produce clean energy, to lower emissions and to help customers to do the same with theirs. In building a better energy future we all have a part to play. Shell will be doing its part in a sustainable way, and we will take full responsibility for mistakes we made in the past.

UPSTREAM

- A Drilling in complex environments and endangering whales and other wildlife
- B Producing oil and gas, creating spills, unnecessary flaring and endangering environment
- C Mining tar sands, creating pollution and toxic lakes
- D Affecting the rights of indigenous people
- E Not investing enough in wind and solar power
- F Producing sugarcane for biofuels, violating human rights, endangering biodiversity

DOWNSTREAM

- G Dodging climate issues and letting greenhouse gas (GHG) emissions rise
- H Interfering with politics in order to ensure business
- I Denying workers' pesticide diseases
- J Lack of willingness to relocate dangerous oil depots
- K Refusing to clean up massive refinery pollution

ABOUT THIS REPORT

This Erratum to the Royal Dutch Shell plc Annual Report 2010 for Shell's shareholders is sponsored by Friends of the Earth Netherlands (Milieudefensie) and Friends of the Earth International (FOEI).

Milieudefensie is a non-governmental (NGO) environmental organisation with more than 80,000 members and supporters and eighty local groups, conducting campaigns on the oil industry, deforestation, agrofuels, food and agriculture and traffic. Friends of the Earth International is the world's largest grassroots environmental network, uniting 76 national member groups and some 5,000 local activist groups on every continent. With over 2 million members and supporters around the world, Friends of the Earth campaigns on today's most urgent environmental and social issues.

Milieudefensie and FOEI have been following Shell and its activities for years now, worldwide. This Erratum is an account of their findings. It shows that across the globe, Shell's activities are damaging the environment, human rights and biodiversity; it shows us how imperative it is to change the way Shell works.

The board and executive management are grateful to Milieudefensie and Friends of the Earth International for this gesture and welcome a further exchange of ideas.

With this report we, the Board of Royal Dutch Shell plc, are calling upon our shareholders to take your responsibility in making Shell a more responsible and sustainable company. Our shareholders and other stakeholders can be assured that we will do everything possible to achieve the goals we set ourselves in this report.

The cases presented in this report are based on the background report Milieudefensie is publishing simultaneously. Both reports are also available on www.milieudefensie.nl/english/shellinnigeria

For more information, please contact Milieudefensie. For contact details, see page 22.

May 2011

MILIEU DEFENSIE

Friends of the Earth International

Friends of the Earth Europe

KEY PERFORMANCE INDICATORS FOR 2011

For the coming years we are setting the following new hard targets. Non-compliance with these targets will result in the immediate discontinuation of annual bonuses of our Executive Directors.

1. The carbon intensity of our oil and gas reserves, as well as our absolute CO_2 emissions, including gas flaring, as well as the expected CO_2 emissions resulting from the use of our products by our customers should decrease annually by 5%, starting from 2012.
2. Oil spills and chemical spills from installations, pipelines and plants operated by Shell and transports for Shell will be reduced to zero within a timeframe of six months starting from January 2011.
3. All legacy spills we have been ignoring in Nigeria will be cleaned up before 2015.
4. The number of operations posing severe risks to water supplies, biodiversity, health or agriculture (such as high-volume gas fracking, tar sands, Arctic and deep sea drilling) will be reduced to zero by 2013.
5. We take full responsibility for health problems and pollution in divested locations such as Curaçao and São Paulo; remediation plans will be agreed upon with local authorities before 2012.
6. Our capital investments in wind and solar power will be increased to a level of 50% of our annual profit, starting from 2011 (based on the 2010 profit).
7. We will assess and mitigate all social and environmental risks related to our operations and our supply chain, and report these to the public.
8. In our biofuel undertakings, we will reduce any violations of labour rights within our supply chain to zero. We will prevent any negative impacts on the environment, biodiversity and indigenous people through our extensive land use for sugarcane ethanol.

TABLE OF CONTENTS

ERRATUM

CHAIRMAN'S MESSAGE

P. 5. Chairman's message.

This section should read:

In our 2010 Annual Report we mention that our 2010 earnings increased substantially from 2009 levels, driven by better macroeconomic conditions, and Shell's production growth and cost performance. Political turmoil in the Northern African region is causing yet a further rise in oil prices. We thought these developments would benefit our shareholders.

In the calculations that led to this conclusion, however, we omitted the fact that we as Shell are also causing a lot of unwanted and unnecessary damage.

With this Erratum to the Annual Report we would like to correct this. As Shell, we depend on making the right long-term investments against a range of business assumptions. From now on, the environment and human rights will be made an integral part of these business assumptions. We will no longer assume that our technologies will not be harmful to the environment, as experience shows that they are. We will no longer assume that our business principles avoid human rights from being violated, as experience shows that unfortunately they are.

We must stay true to our principles. Our strategy of More Upstream, Profitable Downstream remains on track. It is the task of the Board and management to chart the right course. In the past, we only took our bonuses and profits for our shareholders into consideration. But from now on, we will take full responsibility to prevent and mitigate costs for the environment and people affected by our operations.

We will pay particular attention to our great pool of human talent, making sure our people remain motivated and fully equipped for the future. And this does not just apply to the people whom we employ directly, but also for the people who work for us through other companies, either Upstream or Downstream.

The global long-term challenge remains: how to produce more energy and less CO_2. Working on reducing our own energy efficiency at our refineries and chemicals plants, and developing more efficient fuels and lubricants, as we have done in the past years, have been successful strategies but they did not deliver enough results. We need to take real responsibility. Rather than developing end-of-pipe technologies such as CO_2 storage, technologies that will remain risky and costly, we need to work on sustainable and safe solutions, increasing our efforts in developing alternative sources of energy.

In our 2010 Annual Report I refer to fossil fuels and nuclear energy supplying the bulk of the world's energy for the foreseeable future. In hindsight, that was too easy a conclusion. There are undeniable risks associated with these technologies, as recent events in Japan have once again shown. We at Shell will increasingly apply our creativity to develop technologies for alternative energy sources to fossil fuels and nuclear energy, such as wind, solar and tidal energy, making previously uneconomic technologies viable.

Making the world's energy supply secure, affordable and sustainable is not just a worthy goal; it is a global imperative. It will take time, and it will take a lot of effort. But with our far-sightedness and technical progress, we can contribute to the endeavour in a sustainable way by focussing on clean, sustainable and people and environment friendly energy sources, even as we deliver the results that our shareholders expect in the long term.

BUSINESS OVERVIEW

P. 11 – Activities

Text in our original annual report:

"Shell is one of the world's largest independent oil and gas companies in terms of market capitalisation, operating cash flow and oil and gas production. We aim to sustain our strong operational performance and continue our investments primarily in countries that have the necessary infrastructure, expertise and remaining growth potential. Such countries include: Australia; Brunei; Canada; Denmark; Malaysia; the Netherlands; Nigeria; Norway; Oman; Qatar; Russia; the UK; the USA; and, in the coming years, China."

This section should read (additions or changes in bold):

Shell is one of the world's largest independent oil and gas companies in terms of market capitalisation, operating cash flow and oil and gas production. We aim to sustain our strong operational performance and continue our investments **only in countries that have the necessary infrastructure, expertise and remaining growth potential, and where our activities will have a minimum effect on environment and society. Although further verification is needed, the countries that might fulfil the necessary requirements include: the Netherlands; Norway; the UK and possibly the USA. Current activities will be assessed by independent auditors on issues such as sustainability and human rights. New projects will not be developed until independently proven sustainable and harmless.**

UNSUSTAINABLE PRACTICES REPORTED

The overview presented below is an overview of unsustainable practices performed by Shell or by Shell's business partners. Some of these cases are decades old, some very new. In all cases it holds that Shell has so far refused to take responsibility for damage which has already been caused or which may be in the future.

	UPSTREAM	DOWN-STREAM	VIOLATION
GLOBAL	•	•	Dodging climate issues and letting GHG emissions rise
EUROPE			
UK, The Netherlands		•	Interfering with politics to ensure business profit
ASIA			
Russia	•		Endangering whales
Kazakhstan	•		Endangering Caspian Sea environment
Philippines		•	Lack of willingness to relocate a dangerous oil depot from highly populated Manila
China	•		Risking environmental damage through unconventional and dangerous gas production methods (tight gas)
AFRICA			
Nigeria	•		Oil spills; primitive gas flaring; contributing to conflict and corruption
South Africa	•		Risking environmental damage through unconventional and dangerous gas production methods (shale gas)
SOUTH AMERICA			
Brazil	•	•	1. Violating human rights by denying workers' pesticide diseases 2. Condoning bad labour conditions for sugarcane harvesters 3. Sourcing sugarcane from occupiers of indigenous land 4. Supporting massive monoculture land use
Curacao		•	Refusing to clean up massive refinery pollution, including at a 1 million tonne asphalt lake
NORTH AMERICA			
Canada	•		Mining tar sands, polluting water streams, violation of rights of indigenous communities
US, Alaska	•		Risking environmental damage through unconventional and dangerous gas production methods (tight gas); endangering Arctic environment (oil drilling)
AUSTRALIA			
Australia	•		Risking environmental damage through unconventional and dangerous gas production methods (coal-bed methane)

RISK FACTORS

The following risk factors mentioned in our original annual report deserve to be highlighted by concrete examples. We are aware that in this section, we wrongfully focussed on the material, financial and reputation risks for Shell as a competitive company. With these examples, we would like to focus extra attention on permanent damage to the environment that our activities might cause.

p. 14 – Our future performance depends on the successful development and deployment of new technologies

"We operate in environments where the most advanced technologies are needed. While these technologies are regarded as safe for the environment with today's knowledge, there is always the possibility of unknown or unforeseeable environmental impacts."

Example: Unacceptable environmental and health risks involved with high-volume fracking Conventional natural gas, usually found trapped in the pore space of rock types like sandstone in underground geologic formations, flows rather easily to drilled wells. For unconventional gas reserves, however, high-volume fracking is used as a technique to bring the gas to the surface. Hydraulic fracturing or fracking involves injecting water mixed with sand and chemicals to break up rock formations and ease the production of natural gas and oil. Fracking has been done around the world for many years. However, high-volume fracking is a rather new phenomenon and causes much more environmental damage and health risks: there are high volumes of water needed; water resources may become polluted and greenhouse gas emissions increase dramatically.

As with oil, Shell companies are resorting to unconventional production methods for gas as well. In December 2010, our CEO Peter Voser stated: "In recent years, Shell has increased investment in natural gas projects in countries like Qatar, Australia, Russia, the United States and Canada, with a special focus on tight gas, shale gas and coal-bed methane – together these are known as unconventional gas. We're currently exploring the potential for unconventional gas outside North America in countries like China and South Africa, as well as some European countries."

1

p. 14 – Rising climate concerns could lead to additional regulatory measures that may result in project delays and higher costs

"It is expected that both the CO_2 intensity of our production, as well as our absolute Upstream CO_2 emissions, will increase as our business grows."

Example: Canadian tar sands extraction causes a rise in greenhouse gas emissions Due to "easy" oil getting scarce, oil companies are investing in unconventional oil resources. In general, unconventional oil production is less efficient and has greater environmental impacts than conventional oil production. The Canadian oil sands (often called tar sands) are Shell's largest unconventional oil reserve. As of 31 December 2010, Canadian oil sands amounted to 26% of Shell's proven oil reserves.

In a study at the request of the European Commission, released February 2011, typical tar sand well-to-wheel greenhouse gas (GHG) emissions were found to be most likely 23% worse than GHG emissions of typical conventional oil sources. For this study, many earlier studies on this subject were reviewed. Shell Canada usually states that fuels derived from oil sands mining have 5 to 15% higher well-to-wheel (GHG) emissions, compared to fuels derived from conventional oil and dependant on crude type and source.

2

p. 14 – The nature of our operations exposes us to a wide range of health, safety, security and environment risks.

"We have operations, including oil and gas production, transport and shipping of hydrocarbons, and refining, in difficult geographies or climate zones, as well as environmentally sensitive regions, such as the Arctic or maritime environments, especially in deep water."

Executive Directors' Statement on Sakhalin Project
"We are aware of the risks involved and plan to divest the Sakhalin project as we do not want to be involved in the extinction of a whale population. We expect to be able to sell our share to the Japanese power company Tepco. However, we will strongly advise any other party involved in this project against further development."

Example: Western gray whale on the brink of disappearing forever The offshore gas and oil extraction by Sakhalin Energy (Shell is a partner and lead technical advisor to the operator) interferes with the feeding grounds of the Western gray whale. Western gray whales feed throughout the summer and autumn in the waters off Sakhalin Island. The estimated population size in 2009 was about 130 whales, including only around 30 mature females. The population, which is listed as critically endangered on the IUCN Red List of Threatened Species™, could be driven to extinction by the mortality of just a small number of reproductive females.

The NGOs World Wildlife Fund (WWF), Pacific Environment, International Fund for Animal Welfare (IFAW) and Sakhalin Environment Watch strongly oppose the construction of a new platform and associated subsea pipeline. They also oppose the seismic survey in preparation for this platform, which Sakhalin Energy has announced will take place during the summer of 2011.

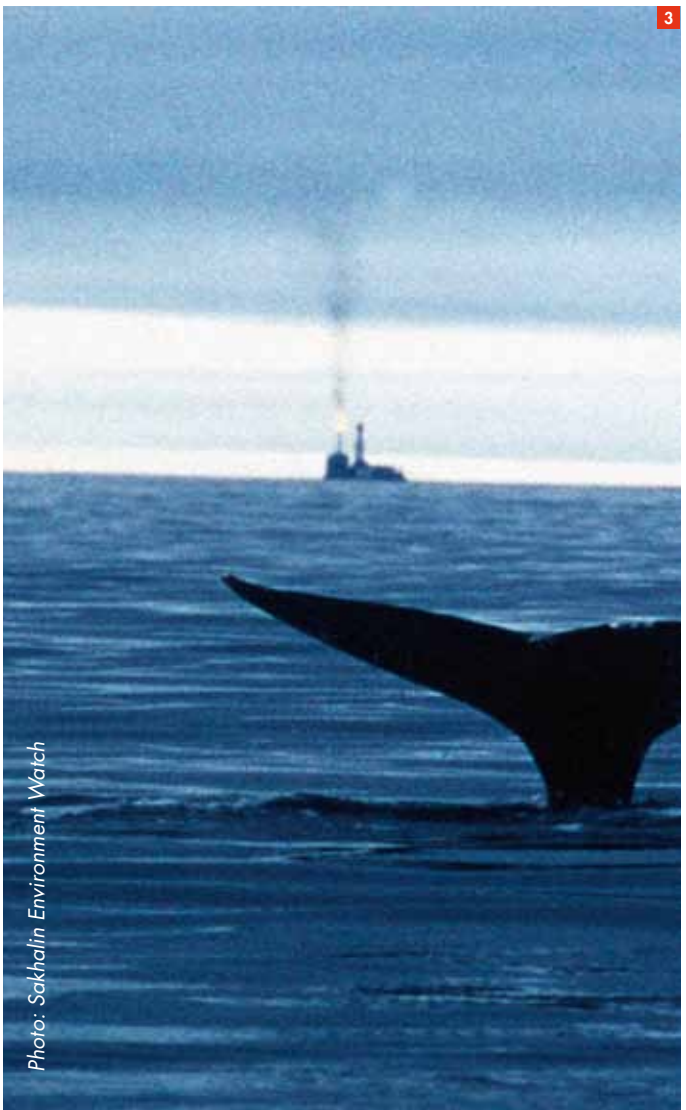

3

Photo: Sakhalin Environment Watch

1 *Farmers, scientists, NGOs, a Dutch princess, a business tycoon, a long-distance swimmer, a Facebook account with 7,000 members by the end of April: we face strong opposition to our exploration plans for shale gas in South Africa's semi-desert Karoo region. On Wednesday 20 April 2011, the South African Cabinet invoked a moratorium on our drilling plans. The Cabinet has made it very clear that the Karoo environment should stay clean. Our fracking operations could pollute water resources and affect the precious Karoo landscape. We also would need massive amounts of water. We have made a commitment not to compete with the people of the Karoo for their water needs, but as of yet we don't know how to fulfil this promise.*

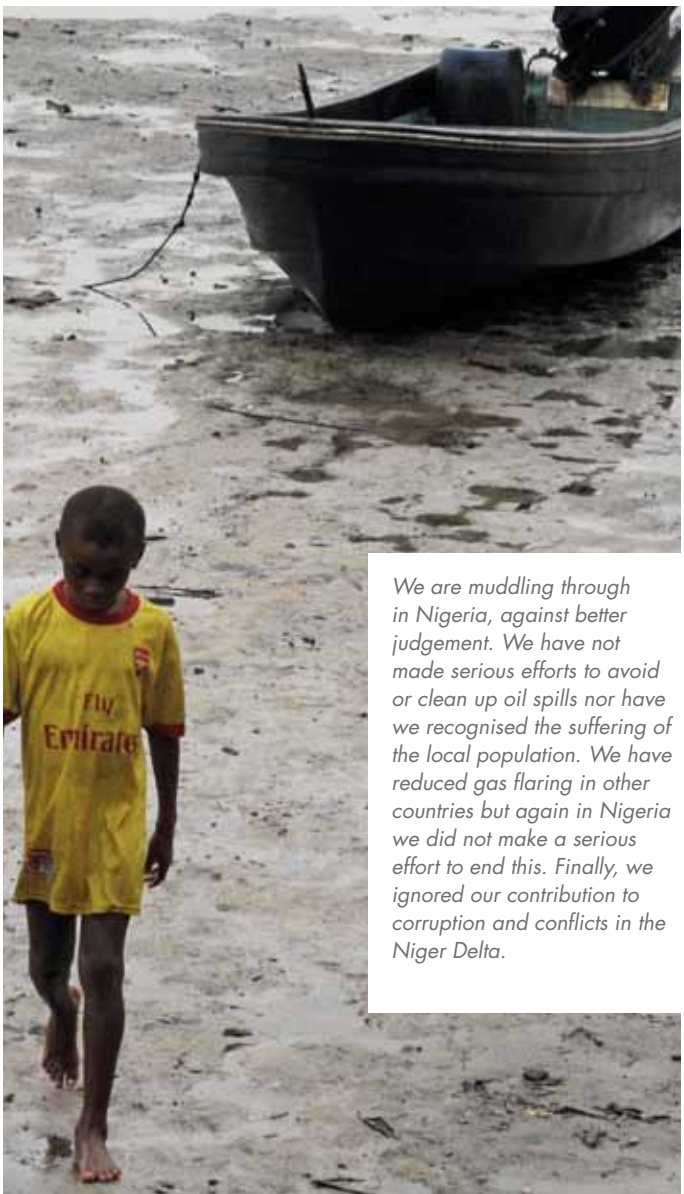
2 *The extraction of oil from tar sands has many features that are typical of industrial mining: dig up the earth; use lots of energy and water; sell the product; create a huge lake with toxic waste. At Shell's main oil sands operations, an oily tar mixed with sand, clay and water is dug up in open-pit mines. Enormous trucks deliver these goods to a place where warm water is added to separate sand from the bitumen. After this process, the bitumen goes to an upgrader. In this upgrader (that usually runs on natural gas) the large, heavy hydrocarbon molecules are cracked into lighter molecules. The synthetic crude oil is then sold to refineries to make petrol; the remainder of the process is dumped in a tailings lake.*

3 *The construction of a new platform fundamentally changes the full Sakhalin II project scope. The Western Gray Whale Advisory Panel (WGWAP) provides scientific advice and recommendations on the operational plans and mitigation measures by Sakhalin Energy. Prior WGWAP recommendations (which are required by lenders) were based on an assumption that a total of two platforms would be built. The same is true of prior lender decisions, and Russian environmental regulatory decisions. Thus, Sakhalin Energy's revelation brings about the necessity to review prior recommendations.*

p. 14 – An erosion of the business and operating environment in Nigeria could adversely impact our earnings and financial positions.

"We face various risks in our Nigerian operations. These risks include: security issues surrounding the safety of our people, host communities, and operations; our ability to enforce existing contractual rights; limited infrastructure; and potential legislation that could increase our taxes."

Example: Oil spills cause human suffering in Nigeria
Amnesty International concluded that oil companies operating in the Niger Delta are linked to violations of several internationally recognised human rights. These rights comprise the right to food, the right to work, the right to an adequate standard of living, and the right to health and a healthy environment. In January 2011, Amnesty International and Friends of the Earth International filed a complaint against Shell at the Dutch and UK National Contact Points dealing with the OECD Guidelines. They claim that Shell's reporting about oil spills in the Niger Delta constitutes a breach of the OECD Guidelines, specifically Sections III (Disclosure) and VII (Consumer Interests) as well as Section V (Environment). The complainants state that Shell's figures are misleading and incomplete, and that the oil spill investigation system – on which Shell bases its data – is totally lacking independence.



We are muddling through in Nigeria, against better judgement. We have not made serious efforts to avoid or clean up oil spills nor have we recognised the suffering of the local population. We have reduced gas flaring in other countries but again in Nigeria we did not make a serious effort to end this. Finally, we ignored our contribution to corruption and conflicts in the Niger Delta.

Executive Director's Statement on interfering with politics in order to ensure profit. "With our deepest regrets we have to report to our shareholders that we have no longer been able to hide some specifics with regard to our Nigerian operations. Wikileaks revealed that we seconded people to all the relevant ministries of the Nigerian government in order to gain full access to everything being done in those ministries. In addition, we were fined for corrupt practices for the first time in more than 50 years of operations in Nigeria.

We also would like to express our deepest regrets about the fact that we exerted our economic influence on the UK and Dutch governments. In the case of the joint venture with the Libyan National Oil Corporation we were actively aided by the then UK Prime Minister Tony Blair. The foreign policy departments of the UK and the Netherlands have been successfully lobbying on our behalf. They have enabled us to get a fair slice of the action in Iraq after the war."

"We want to fish again" Nigerian villagers seek compensation from Shell
In November 2008 and May 2009, four Nigerian citizens and Friends of the Earth Netherlands/Nigeria filed a civil lawsuit against Shell in a Dutch court. The plaintiffs in the "People of Nigeria versus Shell" lawsuit have accused Shell of negligence with regard to the prevention and proper clean-up of oil spills. The four Nigerians, farmers and fishers, are from the villages of Goi, Oruma and Ikot Ada Udo in the Niger Delta. Oil from Shell installations has leaked onto their fields and into their fish ponds. The plaintiffs are claiming compensation from Shell for the damages suffered, and want Shell to clean up the remainder of the pollution. They want to fish and farm once again.

Chief Barizaa Manson Tete Dooh, one of the plaintiffs, was born in June 1935. He has lived in the village of Goi in Ogoniland for many years. An oil spill in October 2004 completely damaged his fish ponds, fruit bearing trees, canoes and vegetable gardens. Since then, several other spills have occurred. In 2010, Shell had still not cleaned up the crude oil spill nor had the company compensated the villagers for their losses over the years.

Chief Barizaa's son Eric explains: "This Trans-Niger pipeline was put here in the early 1960s by Shell. Over the past twenty years, there has been no maintenance. The oil spill caused the water, our main source of income and water supply, to be severely polluted." The Goi villagers used to live on fishing and farming, but there are no more fish now, the water is black with oil and the mangroves, once thick and green, have died off.

Eric: "Our people are hungry, and a hungry man is an angry man." The local people do not have the knowledge or the equipment to clean up the spill. And Shell has not made any significant effort to clean up the heavily polluted region.

photo: Kadir van Lohuizen

OUR PEOPLE

P. 48 – Introduction

Text in the original annual report:

Shell employed an average of around 97,000 people in over 90 countries during the year. Our people are recruited, trained and recompensed according to a People Strategy based on four priorities: assuring sources of talent now and in the future; strengthening leadership and professionalism; enhancing individual and organisational performance; and improving systems and processes. In 2010, our People Strategy remained unchanged, but much of its execution focused on making our new organisational structure work.

Organisational and behavioural change

The 2009 reorganisation involved building – from the top down – a simpler, leaner organisational structure with clearer accountabilities, enabling more customer focus and faster decision making. It reinforces our belief that Shell can become the world's most innovative and competitive energy company.

This section should read: (additions or changes in bold)

Introduction

Shell employed an average of around 97,000 people in over 90 countries during the year. **However, an unknown extra number of people are employed at Shell facilities or plantations that are not on our payroll.** Our people are recruited, trained and recompensed according to a People Strategy based on four priorities: assuring sources of talent now and in the future; strengthening leadership and professionalism; enhancing individual and organisational performance; and improving systems and processes. In 2010, our People Strategy remained unchanged. **Unfortunately, this People Strategy proved not to be very efficient and omitted a large part of our workforce. This resulted in the sad fact that for people who do not work for Shell directly, our strategy has been to shut our eyes and ignore any violations of their rights.**

Slave labour and violation of workers' rights: an organisational and behavioural change?

A recent example of our "eyes wide shut" strategy with regard to people who are not employed by Shell directly is the joint venture with Cosan S.A. in Brazil that we intend to finalise in 2011 but for which binding agreements were already signed in 2010. The new joint venture will be named Raízen. When finalised, Raízen will increase ethanol production from 2.2 billion litres to 5 billion litres within five years. In addition to our own production we will purchase major amounts of ethanol. Raízen's ethanol trade will increase from 5.5 billion litres to 13 billion litres within five years.

Situations analogous to slavery are quite common in Brazil, with the sugarcane industry having an leading role. Presently, about 4,000 workers per year are rescued from terrible living and working situations. Despite the fact that we know Cosan has been linked to slave labour and violations of labour rights, we still intend to sign the agreement and hope to change things for the better.

Example: Labour irregularities at Cosan, Brazil

At the peak of the crop year ending 31 March 2010, Cosan employed nearly 41 thousand people. Of this total, about 27 thousand employees were seasonal. More than 33 thousand employees work in the operations sector, especially migrants working on manual sugarcane harvesting. According to Cosan, a manual harvest worker effectively works 6 hours and 45 minutes a day and is paid around EUR 250 a month.

In 2007 and 2010, inspectors from the Brazilian government rescued cane cutters working in situations analogous to slavery for suppliers of Cosan. In addition, in recent years, inspections have found several labour rights violations occurring at production units of Cosan. The violations mainly refer to the situation of sugarcane cutters. Examples include: work on Sundays without a license; dirty bathrooms; irregular lodging facilities; shortage of off time between two days of work; the lack of drinking water in work areas; sugarcane cutting practices that are too demanding for the workers; lack of Personal Protective Equipment.

p. 48 – Employee communication and involvement

Text in the original annual report:

We encourage safe and confidential reporting of views about our processes and practices. Our global telephone helpline and website enable employees to report breaches of our Code of Conduct and the Shell General Business Principles, confidentially and anonymously (see page 77).

This section should read: (additions or changes in bold)

Reporting breaches – telephone helpline open to outsourced employees and civil society

We encourage safe and confidential reporting of views about our processes and practices. Our global telephone helpline and website enable employees to report breaches of our Code of Conduct and the Shell General Business Principles, confidentially and anonymously (see page 77 of the original annual report).

In light of the breaches by Cosan and other violations reported in this erratum, and to ensure a rapid reporting of any violations to our code of conduct and general labour and human rights principles, we will from now on open up our telephone lines to not only our own employees but also those who are employed by other companies working for or in cooperation with Shell and to the general public as well.

Example: Workers' pesticide diseases denied in Brazil
For a decade or more, starting in 1977, Shell produced organochlorine pesticides (aldrin, dieldrin, endrin etc.) and other pesticides at a plant located near Paulínia, about 125 kilometres northwest of São Paulo, Brazil. In 1995 Shell sold the facility to American Cyanimid and the chemical giant BASF on the condition that Shell would assume legal responsibility for the contamination of the facility. In 2000 BASF took full ownership of the facility in Paulínia. In 2002, BASF shut down the facility after the plant was banned by the Brazilian Ministry of Labour, in view of existing contamination and serious risks to human health. Several studies of the area revealed that the contamination had moved into the groundwater of the farms located between the plant and the Atibaia River.

Both aldrin and dieldrin are highly toxic to humans, the target organs being the central nervous system and the liver. Due to their severe health impacts, by 1990 the use of aldrin and dieldrin was totally banned in the USA and Brazil. There have been many medical examinations of ex-workers and residents living near the factory. These reports show various health problems, such as prostate and thyroid cancers, liver diseases, neurological problems, and problems with reproductive organs and the urinary system.

Shell accused of negligence The Brazilian public prosecutor and ex-workers have filed a case against BASF and Shell, to ensure funds for health treatment of former employees and compensation for damages.

In August 2010, a Brazilian court ordered Shell and BASF to assume responsibility for the medical treatment of all former employees of the Paulínia facility, and to pay a total of 1.1 billion Brazilian Real (about EUR 490 million) in connection with the exposure of workers to the toxic substances. The children of the employees and independent contractors who were born during or after services were also covered by the decision. More than 1,000 former employees of the companies were covered by the court order.

Shell and BASF appeal Soon after the court order, Shell and BASF made known that they would appeal the court order. "We expect that the Brazilian courts at a higher level will eventually establish that we were not responsible for alleged health impacts and other claims", a Shell spokesman told Reuters news agency.

Jennifer Moore-Braun, a spokeswoman for BASF told Bloomberg news agency: "We are of the opinion that the environmental damage was caused by Shell, and we will appeal the decision."

Example: Bribes to Nigerian customs officials to import materials and equipment The extent of Shell's involvement and practices with regard to corruption in the Niger Delta is not known. In late 2010, Shell paid a total of USD 58 million to US and Nigerian authorities to head off the threat of legal action for corruption. SNEPCO, a 100% Nigerian subsidiary of Royal Dutch Shell, had paid approximately USD 2 million in the period 2004-2006 to its subcontractors with the knowledge that some or all of the money would be paid as bribes to Nigerian customs officials to import materials and equipment into Nigeria in relation to the offshore Bonga project.

SNEPCO and the US based Shell International Exploration and Production Inc. employees were aware that as a result of the payment of the bribes, official Nigerian duties, taxes, and penalties were not paid when the items were imported.

Executive Director's Statement on supply chain responsibility. "From 2010 onwards, Shell's sustainability principles, standards and operating procedures will not only be applicable to Shell operations and joint ventures, but also to third party suppliers. Shell assumes full responsibility for any violations of these principles, standards and procedures in the entire production chain."

ENVIRONMENT AND SOCIETY

p. 50 – Environment and Society

This chapter should be replaced entirely. Please disregard pp. 50 – 52 of the original report and replace by the text below.

Environment and Society

Our success in business depends on our ability to meet a range of environmental and social challenges. We must show we can operate safely and manage the effects our activities can have on neighbouring communities and society as a whole. If we fail to do this, we may lose opportunities to do business, our reputation as a company may be harmed, and our "licence to operate" may be impacted.

The Shell General Business Principles include a commitment to sustainable development that involves balancing short- and long-term interests, and integrating economic, environmental and social aspects into our business decisions. We have rigorous standards and a firm governance structure in place to help manage potential impacts. Unfortunately, these standards and structures still are not enough to guarantee risk-free operations.

We also work with communities, partners and non-governmental organisations (NGOs) among others to tackle potential impacts and share benefits of our operations and projects. But we should work together with these stakeholders more than we do now, and more importantly we should listen to them and make the necessary changes to the way we operate in order to avoid environmental and social damages.

Detailed data and information on our 2010 environmental and social performance will be published in April 2011 in the Shell Sustainability Report, but here are a few examples of where our strategy is still failing.

Example: Our toxic legacy in Curaçao, a litigation risk for Shell Curaçao is an island in the southern Caribbean Sea, off the Venezuelan coast. In 1985, Shell sold its Isla refinery in Curaçao for one Antillean guilder. The agreement stated that the buyers, the legal entities The Netherlands Antilles and Curaçao, had to abstain irrevocably and unconditionally from existing and future claims for pollution or other environmental effects exerted by the sellers' companies in the Netherlands Antilles.

The refinery is located along the Schottegat harbour near the capital of Curaçao, Willemstad. During seventy years of operation, Shell caused massive pollution. The refinery site and the sediment in the western part of the harbour became saturated with oil. Damage was caused to the groundwater and inland waters. The health of thousands of people living downwind of the refinery has been threatened through substantial emissions of sulphur dioxide and particulate matter. Empty barrels were filled with toxic residues, and dumped into the sea.

The most visible pollution is the asphalt lake, comprising almost 80 hectares. During World War II, the Isla refinery produced a substantial quantity of fuel for the Allied Forces. At that time the market demand for light oil products was higher than for heavy oil products, so the remainder of the heavy Venezuelan oil was dumped in a lake next to the refinery. Presently, the lake is still filled with about a million tonnes of asphalt. At the same location, an acid tar pond contains some 34,000 tonnes of sulphuric acid (a residue from lubricants production) and asphalt.

Shell has consistently refused to take any moral responsibility for the mess it left behind. The government of Curaçao is currently reconsidering the future of the Isla refinery. In 2009, the Dutch and Netherlands Antilles parliaments adopted a resolution, ordering an investigation into possibilities to recover the costs associated with the remediation of the damage from, among others, Shell. In a civil case, Shell could still be held liable for the pollution. This is an enormous litigation risk for our company due to the high costs involved with remediation of the environment.

Photo: Stichting Humanitaire Zorg Curacao

Example: Oil depot in densely populated Manila, Philippines Pandacan is a residential neighbourhood of the city of Manila. It has a population of about 84,000 people. Together with the oil companies Chevron Philippines and Petron, Shell subsidiary Pilipinas Shell Petroleum Corporation (from here: Shell) owns a massive oil depot within Pandacan. The oil depot comprises about 36 hectares. It supplies "50% of the country's total demand for fuel, 90% of lubricant requirements, and 25% of chemical needs nationwide, including strategic industries such as aviation and shipping."

Removal of the oil depot For many years a large number of residents have demanded that Shell remove its hazardous oil depot from the neighbourhood, for health and safety reasons. In November 2001, the city of Manila passed ordinance number 8027 requiring Shell, Chevron and Petron to relocate their oil depots outside of Manila city limits. However, over the years Shell has succeeded in obtaining court orders and having city ordinances overruled. In February 2011, we reiterated our intention to stay in Pandacan.

OECD complaint In May 2006, the Netherlands-based Milieudefensie (Friends of the Earth Netherlands) and Friends of the Earth International, together with the Philippines-based The Fenceline Community For Human Safety and Environmental Protection, filed a complaint against Shell at the Dutch National Contact Point (NCP) for upholding the OECD Guidelines for multinational enterprises. According to the complainants, we had violated several sections of the OECD Guidelines. The groups accused us of improper political involvement, insufficient communication with local communities, and violation of health and safety standards in the period 2002-2006.

In July 2009, the Dutch NCP issued its final statement. Although the NCP concluded that it could not find evidence for improper political involvement, it raised several areas of concern with regard to Shell's operations in Pandacan, among which a strong recommendation to expand its community information programme and to share information with other stakeholders. The NCP also took the view that a newly designed oil depot with a concomitant amount of traffic similar to the Pandacan site would be inconceivable in the Netherlands.

Safety: risking loss of life and environmental pollution

The Deepwater Horizon incident in 2010, with its tragic loss of life and environmental pollution, impacted our entire industry. We are reviewing recommendations from investigations into the incident, and comparing them to our existing standards and operating practices. Emerging regulations may have implications for us, including further project delays. Sustaining our licence to operate depends on maintaining the safety and reliability of our operations.

In this respect we should reconsider all our fracking operations, starting with an immediate halt to all new development. Two projects should be halted until further research into safety aspects has been done: the Kashagan project and our drilling in the Arctic Ocean, off the Alaskan coast.

Executive Director's Statement on drilling.
"We realise now that we should not let technical innovations rule over common sense. We should stop drilling just anywhere on earth, just because we are able to. There are areas where we should not drill, full stop."

Example: High risks involved; the Kashagan oil field The Kashagan field is located in the Kazakhstan sector of the Caspian Sea and extends over a surface area of approximately 75 kilometres by 45 kilometres. It is a very large oil field; some 11 billion barrels are considered recoverable by the oil companies presently working on it. The oil reservoir lies some 4,200 kilometres below the shallow waters of the northern part of the Caspian Sea. Extreme conditions under which the operation takes place cause big risks. The shallow water depths (2-10 metres) and extreme weather conditions (highs of 45 degrees Celsius in the midst of summer, lows of minus 40 degrees Celsius in winter), create a situation in which oil extraction and transport is difficult and bearing a high risk of causing irreparable environmental devastation. Winter ice floes threaten to overrun the artificial islands constructed for extraction activities and the undersea pipelines that transport the crude to shore. In 2005/2006, construction was forced to stop for four months due to ice movement.

Moreover, the field's reservoir is located at a subsea depth of more than 4,000 metres with pressures reaching high levels of about 700-800 atmospheres. The reservoir fluid contains a high concentration of H^2S (hydrogen sulphide). Combined with high temperatures, the safe handling of crude production becomes extremely difficult.

The North Caspian Sea Production Sharing Agreement (NCSPSA) is made up of Shell (16.81%), Eni (16.81%), Total (16.81%), ExxonMobil (16.81%), KazMunaiGas (16.81%), ConocoPhillips (8.4%) and Inpex (7.56%). Since January 2009, the joint company North Caspian Operating Company B.V. (NCOC) has been the formal operator of the project.

Endangered species The Kashagan oil field is located in the Northern part of the Caspian Sea, within a nature reserve zone. The Caspian seal and the giant Beluga sturgeon are the flagship species of the area. In 2008, the International Union for Conservation of Nature (IUCN) listed the Caspian seal as an endangered species. The seals occur throughout the Caspian Sea, using the winter ice sheets as a surface on which to give birth and nurse pups. Its population has declined by 90 percent over the last 100 years due to unsustainable levels of commercial hunting, habitat degradation and pollution; it is still decreasing. Since 2005 the number of pups born has plummeted by a catastrophic 60 percent to just 6,000-7,000. A low survival rate among pups has led researchers to fear there are barely enough breeding females to keep the population viable. The giant Beluga sturgeon is threatened due to over-fishing and the loss of spawning grounds mainly resulting from dam construction on the major rivers of the Caspian. It is also listed as endangered by IUCN.

Lack of informing stakeholders Oil companies including Shell have made little information available with regard to their assessment of the severe risks of the Kashagan project, and how they miti-

gate any adverse social and environmental risks. Little to no project information has been made available to the public despite repeated requests from local activists. A multi-stakeholder approach, as often recommended as an important tool with respect to corporate social responsibility, has not been followed. For instance, the public was not even involved in the development of the project's Environmental Impact Assessment.

Climate Change

At Shell we are aware of the dramatic consequences that climate change will have. We have studied different energy scenarios but have so far not linked these studies to our investment decisions. We have chosen to see growth in energy demand as a business opportunity, whatever the greenhouse gas (GHG) emissions. We have advised politicians to focus on the management of carbon dioxide (CO_2) emissions –instead of focussing on sustainable alternatives. We could have invested in low carbon technologies but instead we invested billions in tar sands. We have also lobbied strongly at the Dutch, European and international levels against effective and necessary CO_2 reduction commitments.

As Shell, we are on the wrong path towards reduction of GHG emissions. We expect our oil and gas production to increase by 11% in the period 2009-2012, reaching an equivalent of 3.5 million barrels of oil a day in 2012. And we expect more of our production to come from unconventional sources than at present. Energy intensity of production of oil and gas from unconventional sources is usually higher than that of production from conventional sources. Therefore, in the long term, both the CO_2 intensity of our production as well as our absolute CO_2 emissions will increase, for example through the expansion of oil sands activities in Canada and our Pearl GTL project in Qatar. That is, if we don't take the mitigation measures proposed in this report.

In May 2009 – in a report by Oil Change International, PLATFORM, Friends of the Earth International and Greenpeace UK – we were found to be the world's most carbon intensive oil company, holding more carbon in its resources, per barrel of future oil equivalent, than our competitors such as Chevron, ExxonMobil and BP. According to the report the average carbon intensity of oil and gas produced by Shell is set to rise dramatically, increasing 85 per cent on the figure for 2008. This sharp increase is caused by our move into tar sands, our reliance on liquefied natural gas (LNG), and our continued gas flaring in Nigeria.

Shell propagates the use of natural gas instead of coal in power plants as being a bridge to a low-carbon energy future. By 2012, we will produce more gas than oil. There are, however, concerns with regard to the GHG emissions of gas production. Methane may leak into the air during gas production. Methane is a much more powerful greenhouse gas than CO_2. A recent study published in Science Magazine shows that methane is more powerful in warming the atmosphere than our GHG figures presently account for. Moreover, recent studies by the US Environmental Protection Agency and the US Cornell University show that much more methane is leaked than previously thought. This is especially the case for unconventional gas production, in which GHG emissions might even surpass those from coal production. At Shell, we still have to bring our GHG calculations in line with our actual methane emissions and the latest scientific proceedings.

Executive Director's Statement on sustainable energy. "It is vital to our continued existence as a profit making organisation to start increasing our efforts on alternative energy. Therefore we pledge that our investments into the development of non-oil, coal and gas-based alternative energy technologies such as solar and wind energy, will be increased by 50% of our annual profit, starting from 2011 (based on the 2010 profit)."

Example: Shell big in dodging climate issues Except for biofuels, Shell presently does not have any major involvement with renewable energy. We are also not involved with electric cars, though we have a small interest in research for cars with hydrogen as energy carrier. Wind and solar energy are no longer part of Shell's investment portfolio, though we still have some wind farms in the USA. In 2008, Shell pulled out of the London Array project, aimed at building 341 turbines in the Thames Estuary capable of generating 1,000 megawatts of power – enough to power a quarter of London's homes. We had a 33% share in the project. In March 2009, however, we regrettably announced that we would no longer invest in wind and solar energy. Linda Cook, our executive director of gas and power, said: "We are businessmen and women.

If there were renewables [which made money] we would put money into it." In an October 2010 speech, our CEO Peter Voser even discouraged investments in offshore wind power by the UK government: "So perhaps the country should consider diverting some investment away from new offshore wind farms."

In sum, Shell has not been investing in fundamentals like wind and solar power needed to achieve a lower carbon long-term future, and has even opposed these fundamentals that are not in its investment portfolio.

Spills

Large spills of crude oil and oil products can incur major clean-up costs, let alone major damage to the environment and to the livelihoods of people living in the area where the spills occur. They can also affect our licence to operate and harm our reputation. Oil spills resulting from sabotage and theft of crude oil in Nigeria remain significant. We have minor policies in place to prevent these spills, but use them to distract attention from our operational spills.
There are still many instances where spills occur in our operations from operational failures, accidents or corrosion. Shell has clear requirements and procedures to prevent spills, and multi-billion dollar programmes are under way to maintain or improve our facilities and pipelines.

Water

Global demand for water is growing while access to water is becoming more difficult in some parts of the world. It is estimated that by 2025 two-thirds of the world's population will live in areas where the demand for water exceeds the available amount or where the water's poor quality restricts its use. As world energy demand rises, the energy industry is becoming one of the larger industrial consumers of fresh water globally. If we continue to operate in the ways we do, Shell's water footprint may expand in the future with the development of unconventional resources, such as tight gas and oil sands, and our biofuels business. This should be prevented.

Two examples where Shell is endangering the fresh water supply are the fracking operations in the Karoo semi-desert in South Africa and the oil sands operations in Northern Alberta, Canada. A study by the University of Alberta, released in July 2010, indicates that the oil sands industry could be the source of substantially increasing pollution to the Athabasca River and its tributaries via air and water pathways.

There are several ways in which water could be polluted through high-volume fracking. With shale gas production, the two major pathways to water contamination are activities at the surface and errors below ground. Conducting high-volume fracking in the Karoo, we expect to need up to 2.2 million litres of water for a single vertical exploration well and up to 6 million litres for a single exploratory horizontal well section. Improperly cased wells may contaminate penetrated aquifers. Large amounts of water expected to flow back from the wells to the surface may very well be polluted with toxic and radioactive substances.

Executive Director's Statement on sustainable water management. "Both the Karoo project and the Athabasca project have been discussed in the Board and we have decided to align our investment portfolio with our scientific knowledge. We will therefore immediately cancel all further investigations into the fracking operations in the Karoo and in 2011 we will sell our share in the Athabasca oil sands project.

We have stated on our website that fracking is a safe and proven technique according to the US Environmental Protection Agency (EPA), and that the EPA is currently carrying out a new study into hydraulic fracturing and its potential impact. We also have stated that fracking has been used by oil and gas companies for over 60 years. However we failed to mention that there are great differences between traditional fracking and the present high-volume fracking. The EPA has been accused of hiding some severe impacts of fracking, and the US government has not been able and/or willing to monitor the booming shale gas business adequately. We will be transparent on the impacts of fracking. Unfortunately we are not sure about these ourselves. We will therefore scale back our fracking operations until we know more about the risks involved."

Environmental costs

Shell operates in environments where the most advanced technologies are needed. Until recently, we placed a premium on developing effective technologies that are also safe for the environment. However, we also accepted the fact that there is always the possibility that a new technology will cause environmental impacts that could not have been assessed or foreseen beforehand. This is a practice from the past. From now on, we will take all necessary precautions to exclude these risks and take full responsibility for any damages that have occurred in the past and that might, unfortunately, occur in the future.

We are subject to a variety of environmental laws, regulations and reporting requirements in the countries where we operate as well as to international requirements. Infringing any of these laws and requirements can harm our ability to do business. The costs of environmental clean-up can be high.

Our operating expenses include the costs of avoiding discharges into the air and water and the safe disposal and handling of waste. Shell could also be affected by third-party litigation against Shell or against governments of the countries we operate in. For example, Shell's 2007 drilling plan in the Beaufort and Chukchi Seas off Alaska was delayed when non-governmental organisations took legal action against the US Department of Interior (DOI), challenging its approval of Shell's plan for exploration.

As a result of this action, we revised our 2010 drilling plans for that area and we should revise them even further until we are sure no environmental damage will occur. Most likely, we will suspend our operations indefinitely, because our spill response system was found to be inadequate, as we do not know how to deal with the local conditions. The sites proposed for drilling in Alaska's Arctic Ocean are some of the most remote areas on earth, with extreme weather conditions, and the challenges of drilling are formidable. Until we ensure that we can respond to significant spills in real-world conditions, all proposed oil and gas leasing, exploration and development in the US Arctic are on hold.

Example: Drilling Alaska's Arctic coast: safe and sustainable? The marine environments of America's portion of the Arctic Ocean – the Chukchi and Beaufort Seas – are among the least understood in the world. This wide swath of ice-covered ocean waters – circulating between Canada and Russia – is home to one-fifth of the world's polar bears, as well as seals, migratory birds, bowhead whales, several other types of whales, Pacific walrus and much more. The Inupiat people who live on Alaska's North Slope call the Arctic Ocean "their garden." The bowhead whale is the foundation for the Inupiat people's subsistence culture.

In November 2010, almost 485,000 square kilometres along the north coast of Alaska were designated as "critical habitat" for the polar bear, as a result of a partial settlement in an ongoing lawsuit brought by the Center for Biological Diversity, the Natural Resources Defense Council (NRDC) and Greenpeace against the US federal government. This designation under the Endangered Species Act is intended to safeguard the habitat that is vital to the polar bears' survival and recovery. At the same time, the federal government is considering whether to allow oil companies, especially Shell, to drill for oil and gas in the polar bear's newly designated critical habitat in the Chukchi and Beaufort Seas off Alaska.

The polar bear is listed as a threatened species under the US Endangered Species Act. The bowhead whales and several other types of whales occurring in the Chukchi and Beaufort seas are listed as endangered.

We insisted on drilling In 2008, Shell paid USD 2.1 billion for 275 leasing blocks in the Chukchi Sea. We already had 137 leases in the Beaufort Sea, acquired in 2005. If viable reservoirs are discovered through exploratory drilling, Shell would be the main company producing gas and oil in the shallow waters of Alaska's Arctic coast. We wanted to execute "a safe, sustainable drilling programme that benefits Alaska and the nation with new jobs, new energy and new life for the Trans-Alaska pipeline." Our plan was to start drilling exploration wells in both the Beaufort and Chukchi Sea as soon as possible. After the first exploration activities it would take up to ten years to start producing oil.

It was estimated that production, mainly by Shell, in the Beaufort and Chukchi Outer Continental Shelf (OCS) could amount to almost 9 billion barrels of oil and 15 trillion cubic feet of gas through 2057. However, experts strongly advise against drilling in this harsh and unpredictable environment. Oil companies have been unable to show that they can adequately respond to potential spills. Therefore, we have decided to stop this project.

Biofuels – fuelling destruction

The international market for biofuels is growing, driven largely by the introduction of new energy policies in Europe and the USA that call for more renewable, lower-carbon fuels for transport. However, sustainability challenges exist with today's biofuels. Without proper regulation, the production of biofuels will fuel destruction, placing biodiversity under threat. Biofuels compete with food crops for available land; and labour rights are widely violated in the industry. In 2010, we sold 9.6 billion litres of biofuels in petrol or diesel blends, making us one of the world's largest biofuel distributors.

Example: Massive monoculture land use in Brazil to produce sugarcane Raízen, the new joint venture between Shell and Cosan, plans to rapidly expand its sugarcane ethanol sales. Its growth aspirations for the coming five years became known in March 2011. Within five years, it expects to sell more than a quarter of Brazil's ethanol production. The trouble in Brazil is that not only sugarcane areas are expanding rapidly. Between the years 2000 and 2008, the area harvested for soy beans, maize, and the area used for grazing cattle have dramatically increased. The staggering increase of meat, soy and sugarcane production may cause many social and environmental impacts such as: deforestation of the Amazon; increase in income and land possession inequality and a loss of labour opportunities due to mechanisation of the production. Our Brazilian joint venture will establish a high level taskforce to manage these pressing issues.

Neighbouring communities

Gaining the trust of local communities is essential to the success of our projects and operations. In 2010, we introduced global requirements for "social performance" – how we perform in our relationship with communities. The requirements set clear rules and expectations for how we engage and respect communities that may be impacted by our operations. Our approach has evolved as we have learned from experience. For example, the Sakhalin 2 LNG project in Russia was estimated to impact, directly or indirectly, nearly a quarter of a million people, among them some 3,800 indigenous residents. Sakhalin Energy adopted a community grievance mechanism to allow people to file a complaint or a concern. We now plan to implement community grievance mechanisms at other locations based on the Sakhalin experience.

Examples of where a grievance mechanism is seriously needed are the Cosan sugarcane operations in Brazil and the oil sands operations in Northern Alberta, Canada. In Brazil, Cosan's new sugarcane plant in Caarapó, Mato Grosso do Sul, is sourcing from suppliers occupying indigenous lands. In Canada, aboriginal communities are increasingly concerned about the negative impacts of the oil sands developments on their land, water and wildlife.

Example: Indigenous communities in Brazil suffering from Shell operations Since June 2009, Cosan has owned a newly built sugarcane plant in Caarapó, Mato Grosso do Sul state. The plant has a present capacity to crush 2.5 million tonnes of sugarcane a year. The former owner estimated the capacity to be over 6 million tonnes in 2017/2018. The plant is included into the Shell-Cosan joint venture plans, so soon it will be half owned by Shell.

To supply the Caarapó plant, Cosan sources from mostly new sugarcane plantations in the neighbourhood. One of its known sourcing areas is the farmland of the Santa Claudina farm. This farm is located within the Guyraroká indigenous territory of the Guarani-Kaiowá Indians. The federal public prosecutor in Mato Grosso do Sul stated in May 2010 that Cosan's purchase of raw materials from indigenous areas demonstrates its lack of social and environmental criteria for selecting suppliers, and its disrespect for the second largest indigenous population of the country. The Santa Claudina farm is owned by a state representative of Mato Grosso do Sul, Zé Teixeira. Cosan has confirmed that one of its suppliers operates in the region.

According to satellite images of the Brazilian Institute for Space Research (INPE), sugarcane plantations already occupy half of the Guyraroká indigenous territory. Since there are 26 "owners" of farmland within Guyraroká, there could be more suppliers to Cosan. The indigenous territory Guyraroká, comprising over 11,000 hectares, was traditionally occupied by Guarani-Kaiowá Indians. According to the Brazilian constitution and United Nations conventions the land is theirs. Shell will pro-actively ensure that land rights are respected.

Example: First Nations in Canada protest against polluting water streams First Nations is a term of ethnicity that refers to the Aboriginal peoples in Canada who are neither Inuit nor Métis. In Northern Alberta, the First Nations rely on the land, water and wildlife for hunting, fishing, trapping, gathering, harvesting, navigation and ceremonial, recreational and domestic uses such as bathing, cooking and drinking.

The First Nations are concerned about the impact of the oil sands developments on their livelihood. Water withdrawals from the Athabasca River system (up to 600 million cubic metres annually) reduce river flows, threatening fish populations during low flow periods, and the health of the Peace-Athabasca Delta. The water may also become polluted due to the oils sands development. The Mikisew Cree First Nation, located directly downstream from the most intensive oil sands development, has experienced an increased incidence of cancers. Finally, the caribou is an important species to many Aboriginal groups, for cultural and spiritual reasons. However, due to cumulative development activities (including oil sands), the caribou herds in North Eastern Alberta are declining.

OUR PERFORMANCE

EXTERNAL REVIEW COMMITTEE

MEMBERS OF THE EXTERNAL REVIEW COMMITTEE:

Nnimmo Bassey
CHAIR, FRIENDS OF THE EARTH INTERNATIONAL, NIGERIA

Bobby Peek
DIRECTOR, FRIENDS OF THE EARTH SOUTH AFRICA

Paul de Clerck
ECONOMIC JUSTICE COORDINATOR, FRIENDS OF THE EARTH EUROPE, BELGIUM

Geert Ritsema
INTERNATIONAL AFFAIRS COORDINATOR, FRIENDS OF THE EARTH, NETHERLANDS

Romel de Vera
CAMPAIGNS OFFICER, FRIENDS OF THE EARTH PHILIPPINES

Natalie Lowrey
MINING EXPERT, FRIENDS OF THE EARTH AUSTRALIA

Lucia Ortiz
CAMPAIGNS OFFICER, FRIENDS OF THE EARTH BRAZIL

We, members of Friends of the Earth, are the self appointed External Review Committee on Shell's corporate social behaviour. We have been advising Shell for years and have learnt a lot about this company. For all these years we had felt that we were merely being used as a 'greenwash' board; therefore we are very happy that Shell has finally implemented our recommendations. We now can say that the reflection of our recommendation in the Annual Reports was a very limited and polite version of the critical feedback we gave to Shell.

This Erratum to the Annual Report undeniably shows how the Shell board has chosen to take up the challenge of transforming the company into a truly responsible organisation. As the external review committee we would like to be part of the process leading to a better company. In this light we offer the following suggestions:

Shell must be accurate and transparent in its communication. Advertising gas as a clean fossil fuel is not correct and therefore undermines the credibility of the company. The local problems attached to gas exploitation are visible in the Karoo region and in other countries where shale gas is being produced.

Shell urgently needs to become part of the low carbon economy and explain this change of direction and the associated long term benefits to its shareholders. The ambition to invest 50% of annual profits in sustainable energy, mentioned in this erratum, is a good start. The need for investments in green energy is however of a bigger scale. A divestment and investment programme is needed to make the necessary moves before competing energy companies. Shell needs to stay ahead of the pack.

Being a sustainable and accountable company should be central to every decision in all Shell companies. That is why we advise Shell to apologise for the human rights violations it has caused and pledge to work with families, communities and governments to bring to justice to those personally accountable for these violations. In general, it is crucial that Shell starts to be accountable for its impacts and no longer denies legitimate claims of those who are impacted by the company.

This is however not enough. There is a huge legacy of pollution that has not been cleaned up and damage that has not been compensated. It is therefore the advice of the Friends of the Earth External Review Committee to set up a *Shell Restoration and Compensation Fund*. This fund should ensure, for example:

- Removal of industrial waste such as the asphalt lakes in Curacao
- Clean up of polluted areas such as the Niger Delta
- Restoration of destroyed areas such as the Niger Delta and the Canadian tar sands region
- Remediation of contaminated ground water as is the case in Sao Paulo
- Compensation of victims suffering from health problems due to Shell pollution
- Compensation of individuals and companies that have suffered economic losses due to Shell undertakings and accidents.

We suggest that an external and independent fund managing these issues needs special attention and resources that are shielded from day to day business interests in the Shell group of companies.

Shell should prevent future damage in all its operations. Shell 's projects can cause considerable damage, apart from foreseeable emissions such as greenhouse gases. Now that the company has admitted it is responsible for all damage associated to its operations, it is not only socially responsible but also economically logical not to invest in high risk operations such as deep sea and arctic drilling and mining operations, and chemical plants and storage facilities, in ecological sensitive or densely populated areas.

Finally, we extend our best wishes to the Board of Shell and the worldwide Shell workforce on the long road ahead. As the External Review committee, we are looking forward to the 2011 Annual Report.

CONTACT INFORMATION

Milieudefensie
Nieuwe Looiersstraat 31
1017 VA Amsterdam

Postal address:
Milieudefensie
Postbus 19199
1000 GD Amsterdam

Phone: +31 20 5507 300
Fax: +31 20 5507 310
E-mail: service@milieudefensie.nl

More information is available on www.milieudefensie.nl/shell and www.shell.com

www.milieudefensie.nl
www.foei.org
www.foeeurope.org

Published by: Milieudefensie (Friends of the Earth Netherlands) and Friends of the Earth International (FOEI)

Research: Albert ten Kate, free-lance researcher corporate social responsibility

Production & editing: greenmonday, www.greenmonday.nl

Design: HUTSPOTT, www.hutspott.nl

May 2011