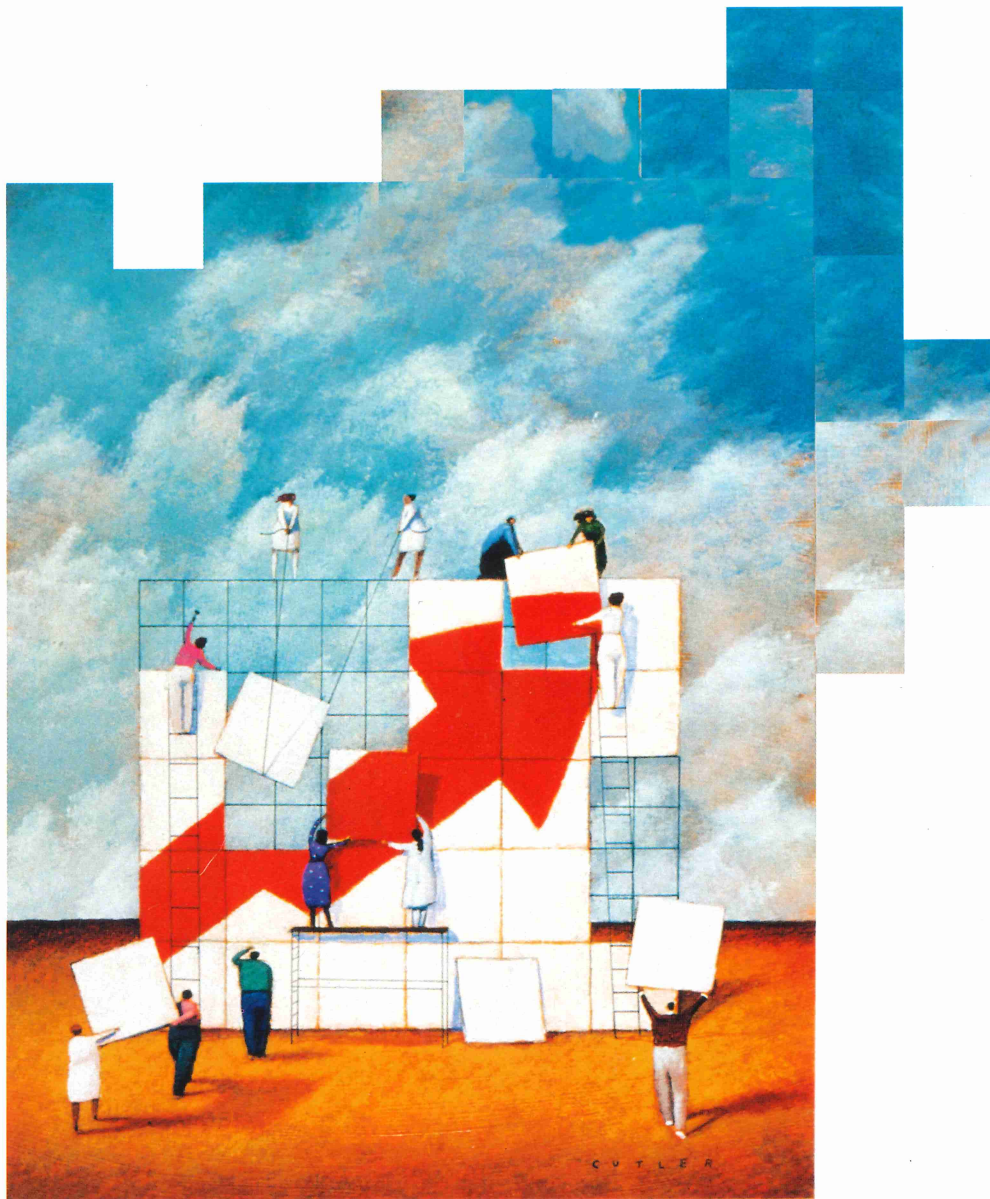


Shell Business Framework

Coming
to grips
with our
future



Getting the best from our past

Edition 1

Chairman's Introduction



I believe all of us want the work we do to be meaningful, enjoyable and successful, and to make a contribution which we know is worthwhile. A number of people throughout our Group have been developing a framework of ideas and principles on how we can achieve this together. This booklet describing the Shell Business Framework is only the first edition of what we expect to be an ongoing evolution. It reflects aspirations we know we may not currently live up to in every case, but which we feel certain we should be aiming towards. Where we fall short, I recognise the temptation to dismiss the booklet's messages, but I believe people in Shell will want to respond constructively and work together to close the gaps. This is *our* framework, and we want everyone in Shell to have a hand in building it – so if you have comments about what we're getting right or what we should do better, please discuss these with your management or, if you would be so kind, write to me personally at the address below or send me a message via electronic mail. You may, of course, reply in whatever language is natural to you. I would be delighted to receive feedback from you.

Cor Herkströter

To send comments to the Chairman please write to LON/SBF, Shell Centre, London SE1 7NA.

An electronic mail postbox with the name BUSINESS-FRAMEWORK has also been set up to receive your comments.

The Purpose of this Booklet

Everyone in Shell is aware that many changes are occurring throughout the Group – and many have already been affected by these changes.

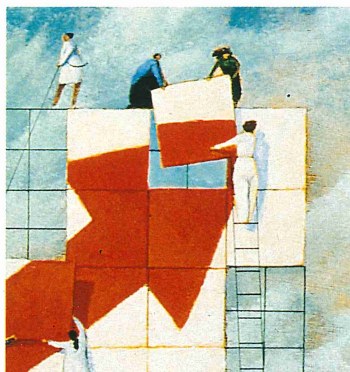
The purpose of this booklet is to:

- re-affirm the guiding values and principles of the Group.
- introduce the new Shell Business Framework.
- encourage breakthrough performance.

At its heart, this booklet is about who we are and what we aspire to be. 'We' refers to everyone in Shell.

The evolving ideas in the booklet are the framework

for what we aim to do, and for our relationships with those we aspire to serve and with everyone we influence through our performance.



Who We Are

We are a commercial organisation serving customers in most of the countries of the world, and we are the many thousands of talented individuals working together within this organisation. As a Group, we are one of the largest integrated oil majors in the world, generating wealth for society and our shareholders by creating a platform of top-performing businesses in oil, gas, petrochemicals, and the allied fields in which we are proud to work. Our activities range over a wider geographical area than those of any other major oil producer. We are the largest retailer of automotive fuels and lubricants in the world, one of the largest petrochemical companies, and the leading private producer of natural gas. We have a tradition of excellence in developing and applying technology and engineering. We have a long history behind us and, we believe, a bright future ahead of us.

GETTING THE BEST FROM OUR PAST

In financial terms, this means an ongoing emphasis on improving the returns we achieve from the capital we employ on behalf of our shareholders.

In operating terms, this means increasing returns from all we do – lowering unit costs, increasing market share, increasing reliability, and encouraging innovative growth.

In the deepest terms of all, this means holding to the Group Business Principles and the values that should always guide us – integrity, professionalism, respect for people, the long-term view, and pride in Shell without arrogance.

Even in the midst of transformational change, these values and our Group Business Principles provide the sure foundation for all we are and all we aspire to be.



The message

Why change?

the need for breakthrough performance
in an increasingly competitive world full
of opportunities

What to?

the top performer of first choice

How?

- energised leadership
- focus on customers
- unleashing talent at all levels



Breakthrough Performance

The need for change

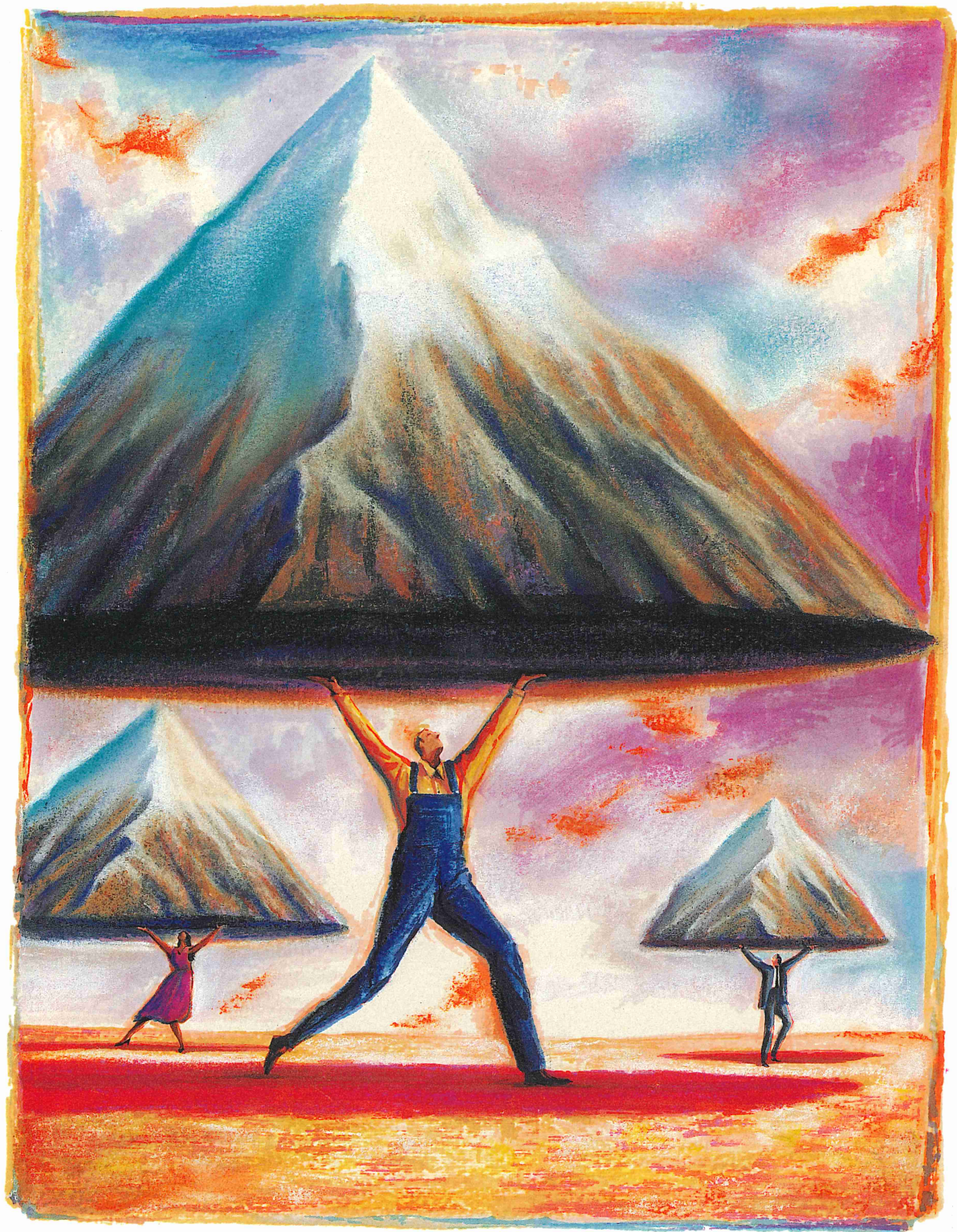
Today's business environment is characterised by fierce competition on a greater scale than ever. In addition, society's expectations for business are changing. Companies that fail to respond effectively to these challenges will simply decline.

Other factors also call for change:

- there is a more economic use of fuels.
- many of our businesses are in large markets with low growth.
- there is an increasing emphasis on reducing the impact of human activity on the environment.

Our competitive marketplace is extremely challenging – but new technologies, the opening up of new markets, rapid growth in some parts of the world, the rapid change in customer requirements and expectations, and other characteristics of this market present many opportunities for significant improvement.

To take advantage of these opportunities, we need breakthrough performance.



What We Aspire to Be

We want to be recognised as leaders by our customers, partners, suppliers, and competitors, and welcomed by the communities around us.

In the longer term, we seek to continue to create value for society and for our shareholders, recognising that there will be further significant changes to our business because fossil fuels are a finite resource, and because society and its needs will continue to change.

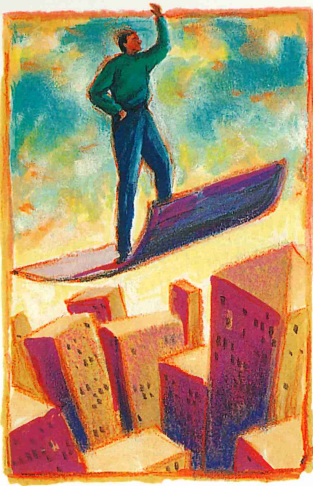
Specifically, we wish to:

- increase our focus on customers and other stakeholders, both internal and external.
- increase our return on capital.
- increase our level of growth beyond our competitors.

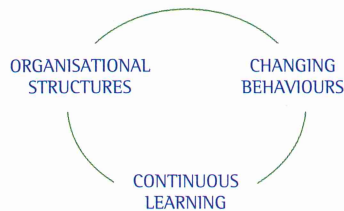
In short: we aspire to be the top performer of first choice.

top performer
of first choice





Creating the Future – What is Changing



ORGANISATIONAL STRUCTURES – ALIGNMENT WITH EVOLVING BUSINESS NEEDS

- operating units based on meaningful, practical business definitions.
- Business Committees overseeing five major businesses.
- a corporate centre that supports the Committee of Managing Directors in its leadership role.
- professional service providers.

CONTINUOUS LEARNING – ONGOING SUPPORT FOR TRANSFORMATION

- stimulation of learning at all levels and transfer of best practice.
- critical appraisal against clear, agreed targets.

CHANGING BEHAVIOURS from:

- excessive internal focus
- excessive bureaucracy
- diffuse accountability
- obsession with consensus
- tolerance for under-performance

to:

- active external focus
- demonstrable customer focus
- making the most of diversity in people
- individual excellence within high-performance teams that have a commitment to challenging targets
- decision-making at the right level
- commitment to profitable growth
- actively seeking breakthrough performance.

energised leadership

Breakthrough Performance and Energised Leadership

To go beyond the limits of what was previously thought possible, we will have to find innovative approaches to our existing activities, or even create entirely new sources of value. We will have to be successful in addressing challenges that are often seen as trade-offs – for example, growth and return, or innovation and efficiency. These challenges will be met only through a heightened level of creativity, energy and leadership throughout the organisation. Decisions must be made at the level where action can be taken most effectively. Each of us will need to assume a new sense of responsibility in our own sphere of operation.

We must also look to three groups to perform specific leadership tasks in new dynamic ways:

THE COMMITTEE OF MANAGING DIRECTORS WILL:

Set the direction of the Group.

Clearly communicate the direction of the Group so that employees understand how their activities help to achieve our overall objectives.

Formulate Group strategy including strategies for cross-business issues and overall portfolio management.

Ensure the linkage of each of the business strategies to the overall Group strategy, and the Group direction with the specific actions needed to achieve it.

THE BUSINESS COMMITTEES WILL:

Set and communicate the direction and strategies of the Businesses within the context of the Group direction.

In consultation with the Committee of Managing Directors, formulate the contribution to the Group expected of each Business.

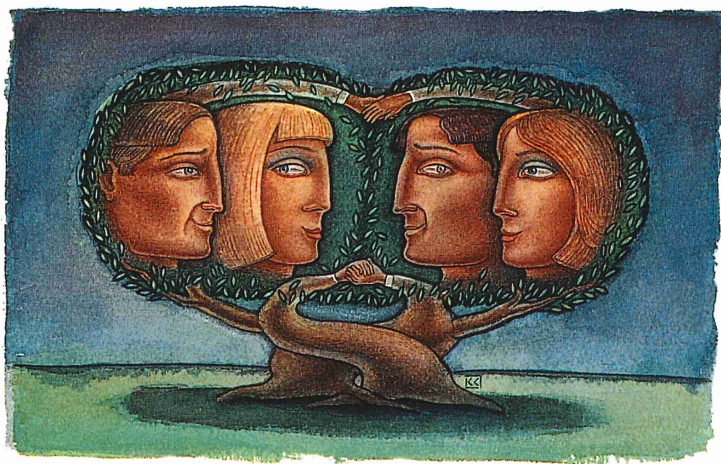
Represent shareholders in relation to the business plans and performance of the operating units.

OPERATING UNIT MANAGERS WILL:

Develop and implement business plans for their operating units, whose scope of operation may be global, regional, national, or multi-national, depending on the nature of the business.

Lead the operational activities that ultimately deliver breakthrough performance.





Breakthrough Performance and Right Relationships

Working together to create performance breakthroughs requires a clear understanding of our right relationship to others in the world and of how we can make our own distinctive contributions.

OUR SHAREHOLDERS

We will deliver sustainable growth of shareholder value in the short, medium, and longer term.

OUR CUSTOMERS

Our customers include individuals, businesses of all sizes, and government bodies. We will actively seek, measure, and monitor our customers' opinions and listen carefully to what they tell us in order to:

- anticipate and meet their needs.
- present them with solutions and choices they value.
- become their preferred supplier.

SOCIETIES AND GOVERNMENTS

Our first contribution lies in generating the wealth that all societies need to develop and build their future.

We will build long-term, mutually beneficial relationships.

We will make available to the public the financial, environmental, and other data legitimately needed to assess our performance.

We will act as a commercial organisation and a responsible corporate citizen in accordance with our Statement of Business Principles.

We will act in accordance with our belief in the protection of fundamental human rights of expression, association, fair representation and trial, and non-discrimination.

We will provide development opportunities for individuals from the host countries in which we operate.

OUR NEIGHBOURS

Our neighbours are a part of the societies in which we work, but we have special responsibilities towards them.

We will build and operate our facilities everywhere to standards that we could be proud of anywhere, and we will seek to improve our performance continuously.

Where there is adverse impact on our neighbours, we will provide fair compensation.

When we cease to operate in an area, we will carry out appropriate restoration. When operations are transferred to others, we will endeavour to ensure that all the relevant safeguards are in place.

Through the use of our

products by our customers, we become neighbours to very large numbers of people. We will seek to ensure in this relationship that we take into account the impact of our products' use and pay proper attention to the stewardship of these products through their life cycle.

We will strive to develop relationships characterised by mutual understanding and trust, in which both we and our neighbours recognise our mutual obligations.

Projects carried out with our neighbours for the benefit of the community are an important part of establishing good relationships, and we will contribute time and skills as well as resources to these projects in order to strengthen neighbourly relationships.

FUTURE GENERATIONS

We are committed to the principles of sustainable development – meeting the needs of the present generation without prejudicing the ability of future generations to meet

theirs. Fossil fuels provide the world with convenient and low-cost energy and feedstocks for materials that allow our economies to grow and develop. In addition, our industry can contribute significantly to the development of commercial, technical, and managerial skills which are, themselves, a lasting contribution to society. While there is no short-term commercial alternative to using fossil fuels for energy, they are a finite resource and we are committed to participating in the development of sustainable and commercially viable alternatives.

We share a commitment to reducing carbon dioxide generation where possible by the most efficient generation of energy, the elimination of wasteful flaring, and the use of the most appropriate fuels.

Recognising the paramount importance of educating the next generation, the bulk of our corporate charitable effort will be directed towards educational ends,

particularly in science and technology.

OUR PARTNERS

We will establish relationships of mutual benefit with all of our partners.

OUR COMPETITORS

We will participate in open and fair competition – and we will outperform our competitors as often as we can and in as many ways as we can.

OURSELVES AND OUR ORGANISATION

We will be an international employer of first choice, together creating a safe, healthy, and creative environment where we can all be proud to work, and where we can develop and grow collectively and individually.



Breakthrough Performance and Unleashing Talent at All Levels

We will be the top performer of first choice only if all of us feel fully committed to achieving this goal – and only if our performance matches our commitment. Success depends on openness, trust, a shared understanding of values and objectives, and the right match between business needs and personal expectations.

THROUGH COLLECTIVE INITIATIVE, WE WILL:

1. Create an environment in which the full potential of individuals is developed, and their talents and contributions unleashed, and in which there is a 'pride in belonging'.
2. Encourage innovation, teamwork, and balanced risk-taking.
3. Encourage operating decisions close to the point of execution.
4. Stimulate diversity in perspective by recruiting men and women from a wide variety of backgrounds, nationalities, and levels of previous experience.
5. Have a competitive remuneration system which will attract the best at all levels.
6. Base rewards on performance and results.
7. Base appraisal of people and performance on views from all sides.
8. Give increased responsibility to proven performers.
9. Where changing business circumstances require changes that affect people's jobs, manage those changes in a professional and respectful way.
10. Enhance employability by improving competencies and by providing learning and development opportunities, so that people may move on from Shell if appropriate and pursue their objectives elsewhere.

THROUGH PERSONAL INITIATIVE, WE WILL:

1. Engage in continuous learning.
2. Share responsibility for our own personal development, acknowledging that nothing about the future – including life-long employment – can be certain.
3. Initiate and accept change when this is required.
4. Accept greater accountability in return for greater responsibility.
5. Strive to make personal contributions through effective teamwork.
6. Be loyal to our collective aims and loyal to the teams in which we work.
7. Live up to our shared business principles.

innovation &
teamwork



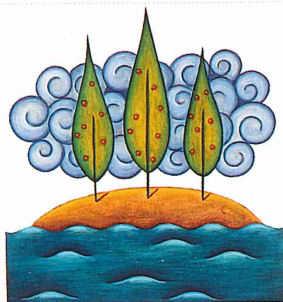
Coming to Grips with Our Future

We can all contribute to achieving the type of breakthrough performance needed to make the most of our future. Breakthrough performance will mean different things for each of us – but we all know when we achieve it. This level of performance is enjoyable, fulfilling, and even exhilarating. Each of us needs to define it in its competitive context so that we have firm aspirations rather than vague intentions.

Achieving breakthrough performance is a challenging process because it is more than simply incremental improvement – it is a level of innovation leading to growth that transforms the very context in which we act. The difficulty of this challenge should stimulate new strategic thinking and encourage a sense of renewal.

With all of us committed to this goal, we can look forward to the future with confidence and a real sense of excitement.





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Shell companies have their own separate identities, but in this publication the collective expressions 'Shell' and 'Group' are sometimes used for convenience in contexts where the reference is to companies of the Royal Dutch/Shell Group in general, or where no useful purpose is served by identifying the particular Shell company or companies.

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