

# Our Commitment to Sustainable Development

## Your Company and Sustainable Development

Shell Malaysia subscribes to the principle of sustainable development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Being part of Shell Malaysia, your Company subscribes to the same principle of sustainable development. Our practices are aligned with the systematic approach adopted by Royal Dutch Shell plc in their own efforts to implement good health, safety and environmental management practices. Our actions are guided by the need to make business decisions that give credence to our sense of economic, social and environmental responsibilities and by which our stakeholders and society can hold us accountable.

In this day and age, sustainable development does not just involve environmental preservation or social concern, it must also take into account economic performance. By the same token, in order to sustain a healthy bottom-line, we must exhibit strong environmental and social performance.

Through our sustainable development policy, Shell Malaysia integrates the economic, environmental and societal aspects of our business in order to achieve sustained financial success, safeguard our environment and develop our reputation as a partner and provider of first choice for a wide range of audiences. Our audiences include our shareholders, customers, employees and those with whom we do business, as well as society and future generations - all of whom expect us to engage with them, listen to them and evolve with them to meet their changing expectations.

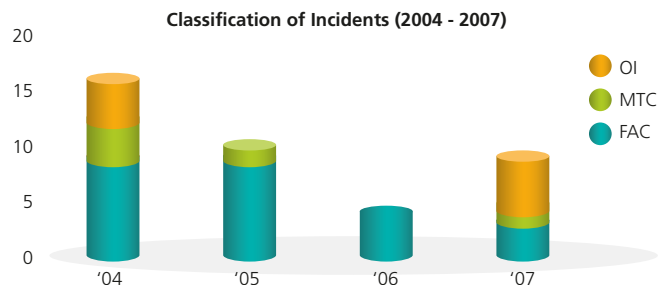
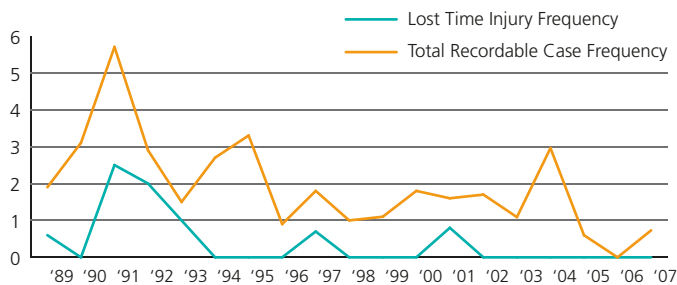
We aspire to be the "The Top Performing and Most Admired Refinery in Asia", by operating our businesses efficiently, responsibly and profitably. As we aim for high standards of performance, we also aspire

to establish a long-term presence among the communities we operate in. As such, we are committed to helping our stakeholders improve their quality of life, whilst simultaneously contributing to Malaysia's advancement and its Vision 2020 goals.

As we journey towards achieving our aspirations, the methods by which we bring our sustainable development practices into play will be integral to our success. Our current stance is reflected in the following practices:

- We provide our customers with solutions and a variety of energy products, materials and services, which meet their requirements economically and which does not cause harm to the environment. We have to ensure them that our activities, and their support for us, do not lead to unsustainable social differences but create wealth, which benefits society as a whole. We need to assure them that there is a clear path for the future development of our industry, which will benefit the next generation. With these assurances, we will really be the company of first choice.
- We build and maintain a culture of learning and innovation in which employees can fulfil their potential whilst meeting the most challenging targets - and have fun at the same time! It is a culture where we encourage our leaders to inspire others through personal example, and where the values of honesty, integrity, respect for people, trust, openness, teamwork and professionalism, can prosper.

We draw upon our companies' strengths to meet the challenges of the new millennium with a view to helping people build a better world. We will therefore continue to invest in projects that exploit world-class technology, research and development within the highest Health, Safety, Security and Environment ("HSSE") standards.



## No Harm to People

Your Company is truly committed to pursue the goal of no harm to people. This way we aim to have an HSSE performance we can be proud of, earning the confidence of customers, shareholders and society at large.

### SAFETY IS OUR BUSINESS

Your Company has a systematic approach to HSSE management designed to ensure compliance with the law and to achieve continuous performance improvement. Achieving continuous improvement in our safety performance, including making progress towards our goal of zero fatalities requires both safe processes and a strong safety culture. The overall HSSE performance in 2007 was outstanding with your Company achieving seven million exposure hours without a Loss Time Incident (LTI) on 13 June 2007. Previously, your company also achieved six years without an LTI case on 22 May 2007.

There was one Total Recordable Case ("TRC") for year 2007 bringing the Total Recordable Case Frequency ("TRCF") for the year to 0.73. Altogether there were three first aid cases (FAC), one restricted work case (also MTC) and five occupational illness incidents (OI).

Our continuous efforts to carry out health promotions to educate and increase health awareness among employees and contractors, resulted

in a reduction in the number of First Aid cases from four in 2006 to three in 2007.

In 2007, there was an improvement in our overall sickness absence rate for staff compared to the preceding year. The Total Sickness Absence ("TSA") rate for 2007 was 1.37% compared to the previous year's TSA rate of 1.71%.

To monitor and assess our performance against certain set targets, Key Performance Indicators (KPI's) are critical. For example one key process safety KPI is Loss of Primary Containment ("LOPC"). In the system for HSSE analysis and learning ("MARSHAL") this has been fully implemented. Programmes have also been put in place to enable continued learning and corrective action plans.

Safe behaviour also depends on staff and contractors being trained and becoming more competent. Safety competences are being addressed as part of our broader 'HSSE competencies programme' to check that everyone responsible for tasks with a significant HSSE risk has the necessary training and skills. Online training to develop staff skills in HSSE is continuous. Specific training is also provided for high risk areas, for example in road safety. In line with continuous improvement efforts, various HSSE campaigns were held in 2007 including the Safety Day Campaign, Working at Heights Campaign and HSSE Week.

## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

### POSITIVE INTERVENTION WALK

In 2007, Unsafe Act Auditing (“UAA”) activities were renamed “Positive Intervention Walk” (“PIW”) to eliminate the perception that one was being audited. PIW foster a more positive reinforcement of good safety behavior and practices. The PIW today advocates the importance of personal and process safety and encourages a culture of intervention and action in day to day operation.

### HSSE WEEK

In 2007, HSSE week was held from 22 October to 26 October. Various events such as health talks, safety talks, Safety Day II, blood donations, HSSE games and competitions as well as booth displays were organised to promote good HSSE practices. The response from staff and contractors was very encouraging.



### EMERGENCY RESPONSE EXERCISE PREPAREDNESS

In 2007, your company held an emergency response exercise which involved setting up an Emergency Coordination Centre and practical deployment. The exercise was conducted on 26 November 2007, at the Port Dickson SRC Refinery ECC. The full SRC Emergency Response Team (“ERT”) was mobilised to respond to the emergency scenario. The Shell Malaysia Downstream Crisis Management Team (in KL) was also activated from 1045 to 1200 hours during the exercise to coordinate emergency response efforts with the ERT.

Deployment drills for SRC Tier 1 Offshore equipment, Containment Oil Spill Response (“OSR”) equipment off the Shell Jetty area and the PIMMAG shoreline OSR equipment, were conducted in parallel with the Emergency Coordination Centre exercise. The drills were conducted successfully with no safety incidents.



## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

### Promoting Best Practices

#### WORKING AND PROMOTING BEST PRACTICES WITH REGULATORY BODIES

In the spirit of cooperation and sharing your Company continually receives invites from external parties, including regulatory bodies to share best practices on HSSE.

In 2007 a group of officers from the Department of Occupational Safety and Health (DOSH), Hazards Divisions had made a familiarisation visit to the Emergency Coordination Centre. Your Company's willingness to share and promote best practices with regulatory bodies such as DOSH exemplifies our willingness to work for the better good of the petrochemical industry in general.

#### SAFETY AND EMERGENCY CONTROL CENTRE ("ECC")

Both the safety centre and the newly improved ECC continually attract visitors and auditors in a positive way. Both these facilities are recognized internally by the Shell group and externally as benchmark facilities and are taken into consideration every time SRC obtains HSSE awards in 2007.

Online IT facilities and updated communication equipment have been recently added to the ECC to improve its overall effectiveness.

There are also efforts in place to enhance the content of the revised DVD safety induction video, which has received good response from visitors to SRC.

Your Company will proactively enhance and upgrade its facilities to address and face future demand and challenges.

#### HSE AUDITS AND CERTIFICATION

In 2007, SRC received positive feedback on Confined Space Entry Programme from the Department of Occupational Safety and Health (DOSH). Your company also underwent recertification of OHSAS 18001 and ISO14001 audits by SIRIM.

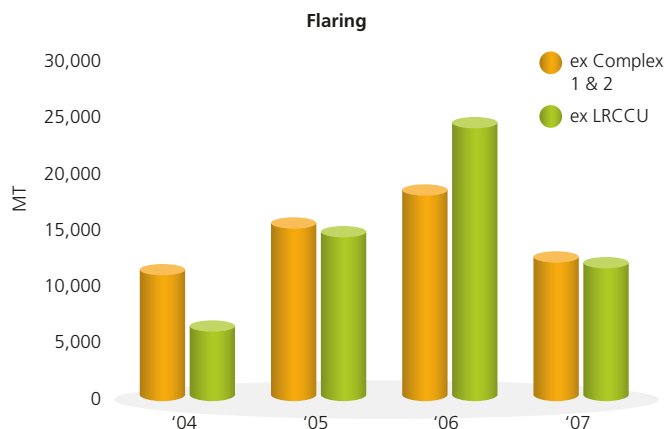
### Protecting the Environment

Your Company minimises the impact of its operations to the environment by setting highly challenging improvement targets to progressively reduce emissions and discharges in line with Malaysian Legislation, Shell Group Strategic Objectives and other related international conventions and protocols.

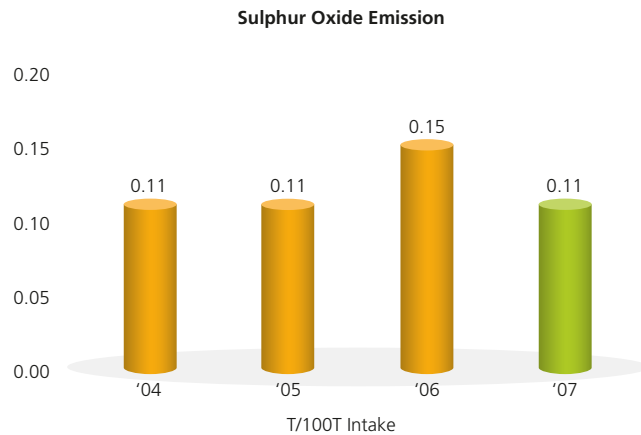
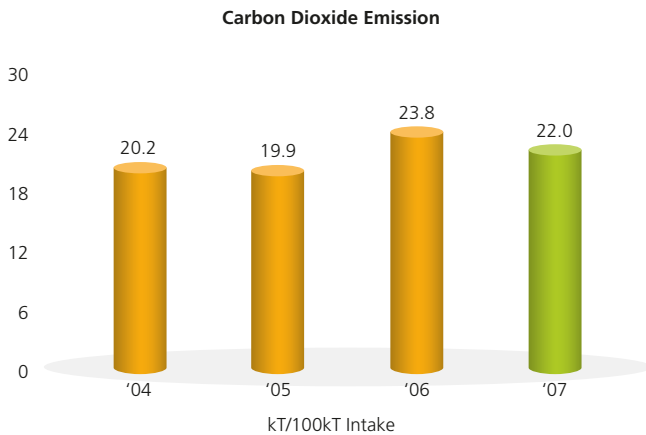
#### FLARING

	2007	2006	2005	2004
Total Flared Gas (Complex 1 & 2, LRCC)	23,976 MT	42,370 MT	29,763 MT	17,247 MT

In 2007, the refinery registered a significant decrease in flaring compared to previous years mainly due to the processing of lighter crudes and slightly lower refinery throughput.



## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT



### EMISSIONS

	2007	2006	2005	2004
CO <sub>2</sub> kT/100kT intake	22.00	23.8	19.9	20.2
SO T/100T intake	0.11	0.15	0.11	0.11

Sources of air emissions at the refinery could potentially arise from:

- Fuel burning or combustion from operations;
- Flaring and venting;
- Evaporation from tanks and equipment during transport and storage of oil products;
- Fugitive releases which occur as a result of a leak from process equipment.

Carbon Dioxide ("CO<sub>2</sub>") emissions in 2007 were lower compared to previous year as a direct consequence of the decreased level of flaring. The Sulphur Oxide ("SO") emissions, that are related to feedstock processed, decreased significantly compared to 2006 due to the lower sulphur in long residue feed.

### Global Warming Potential

	2007	2006	2005	2004
GWP (kT CO <sub>2</sub> Equivalent)	1,148	1,287	1,093	1,178

As part of our Sustainable Development drive, the Shell Group has devised a method to compare the relative effect of greenhouse gases ("GHG") on the climate. The result, a factor known as Global Warming Potential ("GWP"), provides relative measurement of the warming influence of a gas relative to that of carbon dioxide over a 100-year time horizon.

Your Company participates in this monitoring effort and started recording its GWP contribution in kilotonnes of Carbon Dioxide Equivalent in 2004. In SRC GWP is emitted from gaseous emissions of CO<sub>2</sub>, Methane ("CH<sub>4</sub>") and Nitrous Oxide ("N<sub>2</sub>O") arising from combustion, flaring, venting, storage, fugitive emissions, loading, unloading, unplanned and planned releases. Hydrofluorocarbon ("HFC"), Sulphur Hexafluoride ("SF<sub>6</sub>") and Perfluorocarbon ("PFC") emissions will also contribute to GWP, but the Company does not employ such gases.

In 2007, your Company recorded a GWP of 1,148 kT CO<sub>2</sub> equivalent - 2.5% lower compared to the 2004 baseline performance. The significant difference between the 2007 and 2006 performance was attributed mainly to the reduced total flaring due to the processing of lighter crudes in 2007.

## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

### HALON AND CHLOROFLUOROCARBON (CFC) REMOVAL

The refinery has been free of Halon and CFC since April 2000. However, the refinery does have Hydrochlorofluorocarbons (“HCFC”) in its inventory that will be eliminated by 2015-2020 in accordance with the Montreal Protocol.

### SPILLS

In 2007, your Company had two minor internal spill incidents. However, the total amount of the spills is well below the 1 tonne limit.

### WASTE MANAGEMENT

The main sources of solid waste arising from refinery operations are:

- Spent Catalysts;
- Spent Caustic.

Quantity (MT)	2007	2006	2005	2004
Spent Catalysts	2,741	2,661	1,655	2,568
Spent Caustic	2,879	2,743	655	833

### EFFLUENTS

	2007	2006	2005	2004
Oil in Effluent Water (mg/L)	8.8	7.4	6.6	1.2

The main discharge to water from our operations is oil in the water that accompanies oil production. The refinery’s effluent water is discharged some 1km offshore via a pipeline.

In 2007, the average oil in water concentration was at 8.8 milligrams per litre (“mg/L”). Although higher than in 2006, it is well within the legislative limit of 10 mg/L and the limit set by the Malaysian Environmental Quality Act 1974 Effluent Quality Standard B. This water is also used as means of firewater supply for the Company.

Your Company is periodically experiencing spikes of oil and grease in effluent water. Improvement plans have been developed, presented to your Company’s leadership team and executed. The fourth quarter of 2007 shows a significant increase in effluent water quality with oil and grease in effluent water averaging 6.2 mg/L. The Company also consistently monitors the seawater quality at the discharge point. The monitoring result to date has not shown any deviation. Reports of the effluent water and seawater quality are submitted quarterly to the Department of Environment.

### MATERIAL AND ENERGY USE

	2007	2006	2005	2004
Refinery Energy Index (Actual)	155.0	169.7	166.9	165.9
Refinery Energy Index (Target)	162.0	166.3	165.3	159.4

Your Company is committed to using materials and energy efficiently in providing its products and services. By setting annual Refinery Energy Index (“REI”) targets that take into account the year’s operational and maintenance plans, your Company strives to deliver continuous improvements. In 2007, your Company performed better than expected and managed to exceed the target by 4.3%.

### PUBLIC COMPLAINTS

We take all complaints seriously and respond within 48 hours via our Public Affairs Policy Office.

In 2007, your Company recorded 10 public complaints, three more than in 2006. The complaints were mainly pertaining to smell and noise, which were promptly responded to by our duty officers. Complaints are also discussed at the Community dialogue sessions that take place on a regular basis.

## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT



In 2007, your Company was awarded a Notable Achievement for the third consecutive time for environmental performance in 2005/2006. Your Company also clinched the Negeri Sembilan State Award that was introduced for the first time in 2007.

### MSOSH GRAND AWARD 2006

We received the Malaysian Society for Occupational Safety and Health ("MSOSH") Grand Award for demonstrating that occupational safety and health excellence is consistently applied in our business activities. This achievement is the result of the sustained efforts and commitment from all staff, our business partners and our contractors.

### Report and Consult

We are highly committed to reporting on our performances to the general public and will continue to consult our key stakeholders via dialogues and engagements (be it formally or informally).

#### REPORTING ON PERFORMANCE

Your Company will continue to communicate the fact that it is open, transparent and accountable in many forms, one of which is through the annual Shell Malaysia Sustainable Development ("SD") Report, which includes details of your Company's progress across a wide and demanding range of indicators - from greenhouse gas emissions to road safety statistics. Copies of this report are distributed to government agencies, business partners, opinion leaders, academicians, NGOs, contractors and employees. The report is also posted on the Shell Malaysia website at [www.shell.com.my](http://www.shell.com.my).

Information on your Company's performance can also be found on your Company's corporate website at [www.shell.com.my/shellrefining](http://www.shell.com.my/shellrefining).

#### PRIME MINISTER'S HIBISCUS AWARD

First launched in 1996, the Prime Minister's Hibiscus Award is the premier private sector environmental award for business and industry in Malaysia. The award, previously known as the "Hibiscus Award", was upgraded to the Prime Minister's Hibiscus Award, following the approval of the Honorary Prime Minister of Malaysia.

### COMMUNITY DIALOGUES

As part of our Community Care programme, we conduct regular dialogues with our residential neighbours. The 2007 dialogue sessions covered topics such as:

- Update on refinery operations and activities;
- Corporate Social Responsibility;
- HSSE issues and updates on the potential impact of our activities on the community.

We have also enhanced the active dialogue process through letter-drops to neighbouring homes and to the local authorities during the refinery's planned and unplanned shutdown periods. From the feedback we have received, the letter-drops and dialogue sessions have significantly contributed to enhancing the relationship between the neighbouring communities and your Company.

### ENGAGEMENT WITH NGOS

Your Company recognises the need to regularly engage its stakeholders in order to obtain feedback as well as to learn from them. To this end, we conduct regular meetings and dialogues with local non-governmental organisations ("NGOs") who are interested in our activities and who share common interests and concerns with Shell. In this manner, we are able to share our experiences and at the same time obtain their views and feedback. We also jointly organise and sponsor activities with local NGOs such as the ones referred to at page 51.

## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

### Promoting Best Practices

#### ISO 17025 CERTIFICATION

Your Company's laboratory in Port Dickson continued to demonstrate its professionalism and high quality management standards by successfully maintaining its ISO 17025 Certification in 2007. The Department of Standards Malaysia ("SIRIM") conducted the audit of the laboratory's Quality System and for the first time in the laboratory's history, no Non-Conformities against the standard were recorded. This is due recognition of the technical competence and the professionalism of our staff, and the sound management system in place. The laboratory is accredited for a whole range of refinery product testing processes, all of which demand the highest precision techniques.

Our laboratory also won the 2007 Excellence Award from the Malaysian Institute of Chemistry for the sixth consecutive year. This award aptly recognises the high standards the laboratory maintains with regard to safety, analytical services to its customers, quality management and the technical competency of its staff. The laboratory supports both internal and external customers such as the PETRONAS Melaka Refinery, the ESSO Port Dickson Refinery and the Shell depots operating within Shell Malaysia's commercial and retail businesses. This latest recognition is a firm acknowledgment that the laboratory's customers are receiving internationally-certified services with the ISO 17025 edge.

The laboratory plays an important role in the quality control chain of our product components and finished products. Malaysian authorities have highlighted their intent to introduce new product specifications for both diesel and gasoline products. The laboratory is as such ready for the implementation of Euro 2-M specifications.

#### MEETING INTERNATIONAL MANAGEMENT STANDARDS

The Company has been accredited with the following certifications:

- **International Ship and Port Security Code ("ISPS")**  
Your Company attained ISPS certification on 1 July 2004 from the Marine Department, the designated authority for Malaysia. The ISPS is a worldwide requirement imposed by SOLAS (Saving of Life at Sea) to ensure security of ships and port facilities. This certification allows your Company's port facilities to receive 500-tonne ships on international voyages.
- **ISO 14001**  
Your Company attained ISO 14001 certification in September 2000 and was successfully re-assessed in 2006 by its certification body, SIRIM QAS. This international standard sets the guideline for environmental management.
- **OHSAS 18001**  
Your Company achieved OHSAS 18001 certification in 2001, and was recertified in 2007 by its certification body, SIRIM QAS.
- **ISO 9001**  
Your Company was successfully upgraded to ISO 9001:2000 by SIRIM in 2003 and was recertified in 2007 with an expanded scope to include Marine services.
- **ISO 17025**  
Your Company's main laboratory successfully migrated to the new ISO 17025 standard in 2001 and was recertified in 2007.

## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

### Diversity and Inclusiveness

Diversity means all the ways we differ. It includes visible differences such as age, gender, ethnicity and physical appearance; as well as underlying differences such as religion, nationality and education.

Inclusiveness means a workplace where differences are valued; where everyone has the opportunity to develop skills and talents consistent with our values and business objectives. The aim is to create an organisation where people feel involved, respected, connected - where the richness of ideas, backgrounds and perspectives are harnessed to create business value.

Our acceptance of diversity and inclusiveness means that your Company today has a diverse and multi-talented workforce comprising over 300 employees of five nationalities, of which 89% are male and 11% female. In the Management team, the male composition is 67% whilst the female composition is 33%.

### THE SHELL GROUP DIVERSITY VISION

**“A recognised leader in Diversity and Inclusion”.**

**The Group will benefit from Diversity and Inclusion through enhanced decision making, increased creativity and innovation, and better relationships with employees, customers, suppliers, partners, governments and other stakeholders – with positive impact on the bottom line.**

To nurture Diversity and Inclusiveness (“D&I”) in the workplace, we need to build awareness, knowledge and understanding to develop the necessary skills, as well as practice behaviour that is conducive to changing attitudes and driving organisational change.

### D&I WEEK

Your Company is committed to bringing about the organisational change needed to deliver our Vision.

D&I Week 2007 was launched on 12 November at your Company's refinery in Port Dickson. Our aim for the 2007 D&I week was to share Shell's experiences with our employees and provide them a better understanding of D&I at the workplace. During the week, staff were given the opportunity to participate in learning activities to build a more inclusive workplace.

### EMPLOYEE TRAINING

Your Company believes that to promote development and best use of employee's talents, there is a need to create an inclusive work environment where every employee has an equal opportunity to develop his or her skills and talents.

Continued success of your Company requires investment in people development. This is to ensure that our employee's have the right skills to do their job and meet the needs of the business. A continual learning environment, which facilitates development of new skills and methods of working, is vital in building this capability.

Learning in your Company takes the form of Enterprise First approach designed to create a learning environment that enables individuals and the business to build capabilities essential to winning performance.

Your Company uses the Shell Group Learning & Development process and its elements like the competence framework and individual development plans, enable capability building by providing a means for individuals to assess their competence and identify meaningful actions for ongoing development.

In all that we do, we will balance our economic ambitions with a clear commitment to corporate responsibility.



## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

### Culture of Sustainable Development

We are committed to promoting a balanced work-life culture in which all Shell employees share the Company's commitment to sustainable development.

### SOCIAL PERFORMANCE PLAN

Social Performance ("SP") is about how we address the expectations, needs, concerns, and perceptions of our neighbours and societies where we operate. The management of our social impacts and benefits can have a large impact on achieving business objectives and is one of the key areas through which reputation will be both protected and enhanced. Those impacts can be positive or negative, but how well we manage them affects the wellbeing of our neighbours - and ultimately of our business.

SP management includes specific activities that must be undertaken consistently to identify social risks, issues and opportunities. As part of the Shell Group Guidelines, your Company is required to have a social performance plan.

The SP Plan helps us to mitigate potential negative impacts and to deliver real benefits to the community and to the business. It assists in maintaining and sustaining the environment for present and future generations. It helps in the treatment of employees with dignity and respect. It helps in engaging with shareholders, stakeholders, employees, customers, legislators and officials in an ethical and open manner.

### WORK WITH STAKEHOLDERS

Your Company's operations and presence undoubtedly impact upon - and in turn, are invariably affected by many different stakeholders. We recognise our stakeholders' interest in our business and the need to listen and respond to them. In this respect, the Port Dickson community is fully engaged on our activities via letter-drops and engagement sessions with neighbours and residents. A communication platform is also provided to enable stakeholders to channel any concerns they may have in a timely and formal manner. The local authorities have held us in good stead with the proactive role that we embarked on.

### BENEFITS COMMUNITIES

Your Company is a key member of the local community where it has a business presence. We are on a constant lookout for appropriate ways to contribute to the social well being of the community and to the wider public, which grant your Company its licence to operate and grow.

Our contributions do not always take the form of direct funding and monetary sponsorships. We also provide employment and business opportunities, as well as invest in programmes and initiatives to raise the socio-economic status of Port Dickson and improve the locality's standard of living and quality of life. This non-quantifiable contribution has been widely acknowledged by the local Government and community leaders.



## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

We have also supported the government's call for the increased application of the English Language in local schools by sponsoring efforts to promote the use of English in communication by students. Your Company's annual 'We Care We Share' community care programme plays an integral part in fulfilling your Company's social investment objectives by participating in and contributing towards various charitable causes. In 2007, we organised, supported or participated in the following activities:

- MNS Raptor Watch 2007 at Tanjung Tuan, Port Dickson;
- Safety Day with local fence line residences;
- "We Care We Share" programme with 60 senior citizens and handicapped individuals;
- National Day celebration with 500 KEMAS pre-school children;
- "We Care We Share" programme with 150 Down Syndrome children;
- Refinery visit by various NGOs, Government bodies and university students;
- Community dialogues with NGOs, neighbours and Government authorities;
- District level English public speaking competition with Port Dickson primary schools;
- District level English debating competition at Sekolah Menengah Tanah Merah;
- District level English drama competition at Sekolah Tinggi Port Dickson;
- Berbuka Puasa programme with Port Dickson Foundation orphans;
- Beach Cleaning Campaign with Port Dickson Lions Club and secondary school students;
- "We Care We Share" fund raising campaign with Port Dickson Day Care Centre; and
- Reading Campaign with Port Dickson District Library.

### BIODIVERSITY

Your Company takes the responsibility of protecting and supporting biodiversity seriously. Before considering expansion of an existing operation, we first check whether the area has been identified as having high biodiversity value.

Your Company, which is a part of the Shell Group, has an in-house online mapping system to help identify environmentally sensitive sites and map them against the existing or planned activities, in order to get a better understanding of the associated environmental risks. This enables your Company to identify potential areas of high biodiversity value at an early stage when developing projects.

Where we are operating in a protected area or other area of high biodiversity value, we will develop a biodiversity action plan, setting out how we aim to manage the key biodiversity related issues specific to that project.

We are committed to early engagement with identified key stakeholders. It is through this that we will work to maintain ecosystems and make a positive contribution towards the conservation of global diversity.