



Shell in Pakistan
Over 100 Years of Excellence



ANNUAL REPORT
2008



Shell Pakistan Limited
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OUR VISION

At Shell Pakistan Limited, we strive to deliver results, perform to the highest standards, develop our people, provide quality customer service and actively pursue consistent safety improvements. A firm foundation based on performance enables us to deliver strong returns and value growth for our shareholders, greater and better choices for our customers and opportunities and improvements in the quality of life of our communities. In an unsettled world, our commitment to performance at every level continues to be both the challenge and the aspiration.

SHELL IN PAKISTAN



Our journey says it all

After the independence of Pakistan in 1947, the company name was changed to Burmah Shell Oil Distribution Company of Pakistan. In 1970, when 51% of the shareholding was transferred to Pakistani investors, the name was changed to Pakistan Burmah Shell (PBS) Limited. The Shell and the Burmah Groups, retained the remaining 49% in equal proportions. In February of 1993, as economic liberalisation began to take root and the Burmah Group divested from PBS, Shell Petroleum stepped in to raise its stake to 51%. The years 2001-2 have seen the Shell Petroleum Company successively increasing its share, with the Group now having a 76% stake in Shell Pakistan Limited (SPL) - an expression of confidence.



WE ARE THE FIRST



- in Aviation Refuelling
- in Domestic Kerosene
- to introduce Quality & Quantity Assurance through Quality Testing Vans
- to introduce ADR Vehicles
- in Retail Diesel Distribution
- to introduce Planned Social Investment Programmes
- to introduce Business Training
- in Quick Lube Change
- to Launch a Social Investment Project encouraging youth towards business start up
- to introduce a unique Retail Visual Identity on our forecourts





LEADING
ALL THE WAY

Shell has always been committed to innovation. As such, Shell Pakistan leads the industry when it comes to introduction of new products in the market, differentiated services for changing customer needs, and the introduction of global technical and safety standards.

OVER 100 YEARS OF
LEADERSHIP



Shell's range of innovative products is constantly expanding, supported by extensive research and development. With an eye on the future, Shell has evolved with a new identity in Pakistan. The overall brand positioning today has also evolved in line with the global theme of Made to Move, which is symbolic of Shell's endeavour for our customers, who are forever on the move.

In 2007, our lubricants business launched a new thematic campaign for Shell Helix that emphasised its 're-energising' position. This was followed shortly by the launch of Shell Helix Ultra, Pakistan's first fully synthetic oil for performance motoring, endorsed by Ferrari and the world's greatest Grand Prix Champion, Michael Schumacher.

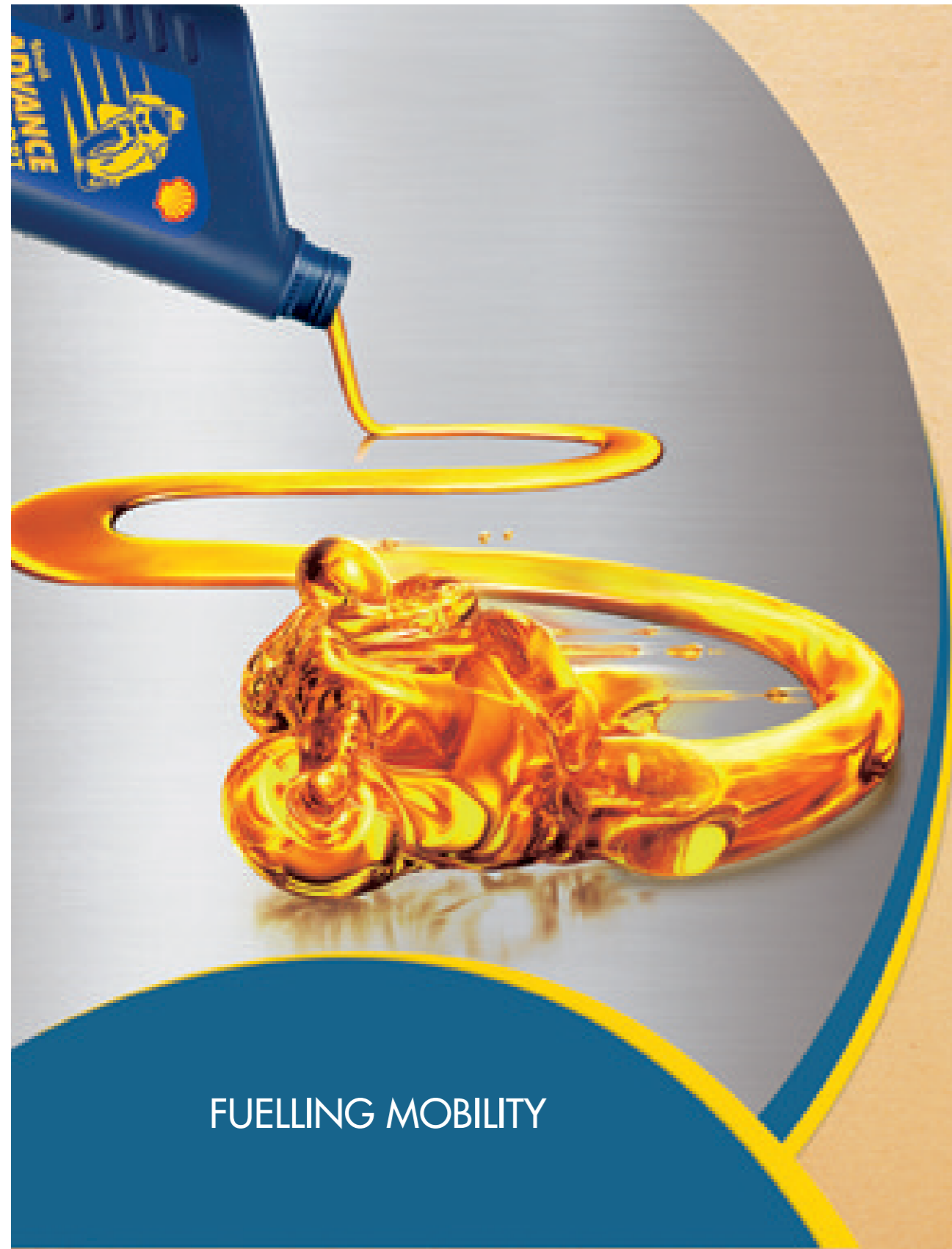
Our efforts to promote business excellence are not just limited to our products and services, but are also included in the way we do business.

Over the past year, Shell Pakistan has made commendable strides in introducing global technical standards into the industry. Shell Pakistan and its partner hauliers successfully inducted world-class vehicles in its Machike (Lahore) distribution terminal fleet and encouraged hauliers across the country to induct similar vehicles as part of our drive not just for engineering excellence but also to promote safer driving standards. In 2007, Shell Pakistan had inducted eight such vehicles, with the fleet expected to double in number by the end of 2008.

In order to further strengthen and streamline our internal processes and to increase efficiencies, Shell Pakistan has embarked on Shell Group's Global 'Downstream-One' journey. The ultimate goal of Downstream-One is to reduce business complexity and increase operational efficiency in order to reduce costs and increase competitiveness, while simultaneously enhancing customer satisfaction. Shell Pakistan commenced its challenging Downstream-One journey with an introductory mobilisation session in January 2008. With just over 21 months left for our momentous Go-Live on 1st April 2010, Shell Pakistan is engaging and preparing its stakeholders and businesses for the ensuing changes and benefits that will come from moving to a truly global system.

Shell Pakistan's IT department contributed to strengthening efficiencies within the organisation in 2007-08 by providing a robust infrastructure for supporting our growing business. The capacity of our international circuit was upgraded successfully to ensure a more reliable communication network to support consolidated Shell systems. Shell Aviation also rolled out its global Apron system at Karachi airport, which will allow real-time communication from the apron to back-office IT systems. This is the first implementation of its kind for the aviation industry in Pakistan.





FUELLING MOBILITY

We at Shell Pakistan strive to meet and exceed customer expectations by delivering the best fuels and service to our customers at every site, every visit, everyday.

OVER 100 YEARS OF
QUALITY SERVICE & PRODUCTS



In 2008, we took another important step in recognising the diversified fuelling needs of all our customers. Shell Pakistan became the first Oil Marketing Company (OMC) in Pakistan to offer differentiated services for motorcyclists by allocating a separate fuelling island for them on 100 of its top sites across Pakistan. Motorcycles represent a sizeable segment of Pakistan's vehicle parc and their fuelling requirements are distinct from those of other vehicles. The launch was accompanied with an exciting consumer promotion during which customers had the chance to win more than 10,000 prizes including brand new motorcycles and helmets to seat-covers and wheel locks. To better cater to our biker customers, we followed the separate fuelling islands with Shell Advance Bike Serve stations on our forecourts to offer our bikers a unique service experience. We also introduced waiting rooms where bikers could enjoy recreational activities while waiting for their turn.

Continuing our tradition of teamwork, we continue to provide our consumers with a range of differentiated lubricants to satisfy their diversified needs at our forecourts. We introduced Shell Helix Ultra, leveraging the entry of these new offerings with an exciting new promotion and free giveaways of much coveted Ferrari model cars.

We also introduced our new Shell Helix CNG Super, and revamped our Quick Oil Change service as 'Shell Helix Oil Change Plus', with a new promotion where customers had the chance to win a Suzuki Liana with every Shell Helix oil change.

In addition, we launched a consumer promotion for our Pennzoil family of oils. Primarily for use in tractors, Pennzoil has seen consistently high growth over the last three years since its launch. We also rolled out exciting promotional offers for our Shell Rimula Oils targeted at our trucker consumers. To ensure excellence in our service offer and commitment to highest safety standards to the aviation industry in Pakistan, Shell Pakistan's Aviation business upgraded its fleet of fuel dispensers this year. The inclusion of these new fuel dispensers further strengthens our resolve to provide the right quality of product efficiently and safely to our customers.

In the past year, we played an active role in helping to meet the nation's energy needs, as our commercial fuels business signed on two new contracts with upcoming Independent Power Plants for their fuel oil needs. Going forward, Shell Pakistan will continue to play an active role in fuelling mobility all over the country.





DELIVERING ON OUR PROMISES

We at Shell believe that the contribution of our site staff helps us deliver the best fuels to our customers. With our firm belief that 'People Make the Difference Real', (PMtDR), Shell Pakistan ensures that its businesses are resourced with committed individuals who are equipped with essential skills, have clearly defined performance targets, and ensure that their successes are duly recognised.

OVER 100 YEARS OF
OUTSTANDING PERFORMANCE



One such recognition platform is the Global Mystery Motorist Programme (MMP), whereby an independent agency conducts service checks on nominated sites and scores them on a pre-determined scale. Our retail business's performance on the MMP is the fourth highest amongst Shell companies in the East, and this is ample testimony to our commitment to deliver on our promises to customers. We also conducted a nationwide revival of the Navigator, an all-encompassing performance tracking tool that brings uniformity in the efforts of the sales team, retailers and their site staff to work towards a common target.

This performance tracking is underscored by a comprehensive rewards and recognition scheme designed to motivate our retailers to stretch themselves to their utmost capacity. This year, we recognised the high performers in the Global Reward & Recognition Programme in May 2008 and highlighted the 50 winners from 2007 in the presence of Shell's East Retail Leadership Team and an audience of 500 Retailers.

We have also strengthened safety on our forecourts, reinforcing this as a major deliverable for our forecourt staff and retailers. In the past year, we conducted Health, Safety, Security and Environment (HSSE) road shows in all major cities to engage our forecourt staff on Shell's vision of achieving zero safety incidents. Our retailers pledged their commitment to Shell's Safety Champion Programme with a goal to ensure compliance to Shell Golden rules [Comply, Intervene and Respect], and to report any potential incidents, near misses and incidents to the area territory manager.

In the coming year we will see many more focused efforts on delivery, so that operational excellence can be set as a minimum working standard across all participating sites.



OVER 100 YEARS OF
DEVELOPING TEAM LEADERS



PEOPLE MAKE IT
HAPPEN

At Shell Pakistan, developing our people is a top priority. Over the years, we have maintained a distinctive corporate culture that is driven and influenced by our dedicated and energetic workforce.

In view of the increasingly competitive employment market, we have actively focused on developing our future leaders. Additionally, as part of our commitment towards top-quartile performance and HR Functional Excellence we have invested extra time and energy into strengthening Learning & Development (L & D) opportunities for our team, and in encouraging Diversity & Inclusiveness (D & I) within our workforce. A number of different initiatives were introduced, including a focus on increasing our diversity of viewpoints and talent, and developing our existing staff.

Our L & D journey last year was particularly exciting as we once again rolled out our world-class leadership development programme, BUILD. Developed in-house by Shell Learning's dedicated team of L&D consultants and experts, BUILD was delivered during the latter half of 2007. With its focus on developing both current and future frontline and team leaders, BUILD was entirely run and facilitated by our HR professionals, and delivered over 125 learning units to over 50 of our frontline staff. In planning and managing our talent pools, we also held sessions on 'Coaching for Performance' (CFP) and 'Shell Leadership Challenge' (SLC), with the aim of providing our talent pool with the soft skills necessary to complement their substantial technical knowledge.

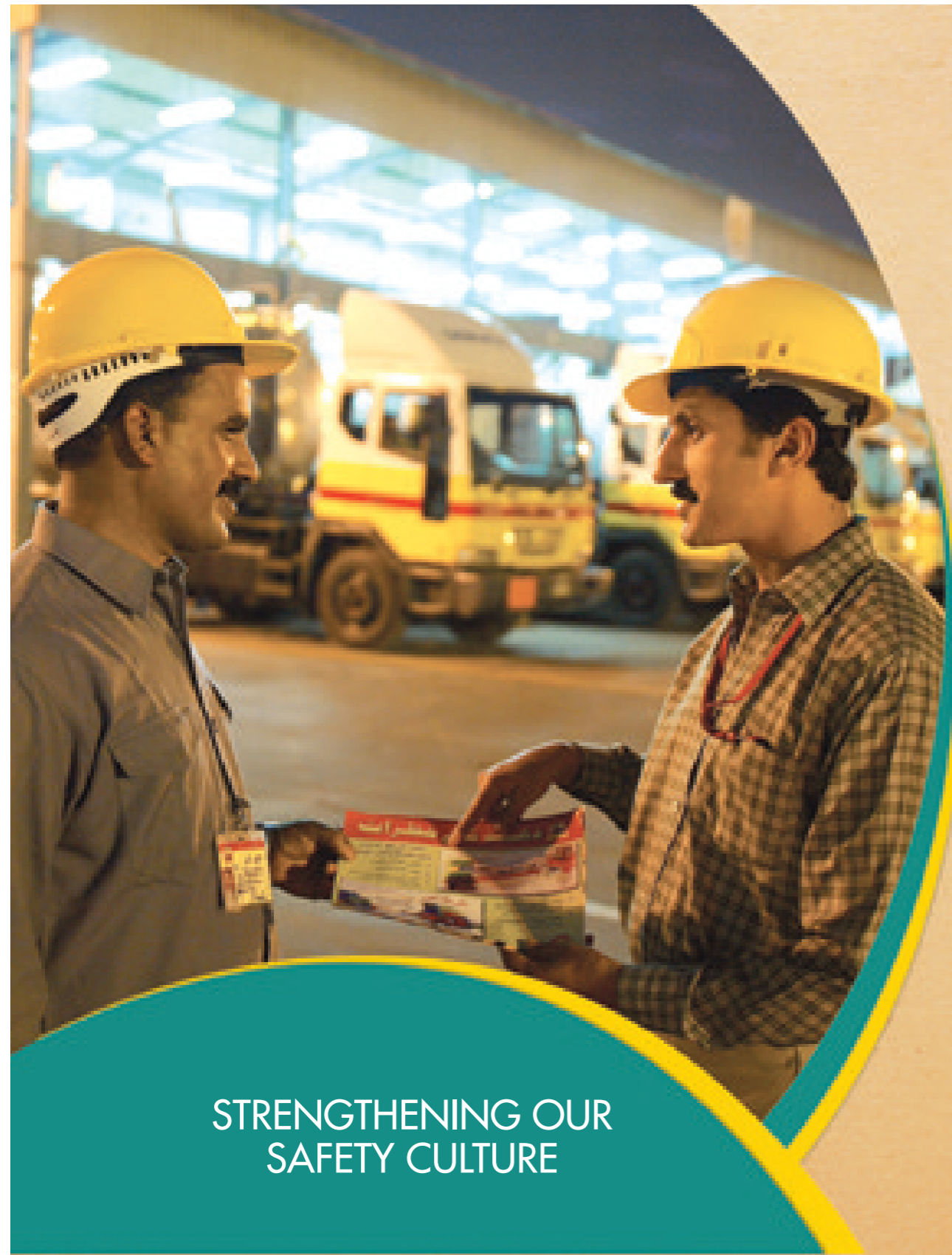
To complement these development activities in a more personalised way, Shell HR also launched a 'Leaders Develop Leaders' mentorship programme. Originally targeted at our Graduate recruits, the programme was expanded to assist in formalising and developing mentorship dialogues across several levels of high-potential staff. The programme pairs individuals with senior staff from a different business or function, in order to broaden their outlook on professional and personal development.

In recognition of the fact that we are a leading multinational and have a responsibility to set trends for our peers, Shell Pakistan was one of the founding members of Dia, a professional networking platform for working women in Pakistan. In March, 2008, Dia supported a two-day conference on Women Achievers, to which a number of prominent speakers, including GM HR Lean Menezes, were invited.

To ensure that we are continually aligned with the Shell Group principles for D & I, we invited our HR experts from Shell Singapore to run a two-day session on D & I principles as they are within the Group. Going forward into 2008, we continue to reiterate our focus on recruiting and retaining top-end talent, with particular emphasis on both female talent and a multiplicity of professional backgrounds.



OVER 100 YEARS OF
ESTABLISHING A SAFETY CULTURE



STRENGTHENING OUR SAFETY CULTURE

At Shell, safety is at the heart of the way we do business. We believe in a policy of no harm to people - be it our customers, employees, retailers, contractors, suppliers and even their staff. A systematic approach to Health, Safety, Security and Environment (HSSE) management, underpinned by a rigorous focus on embedding an HSSE culture through the 'Hearts and Minds' approach, is designed to not only ensure compliance with the law but also to help achieve continuous improvement in safety performance.

We believe it is possible to operate with zero fatalities and zero incidents, and that we owe such operational standards to our people, our partners, and the communities we serve. The phrase 'Goal Zero', which was launched in 2007, captures this belief. In the past year, we have taken a number of steps towards reduction of injuries and spills, further strengthened our Road Transport Safety and implemented the Permit-to-Work and Asset Integrity programmes in order to achieve our aim of being world-class in HSSE.

In 2007, we set up two company-wide 'Safety Days' to re-energise and re-focus our efforts to improve safety. Activities were focused on employees, site staff and contractors, helping to prevent injuries and accidents. In 2008 as well, we dedicated a safety day to motivate everyone to take personal action and change at least one thing that will help improve Shell's safety performance.

Shell Pakistan's continuous safety initiatives have been successful, as they have resulted in reduction of significant incidents by approximately 75 per cent in the past seven years. For its efforts, Shell Pakistan was given an award for environment-friendly practices at the 'Third Health & Environment National Excellence Awards' in March 2008, and also the 'Annual Environmental Excellence Award' by the National Forum for Environment and Health (NFEH) in July 2008, for the third year in a row. The award was given to SPL in recognition of its outstanding efforts and contributions in sustainable development and environment-friendly operations as a responsible corporate citizen.

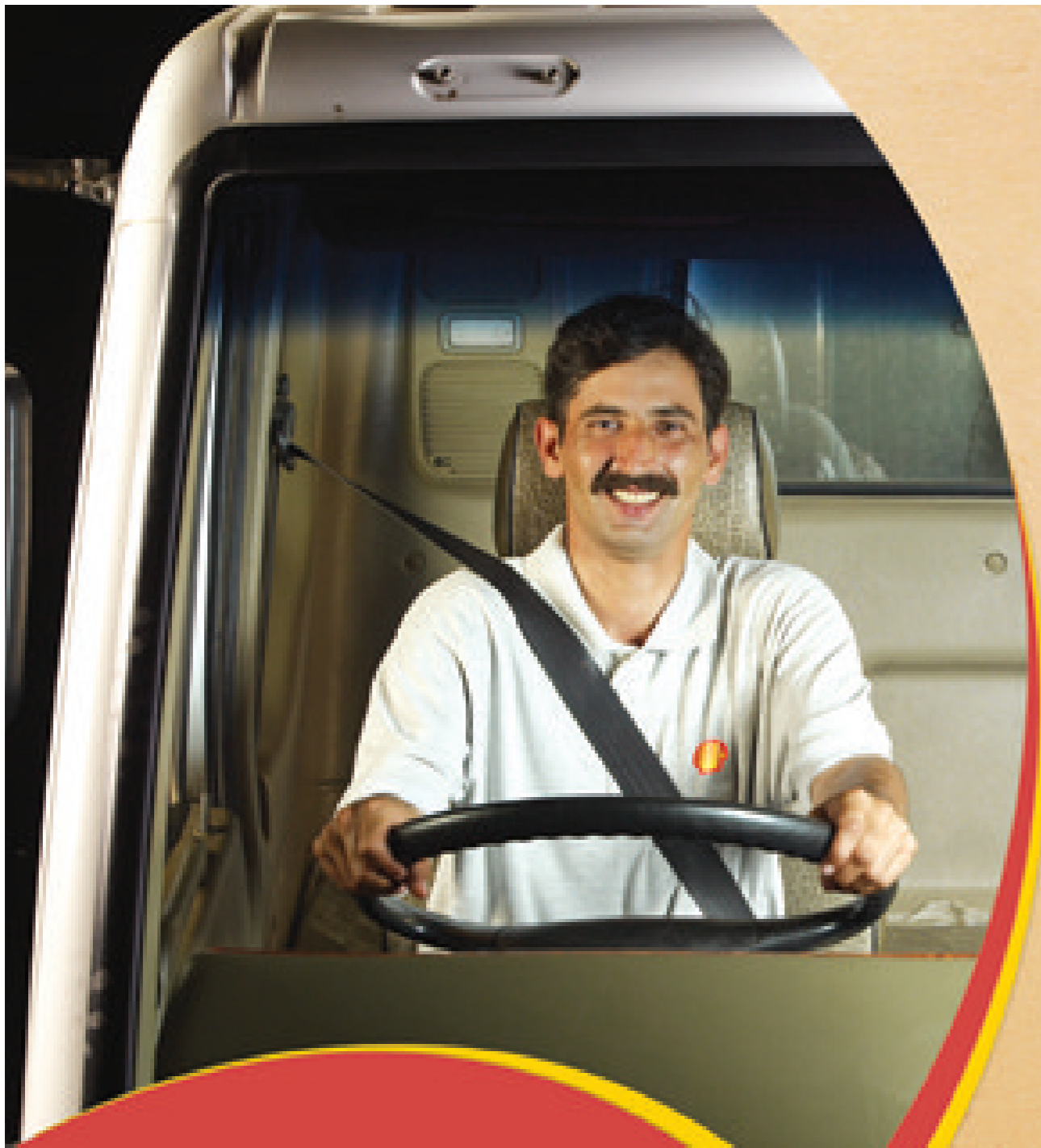
In our retail business, HSSE training sessions were conducted for CNG staff and site managers on CNG operating procedures and response to emergencies such as gas leakage and filling procedures at CNG stations. Effective 31st March, we also removed armed guards from all our retail outlets thus making our forecourts safer for staff and customers.

At our customer sites, we have outlined safe decantation procedures for our industrial customers and have also launched an awareness campaign to guide customers on safety at work. We aim for this to result in an increased ownership of HSSE amongst Shell Retailers, in turn making our sites safer for our customers.

For our contractors, we established a Local Contractor Safety Council. All participants were engaged on Shell Safety Guidelines for performing work at height, which is a high risk activity.

Shell Pakistan is striving hard for continuous improvement of HSSE management in all our businesses and operational activities. We firmly believe that our business performance correlates directly with exemplary HSSE performance.





ENGAGING WITH STAKEHOLDERS

Shell Pakistan continues to take a lead role in cultivating partnerships with business stakeholders for the overall growth of the oil and gas industry. Whether it involves sharing best practices, implementation of global technical and safety standards, or supporting the Government's initiatives in the power sector, Shell Pakistan is committed to the development of the industry. We work with our stakeholders to not only drive the growth of our businesses, but also to be part of the long-term development of the country.

OVER 100 YEARS OF
CULTIVATING PARTNERSHIPS



As part of Shell Pakistan's commitment to engage with stakeholders to improve HSE standards in the industry, we have participated in a number of collective initiatives and conferences to facilitate an understanding of industry issues and to collectively draft solutions. Whilst in past years we made commendable contributions to enhance the Industry Marine HSE Standards in the country through procurement of Tier 1 marine oil spill equipment and formation of a joint industry-wide marine oil spill resource center, this year, we continued to play a key role in assisting the National Shipping Corporation and Karachi Port Authority in improving shipping and terminal standards.

Shell Pakistan also participated in an HSE seminar arranged by the Petroleum Institute of Pakistan, where Mr. David George - Global Manager Ship Quality Assurance, STASCo - was the keynote speaker and presented on raising shipping standards to ensure safer oil transportation at sea. This seminar provided us with an excellent opportunity to share Shell's global expertise in shipping standards and to drive the case for change to higher standards in Pakistan.

Concurrently, we strive to improve Road Safety standards in alliance with other industry players as well as Government stakeholders. Last year, Shell Pakistan participated in two Road Safety Seminars to ensure a proactive approach towards road safety for petroleum product movement. We engaged the Oil and Gas Regulatory Authority (OGRA) to facilitate the development of safety standards and monitor the industry-wide oil tanker fleet and recommended that Oil Marketing Companies (OMCs) take the initiative in enforcing and improving standards.

In continuation of our commitment to improve the overall performance, Shell Pakistan has already launched its 'Haulier Professionalisation' programme, which has enabled us to further improve the core functions of Haulier businesses such as HSE compliance, preventive maintenance, and financial reporting. Our haulier participation in this programme has now increased to 25 hauliers.

Shell Pakistan's efforts have been duly recognised as we were awarded the 'Health and Environment Excellence Award 2007' by Help International Welfare Trust and the CSR Association of Pakistan in recognition of overall excellence of stakeholder engagement and CSR efforts.





LENDING A HELPING HAND

Shell Pakistan has taken a leadership role in contributing to society through a structured social investment programme that aims to integrate the economic, social and environmental needs of the local communities.

Our social investment projects are a testimony to the company's commitment, targets and performance in delivering on our environmental and social responsibilities.

OVER 100 YEARS OF
DEVELOPING COMMUNITY



We realise the importance of strengthening and developing human resource. Our key focus lies in education, which Shell Pakistan has been keenly supporting in a number of ways. In the area of primary education, we have built a school in the remote village of Kalaban, which currently enrolls 300 children. We have further partnered with The Citizen's Foundation (TCF) building primary schools in the earthquake-struck northern areas to reach out to under-privileged children. We also support the technical school for the SOS Children's Villages.

We at Shell Pakistan believe the youth of Pakistan must be provided access and opportunities for skill development and youth enterprise as a way to explore new and creative career avenues. Our Shell Tameer Programme, introduced in 2003, today exists as one of the foremost efforts to facilitate youth entrepreneurship in the country. Now in its fifth year of providing entrepreneurship guidance, the Shell Tameer programme has engaged more than 38,000 young people through workshops, seminars, meetings and our website. 43 workshops have been conducted for 2500 young people, and 61 seminars have provided awareness to over 12,000 students.

Going forward, Shell Pakistan is also initiating a Scholarship programme together with the Higher Education Commission, to fund the education of up to 50 students annually for degrees in Engineering and MBA. The Shell Scholarship programme will enable deserving youth to seek higher education from the premium institutions in the nation and give back to society.

In the area of health, we partner with premium organisations to serve our fence-line communities and contractors better. In an effort to facilitate the gift of sight, Shell has continued to support the Layton Rahmatullah Benevolent Trust (LRBT), a chain of 14 hospitals throughout the country, which provide free eye-care treatment including cornea replacement surgery to over one million patients annually, completely free of cost.

Shell Pakistan is also one of the first companies in our country to fight the spread of HIV/AIDS. Breaking taboos to educate, we offer Voluntary Counselling and Testing (VCT) services through our partners to disseminate education about HIV/AIDS, and to facilitate its prevention. Both these initiatives help us strengthen our fence-line communities, and help secure our business performance by offering free medical guidance to our contractors.

This year, we have rolled out a 'Road Safety Awareness Programme', with the tri-fold agenda of promoting road safety awareness amongst primary schoolers, teenagers and adults. While our 'Happy Roads' programme aims to educate primary schoolers, our road safety awareness programme for teenagers and office-goers is a joint effort with Indus Motors, which seeks to spread road courtesy amongst the general public, thereby reducing road fatalities in our country.

Our social investment portfolio extends itself to general community development initiatives as well. Our 'Good Neighbours' project was aimed at beautifying the neighbourhood around Shell House, and indeed, Shell Pakistan's efforts have made the neighbourhood area greener and cleaner, and evoked great appreciation from our esteemed neighbours and stakeholders in the area.





GLANCING THROUGH 2008

Select