

5. Overview of embedding human rights mechanisms within Shell

The previous chapter described how Shell embeds human rights mechanisms within its Headquarters and within the global context. This chapter provides a general overview of the way human rights risks are implemented and internalised within Shell Group as a whole. This way, an analysis is provided about the mechanisms through which Shell Headquarters¹ provides guidance to its subsidiaries and/or joint ventures² on their ways of embedding human rights (first research question). In addition, the degree of implementation and internalisation of human rights mechanisms within Shell is also assessed (second research question).

This chapter starts with explaining the use of data in section 5.1, after which a section deals with the question how and to what degree Shell Headquarters provides guidance to its subsidiaries and/or joint ventures in their implementation and internalisation of human rights. The rest of the chapter follows the structure the spheres of influence model in terms of local implementation of human rights mechanisms, as presented in section 2.3. The data is presented in sections 5.3 to 5.7 for core operations (5.3), contractors (5.4), security (5.5), communities (5.6) and government (5.7) respectively. The local internalisation of human rights mechanisms is described in section 6.8, after which conclusions are drawn in final section 5.9.

5.1 Use of data

As explained in chapter 3, several existing Shell information gathering and assurance instruments are used to obtain a general overview how human rights risks are implemented and internalised within subsidiaries and/or joint ventures. The analysis is based on the categorisation of countries according to the perceived risk associated with human rights (see table 6 in section 3.5.2, called 'human rights risk' from this point onwards) as well as an analysis of the so-called 'sensitive countries' (see section 3.5.2). This analysis, conducted by the researcher in 2006, has served as a baseline study on human rights practices within Shell subsidiaries and/or joint ventures for the period of 2004 and 2005. This internal analysis has been adjusted to fit the purpose of this research. To understand how the different instruments (described in section 3.5.2) and the resulting data are used in the analysis, explanations are provided below.

1. Business Assurance Statements (BAS)

Some of the BAS of 2004 and 2005 relate to human rights, namely the Country Chair Roles Statements and the Diversity & Inclusiveness Statements. As the BAS are not designed to measure adherence to human rights, the BAS have not been analysed through a human rights lens yet, nor differences according to human rights risk. For the purpose of this research, the researcher analysed the BAS of 2004 and 2005 to assess the degree of implementation of human rights related policies and procedures, identify explanations and assess whether this differs

¹ As stated in chapter 4, 'Headquarters' is the compilation of the support functions based in Shell International BV, such as Finance, Human Resources, Corporate Affairs, etc.

² As stated earlier, the companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate entities. The word 'subsidiary' refers to companies in which Royal Dutch Shell either directly or indirectly has control, by having either a majority of the voting rights or the right to exercise a controlling influence. However, some companies discussed in this chapter may be companies in which Shell has significant influence but not control. These companies will be indicated as 'joint ventures'.

according to human rights risk. This is done for all levels of human rights risk to assess differences.

2. *People Survey*

At the time of research of 2004–2006, managers were expected to implement an action plan based on the results of the People Survey (this changed later to one of the inputs to their ongoing business planning). The survey can indicate whether employees feel that Shell respects their human rights. Besides the indicators above concerning labour practices, the People Survey also addressed wider issues, such as employees' views on bribery and corruption and community relations. This way, analysing the People Survey provides an indication how employees perceive the degree of implementation *and* internalisation of human rights related policies and procedures within subsidiaries and/or joint ventures.

The researcher analysed the results of the People Survey of 2004 through a human rights lens. This is done only for extreme and high human rights risk countries (20% of the total of employees), because it can be expected that the subsidiaries and/or joint ventures based in these countries face the most labour issues. A stronger need therefore exists to implement and internalise human rights related policies and procedures in these countries. Nevertheless, a reference point is provided by comparing the results with the results of Shell's home countries at the time of research, i.e. United Kingdom (moderate risk) and The Netherlands (low risk in 2004).

3. *Country Chair Questionnaire*

The Country Chair Questionnaire (CCQ) of 2004 and 2005 (later changed to Data Gathering Questionnaire) is primarily an information gathering tool and no assurance tool. On the other hand, of all the tools that are used in this human rights practice assessment, the CCQ covers the most human rights subjects, as the questions in the questionnaire are determined by the expectations from society. The data of CCQ is therefore used for this assessment, even though it is not its primary purpose. Around one third of the results of the CCQs have been published before in the Shell Sustainability reports, but this analysis is based on the full dataset. Only some elements have been analysed for human rights purposes before, namely child labour, forced labour and freedom of association. For the purpose of this research, the researcher analysed the full set CCQs of 2004 and 2005 on the degree of implementation of human rights related policies and procedures and whether this differs according to a country's human rights risk.

4. *Communication Country Chairs – International Department (ID)*

Annual communications between country chairs and the international department, based in Headquarters, occur to discuss any business issues. These communications were systematically analysed through a human rights lens in 2004 and 2005 to:

- a) identify any human rights (related) issues faced by Shell subsidiaries and/or joint ventures and assess how country chairs handle these;
- b) assess the degree of and the way of implementation of human rights related policies and procedures;
- c) assess the country chairs' degree of internalisation of human rights.

Only communications with country chairs working in extreme and high human rights risk countries (approximately 50 countries) are analysed, because it can be expected that the subsidiaries and/or joint ventures based in these countries face the most human rights (related) issues. A stronger need may therefore exist to implement and internalise human rights related policies and procedures in these countries.

5. Interviews Country Chairs

As explained in section 3.5.2, the instruments as mentioned above are not designed especially for the purpose of capturing human rights elements. In order to compensate for the risk of invalid data, the researcher performed additional interviews with 7 country chairs of Shell subsidiaries and/or joint ventures based in high/extreme risk countries ('sensitive countries'). The objectives of these interviews are to a) identify the issues, how they are handled and why, b) assess way of implementation and why, and c) assess degree of internalisation of country chairs. Appendix 9 describes the interview protocol of the interviews with country chairs. Seven out of nine country chairs have been reached.

As described in chapter 3, some parts have been indicated as confidential for different reasons. In this chapter, this is valid for certain internal guidelines and data from the assurance mechanisms as mentioned above that are not already in the public domain, implementation with security forces and host governments and quotes. Due to the importance of data from the People Survey and Country Chair Questionnaire for the analysis of this chapter, this chapter has been impacted most severely by confidentiality issues. The confidential parts have been disclosed to the committees that had to assess this PhD thesis. Besides, the analysis from these confidential parts is drawn into the public conclusions at the end of this chapter and chapter 8 and has been shared within Shell for policy analysis.

5.2 Global versus local strategy on human rights

In the previous chapter, the degree of implementation and internalisation within Shell Headquarters was discussed. Before analysing the ways and to what degree subsidiaries and/or joint ventures implement and internalise human rights, the relationships between Shell Headquarters and its subsidiaries and/or joint ventures should be explained and analysed. This will create further understanding what mechanisms Shell Headquarters uses to provide guidance on the implementation and internalisation of human rights within its subsidiaries and/or joint ventures.

Shell subsidiaries and/or joint ventures do not have a direct relationship with Shell Headquarters, as Shell Group exists of several business units or the 'Businesses' (as they are called within Shell). These Businesses include (in the period of research of 2004-2006): Exploration & Production, Gas & Power, Oil Products, Chemicals and Renewables.³ The Businesses manage Shell subsidiaries, have their own business specific strategies (but aligned with the Group strategy) and may have business specific management systems. At the same time, the Businesses fall under the same business principles, controls and commitments of the Shell Group. The directors of the individual business units are represented at the Board of Directors of Royal Dutch Shell plc. The Businesses are responsible for effective implementation of the Standards and have to assure annually that they comply with the Group Policy and Standards (see section 4.4.1).

This balance that Shell wants to strike between the needs of the Shell Group and Business specific needs leads to tensions within the company. Some of the policy owners interviewed in Shell Headquarters are not satisfied with this situation, since they do not have a lot of input into the activities of the Businesses. The result of the relative autonomy of the Businesses is, according to many policy owners, a varying degree of implementation of the Standards. For example, Oil

³ In 2007, the business unit Renewables was merged with the business unit Oil Products. Furthermore, another business unit was created, namely 'Oil sands' (see shell.com, 2008).

Products developed a harassment and discrimination guide with the assistance of the policy owner in Corporate Affairs. This guide was shared across the other Businesses, but without the requirement to adopt the guide, which lead to inconsistency in implementation.

One of the reasons for their dissatisfaction is, according to the policy owners interviewed in Headquarters, that the guidance from Shell Headquarters is too high level and abstract and is not practical to implement. However, as discussed before, this high level guidance was purposely chosen to leave room for the specific needs of the Businesses. Others therefore accuse their colleagues from 'telling the Business how to do it', which leads to a defensive attitude within the Businesses. Again others interviewed fear that the focal points in the Businesses do not have the expertise or time to develop this expertise.

On the other hand, policy owners interviewed in Corporate Affairs also realise that they do not have the resources to implement the Standards in the Businesses, nor should they have. The policy owners interviewed therefore put a lot of effort into building a good relationship with the Businesses, so the Businesses are willing to implement the Standards and guidelines and the policy owners are involved when decisions are made. Nevertheless, the Policy team, responsible for policy development around human rights (see chapter 4), questions whether to delegate the accountability for implementation to the Businesses or not. The reason for this hesitance is the experience of some policy owners interviewed that the Businesses want to be the implementers as well as the auditors, which leaves little room for influence of Shell Headquarters.

The policy owners interviewed, however, do experience some variation between the different Businesses. Apparently, the Business units Chemicals is regarded in Corporate Affairs to be the most centralised out of efficiency reasons (at the time of research), because it is relatively small in comparison with the other business units and therefore easier to be centralised. Some policy owners interviewed experience implementation of Group Standards with Chemicals easier to implement, because of this high degree of centralisation. Oil Products is regarded as strongly consumer focussed and therefore more susceptible for the views of external stakeholders. Furthermore, during the research period, Oil Products initiated the 'Downstream One' change programme, aiming to simplify and standardise the internal processes and implement one global management system. On the other end of the spectrum, policy owners in Corporate Affairs experience the Business Exploration & Production (EP) as the most distant as well as vice versa.

Within the Businesses themselves, the policy focal points, who are based at the corporate level of the Business units, also experience that the subsidiaries and/or joint ventures have a relatively strong autonomy. This is recognised externally to Shell as well: *'unlike its rivals, Shell was run through individual companies that enjoyed generous autonomy'* (Cummins et al, 2004). Some focal points interviewed experience this as positive, because many requirements would be very local and there is no added value to making these a Group requirement. For example, informing communities about a possible emergency procedure is, although part of 'respecting human rights', dependent on how the local authorities are organised. If the local authorities are organised well, they should take the responsibility to inform the local communities, if the authorities are not well informed, the Shell Company could take the initiative to inform them. This approach seems to resemble the human rights strategy of the 'voluntary code of conduct', as identified in section 2.10.

However, this human rights strategy is not regarded as the ideal solution, as people in the Businesses share the same frustrations with their control over the implementation as in Shell Headquarters. For example, many of the people interviewed working in Shell Headquarters as well as at the corporate level of the Businesses see room for improvement with the implementation of the Integrated impact assessment process (also relevant for the implementation of human rights, see chapter 4) and embedding environmental and social aspects within design of projects. The conclusion of an internal analysis included that improvements in mostly internalisation aspects are needed, i.e. degree of competence, accountability, resourcing and leadership. Some policy focal points interviewed therefore suggest to empower e.g. the country chairs more by building their capacity and competency in the area of human rights, as they need to recognise the human rights risks in the local context and managing these. The role of country chairs with the implementation and internalisation of human rights is going to be discussed in the sections below.

According to some external stakeholders, this strong autonomy of subsidiaries is the main cause of the human rights issues that Shell is currently facing in e.g. Nigeria (see chapter 7). Mirvis (2000) states, for example, that *'extreme decentralisation was blamed for miscommunication and, to some extent, for mistakes made in dealings with government and NGOs in the case of the Spar and Nigeria'*. The Danish Institute for Human Rights also came to the conclusion after the Quick Check (see chapter 4) that *'a general problem is that too many issues are left to the discretion of Shell operating units at the country level, even with regard to very fundamental human rights issues'*. On the other hand, the same institute also recognised that human rights issues can be better resolved within the local context.

Centralising the implementation of Shell Standards in the Businesses, however, also has its disadvantages. For example, the external affairs department centralised its organisation per Business, but this led to miscoordination on a country level. People in the subsidiaries and/or joint ventures reported to line managers abroad instead to the country chair, which led to many inconsistencies on country level. This can also have an impact on the implementation and internalisation of human rights within Shell, as each country has different legislations, social and cultural practices that require country coordination of implementation of human rights.

Hence, most policy owners at Shell Headquarters and focal points in the Businesses interviewed think that Shell Group is rather decentralised, with relatively high autonomy of Shell operating companies. However, the Dutch companies participating in the NIDO programme (see chapter 3), indicated to regard Shell as rather centralised, compared to their own businesses. Van de Wateringen (2005) researched the degree of centralisation of most of the oil majors. She concluded that Shell, compared with its competitors, moved from a quite centralised position in 1990 to a relatively decentralised position in 1995 and 2002. BP is the most decentralised company, Chevron and Texaco are relatively decentralised in 2002 and Statoil appeared to be the most centralised for 2002. Thus, the research of Van de Wateringen confirms the experience within Shell. Arguably, Shell may be on its way to centralise more during the research period 2004-2006, given the merger of the two Shell companies, the introduction of the Code of Conduct, the Downstream One initiative, etc (see chapter 4).

Nevertheless, many policy owners interviewed also recognise that variation exists in the degree of decentralisation of specific functions. For example, both BP and Statoil indicate to have a more decentralised Human Resources function, but have a highly centralised approach to HSE. Based on the analysis of the previous

chapter, the same can be concluded for Shell Group. With regard to the function Social Performance, as in Shell Headquarters (see chapter 4), the Businesses as well as the subsidiaries and/or joint ventures are searching where to place it into the organisation: within Communications or in HSE. This led to differences in way of implementation across the Businesses. In terms of human rights, the policy team recognised that BP focuses more on solving human rights issues on the ground by sending in teams from Headquarters, whilst Shell Group focuses more on policy development and embedding human rights into the existing systems and processes in the company. However, Shell Headquarters also started to resemble BP's approach with the shift of the SPMU strategy (see previous chapter) in the research period to a more 'fire fighting' approach.

Some policy owners explain the relatively strong autonomy of the Businesses and subsidiaries from the culture of the Dutch context from which Shell originates. Some therefore recommend that Shell Group should take an example to Exxon, a highly centralised company, and Shell Headquarters should not be 'afraid to intrude' with business affairs. Others suggest just taking an initiative, showing that it works on the ground and approaching top management with a plan to encourage implementation it Shell Group wide. Again others indicate that expatriates play a crucial role in bridging the relationships between subsidiaries and Shell Headquarters, as they have an understanding of the global policies and procedures and work within Shell subsidiaries and/or joint ventures to implement these.

Finally, many policy owners and focal points indicate that joint ventures pose difficulties in providing guidance on the implementation of Shell standards, particularly joint ventures in which Shell owns a minority of the shares or is not under operational control. The coordination of these joint ventures decentralised over the years in Shell, as Van de Wateringen (2005) concludes in her PhD: '*Shell replaced its most centralised position in terms of minority-owned affiliates by an almost most decentralised position*'. Although Shell requires equivalent principles and implementation procedures (see section 4.6.2), policy owners interviewed express their concerns of this decentralisation. With the introduction of the new Shell control framework (see section 4.4), these concerns were addressed further.

In sum, this section has discussed the relationships between Shell Headquarters, the Businesses and the subsidiaries and/or joint ventures and concluded that the Businesses and subsidiaries and/or joint ventures have a relatively high degree of autonomy in implementing the Shell Standards and guidelines. Although some experience this as positive, it also led to a high degree of dissatisfaction of policy owners and focal points with the ways and consistency of implementing. This dissatisfaction will be cross-checked in the sections below by analysing to what degree employees and country chairs regard the implementation and internalisation of human rights aspects.

5.3 Core operations: local implementation of human rights mechanisms

This section deals with the question to what extent and in what way are human rights related to its core operations implemented at subsidiary/joint venture level within Shell Group? The following sub-sections describe the specific labour related human rights issues and assess the degree of implementation at subsidiary level within the limitations of the available data. The first sub-section describes the implementation of healthy and safe working conditions, after which four sub-sections follow that deal with the fundamental principles of the International

Labour Organisation: the right to freedom of discrimination is discussed in sub-section 5.3.2, sub-section 5.3.3 deals with child labour, sub-section 5.3.4 with forced labour indicators and sub-section 5.3.5 with freedom of expression and association. Remuneration and benefits are described in sub-section 5.3.6 and practices that prevent bribery and corruption in sub-section 5.3.7.

5.3.1 Healthy and safe working conditions

Healthy and safe working conditions relate to the right to life, liberty and security of person. One way of measuring whether the procedures are effective is the fatality numbers, which are reported in the Shell Sustainability Reports. The numbers vary from two to eight employees that lost their lives in the years 2001-2005, with a steady decline of fatalities per working hours. Additionally, the injuries reported per working hour declined as well, but has stalled in recent years. The causes for fatalities and injuries mentioned in the reports are road accidents, workers falling, construction projects in challenging areas and acquisitions. Following policies and procedures are usually not the problem (degree of implementation), as indicated in chapter 4, but the work culture is (degree of internalisation). The latter is also influenced by the national culture. Other indicators from the CCQ/People Survey have been indicated as confidential (see section 5.1).

5.3.2 Preventing discrimination and harassment

The right to freedom of discrimination forms an important human right. The UDHR even starts with this right by stating that 'all men are created equal'. Within Shell, the Diversity & Inclusiveness Standard and guidelines cover this right (see chapter 4). Five People Survey indicators give an impression to what degree employees think that their right to freedom of discrimination has been respected, of which two are part of public data.

The percentages of employees who feel treated with respect and whether leaders respect different cultural backgrounds and lifestyles are not very different from the home countries and are very high (90%). Another way of measuring respect for different cultural backgrounds is to count the different nationalities present in senior management positions, as measured in the CCQs. The Shell Sustainability Report of 2005 indicate that local nationals filled more than half of senior level positions in 36% of the countries in which the company operates. Related to the opportunities of women within Shell, the extent in which women participate in senior positions is also measured in the CCQs and as published in the Shell Sustainability Reports:

Year	Gender	Junior	Middle	Senior	Senior +
2004	Women	21%	12%	10%	9%
	Men	79%	88%	90%	91%
2005	Women	22%	13%	11%	10%
	Men	78%	87%	89%	90%

Table 1 Gender balance in different job groups

This table shows that women are strongly underrepresented in the employee population, ranging from 22% at junior management to 9% at senior management level. There is a slight improvement in 2005. Shell has set targets of improving the participation of women in middle to senior+ positions to at least 20% by 2011.

5.3.3 Preventing child labour

Child labour is another ILO fundamental principle. Although child labour may not be the most important issue that an energy company such as Shell faces because

the nature of its business (see chapter 4), it is still measured in the CCQ and published in the Shell Sustainability Reports whether Shell operating companies have checks to ensure procedure are in place to prevent the use of child labour. This means that these companies have an explicit procedure in place. In that respect, between 80 – 90% of Shell’s operating companies said to prevent child labour in 2004 and 2005, as shown in figure 1.

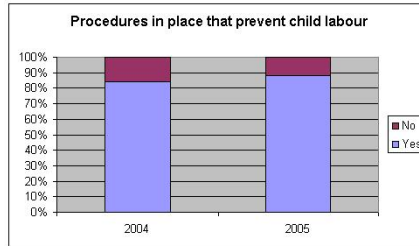


Figure 1 Shell companies that operate procedures to prevent use of child labour

5.3.4 Preventing forced labour

The implementation of procedures to prevent the use of forced labour has been measured in several ways: through the CCQs and interviews with country chairs. This data has been indicated as confidential, but taken into account in the general conclusions, as described in section 5.1.

5.3.5 Freedom of expression and association

Being a member of a labour union, representation of employees needs to management and having grievance procedures in place are part of the right to freedom of expression and right to freedom of association. These aspects are measured in the CCQs. From this data, it follows that around 15% of Shell employees are member of a union, which is not very different from other multinational companies. Further, grievance procedures of employees to report any potential human rights violations have been measured in three different ways in the CCQs: the presence of a staff forum, the presence of a grievance procedure and the possibility to report anonymously. As reported in the Shell Sustainability Report, almost all companies (99,9%) have either of these channels available for their staff. By 2006, Shell took a more systematic approach by installing a global whistle blowing line that is available to all Shell employees and contractors at all times and provides possibility to report anonymously.

5.3.6 Remuneration and benefits

The provision of adequate labour conditions in terms of remuneration and benefits are measured in the CCQ and the People Survey. The implementation of procedures has been measured in several ways: through the CCQs and interviews with country chairs. This data has been indicated as confidential, but taken into account in the general conclusions, as described in section 5.1.

5.3.7 Preventing bribery and corruption

As described in chapters 1 and 4, preventing bribery and corruption practices prevent human rights abuses. Implementation of procedures to prevent bribery and corruption are embedded into the company’s financial system and all Shell subsidiaries and/ion joint ventures are required to implement those. Whether procedures to prevent integrity breaches work in practice can be measured through the number of integrity breaches (facilitation payments, bribes or other fraudulent practices), which is reported in the Shell Sustainability Reports. A positive trend can be noticed: the number of proven incidents was 139 in 2004 and declined to 107 in 2005. A way to assess whether these procedures work in

practice is the People Survey indicator that measures whether employees feel that Shell does not tolerate bribery or any other breaches of SGBP, also published in the Shell Sustainability Report of 2004. In 2004, 82% of staff believed their part of the organisation does not tolerate bribery or other breaches of our Business Principles, up from 78% in 2002. However, 5% of staff believes their part of the organisation does tolerate these practices.

5.4 Contractors and business partners: implementation of human rights mechanisms

The next sphere of influence consists of contractors and business partners of Shell operating companies and/or joint ventures. The analysis of the Country Chair Roles Business Assurance Statements shows that all but one Shell subsidiaries and/or joint ventures are making efforts to promote the SGBP with contractors and suppliers. From the interviews follow that contractors are seen to be within the sphere of influence of companies, but not specifically on human rights. However, the CCQ does measure on specific human rights issues, i.e. whether Shell subsidiaries and/or joint ventures know whether their contractors and suppliers have procedures in place that prevent child labour and forced labour, whether they provide minimum salary and adequate leave (labour issues) and facilitation payments are prevented.

Monitoring of contractors is illustrated by the fact that around 65 contracts are cancelled each year due to incompatibility with the Shell General Business Principles.

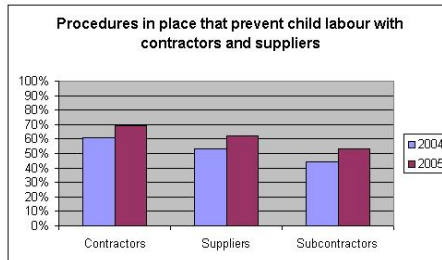


Figure 2 Procedures in place with Shell (sub) contractors & suppliers that cover child labour.

Figure 2 shows that the less control Shell companies have (moving from contractors to subcontractors), the more Shell companies state that no explicit procedures are in place or they do not know. This clearly shows the spheres of influence model (see section 2.3). There is, however, a common improvement showing from 2004 to 2005. Another human rights related indicator that is measured in terms of contractors and suppliers is the implementation of healthy and safe working conditions. The Shell Sustainability Report of 2005 indicates that many more fatalities occur with contractors than with employees (ranging from 33-45 fatalities per year), mostly due to non-compliance with Shell’s HSE standards.

Using local contractors promotes the social and economic rights of local people. In the Shell Sustainability Reports of 2004/2005, 6.2 – 9.2 U\$ billion was spent on goods and services from locally owned companies in less developed countries. The same reports also show that 63-64 contracts were cancelled due to incompatibility with the Business Principles.

Finally, the implementation of human rights with business partners relates mostly to joint venture partners (80% of all Shell companies are joint ventures). When Shell does not have a majority shareholding or is not the operator or management contractor of a joint venture, Shell does not have the same power to demand compliance with SGBP. Equivalent principles are adopted (see chapter 4) where it is not possible. No joint venture contract was cancelled because of breaches with SGBP.

5.5 Security forces: local implementation of human rights mechanisms

The security forces that Shell companies work with across the world can be private or public. The degree of implementation of human rights with these contractors at Shell subsidiaries and/or joint ventures relate to the behaviour of these forces when protecting company assets and especially refer to the implementation of the Voluntary Principles of Security and Human Rights (see chapter 5). In 2004 and 2005, nothing was reported explicitly related to the Voluntary Principles, but this changed in 2006. Shell reported to the VPSHR committee that in 2006 awareness was raised through workshops amongst security professionals, law enforcement officials, armed forces and police in Latin America, Asia and Africa. As published in the 2006 Shell Sustainability Report, by the end of 2006, several operations in countries with high security risks, including Nigeria and Pakistan, were also implementing the Voluntary Principles on Security and Human Rights.

Shell companies experienced significant security incidents, such as armed robbery, kidnappings and vandalism in 13 countries in 2004 and 24 countries in 2005, including Nigeria. In 2005, Shell Sustainability reports indicated that armed security was used in 19% of the countries, slightly more than in 2004. The remainder of this section has been indicated as confidential, but taken into account in the general conclusions, as described in section 5.1.

5.6 Community: local implementation of human rights mechanisms

In the previous chapter, it has been described that each Shell subsidiary and/or joint venture needs to make and implement a stakeholder engagement plan, including communities and NGOs. This human rights mechanism of stakeholder management is explicitly measured in the CCQs, but in a different way for the years 2004 and 2005. The results of the analysis indicate that Shell subsidiaries and/or joint ventures share information and established a dialogue with many stakeholders, including local communities.

In terms of social investment which promotes social and economic rights of communities, the total amount of social investment (equity share) made by Shell subsidiaries and/or joint ventures slowly increases (from \$85 million in 2000 to \$127 million in 2005). Whilst an amount of \$127 million seems to be a lot in absolute terms, it is a small part (0,8%) of the total capital investment that Shell Group makes (exclusive minority share in Sakhalin) each year. When the amount of social investment made is analysed according to human rights country risk, it showed that 70-80% was spent in low and moderate risk countries. Although the assumption is that high and extreme risk countries may need more social investment, the size of Shell's operations (measured through amount of employees) is relatively small (20% of total) in those countries.

In terms of implementation of social performance procedures related to respecting and protecting human rights of communities, the CCQ measures the degree in which written procedures are in place and social impact assessments are conducted. The Shell Sustainability Report of 2004 indicates that Social Performance plans are being put into place for high risk (large facilities with potential high impact on local communities) locations.

One way in which can be assessed whether these procedures also work in practice is the People Survey indicator that measures in what degree employees feel that Shell acts with integrity in its dealings with the society/community in which they operate (also published in the Shell Sustainability Reports), which is over 90% for both 2004 and 2005.

5.7 Government: local implementation of human rights mechanisms

This data has been indicated as confidential, but taken into account in the general conclusions, as described in section 5.1.

5.8 Local internalisation of human rights mechanisms

Next to local implementation of human rights in terms of procedures, local internalisation also needs to be explored. The degree of internalisation means the state in which the employees at the subsidiary attach symbolic meaning to human rights through commitment, satisfaction and psychological ownership (see section 2.6). In order to assess the internalisation of human rights with employees, the 2005 CCQ monitors the percentage of employees that had SGBP training for at least two hours since 2001. The questionnaire also monitors whether relevant staff participated in staff awareness sessions on the use of intermediaries. The results show that the majority of Shell employees have received such training. This remainder of this data has been indicated as confidential, but taken into account in the general conclusions, as described in section 5.1.

5.9 Summary and conclusions

This chapter provided a general overview of the ways and degree in which human rights risks are implemented and internalised within Shell Group as a whole. This way, an initial overview was provided to answer the first two research questions, including identifying mechanisms that Shell subsidiaries and/or joint ventures uses to embed its commitment to human rights and determine the degree of implementation and internalisation at subsidiary level.

Regarding the strategy that is used within Shell Group to implement and internalise human rights within its Businesses and subsidiaries and/or joint ventures, this chapter concluded that the Businesses and subsidiaries and/or joint ventures have a relatively high degree of autonomy in implementing the Shell Standards and guidelines. From a Shell Headquarters point of view, the human rights strategy resembles the 'voluntary code of conduct' strategy, as identified in section 2.10, in which the subsidiaries and/or joint ventures are weakly embedded into the Shell Group as well as the local contexts. Although some experience this as positive, this weak-embeddedness also leads to tensions with policy owners and focal points around their perception in what degree they can influence the ways and consistency of implementing human rights elements. From a subsidiary and/or joint venture point of view, however, the human rights

strategy tends to be drawn increasingly into a 'follow local standards' strategy, as the local contexts causes human rights dilemmas and the increasing use of e.g. non-controlled joint ventures reduces the possibility of Shell Headquarters to provide guidance on the implementation of policies and Standards.

Ways of embedding human rights

In terms of the first research question, the general conclusion can be drawn that Shell subsidiaries and/or joint ventures embed human rights by aiming to implement and internalise the Shell Group policies and standards, such as Diversity & Inclusiveness, Harassment & Discrimination, Security Standard, Contracting & Procurement procedures and Social Performance guidelines. The operating companies do not use separate procedures or instruments from Group procedures that deal with human rights explicitly, except when it is initiated from Shell Headquarters.

Degree of implementation

The degree of implementation means the state in which the subsidiary and/or joint venture and Headquarters follow the formal rules implied by the practice of human rights mechanisms. In that respect, differences can be noticed per functional area, as shown in the following table:

Sphere of influence	Strong	Fair	Areas for improvement
Core operations	HSE	Harassment & Discrimination	
	Child/forced labour	Employee Relations	
	Benefits and remuneration	Integrity	
Contractors and business partners	HSE, Integrity		Labour conditions
Security forces	Confidential		
Communities	Social investment	Social Performance	
Government	HSE, Integrity	Security	

Table 2 Degree of implementation human rights mechanisms by subsidiaries and/or joint ventures at the time of research

In their core operations, Shell subsidiaries and/or joint ventures seem to have strong practices on HSE and child/forced labour. Most have procedures in place to provide for safe and good physical working conditions, to prevent child and forced labour (or rely on labour laws) and provide at least minimum wages and proper benefits. Besides, these issues are front of mind for country chairs. Furthermore, most employees are very satisfied with Shell as their employer and find that their company provides safe and good physical working conditions, no matter whether they are based in extreme/high risk or home countries.

Some of the areas in core operations require more attention. The D&I standard is implemented well by most subsidiaries and/or joint ventures and most employees feel treated with respect, but the representation of women and employees from non-Western countries in management positions can be improved. Employee relations is another area where most Shell subsidiaries and/or joint ventures allow employees to join labour unions and implement grievance procedures. Again, the local context of sensitive and extreme and high-risk countries (e.g. ban on independent labour unions or public assemblies) impacts the degree of implementation of the right to freedom of association and expression. Finally, the same picture emerges in the area of preventing bribery and corruption: subsidiaries and/or joint ventures implement procedures well and most employees feel that their company does not tolerate bribery.

Moving to the next sphere of influence, contracting and procurement, it can be noticed that some human rights mechanisms are well implemented by Shell

subsidiaries and/or joint ventures and others deserve more attention. In relation to communities, Shell subsidiaries and/or joint ventures fairly implement human rights mechanisms in terms of stakeholder engagement with communities and NGOs, social investment and increasingly implement social performance procedures. The following chapters, where in-depth case studies are discussed, may bring further clarity.

Degree of internalisation

From section 5.8 (including confidential parts), it can be concluded that it seems that Shell Headquarters has an important governance role again in providing guidance on the internalisation of human rights within its subsidiaries and/or joint ventures forward. In addition, international pressure forms an important driver for Shell subsidiaries and/or joint ventures to pay more attention to the local human rights situation and internalise it. Nevertheless, the local context also plays an important role, because the sensitivity of human rights in the local context or the perceived large distance between human rights abuses and company activities may sometimes prevent Shell subsidiaries and/or joint ventures to take ownership of the practice.

Here ends this analysis of the implementation and internalisation of human rights within Shell subsidiaries and/or joint ventures. The next two chapters provide in-depth case studies to obtain more insight in how the local context influences the management of human rights at subsidiary/joint venture level.