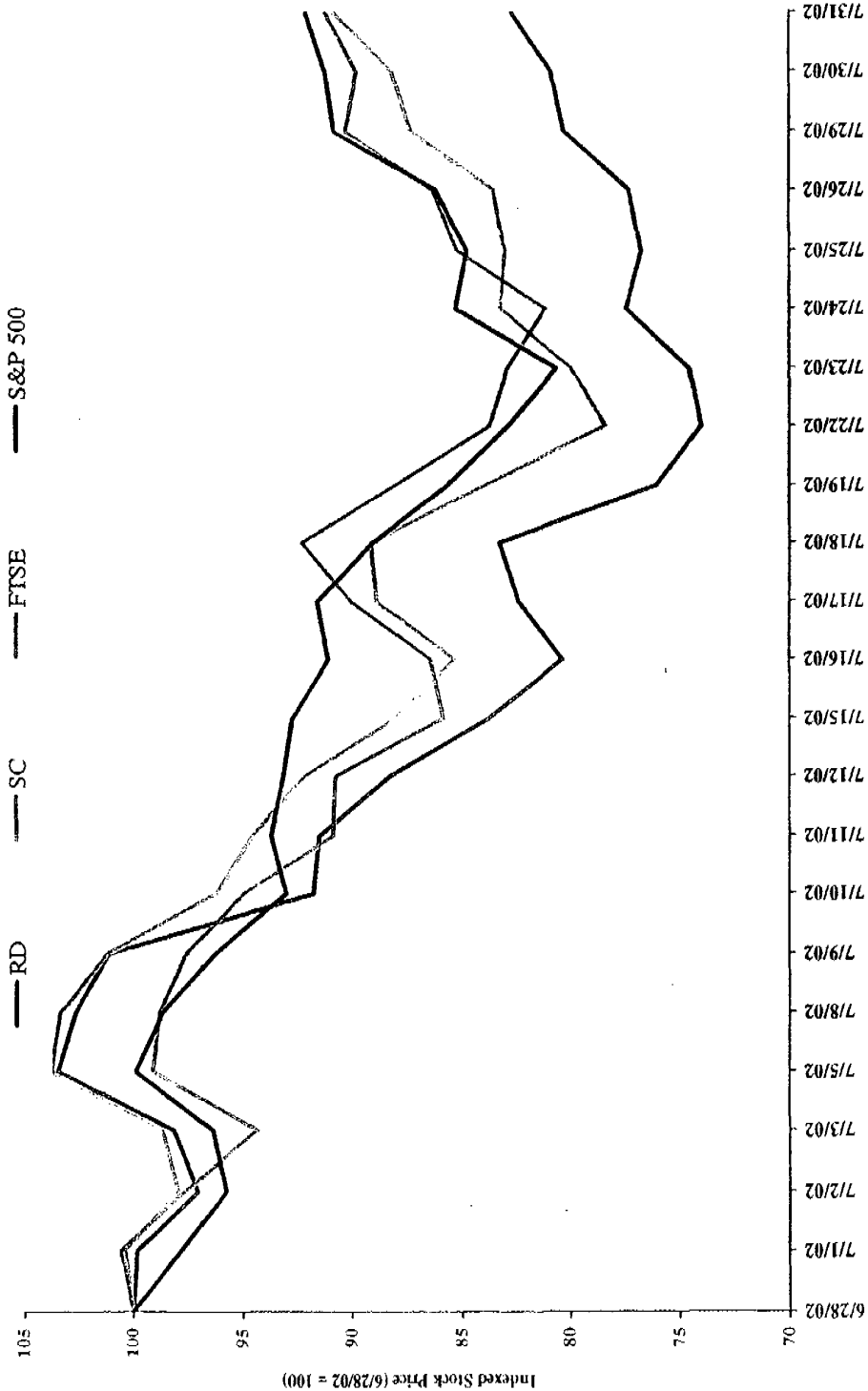


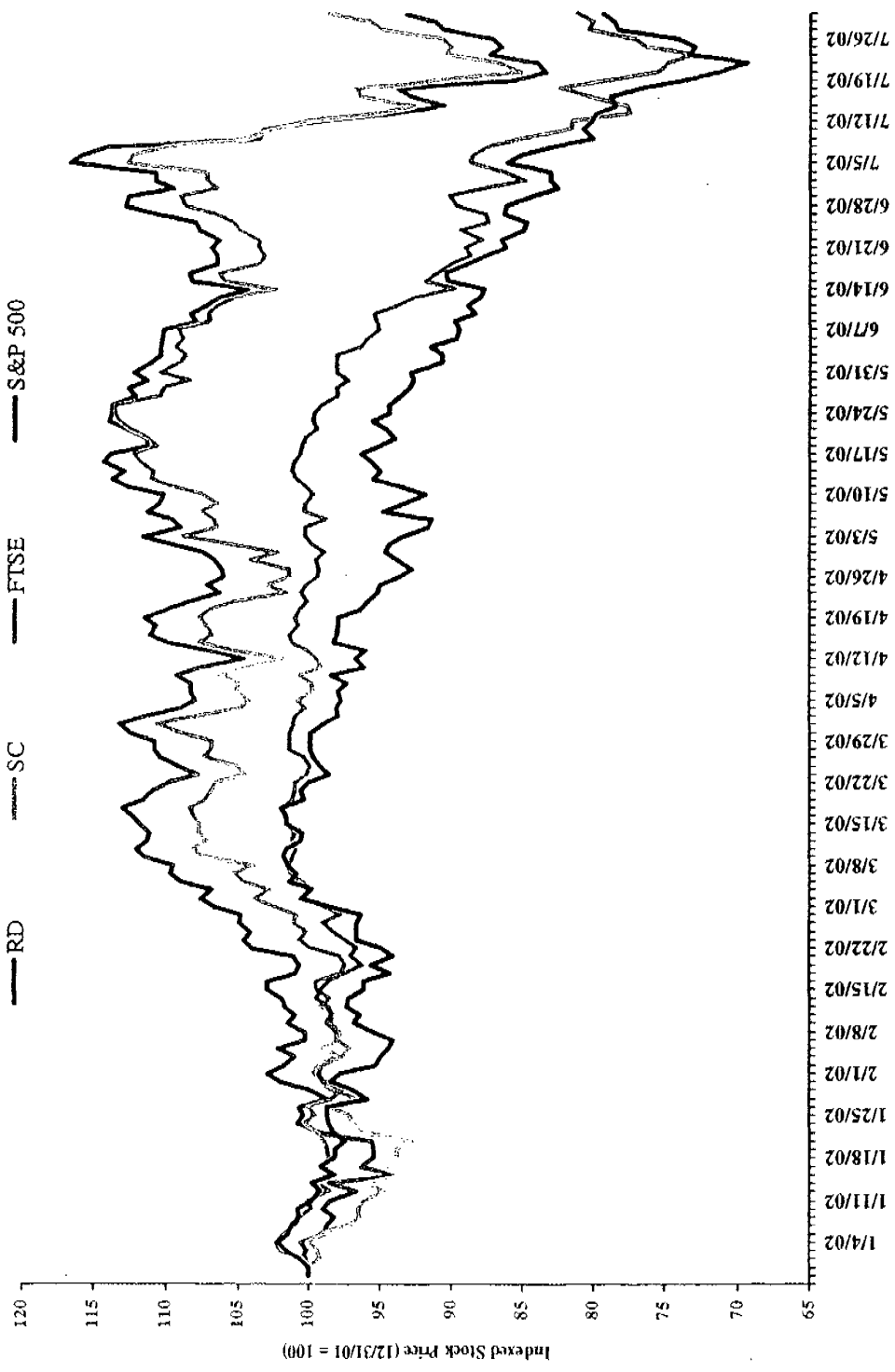
July 2002

July Comparative Price Performance



Thomson Financial Corporate Group

Year-to-Date Comparative Price Performance July 2002

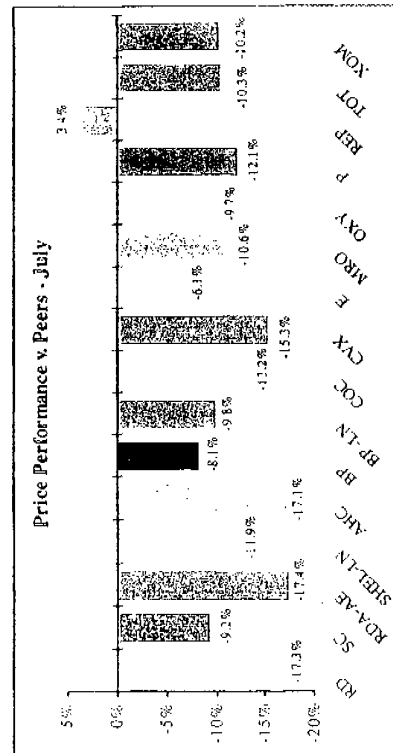
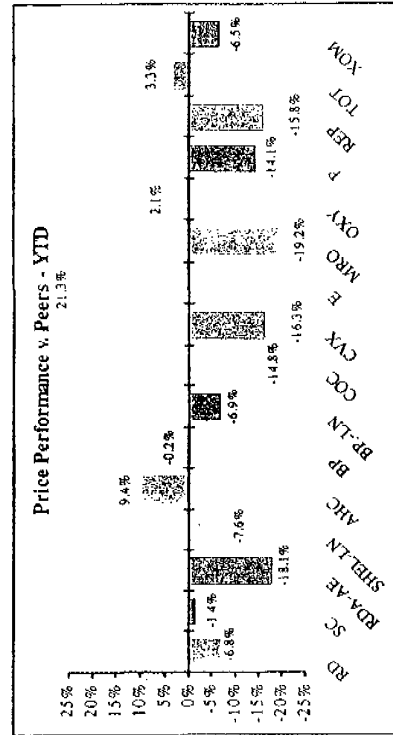


Thomson Financial Corporate Group

July 2002

Peer Performance Comparison

Company	Ticker	7/31/02		6/28/02		July		YTD		2002		2003	
		Close	% Change	Close	% Change	Close	% Change	% Change	P/E	P/E	P/E		
Royal Dutch	RD	45.70		55.27	-17.31%		-6.77%		16.4	14.7			
Shell Transport & Trading	SC	40.87		45.01	-9.20%		-1.40%		16.7	14.8			
Royal Dutch - Amsterdam	RDA-AE	46.60		56.40	-17.38%		-18.10%		na	na			
Shell Transport & Trading - London	SHEL-LN	436.00		495.00	-11.92%		-7.63%		na	na			
Ameradia Hess	AHC	68.40		82.50	-17.09%		9.44%		10.5	11.3			
BP	BP	46.40		50.49	-8.10%		-0.24%		18.7	16.2			
BP Amoco (ORD)	BP-LN	497.00		551.00	-9.80%		-6.93%		na	na			
Conoco	COC	24.12		27.80	-13.24%		-14.77%		16.4	11.8			
ChevronTexaco	CVX	75.00		88.50	-15.25%		-16.30%		15.2	13.8			
Eni (ADR)	E	75.13		80.00	-6.09%		21.26%		12.5	11.5			
Marathon Oil	MRO	24.24		27.12	-10.62%		-19.20%		12.6	10.4			
Occidental Petroleum	OXY	27.09		29.99	-9.67%		2.11%		12.7	12.3			
Phillips Petroleum	P	51.75		58.88	-12.11%		-14.12%		16.5	11.6			
Repsol YPF, SA (ADR)	REP	12.23		11.83	3.38%		-15.83%		14.6	11.2			
Total Fina Elf (ADR)	TOT	72.55		80.90	-10.32%		3.29%		15.0	13.1			
ExxonMobil	XOM	36.76		40.92	-10.17%		-6.46%		14.5	12.3			
Peer Average					-9.92%		-4.81%						
S&P 500	SPX	911.62		989.82	-7.90%		-20.60%		21.24	17.41			
Dow Jones Industrials	INDU	8736.60		9243.30	-5.48%		-12.82%		21.22	18.29			



Thomson Financial Corporate Group



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## Energy Commentary

July 2002

Energy shares followed the broader markets lower in July, as corporate accountability concerns continued to weigh on investor sentiment. The month's action saw relatively benign economic data overshadowed by mutual fund redemptions and more corporate scandals. Through the lows of the month, shares of energy bellwethers Exxon Mobil and Royal Dutch fell as much as 26%. Any buying support the energy market had as a safe haven play through the current bear market was absent in July, as investor confidence in nearly all equities was rattled. Institutional activity through the month saw large value and growth-oriented managers sell their energy positions, to either reallocate assets into cash or meet redemptions. The Dow and the NASDAQ fell 5.5% and 9.4%, respectively, while the AMEX Oil Index and the S&P Energy Composite lost 11.9% and 12.8%, respectively.

The S&P Energy Composite lost 12.8% and the Amex Oil Index fell 11.9%. The S&P Integrated Composite decreased 12.7%. The Philadelphia Oil Services Index lost 12.6%. The S&P Oil & Gas Drilling Index fell 15.8% while the S&P Oil & Gas Equipment & Services Index lost 11.5%. The S&P E&P Composite fell 11.2%. The S&P Refining & Marketing Index decreased 6.2%.

During the first week of July energy shares trended steadily lower, leading up to the July 4th holiday, then rallied sharply, following renewed confidence from the lack of terrorist activity on Independence Day. The large decline in equities began during the second week of the month, as most averages dropped to five-year lows. Topping headlines in the energy sector, the Wall Street Journal reported that Standard & Poor's would remove foreign-based companies from its S&P 500 Index, including Royal Dutch Petroleum, on the 10th. At the time of its deletion, Royal Dutch accounted for 1.3% of the index, the 12th heaviest weighted stock in the index. The company suffered another blow in the third week of the month due to media scrutiny of the company's tolling agreements and future costs of past contracts. While, most analysts agreed that Royal Dutch's \$7.4 billion of forward power contracts were fully detailed in its last annual report, the market chose to focus on claims from a former executive that Royal Dutch encouraged using "fantasy returns" to justify the deals. Elsewhere among the integrators, Murphy Oil posted sharp losses on the 12th after the company said it expects to post between a loss of 5 cents and a profit of 15 cents a share in its second quarter, well below analysts' expectations of a 34 cent profit. The company cited disappointments in its exploratory drilling program for its shortcoming. On another bearish note, the Energy Information Agency reported that world oil demand will grow at a rate of "slightly below 500,000 bpd" this year due to weakness in the first half and poor demand for jet fuel. Last month, the EIA was projecting world-oil demand growth of 700,000 bpd to 76.7 million bpd from 76 million bpd in 2000. The second half of July was extremely volatile as equities accelerated their declines through the 23rd, only to rebound sharply the last six trading days of the month. Some bullish comments on valuations help lend buying support to energy issues. On the 16th, Salomon Smith Barney analyst Robert Morris upgraded the E&P sector due to compelling valuations, however a broad market decline on 19th once again took energy shares lower. The Friday sell-off saw the Dow fall below the 8,000 point threshold for the first time since October 15, 1998, but close just above that level. The 24th marked the bottom of the market in July as investors pushed the Dow Jones higher by 489 points, or 6.3%. Toward the end of the month, the second-quarter earnings season began and the energy sector trended higher along with a broad rally in equities. On the 24th and 25th KMG, PKD, UCL, SU, APC, ECA, APA, OEL, COG, THX, BHI and NE all posted results in-line with or exceeding estimates, while MRO and SCH fell short. Ending off the months earnings news was BP, REP, TLM, SKE and RIG topping estimates, while CVX, VLO, PKD and IO missed expectations.

Commodities turned in a sharply divergent performance in July, as WTI crude oil rose 0.6%, while HH natural gas fell 8.9%. WTI crude posted much of its gains on July 8th through 12th, gaining \$1.41, as it bounced off early month declines and was lifted by bullish API and DOE reports on the 10th. July 12th saw crude stage an impressive rally on news that Venezuela's largest oil union, Fedepetrol, could call a nationwide oil strike if labor talks with Petroleos de Venezuela fail. The commodity gave back much of its gains in the 22nd when it lost 4.4% on news that Venezuela's budget plan implies oil exports for 2002 to be 400,000 bpd above the current OPEC quota. Natural gas futures traded relatively range bound through the month, broadly following weather forecasts, with two notable exceptions. On July 8th and 25th, the contract fell 6.5% and 4.6%, respectively. Both declines were in response to bearish EIA storage reports. On the 8th, the EIA reported 69 bcf injection of natural gas into storage while on the 25th it reported an injection of 64 bcf.

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## Market Commentary

July 2002

Equities fell in July as new allegations of corporate scandal and a shift in the tone of the latest economic data took investors on a bumpy ride. The market opened the month on a positive note, with investors washing their hands of lingering terrorism concerns following a trouble-free Fourth of July. However, worries over corporate malfeasance further heightened, as more reports of questionable accounting and confirmations of regulatory investigations streamed in. The ensuing declines in the market led many to categorize the selling as "irrational despair," the likely heir to the late 90's "irrational exuberance." Further, while the market was able to pare its losses with flashes of fervent buying, indications of a stalled economy at the end of the month renewed fears of a double-dip recession.

For July, the Nasdaq Composite Index pulled back 9.2%, while the Dow Jones Industrial Average tumbled 5.48% and the S&P 500 Index skidded into negative territory, with a 7.90% drop. Every sector slumped in July, with the biggest declines seen in telecom, energy and cyclical stocks, followed by large drops in material, technology, financial and industrial issues as well. While also falling back, healthcare and staple issues posted the smallest declines in trading for the month.

On the corporate front, with a barrage of allegations and reports of yet more scandal, the markets seemed unable to regain their footing for much of the month. Vivendi was the first company in July to take a hit on the rumors, after reports surfaced that it had tried to "flatter" its 2001 accounts through highly intricate transactions involving BskyB. Merck was dragged into the fray as well after a Wall Street Journal article questioned how the firm's Medco unit accounted for revenues. Additionally, AOL Time Warner was the target of a Washington Post story that took issue with, what it termed, the "unconventional" deals allegedly used by the America Online unit to boost revenues prior to its merger with Time Warner. On the financial side, both Citigroup and J.P. Morgan were also pressured, as reports and congressional investigators tried to link the banks to Enron's finances. Further, confirmations that regulators have launched inquiries into Qwest Communications, Bristol Myers Squibb and Duke Energy also weighed on the major indexes. However, investors seemed to be encouraged by news that Coca-Cola stepped forward with plans to expense stock options, in a move to increase transparency. Also, President Bush's signing of a new corporate reform bill into law should also help temper investor fears going forward.

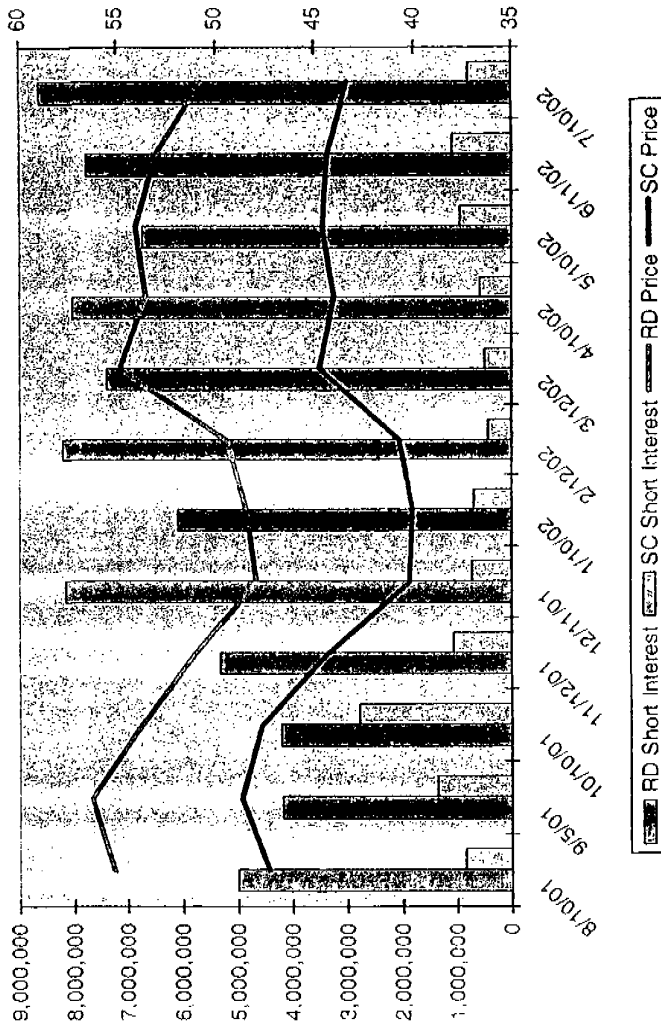
In July, the preannouncement news was abruptly replaced, with an onslaught of earnings releases that started in the second week of the month. Overall, the earnings generally came in ahead of expectations, but the upside surprises still failed to generate much interest, as the forecasts had been tempered going into the second-quarter earnings season. The misses, meanwhile, hit hard, as sentiment was already leaning towards the negative and most market watchers felt that forecasts had been trimmed to attainable levels. Accompanying the earnings, and in most cases overshadowing them, a number of companies provided updated outlooks or backed existing ones. With investor sentiment already wavering, the downward forecasts added pressure to an already shaky market. However, reaffirmations of earlier guidance or boosted forecasts helped to restore investor confidence, somewhat, but were still unable to pack the same punch as the warnings.

In economic news, investors started raise concerns that the economy could be headed for a double-dip recession as certain indicators started to point to a stalling economy. The month saw jumps in the ISM manufacturing index, factory orders, retail sales figures and industrial production, while just modest increases in the PPI and CPI eased inflation worries. However, drops in the ISM services index, housing starts, durable goods orders, the University of Michigan's consumer sentiment index and consumer confidence, in addition to a deceleration in the GDP and an uninspiring employment report, all led to fears of a possible renewed recession.

In other developments, near the end of the month, Standard & Poor's purged seven companies not based in the U.S. from its S&P 500 Index and replaced them with seven domestic firms, in a move to adjust the index to better reflect the performance of U.S. large-capitalization issues. Unilever, Royal Dutch Petroleum, Norrel Networks, Alcan, Barrick Gold, Placer Dome and Inco were among those banished, with United Parcel Service, Goldman Sachs, eBay, Electronic Arts, Prudential, Principal Financial and SunGuard Data named as the replacements.

July 2002

Short Interest\*



Short interest represents the number of shares that investors have borrowed and sold. Short interest trades are initiated on the belief that a stock's share price will decline in the future or as part of a more sophisticated strategy to offset investment risk. The short position represents the number of shares that have yet to be repurchased for return to the lender. A short seller profits when the shares are repurchased at a lower share price. The New York Stock Exchange and American Exchange require that a short sale can only be executed on an uptick in the price of the stock or if the previous sale price is unchanged, but reflects an increase from the last different sale.

Short Interest Theory: a large short position indicates a lack of confidence in the future price appreciation potential of a common stock. The "Cushion Theory" states that a stock with a substantial short position has built in potential upward price momentum that has yet to be released. By virtue of the fact that all outstanding shorts must be repurchased, a large short position could be viewed as a pool of imminent buy orders.

Short Squeeze: a corporation with a large short position outstanding and sudden upward price momentum could experience a "short squeeze." As the price rises traders are forced to "cover" their shorts to prevent losses from mounting. As short sellers rush to cover their positions, they in turn drive the price higher and further aggravate the losses of those short positions outstanding.

18 \*Short Interest is usually reported as of the 15th of the month

Thomson Financial Corporate Group



July 2002

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\* INVESTMENT STYLE \*

- MOMENTUM:** These institutions invest in stocks whose prices, earnings or earnings estimates are advancing at a faster rate than the market or other stocks in the same sector. Momentum investors generally look for stocks experiencing upward earnings revisions or producing positive earnings surprises. Most of the investors in this category have very high portfolio turnover rates due to a short-term focus, and therefore will liquidate positions at the slightest hint of a disappointment or deceleration. TFCG categorizes these funds based on its specific knowledge of the firm's historical investment behavior.
- AGGRESSIVE GROWTH:** Aggressive growth investors employ an extreme version of the growth style. This can be seen by their propensity to hold the stocks of companies that are growing their revenue and EPS extremely quickly, are in an early stage of their life cycle, or have minimal or no current earnings.
- CORE GROWTH:** Core Growth managers typically invest in mid or large capitalization, blue chip companies that have historically performed near the top of their sector or the S&P 500 in terms of profitability, earnings growth, and revenue growth. These investors are often willing to pay premium PE multiples for highly sustainable businesses, strong management and consistent growth over the long term.
- GROWTH:** Growth investors bridge the gap between the Aggressive Growth and Core Growth investment styles. They tend to be slightly more aggressive than Core Growth investors, willing to pay slightly higher multiples for stocks and trade at a slightly more active pace. In general, they are looking for companies growing at superior rates than the general marketplace, but are unwilling to pay the extremely high multiples associated with the hyper growth stocks.
- GROWTH AT A REASONABLE PRICE (GARP):** GARP investors try and build their portfolios with two types of securities: 1) those that are trading at a discount to the market or their peers yet are expected to grow at higher than the market average or their peers, and 2) those whose forward PE ratio is less than, equal to, or only slightly above the long term projected growth of the company. Stated another common way, GARP investors will often say they are either looking at large cap stocks whose PEG ratio (forward PE divided by 5 year projected Growth) is less than the S&P 500 or at any sized company whose PEG ratio is less than 1. This is a more conservative investment style in comparison to an outright growth-oriented strategy. In addition, dividend yield is generally not a concern of most GARP investors.
- CORE VALUE:** Core Value investors focus on buying companies at relatively low valuations on an absolute basis, in relation to the market or its peers, or in comparison to an individual stock's historical levels. These portfolios typically exhibit price-to-earnings, price-to-book and price-to-cash flow multiples below the S&P 500. In addition, secular revenue growth rates of the companies in these portfolios are frequently below market averages and their earnings tend to be more cyclical.
- DEEP VALUE:** Deep Value investors employ a more extreme version of value investing that is characterized by holding the stocks of companies with extremely low valuation measures. Often these companies are particularly out-of-favor or in industries that are out-of-favor. Some investors in this category are known for agitating for changes such as new management, a merger, or the spin-off of a subsidiary.
- INDEX:** Index investors generally create portfolios that are designed to match the composition of one or more of the broad-based indices such as the S&P 500, the Russell 1000/2000/3000, the Wilshire 5000, or the Nasdaq 100. Therefore, the performance and risk of the portfolio mirrors a section of the broader market. Their investment decisions are driven solely by the makeup of the index that is tracked rather than by an evaluation of the company and its business prospects. As a result, index firms are often referred to as "passive" investors. TFCG categorizes these portfolios based on its specific knowledge of their historical investment behavior.
- INCOME VALUE:** These investors are similar to those in the Core Value category except they place an importance on dividend yield equal to the importance placed on low valuation measures. As a result, Income Value portfolios exhibit above average current income. To have this dominant style, the following portions of the portfolio must be above the weighted average of the S&P 500: 45 percent or less for price-to-earnings ratio and price-to-book ratio; 55 percent or more for dividend yield; and 40 percent or less for five year estimated EPS growth.

Thomson Financial Corporate Group

July 2002



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**\* INVESTMENT STYLE \* (cont.)**

**\*SPECIALTY:** This category encompasses a range of styles that are not based on the financial fundamentals of the stocks in the portfolio relative to the overall market. Examples include investors that hold a particularly high concentration of a single stock or a very small set of stocks, or specialize in convertible securities. This category is also reserved for any institution or mutual fund that does not meet the criteria for any of the other investment styles. TFCG categorizes these portfolios based on its specific knowledge of their historical investment behavior.

**\*VC/Private Equity:** Venture Capital investors are usually owners of public companies only when they have participated in a round of financing prior to an IPO and subsequently retained ownership after the transition from a private company to a public company. Other investors often consider positions held by venture capitalists as an "overhang" on the stock of a publicly traded company since VCs will typically dispose of their holdings of public companies during the first few years following an IPO.

**\*BROKER-DEALER:** Broker-Dealers are usually trading facilitators rather than investors. Included in this group are sell-side research firms with broker operations, NYSE and Nasdaq trading desk positions of investment banks, investment banking client desks that execute buyback programs on behalf of corporations, private client firms that essentially act as custodians for high net worth individuals, and brokers that sell unit investment trusts or exchange traded products.

**\*SECTOR SPECIFIC:** Sector Specific investors have the majority of their assets in a single major industry category. Many times these investors are "forced" to own most if not all of the stocks in a given sector whether or not they are deemed overvalued. Since their portfolio exposure is linked to a single sector, their performance is usually measured against an index that is pertinent only to that industry. As such, tweaking the relative exposure to the companies that makeup a given sector will determine these firm's investment decisions.

**\*HEDGE FUND:** Hedge Fund investors have the majority of their funds invested in some sort of market neutral strategy. Notably, this is different from the legal structure that defines a hedge fund versus a mutual fund, but many of these managers are organized as hedge funds and are only open to sophisticated investors. Many are offshore funds that are unregistered, have no investment limitations, and are not subject to disclosure regulations. The common element is that the long position taken in a specific equity is offset by a short position in either a merger partner (risk arbitrage), an "overvalued" member of the same sector (long/short paired trading), a convertible bond (convertible arbitrage), a futures contract (index arbitrage) or an option contract (volatility arbitrage). Because of the idiosyncratic nature of these investors, the fundamentals of their portfolios are not indicative of their investment styles.

**\*PORTFOLIO TURNOVER \***

**\*HIGH TURNOVER:** The average holding period is less than 18 months. Institutions within this category are usually your most aggressive (not necessarily in a hostile sense) investors, and includes, among others, hedge funds, arbitrageurs and market timers.

**\*LOW TURNOVER:** The average holding period exceeds 36 months. This group consists primarily of institutions with long-term investment horizons. Bank trust departments and index funds are among the major components of this category.

**\*MODERATE TURNOVER:** The average holding period is between 18-36 months. This category is probably the broadest in terms of the diversity of institutions.

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July 2002

The shareholder information contained in this report was prepared exclusively for your company and should be used only for internal purposes. This information should be used solely to enhance communication with current shareholders as part of your company's on-going investor relations program.

Be advised that the information contained in this report is highly confidential and considered NON-PUBLIC information. This includes all institutional shareholdings, institutional buying or selling trends, and investor trading strategies. Therefore, we ask that all copies of this report not be duplicated, except for internal purposes, distributed, or placed in a publicly accessible area.


Additionally, the information in this report should not be shared with any third party, whatsoever. Specifically, any requests for shareholder information by any shareholder or potential shareholder should be referred to quarterly institutional filings with the SEC.

ConocoPhillips  
Presentation

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**MISC00021749**

*Lehman Energy/Power Conference  
September 4, 2002*



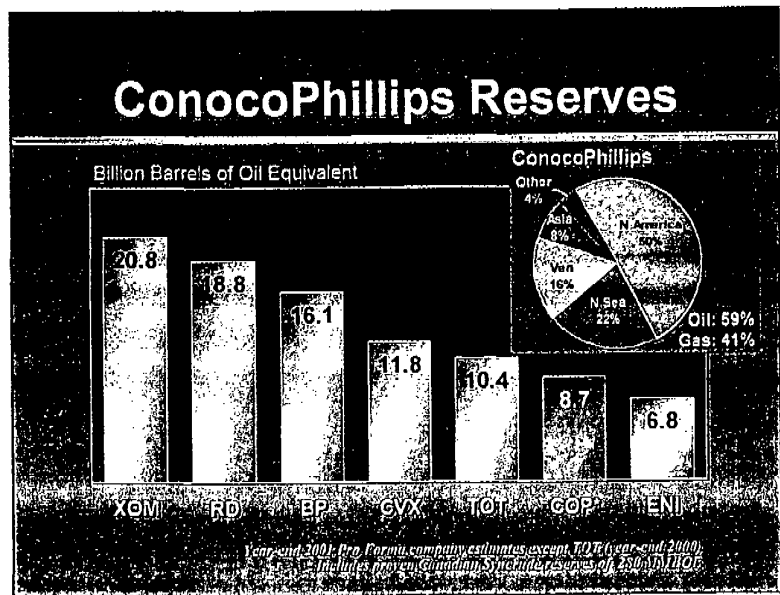
**Rob McKee, EVP Exploration & Production**  
**John Carrig, EVP Finance & CFO**

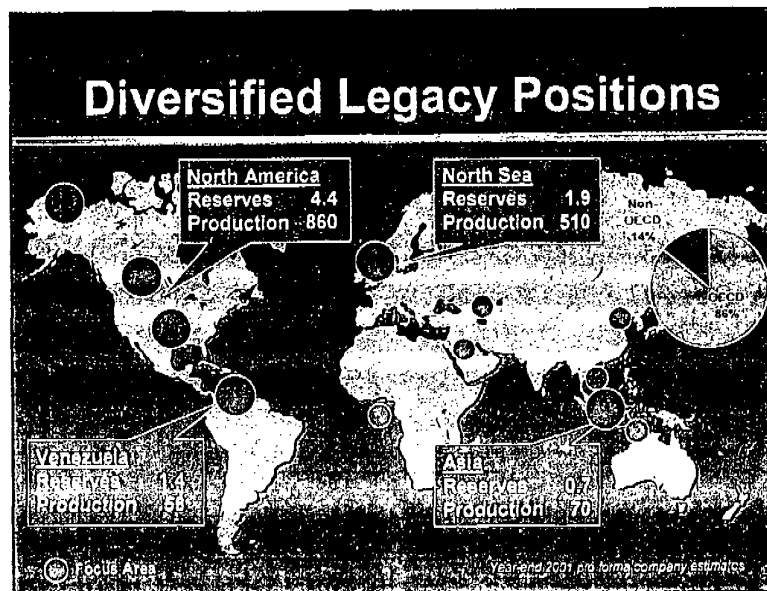
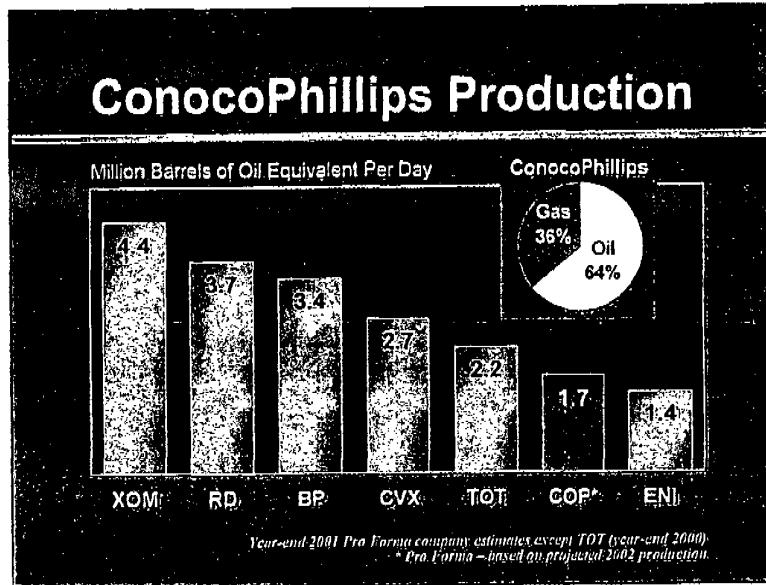
## **A New Integrated Major**

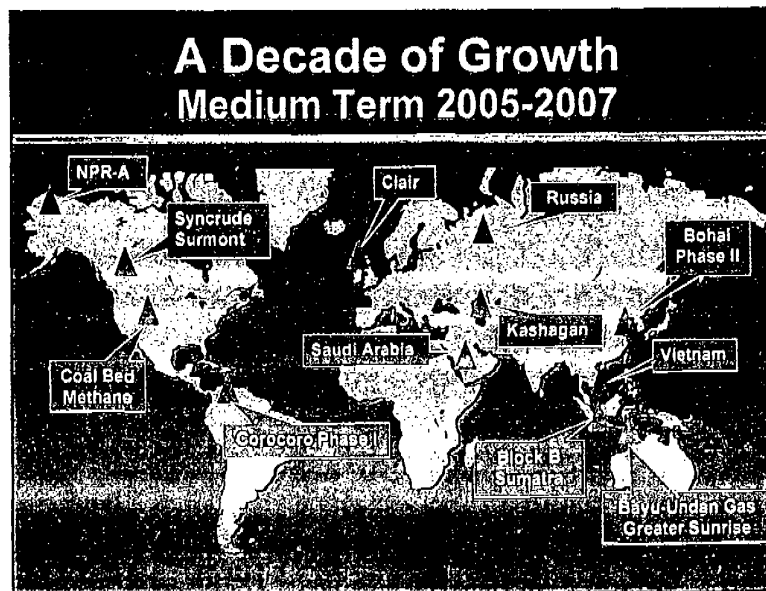
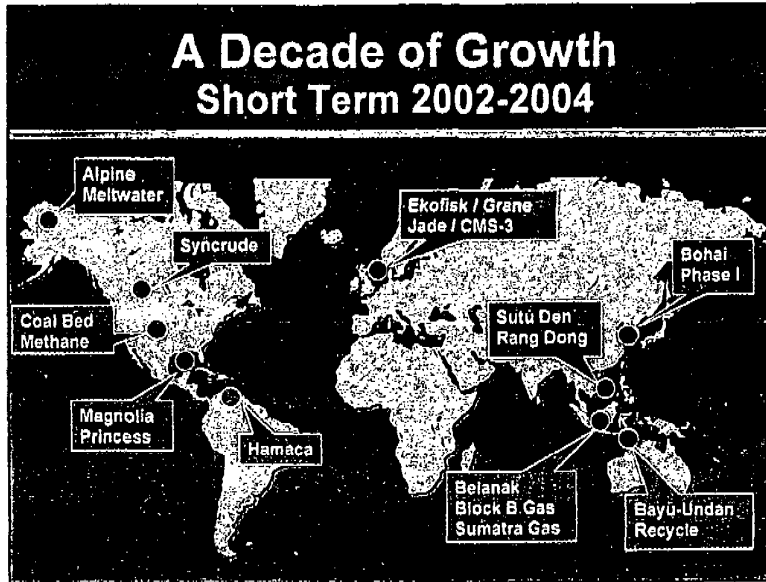
- Complementary portfolio of legacy E&P assets
- Global presence in refining and marketing
- Strong management team
- Combination of two technology leaders
- Superior portfolio of growth opportunities
- Essential capabilities
  - Skilled work force
  - Relationships
  - Financial strength

## Upstream Strategy

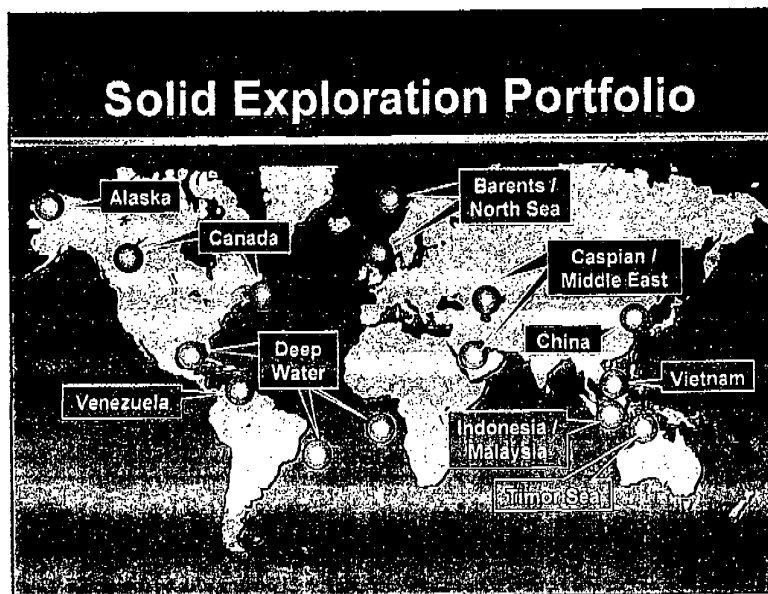
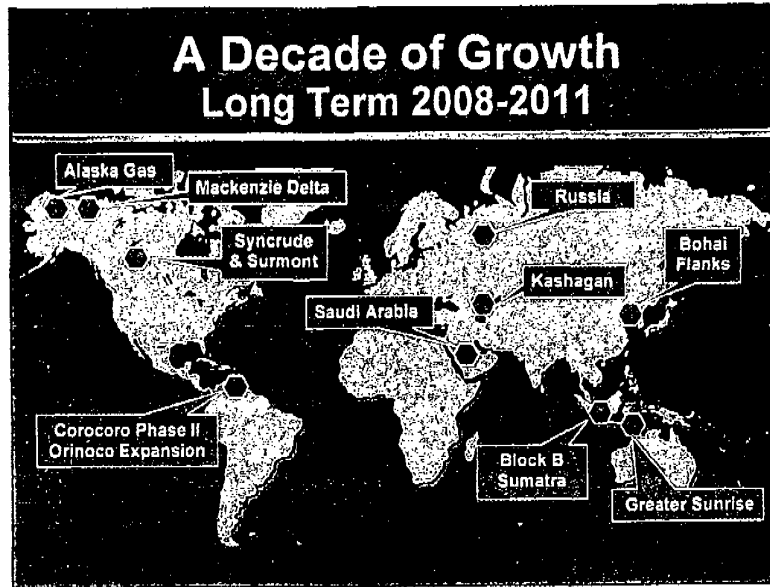
- Achieve operating excellence
- Execute growth plans
- Deliver competitive all-in costs
- Optimize use of technology
- Grow to 65 percent of portfolio

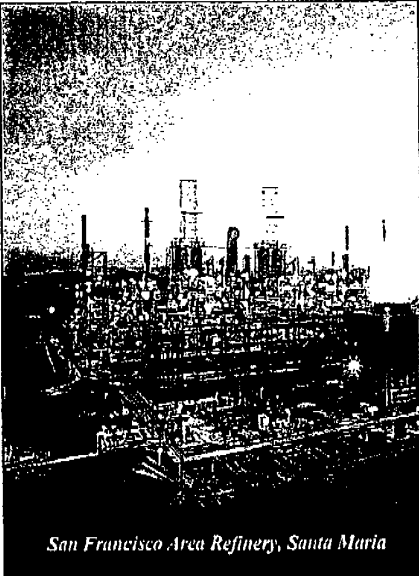










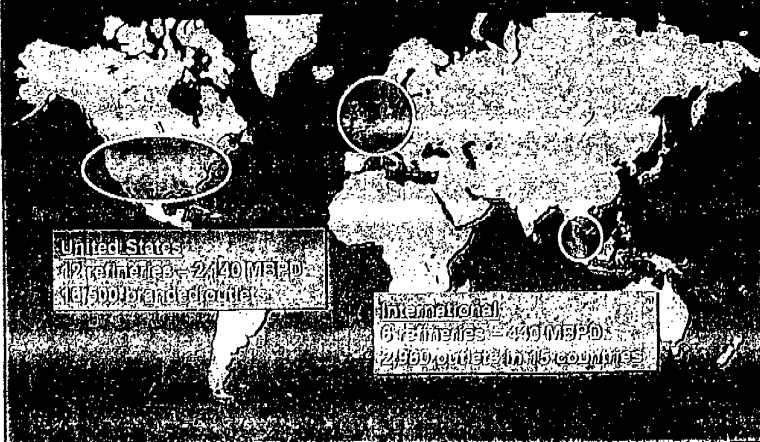


## Downstream Strategy

- Achieve operating excellence
- Rationalize assets
- Optimize nationally
- Leverage technology
- Improve ROCE

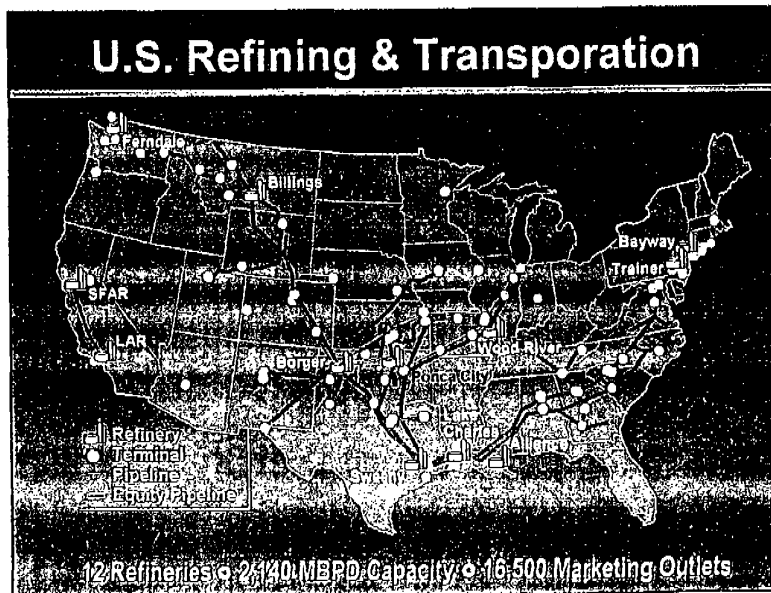
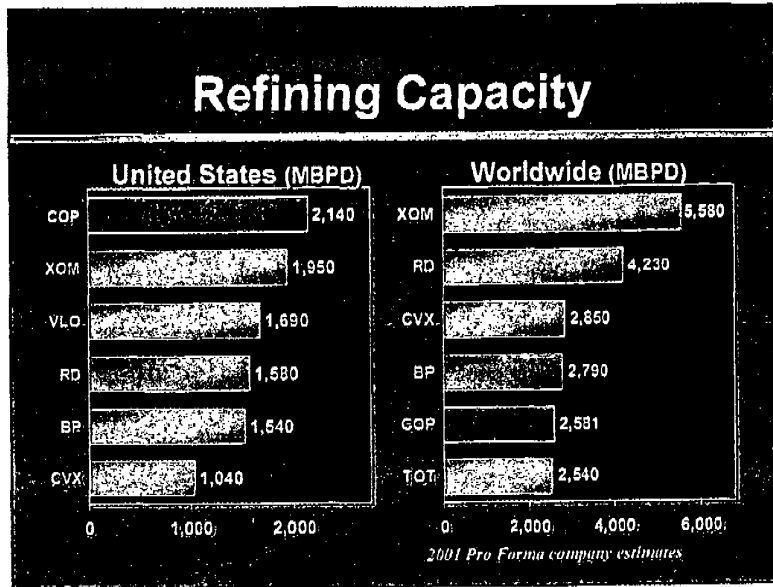
*San Francisco Area Refinery, Santa Maria*

## Refining and Marketing



**United States**  
12 refineries - 2,140 MBPD  
14,500 branded outlets

**International**  
6 refineries - 440 MBPD  
2,400 outlets in 15 countries

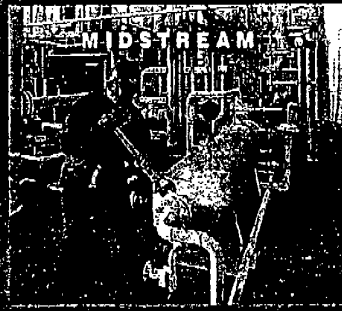


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## Midstream

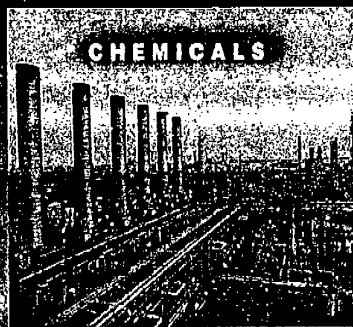
### ConocoPhillips Midstream Business



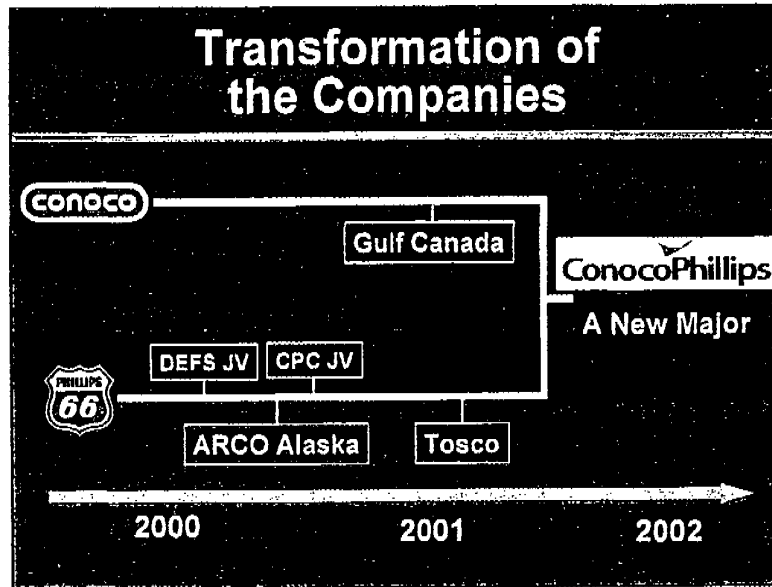
- 30% of Duke Energy Field Services plus Conoco Midstream assets
- US & Canada equity in:
  - Over 60,000 miles of pipelines
  - 95 processing plants
  - 15 BCFD gas capacity
  - 210 MBPD net NGL production

## Chemicals

### Chevron Phillips Chemical Company LP – 50%




- World class chemical company
- Achieved \$200 MM in synergies
- Diverse asset portfolio
- Strong balance sheet/capital discipline
- Positioned for profitable growth
- Build on upside potential



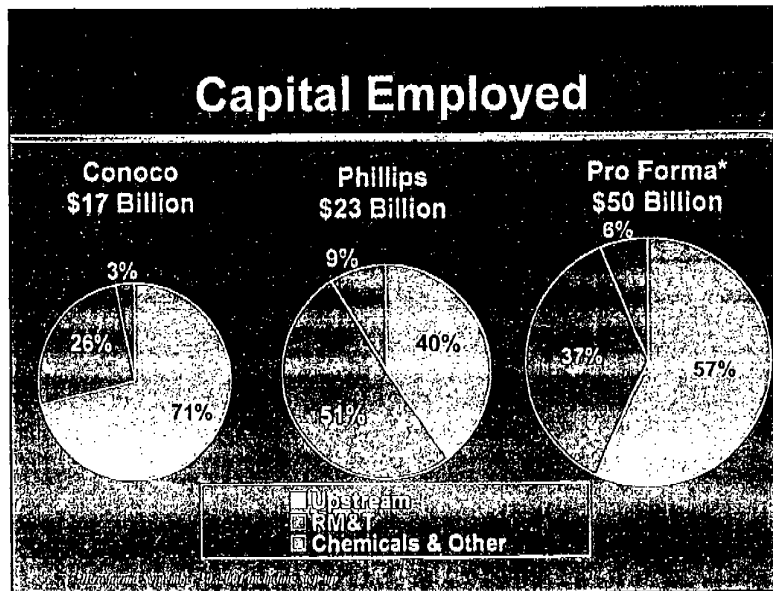
### Key Milestones

<input checked="" type="checkbox"/>	Announcement	November 2001
<input checked="" type="checkbox"/>	SEC / FTC filing	December 2001
<input checked="" type="checkbox"/>	Shareholder approvals	March 2002
<input checked="" type="checkbox"/>	Regulatory approvals	August 2002
<input checked="" type="checkbox"/>	Closing	August 2002



### Managing the Transition

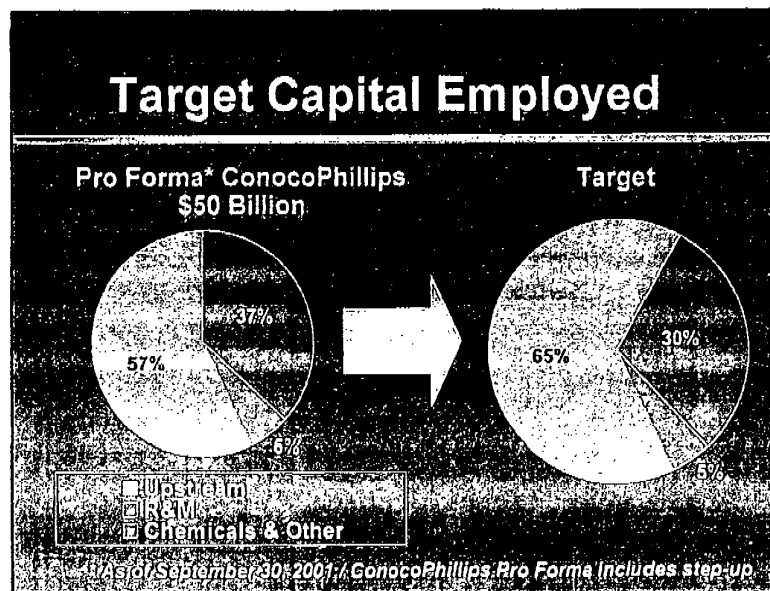
- Select the best people
- Capture synergies
- Operate safely and consistently
- Emphasize key metrics / accountability





### Recurring Synergies

	\$ Million
<b>Upstream</b>	
Operating efficiencies	250
Exploration	150
<b>Downstream</b>	
Operating efficiencies	150
Supply Chain	50
<b>Corporate</b>	
	150
<b>Total Pretax Savings</b>	<b>\$750</b>



## Shareholder Value Creation

- Smooth integration / capture synergies
- Operating excellence
- Execution of growth strategy
- Capital and financial discipline
- Leverage technology / people / relationships
- Accountability

Improve ROCE

## Financial Accounting Integrity

- Full and transparent disclosure
- Clarity of reported results
- No self-dealing or exotic financing
- Management and Board oversight with proven control systems in place

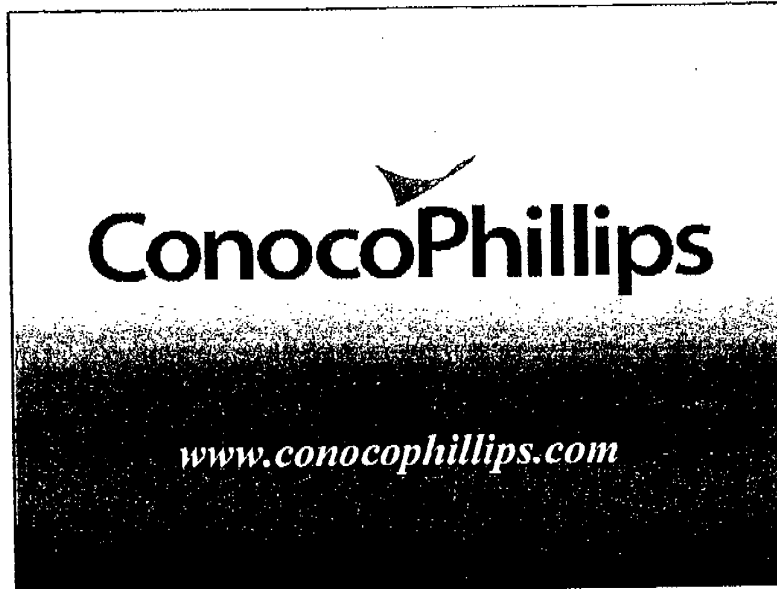
## Financial Strategy

- Credit rating: strong A near term, achieving AA in longer term
- Target 30% debt / capital
- Declining off balance sheet debt
- Financial discipline
  - Investment opportunities
  - Debt reduction
  - Liability management
  - Competitive dividend / Share repurchases

## Summary and Conclusions

- Enhanced profitability and returns
- Superior portfolio of growth opportunities
- Strong financial platform
- Complementary capabilities & technologies
- Strong proven management team

**A New Integrated Major**



**Cautionary Statement for the Purposes of the  
"Safe Harbor" Provisions of the  
Private Securities Litigation Reform Act of 1995**

This presentation contains forward-looking statements about: (i) Phillips' plan to merge with Conoco Inc. and certain expected benefits from such a merger, including estimated annual pre-tax synergies; and (ii) expected before-tax recurring synergies from the Tosco acquisition. These statements are not guarantees of future performance; involve certain risks, uncertainties, and assumptions that are difficult to predict; and are based upon assumptions as to future events that may not prove accurate. Therefore, actual outcomes and results may differ materially from what is expressed herein. Some factors, but not all of the factors, that could cause such differences are: the consummation of the merger with Conoco and integration of the two companies' assets and operations; the successful operation of the Tosco assets and integration of Tosco's operations; continued normal operations of the company's current and new oil and natural gas developments; realization of expected operating cash flows, asset sales and equity growth; and the results of exploratory wells offshore Kazakhstan and Angola, and in the North Sea and Alaska.

Additional information on such matters can be found in the company's publicly available filings with the Securities and Exchange Commission (SEC). Copies of the company's filings with the SEC are available free by calling Phillips at 918-661-3700. These reports also are available on the company's Web site at <http://www.phillips66.com>.

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IR Program

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INVESTOR RELATIONS PROGRAMME 2002

MONTH	DATE	LOCAL TIME	PLACE	TYPE	EVENTS	PRINCIPAL SPEAKER(S)
Black = already confirmed    Red = proposed by IR    Blue = requested by investors or brokers    Green = linked media activity						
September	9th		London	Salesforce	Presentation Merrill Lynch salesforce	Watts/Harrop
	11th		Vienna	1-1	Austrian investors (2nd tier)	Steenstraten / Boorsma
	11th		London	Institutions	Scenario presentations (SRI audience)	McKay/Harrop
	13th		London	Lunch	Broker lunch - Lehmans	Paul Skinner / Harrop
	w/c 16th		US West Coast	Pres	US West Coast Presentations & fund manager meetings: San Francisco, LA, Seattle, Media - MGDWP Forbes and L.A. Times interviews	MGDPW / Sexton / Herbert
	19th		Dubai		MGDJV Middle East regional press event	MGDJV/EPMSR
	19th		USA	Conf	AG Edwards Conference	Datley / Sexton
October	1 <sup>st</sup>			A 1 Oct		
	TBC		London		Media-MGDWP Times Profile, editors and key reporters sessions-dates TBC	MGDPW / Herbert / Jacobi
	TBC		London		Media-Judy Boynton key financial reporters sessions-dates TBC	Boynnton / Herbert / Henry
	2nd		London	Lunch	Visit by Carl Pforzheimer and US clients	Boynnton / Henry
	2nd		Zurich	Conference	Sustainable Performance Group / SAM 5 year Conference speech. Media-MGDWP Finanz und Wirtschaft interview	Watts / Steenstraten / Herbert
	7th - 10th		US & Canada	Analyst Field trip	Houston - OP US status & global strategy update, EP US issues & maybe technology, Athabasca visit	IR team: Skinner / Routs / der Vijver / Restucci / Faithfull / Camara
	14th		London	Breaker lunch	JBS Warburg lunch request with investors	Routs / Harrop
	21st		Kuala Lumpur		Media-MGDMB Malaysia media briefing	MGDMB / Chua
	31 <sup>st</sup>	10.00	London		<b>THIRD QUARTER RESULTS</b>	
		10.30	London	Telecons	Immediate telecon briefings with wire services and key financial media	Boynnton / Henry / Herbert MGDPW / McGarry
		13.15		Telecon	Teleconference Q3 Results + audio webcast	Henry

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INVESTOR RELATIONS PROGRAMME 2002

MONTH	DATE	LOCAL TIME	PLACE	TYPE	EVENTS	PRINCIPAL SPEAKERS
					Blue = requested by investors or brokers Red = proposed by IR Green = linked media activity	
	TBC				MGDPW US TV: CNN/CNBC/Bloomberg TV - if business schedule permits	MGDPW / McGarry
November	TBC		London			MGDPW / Herbert
	TBC		London		Media-MGDPW UK Sunday Telegraph Pr Media-MGDPW editors' and key reporters sessions-dates TBC	MGDPW / Herbert / Jacobi Boynton / Herbert / Henry
	TBC		London		Media-Judy Boynton key financial reporters sessions-dates TBC	Darley / Steenstraten
	1st	1pm	Amsterdam		Rabobank meeting: Institutional Investors, EP Deepwater theme	
	4 <sup>th</sup> -5th		US	1-1	One-to-one meetings with fund managers - Chicago / New York	Boynton / Sexton
	6th		London		(OP) Theatre evening: Invite 4-5 investors	Henry / Harrop (Skinner sponsoring)
	8th		UK	1-1	London:	Skinner / Harrop
	7-8th		France		One-to-one meetings with fund managers	Boynton / Steenstraten
	6th-7th		US - NY / Boston	Conference, & Lunches	1-1 Merrill Lynch Conference NY on 6th, meetings with major institutions	JvdVeer / Sexton
	7 - 8 <sup>th</sup>		Brussels	Conf	Triple Bottom Line Investing 2002 - Brooklyn Bridge-connection to the future	Reviewing request: Prefer not to accept this
	13th		Frankfurt	1-1	Leading German investors	Brinded / Steenstraten
	13th		Boston/NY	Speech	Phil speaking at MIT. Possible ancillary IR meetings. Media-US Science / Technology Media, UK-Yorkshire Post	Watts / Sexton / Jacob. / McGarry / Herbert
	18th		London	Lunch	Brokers lunch - Deutsche Bank	Cook/Harrop
	18th		London	Dinner	UBS Warburg dinner with investors	Henry
	20th		Amsterdam	Dinner	Hosted by ABN Amro, Major Dutch institutions invited	Brinded / Steenstraten

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INVESTOR RELATIONS PROGRAMME 2002

MONTH	DATE	local time	PLACE	TYPE	EVENTS	PRINCIPAL SPEAKER(S)
		Red = proposed by IR	Blue = requested by investors or brokers	Green = linked media activity		
	21st		UK	1-1	London	Phil Watts
	25th		The Hague	Presentations / Panel	IBK events: Large meetings with Dutch individual shareholders	JvdVeer/vdSteenstraten/Kievits
	27th		Groningen	Presentations / Panel	IBK events: Large meetings with Dutch individual shareholders	WvdVijver/vdSteenstraten/Kievits
	Late November		London	Meetings	Fidelity request to meet various executives	To be decided / Harrop
	tba		Europe	1-1	Follow up 2nd tier around Europe: Madrid, Munich, ?? Dec dates also possible	Steenstraten / Henry
December	w/c Dec 2		US & Canada	1-1	Follow up 2nd tier around N America	Sexton / Henry
	18th		Japan		Possible date for Japanese market intelligence: Very tentative	Brinded / Henry
	tba		London	??	Analyst / Investor social event	IR team: Boynton -
2003 February	6 <sup>th</sup>		London	Pres	Full Year Results 2002 and Strategy Presentation + live webcast to financial analysts. Full media program	CMD / IR / PXX
	7th		New York	Pres	Full Year Results 2002 and Strategy Presentation. Media-MGDPW / Boynton brief NY Times and Wall Street Journal and CNN interview	CMD / IR / PXX
	10/11th		New York / Boston	1-1	Follow up 1-1s: Media-Editors' meetings, NY Times, WSJ	Watts / Boynton / Sexton / McGarry / Jacobi
	w/c 10th		London	1-1	Follow up 1-1s: Use 2 or 3 teams	CMD + IR
	12-14th		UK	1-1	Follow up 1-1s: London	Watts / Harrop
	12-14th		UK		Follow up 1-1s: Dublin / Edinburgh	Boynton / Harrop

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INVESTOR RELATIONS PROGRAMME 2002

MONTH	DATE	LOCAL TIME	PLACE	TYPE	EVENTS	PRINCIPAL SPEAKER(S)
		Red = already confirmed	Blue = proposed by IR	Blue = requested by investors or brokers	Green = linked media activity	
	10th - 20th	Europe	1-1		Follow up 1-1s: Netherlands, Germany, MDs / PXX Switzerland, Scandinavia, MGDPS European media briefings, MGDMB Asian media briefings	
Mar	Late in month, or early April	The Hague	Pres		Consider EP presentation (Feb 6 is be a Group strategy update, not a business detail piece); Date options 26, 27, 28/3 or 3 and 4/4	
Apr	23rd	London & The Hague	AGM	AGM 2002		
	23rd		^ 1st		Report Q1 2002 results; Telecon. Logistics of overlap with AGM to be determined	Henry
May			1-1		Arrange follow up programme of 1-1 for Q1, Strategy pres and EP / GP pres	
June	6-7th	London	Conference	Stockinvest 2003: World Investors Forum		IR team

A = A closed period begins    Conf = Conference/Industry Forum    Pres = Presentation  
 V = A closed period ends    D/L = Dinner/Lunch    1-1 = One-to-One Meetings

IR Programme 2002 0100902 (latest).xls

**UK investor holdings - proposed**

Global funds \$ bln	Other centres	UK equity \$ bln	Institution	Q4 '00 results (Feb '01) (June '01)	Celtic tour (Aug '01)	EP pres. (Sep '01)	Q4 '01 results (Feb '02)	Post deals (Apr/May)	Other	Proposed
491	US	88	Merrill Lynch (MLIM)				JvdV	WvdV		Nov 2002
773	US	63	Barclays Global Investors			WvdV	JvdV	Group		Feb 2002
142		55	Legal & General				JvdV	WvdV		
169		55	M & G Investment Mgmt				JvdV	WvdV		
140		46	Schroder Investment Mgmt			WvdV		WvdV		
140		47	Morley Fund Management	PW		PW		PW		
560	Ger	42	Deutsche Asset Mgmt			WvdV		PW		
106		39	Scottish Widows (SWIP)	SMGH				PW		
97		38	Clerical Medical		JvdV					
98		36	Standard Life					PW		
150	Aus	35	Henderson Global Investors	SMGH						
56		28	Hermes Pensions Mgmt							
910	US	28	Fidelity Investment Services				PW	WvdV		
64	Fra	28	AXA Investment Management	PW			PW	Group		
560	US	27	Capital Group Inc						In USA	
27		24	Gerrard Asset Management				JvdV			
420	US	16	State Street Global Advisors						In USA	
62		22	Threadneedle	PW			PW	Group		
32		18	Co-operative Insurance Soc.				JvdV			
46		18	AEGON Asset Management	SMGH						
110	AP	18	HSBC Asset Management		JvdV					
50		17	Abbey National Asset Mgrs	Group						
		17	Gartmore			PS				

Other centres  
 blue = principal analyst UK based  
 red = weight < 85%; orange = 85% < weight < 115%; green = weight > 115%  
 S = net seller of oil stocks in quarter; H = holder of oil stocks in the quarter; B = buyer of oil stocks in quarter  
 Green/Shell: relative improvement in holding of Shell in the quarter;  
 Red/BP: relative deterioration in holding of Shell/improvement in holding of BP in the quarter

Global funds \$ b.in	Other centres	UK equity \$ b.in	Institution	Q4 '00 results (Feb '01) (June '01)	Celtic tour results (Aug '01)	EP pres. (Sep '01)	Q4 '01 results (Feb '02)	Post deals (Apr/May)	Other
47		17	Friends Ivory & Sime	SMGH				PW	
560	US	15	JP Morgan Fleming			PS		PW	
320	US/Swi	15	UBS Asset Management			PS		WvdV	
385		15	Invesco Perpetual Asset Mgmt						
50		15	Aberdeen Asset Management						
270	US	15	Putnam Investments Inc						
70		15	Royal & Sun Alliance		JvdV				Group
30		15	Royal London Asset Mgmt						
28		13	Newton Investment Mgmt			WvdV			Group
240		13	Franklin Templeton Group						JB/JUN
350	US	13	Goldman Sachs Asset Mgmt			WvdV			
25		12	Britannic Asset Management						
25		12	Universities SS						Group
26		12	Baillie Gifford & Co	SMGH					
200	Ger/US	10	Dresdner RCM Global Invstrs	PW			PW		
450	US	10	Morgan Stanley	SMGH			PW		
67		9	Lazard Asset Management						
280	US/Swi	9	Credit Suisse Asset Mgmt						
na	Sin	8	Govt. of Singapore			JB			Group

Proposed  
Nov 2002  
Feb 2002

?

Principal Ireland based investing institutions

100	Ire		Pioneer	SMGH				PW	
41	Ire	8	Bank of Ireland	SMGH					
	Ire		Irish Life	SMGH					
	Ire		AIB	SMGH					
	Ire		KBC	SMGH					

**US Meeting programme proposal: November 4<sup>th</sup> to 7<sup>th</sup> 2002**

Note: Figures in brackets denote position in size ranking of RD NY shareholders

**4 November - Judy Boynton / David Sexton**

- Northern Trust (6) - Chicago
- Jennison Associates (27) -- NY
- Oppenheimer Funds (28) -- NY
- Neuberger Berman (29) -- NY

**5 November - Judy (NY) / David Sexton**

- Goldman Sachs Asset Management (13)
- JP Morgan (21)
- Deutsche Investment Management Americas (22)
- T Price Rowe (24)
- Alliance Capital Management (25)

**6 November - Jeroen van der Veer (NY) / David Sexton**

- Cap Guardian (1 and 4...different divisions of the same company)
- Lazard (9)
- Merrill Lynch (NJ) (5)
- Morgan Stanley Advisors (12)
- Please note that he has to give a presentation that morning at Merrill

**7 November - Jeroen van der Veer (Boston) / David Sexton**

- Fidelity (2)
- State Street (7)
- Wellington (19)
- Putman (3)
- Fleet Investment Advisors (46)

We will not visit investors ranked 8, 10 or 11...8 is in Pittsburgh, 10 is in Austin and 11 is in St Louis. David Sexton has visited all three within the last three months.



**Senior management meetings with principal US investors**

Global funds \$ bln	Other centres	US equity \$ bln	Shareholder	NYSE % held	RD Strategy pres. (Jan '02)	Q4 '01 results (Feb '02)	Post deals (Apr/May)	Notes
910	UK	482	Fidelity Management & Research	1.3		PW	Group	Index
773	UK	367	Barclays Global Investors	2.4			Group	
420		336	State Street Global Advisors	1.7			Group	
	UK	250	Alliance Capital Management L.P.	0.3			Group	
560		221	Capital Research & Management	1.3			Group	Index
		201	Vanguard Group, Inc.	1.4			Group	
270		187	Putnam Investment Management, Inc.	1.2			Group	
		164	Wellington Management Company, LLP	0.5			Group	
560	UK	153	Smith Barney Asset Management	0.2				
		98	J.P. Morgan Investment Mgmt. Inc.	0.3				IR
560	UK/Ger	94	Mellon Bank (Private Asset Management)	0.6			Group	Index
		92	Deutsche Asset Management Americas	0.7			Group	Index
		83	T. Rowe Price Associates, Inc.	0.3				
		72	Jennison Associates LLC	0.2				
490	UK	70	Merrill Lynch Investment Managers (NJ)	0.2	IR		Group	
		69	Northern Trust Global Investments	0.5	IR		Group	
		64	Banc of America Capital Management, Inc.	0.3				
	UK/Ger	59	Deutsche Investment Management Americas Inc.	0.3		IR		
		58	American Century Investment Mgmt.	0.2				
250	UK	54	Goldman Sachs Asset Management	0.1				
		52	Teacher Retirement System of Texas	0.4			IR	
		50	J.P. Morgan Private Bank	0.2				
		49	Morgan Stanley Investment Management	0.1				
		49	Oppenheimer Funds, Inc.	0.2				
		49	New York State Common Retirement System	0.3				Index
		46	U.S. Trust Corporation	0.2				
		46	Morgan Stanley Advisors Inc.	0.3			Group	
385		45	INVECO Capital Management, Inc.	0.3	IR			
		44	State Farm Insurance Companies	0.2			IR	
		43	Capital Guardian Trust Company	0.3			Group	

Senior management meetings with principal US investors

Global funds \$ biln	Other centres	US equity \$ biln	Shareholder	RD NYSE % held	Strategy pres. (Jan '02)	Q4 '01 results (Feb '02)	Post deals (Apr/May)	Notes
41			Neuberger Berman, LLC	0.1			Group	
40			Fayez Sarofim & Co.	0.4			IR	
39			Fleet Investment Advisors, Inc.	0.1				
38			U.S. Bancorp Asset Management, Inc. (MIN)	0.2				
37	UK		Barclays Global Investors Ltd.	0.2				Index
35			New Jersey Division of Investment	0.3				
25			State Teachers Retirement System of Ohio	0.2				
24			Lazard Asset Management Ltd.	0.3				
24			Deutsche Bank Securities Inc.	0.2				
23			PNC Advisors	0.1				
21			Waddell & Reed Asset Management Co.	0.1				
21			Northern Trust Investments, Inc.	0.1	IR		Group	
20	UK		UBS Warburg LLC	0.1				
20			Munder Capital Management	0.1				
19			Wells Fargo Bank, N.A.	0.1				
13			Meilon Equity Associates, LLP	0.1				
13			Independence Investment, LLC	0.1				
10	UK		Morgan Stanley Dean Witter Inv't Mgmt Ltd.	0.1			IR	
8			Jarvisowsky Fraser Limited	0.2				
20			BNY Asset Management	0.1				

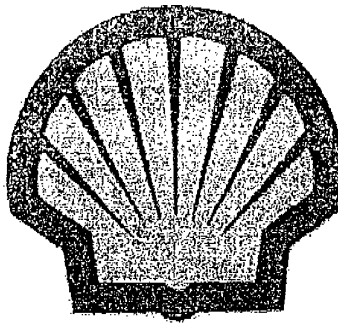
Group: group meeting involving buy side analysts from several institutions - these meetings do not normally give direct access to fund managers

Index: index funds with limited active investment decisions

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**COMMUNICATIONS AUDIT**

*Summary only*

**SHELL: FINDINGS & RECOMMENDATIONS**

**FINSBURY GROUP**

**SEPTEMBER 2002**

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*Shell Communications Audit  
September 2002*

*Finsbury  
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## 1. Executive Summary

### 1.1 Report Methodology

In May 2002, Finsbury conducted interviews with a range of fund managers, buy-side and sell-side analysts, journalists and other communications specialists. The brief was to determine which companies are regarded as being the best communicators, what makes them good communicators and how Shell compares with those companies. Our research identified Unilever, BP, Colgate, Vodafone and Nokia as the best communicators in the international financial markets and we presented a report on Best Practice Communications. We subsequently extended our research, focusing more specifically on Shell's communications with City audiences.

There are many references to BP in this document, partly because BP emerged as a good communicator in our first report and partly because most of those we spoke to found it difficult to comment on Shell in isolation. Many analysts and investors, particularly in the UK and US, see their investment decisions and recommendations as a choice of Shell or BP and they inevitably and constantly compare the two.

One of the interesting things to emerge from the report is the difference between the comments from investors on the one hand, and analysts and journalists on the other. In our report the buy-side are generally more objective, less critical and more comfortable with the quality of Shell's assets and portfolio, while the sell-side and press seem more negative, subjective and gossipy. In our view, this is more to do with style and approach than substance – investors have tended to make similar points but in a more balanced fashion. Sell-side analysts need to be more controversial and have stronger views if they are to generate any business. Journalists also need to dramatise and exaggerate if they want to get their stories in to the newspaper. Consequently their views tend to be stronger.

### 1.2 Introduction

Analysts, investors and journalists all agree that Shell needs to communicate better with its City audiences. Those that we spoke to believe the issue is more the manner in which the message is communicated than the message itself, although that too could be clearer. Analysts and journalists alike accused Shell of being defensive, they feel its first instinct is to keep a low profile and try to keep out of the limelight. The company needs to be less defensive in its attitude and more proactive, enthusiastic and accessible in its approach.

*"Shell's a bloody good business. It's a good company ultimately but they're so defensive about everything. They start every conversation on the back foot. You ring them up and say 'what have you got in the North Sea' and they say 'why, what have we done?'" (Journalist)*

Inevitably Shell suffers from consistent comparison with BP. Investors, analysts and journalists consider BP to be one of the best communicators in the FTSE 100. The word most often used to describe its approach to communications is 'slick'. While some accuse BP of spinning for the sake of it, they do not see BP's approach as a triumph of style over substance. BP is seen as having a good business and observers believe there is much truth behind their spinning. It is grounded in fact but presented in the best possible light.

*"BP are much slicker. They make the market think in the way they want it to think." (Sell-side analyst)*

There are positives. In our research Shell was consistently recognised for its honesty and integrity. While audiences believe Shell should communicate better, they prefer its simpler approach to BP's more obviously manipulative attitude towards communications. There is recognition too, albeit somewhat grudging, that

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Shell is making progress. It is clear that perceptions can be changed, but there is little goodwill to build on and no overnight fix.

*"Shell has gradually become more open and investor friendly." (Fund manager)*

### 1.3 Senior Management

In terms of communication, Shell is seen to start with a major disadvantage to most of its rivals. Irrespective of their views of individuals, many of those we spoke to, particularly journalists, cited the Anglo-Dutch heritage of Shell and its committee based management structure as a real communications issue. Words and phrases such as 'civil service', 'bureaucratic' and 'politbureau' cropped up with alarming regularity. Fund managers are less concerned, they would prefer a simpler structure, but don't see it as a major issue.

*"I think there's a perception that Shell is not so good at communicating which is perhaps more to do with their politbureau committee approach than anything else." (Journalist)*

The structure makes it more difficult for the company to refute suggestions that the management team is not strong. While five heads should be better than the one or two that run most companies, it is not clear to outsiders that all five are pulling in the same direction and this has the effect of undermining the credibility of the Chairman.

*"The lack of confidence in the management has caused Shell's lower rating. Perception of management is key and at the moment that is costing them." (Self-side analyst)*

As outsiders have never really understood the five-man CMD approach, they prefer to focus on the man at the top and look to Phil Watts as the spokesman for the business. Initial perceptions were influenced by the mixed message on production targets last summer and the failed bids for Woodside and Barrett. While the acquisition of Enterprise was not universally acclaimed as a great deal, it was swiftly and decisively executed. Following the successful offer for Pennzoil and better Q1 results than Shell's peers, he seemed to gain in confidence with the City and attitudes towards him began to change, at least until the Q2 announcement. Phil Watts comes across as honest and solid, someone who clearly understands the business but who cannot always present it in the best light.

*"Phil Watts is improving steadily after an awful start last August." (Fund manager)*

As if following Mark Moody-Stuart was not difficult enough, Phil Watts is incessantly and inevitably compared with John Browne, who is widely recognised as a good communicator, well regarded by journalists and analysts alike.



*"Inevitably Shell will always be compared to BP and how they handle their media relations. They key to BP has been John Browne and the incredible reputation that precedes him. He also is known as someone who speaks for himself, something that goes down very well with the journalists. As a result, much of their good coverage is well deserved, but they also benefit from a fair degree of luck." (Journalist)*

Comments on other senior executives at Shell were mixed. Those who have been around for some time, such as Paul Skinner, attracted positive comments but most felt it was too early to draw conclusions on other senior members of the team.

#### **1.3.1 Recommendations**

- There needs to be a clearer and more demonstrable commitment from senior management to open and consistent communication.
- In the UK, for instance, Phil Watts should host off-the-record lunches with senior business editors such as Andrew Gowers (Financial Times), Jeff Randall (BBC), Neil Collins (Daily Telegraph), Rory Godson (Sunday Times) and Fred Kempe (Wall Street Journal).
- The Financial Times is the most important publication, and the biggest current problem. Phil Watts met Andrew Gowers at a Finsbury dinner and has subsequently had a one-to-one with him. The next step should be a group lunch with senior Shell directors (including Judy Boynton, Paul Skinner, Malcolm Brinded and Simon Henry) and senior FT journalists including not only Gowers but also Will Lewis (News Editor), Martin Dickson (Lombard), George Graham (Head of Lex).
- Covering the FT and WSJ will reach financial audiences in the UK and US, but given the geographic spread of its investors Shell needs to communicate with the wider press. Members of the CMD other than Phil Watts should be used to talk to the leading European journals, not just in the Netherlands but also in the major financial markets of France, Germany and Italy.
- Refresher training sessions on presentation skills and media handling should be considered for all senior management.
- Clarity of communication around the issue of the dual-headed structure would reduce comment in this area. The market needs to be educated on the positive aspects of the Shell/Royal Dutch set up.

#### **1.4 Accessibility**

Most investors believed that Shell could improve the access that it gives the investment community. They would like to see Shell initiate more contact with investors through roadshows and conference calls. Some of the analysts we spoke to feel that they get sufficient access, while others griped about lack of access. Typically those at larger houses were happy. Others, mainly at smaller brokers and investors, are less satisfied and would appreciate more contact, although most felt the perceived lack of access was due to Shell's reticence to meet rather than a deliberate attempt to exclude them. Certainly they feel Shell is less cynical than BP, which clearly favours some analysts over others.

*"Another gripe I have with Shell is the lack of access. There must be around 25 banks covering Shell but I reckon only about 5 get any access to the senior management. Doubtless this is an internal decision but I don't think it is good enough." (Sell-side analyst)*

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BP is better at making individuals below board level available to talk to press and analysts for off-the-record briefings, site visits and so on. The City would like to see Shell making more spokesmen available, though clearly all such individuals will need to be properly briefed and trained.

*"Shell needs to expose line managers more. BP is very good at doing this, bringing operational individuals to the results meetings and so on." (Fund manager)*

#### 1.4.1 Recommendations

- Phil Watts has to become more accessible to investors, journalists and analysts. This does not mean being universally accessible, prioritisation is important. Shell must decide who are the key influencers and concentrate on them.
- There need to be spokespeople inside and outside of the CMD and IR/PR departments who can brief the City on a background basis on the key topical issues. Senior spokesmen within the company need to be identified, trained and made available by the press office and investor relations department when appropriate.

#### 1.5 Investor Relations Team

For analysts and investors the IR department is the first point of contact and most are happy with the relationship. The general feeling is that Shell's IR effort is above average in the market, but suffers by comparison with BP, which devotes a huge amount of resource towards communications, not just in terms of the City. Where Shell does rank more highly than BP is in integrity. There is a view that Shell may not always be forthcoming, but that the information it does divulge is put across in a very straight manner, with little attempt to spin or oversell the story.

*"Shell is genuinely honest in its IR approach. They don't favour some analysts over others, as happens with other companies. I would say their approach is ethical. They have principles and they stick to them." (Sell-side analyst)*

The analysts and investors we spoke to in the UK and Europe deal with Mike Harrop most regularly, mainly by telephone, and Simon Henry when they need to. In the US, most investors and analysts are familiar with David Sexton.

*"On a weekly basis I interact with the IR team, normally Mike Harrop or occasionally Simon Henry. On a six monthly basis I get to meet with director-level personnel such as the CEO and CFO. Contact tends to be on the telephone with the IR team and through one-to-one or small group meetings with directors." (Fund manager)*

Many feel, however, that the Shell IR team is too small, particularly in comparison with BP's. At BP Fergus MacLeod heads up a team of seven in the UK and three in the US. Many of those we spoke to felt there is little support below Mike Harrop in London, which means the team can sometimes be slow in responding to enquiries, that it is not as proactive as its peers and does not make senior personnel available as often as they would like.

*"BP are more proactive. I don't know how many people they've got but it feels like they've got a bigger team." (Buy-side analyst)*

While some were happy with the information they get from the IR team, others felt that again the team suffered in comparison to BP. Respondents were divided about whether this was due to lack of knowledge or reluctance to divulge information. This caused some to raise concerns that the IR team is not getting the information from senior management that it needs to be able to answer their queries. Some investors commented that while there was a relatively unified front between management and IR, the voice of IR did not seem to be highly valued internally by Shell. Nobody put forward any evidence to support the concern, but it was raised without prompting by several of our respondents. Our view is that this need not be a lasting issue – with a better flow of information investors will not be searching for reasons as to why they are not getting the information they want.

*"The overall impression is that Shell do not rate the value of IR as highly as their peers and that IR is far less integrated into the management structure and therefore has less information and less influence over the course of the company." (Fund manager)*

#### **1.5.1 Recommendations**

- The IR team should be expanded to provide more support to the strong existing team. BP and Unilever have teams of 11. We recommend a relatively senior appointment to work alongside Mike Harrop, as well as an additional analytical resource.
- The IR team needs also needs to be more responsive to investor needs and more proactive about arranging investor meetings.
- At a practical level phone calls should be acknowledged within 24 hours and if no immediate answer can be provided a timeframe should be given for when a response will be available.

#### **1.6 Press Office**

There was some criticism of the press office too, although there were no direct complaints about individuals. Journalists have felt that previous heads of press relations have not really understood their needs and, as a result, there is no goodwill between the press and Shell, either at the press office level or more senior levels. Journalists still liken the Shell press office to a civil service PR department and it is clear that these long-held perceptions will not be changed overnight.

*"Dealing with the company, whilst better than the past, does still feel like you are dealing with a very large and bureaucratic organisation, where you almost have to provide a complete list of questions in advance. It is very regimented, and would benefit frankly from a more relaxed approach. Again the contrast with BP is very apparent, where things are more intuitive and less obviously ordered." (Journalist)*

Views were mixed on the relative merits of the press offices at Shell and BP. BP is generally regarded as more helpful, enthusiastic and responsive. However, some prefer the Shell approach, providing the information without the spin that BP put on it.

*"The Shell press office is more straightforward than BP's. If BP don't know they'll stonewall you and spin it until they call back. They're good at giving the impression that they know what's going on. With Shell they'll simply tell you they don't know and they'll call back when they do, I prefer that [Shell's] approach." (Journalist)*

As with investor relations, there is a belief that Shell's press relations are not sufficiently proactive. Rather than just put out quarterly results and then react in between announcements, journalists would like to see Shell make more of an effort to generate news. Journalists recognise that with James Herbert in charge the press office is making more of an effort. The feeling remains, however, that the Press Office does not have the support of senior management, which inevitably limits the service it can provide.

*"James Herbert is very good, but you have to work so hard to get anywhere. I don't think the senior directors take his role seriously so there's only so much he can do." (Journalist)*

#### 1.6.1 Recommendations

- The press office should be used more as a marketing tool. Rather than just responding to requests the department should be generating positive news between financial calendar announcements, such as new projects and so on.
- The press office either needs a dedicated financial specialist who can concentrate on what the City needs without getting sidetracked by other issues or to use an external resource with more day-to-day financial communications capability.
- Results press releases need to be clearer so that journalists can see the story immediately and not have to search for it.
- Press office needs to be provided with positive message sheets on key financial issues so that it is not always seen as taking a defensive position.

#### 1.7 Information Sources

Most analysts and investors we spoke to were satisfied with the quality, quantity and frequency of the information provided by Shell, including on the website, although some did suggest ways in which they believe the information flow could be improved.

*"Generally the level of disclosure is good, although as with all companies in the sector, disclosure outside of the upstream division is low. They could do with better disclosure in the oil products and chemicals divisions." (Fund manager)*

### 1.7.1 Recommendations

- Given the model-driven nature of their work, analysts would appreciate more information such as divisional revenues and volumes in the quarterly releases.
- They would also like more data on oil products and gas and power. Given Shell's leading positions in those areas by leading the way on the provision of relevant information Shell can begin to get the communications agenda in to areas where it feels most comfortable relative to its competition.
- The search facility on the website should be upgraded and made more user-friendly.

### 1.8 Targets and Expectations Management

There were mixed views on Shell's performance on targets. Some felt the company is clear about the targets it sets itself and how it is performing relative to those targets. Others feel the company needs to be more specific about its targets and when it expects to meet them.

*"Shell often gives the impression that it's the long term that matters, not the short term. Of course the long term is important, but if you're not hitting milestones along the way people lose track of the long term message." (Buy-side analyst)*

One area where analysts and investors feel Shell lags behind BP is in expectations management. This was highlighted again by an analyst question on the Q2 conference call. BP rarely surprises the market and has a knack of bringing in quarterly results just ahead of expectations. Although analysts and investors appreciate the difficulties presented by the stricter guidelines on Price Sensitive Information, Shell does not get credit for its straighter and less manipulative approach.

*"When I am doing my models it is easier to speak to BP. They'll sit down and give you more of a steer, whereas Shell don't really help. There is an element of them playing it down the line and some would say that BP give too much information. Somewhere between the two of them would probably be best." (Sell-side analyst)*

This led some to suggest that Shell should introduce a trading statement in addition to quarterly reporting in the way that BP does. This gives some protection to the IR department in that there are clear numbers for them to brief behind.

*"BP's trading statements help enormously. You might call it managing expectations, I'd call it clarity. They don't give you the numbers but they do give you all the information you need to put together your forecasts. If you're out by more than 3 or 4 per cent then you're an idiot, frankly." (Sell-side analyst)*

### 1.8.1 Recommendations

- Clear and achievable targets need to be set, with realistic timeframes attached and views on external factors that may affect the achievability of the targets.
- Management of expectations could be improved relative to BP – but this needs to be a gradual process, not a sudden shift, so as not to be seen as too manipulative.
- Although analysts urge Shell to follow BP's lead and issue a quarterly trading statement in addition to the results we do not believe this is necessary. If analysts understand the drivers of the company's business and sufficient information is provided in the quarterly results on past performance and current outlook, trading updates should not be necessary.

### 1.9 Message Development

There is a feeling that although Shell is pretty good at providing information, there is not a clear message coming through. Many feel that Shell is too busy following BP's agenda to develop its own message. They believe Shell should set out its own vision more clearly and stick to it irrespective of what the competition is up to. This is particularly the case in the area of strategy. While December's strategy presentation set out the new Roadmap targets and the framework for growth, analysts and investors claim not to be clear on exactly where Shell wants to be in the medium term and how it intends to get there.

Ironically, the reality is that Shell's strategy has been more consistent than BP's but the company has failed to communicate this adequately. So while BP is aware of what the market wants and adjusts its strategy, or at least the communication of the key elements of that strategy, Shell is seen as carrying on regardless of third party opinion.

The company needs to set out a clear strategic direction within a simple framework. Acquisitions and investments need to be explained within this overall context. Investors and analysts will allow time for the company to complete the "jigsaw" as long as they know what the picture is supposed to look like when it's finished.

*"Shell is average to poor in this area, particularly with regard to strategy. The company has to question its actual strategic direction. They need to decide whether they are a growth or a return stock and communicate this to the investment community." (US fund manager)*

In terms of press releases and presentations, most believe they provide a good and comprehensive amount of information, but they do not promote the company. They are seen as efficient and effective, but do nothing to sell the Shell message. Some feel that the message gets lost, that it is not possible to see the wood for the trees.

*"The level of information that both BP and Shell give is good, but Shell needs to work on its message delivery. They confuse content with message, so sometimes the message gets buried, although they are moving in the right direction." (Self-side analyst)*

#### 1.9.1 Recommendations

- There is a need for a clear and consistent message, particularly with regard to strategy. This is especially important for journalists, who want a simple story and rarely have time to search for one.
- New announcements need fresh themes that are consistent with the message and the strategy but provide new momentum to the growth story.

#### 1.10 Results Presentations and Q&A

Analysts are happier than the press with arrangements for results. Analysts are content with the current mix – Phil Watts hosting the annual and interim results, with Simon Henry and/or Judy Boynton hosting the Q1 and Q3 announcements. Some are happy for the head of IR to present the Q1 and Q3 results alone, others believe the Finance Director should also be present, as BP's is.

*"The presentations have improved and the conference calls are reasonable. However, the commitment from the senior management at BP appears to be stronger." (Sell-side analyst)*

While investors praised Shell for their honesty in response to Q&A, several said that the team did "not always seem well prepared". Unscripted Q&A is more influential as an opinion former than scripted presentations and so this is an area that can really sway opinion on a stock. Investors and analysts agree that Shell does not excel at questions and answers sessions. This is partly a style issue and partly an apparent unwillingness – or inability - to provide the requested information. Again though the company attracted positive comment for its open and less stage-managed approach compared to BP.

*"Management are not noticeably bad at Q&A but Shell's have come unstuck occasionally with complex questions." (Fund manager)*

##### 1.10.1 Recommendations

- Investor conference calls work well – but Judy Boynton should be present throughout or not at all, not just come in for questions. It worked well having Phil Watts and the team present for the Q2 announcement and this should be repeated.
- A senior management spokesman needs to be available for the press at Q1 and Q3 – not just for the Financial Times.
- Early morning calls to wire services (such as Reuters and Bloomberg) help to set the press agenda. If management is pressed for time, conference calls are a good way of getting through a large number of outlets in a short period.
- Extra time needs to be spent in results presentation rehearsals preparing responses to particularly 'hot' topics. The management team should have a dedicated presentation rehearsal one or two days before the announcement.
- The development of a thorough, user-friendly data book, which highlights the positive aspects of each issue, helps to finesse responses with supporting detail.

#### 1.11 Annual Communications Programme

Shell Communications Audit  
September 2002

Finsbury  
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Successful communications programmes use opportunities outside the statutory reporting dates to promote the business and expose the management team to a wider audience. A successful meeting programme needs to be well organised, incorporating frequent analyst, group and one-to-one meetings. In this area Shell is rated virtually on a par with BP, and higher in Continental Europe, where investors believe that Shell takes them more seriously than BP does and TotalFinaElf is seen as the main competition.

*"More roadshows are needed, neither company's management is very accessible, I know they're huge and once you get over \$100bn it gets more difficult but there's no reason why management can't meet small groups. Even if they just came to NY, it would make a huge difference. Or perhaps they could use their IR teams more proactively." (US buy-side analyst)*

It's important that the key messages to be communicated are agreed in advance of the meeting. Investors will always have their own questions and may prefer to set the agenda. The team should therefore have a presentation ready to give, but also have a set of key points or messages that need to be got across to the investors. To make the most of each meeting, they should be preceded and followed by external feedback: before so that concerns can be identified and addressed in the meetings, after to find out if the correct messages have been communicated properly.

*"The Institutions will often ring up the brokers before they meet with the company to find out what questions they should be asking. If Shell spoke to the brokers a bit more they would have a better idea of the kind of questions they will get asked." (Sell-side analyst)*

The press would also like to hear more from Shell between results. There is a feeling that Shell only communicates when it needs to, rather than looking for positive angles for journalists.

*"They need to get the message across between the reporting periods. They just don't seem to have anything interesting to say between results." (Journalist)*

Site visits are a good way to explain the business and give management the chance to get to know its audiences better. There needs to be a good balance between the work element and the less formal sessions where directors can chat to analysts and investors.

*"Off sites are very important, I'm a big fan of them. They need to be attended by senior management if they're not to be a waste of time. That doesn't necessarily mean Phil and Judy, in fact it would almost be better without them. A downstream visit could be hosted by Paul Skinner, for example. We'd want access to middle management, people in the divisions and on the ground. If they're good it fills you with confidence." (Sell-side analyst)*

Analysts appreciate Shell's annual strategy seminar, although they do not like the timing. By holding the event just before Christmas there is little chance for them to generate business on the back of any research note they might write and investors are not keen on one-to-one follow-up meetings at that time of year. When everyone gets back from Christmas and New Year the strategy seminar already seems like old news. While it might be tempting to delay this year's strategy presentation in to next summer, our research indicates this would be a mistake. Investors and analysts claim to be unclear on what Shell's strategy is. In the light of recent press criticism a delay of more than a few weeks would be taken as a sign of weakness.

*"Shell's annual strategy presentation is ridiculous. What's the point of giving all that information just before everyone goes on holiday?" (Sell-side analyst)*

#### **1.11.1 Recommendations**

- Shell's roadshow programme is as active as almost any of its FTSE 100 peers. However, while question marks remain over its strategy and direction, the company must continue to see more investors in more locations more often. These need not all be one-on-one meetings, most investors are happy that group meetings are part of the mix. Phil Watts and Judy Boynton should do a significant proportion of the meetings with important shareholders, but other senior directors and the IR team itself can relieve the burden.
- Most meetings with investors will begin with a presentation from the Shell team. Some investors will not want to hear this and will prefer to set their own agenda and ask their own questions. The presentation team should therefore also have a page of key messages and themes to ensure positive points do not get overlooked.
- Regular audits of press, analyst and investor opinion should be undertaken to assess how the message is being received and to shape the message going forward.
- More regular site visits should be organized for both investors/analysts and press.
- Seminars for analysts and investors should also be considered on specific business issues, perhaps to alternate bi-annually with site visits. These can often be a more productive way of tackling an issue, allowing the company to get its points across in a shorter period of time than a site visit and eliminate the need for travelling. The press would also benefit from issues-related meetings outside of the pressures of results announcements.
- The annual strategy presentation should be moved in the calendar to allow time for the messages to be digested fully by the market – after Christmas would be better than before.
- An annual analyst dinner would enable the analysts to get to know the senior management better, particularly Phil Watts and Judy Boynton.
- Social events and corporate entertainment should also be considered, although not forced, perhaps to coincide with a specific event that the company is sponsoring, such as Formula One motor racing.

#### **1.12 Corporate and Social Responsibility**

Corporate and Social Responsibility is increasingly mentioned as an investment consideration, though few investors or analysts that we spoke to thought it ranked among the most important considerations. As an oil company Shell is likely to be judged more harshly than most of its FTSE 100 peers, but it scores well.

*Shell Communications Audit  
September 2007*

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*"Shell is the best in the sector for Economic, Social and Environmental CSR reporting, narrowly beating BP." (Fund manager)*

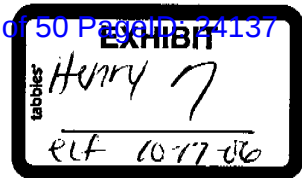
#### 1.13 Conclusion

Shell has made good strides forward in its communications over the last 18 months. In investor relations, the company has begun to close the gap with BP but still has some way to go to catch up, particularly in terms of the level and frequency of accessibility, as well as in proactivity and responsiveness. On the press side the perception is that the company has become more willing, but is still not delivering in the way BP does.

Shell can continue to improve, but to do so will involve a fairly fundamental change in the Group's approach. Shell needs to expose itself to more external scrutiny, to interface more regularly with its key audiences of fund managers, buy-side and sell-side analysts and journalists. It has to understand what the market wants, not just what it wants to deliver. It must dedicate the appropriate resources, outsourcing where necessary, and be seen to take communications seriously at the highest level. Rather than attempting to become a clone of BP, Shell must build on its reputation for honesty and integrity to claim the communications high ground.

*"You need to put communications in perspective. They've had a difficult time because the company hasn't been performing well, but you shouldn't just criticize the communications. They're not bad at all, they just need a decent story to tell." (Sell-side analyst)*

*"The key thing is for IR to become a vital role for Shell management so that it is given more importance and resources within the organisation. It needs to be used as a two-way vehicle - to communicate to the market and communicate the market's thoughts to management." (Fund manager)*



**Unknown**

**From:** Hamilton, Rhea R SIEP-EPB-B  
**Sent:** 24 October 2002 08:03  
**To:** Henry, Simon S SI-FI  
**Cc:** Harrop, Michael M SI-FI; Coopman, Frank F SIEP-EPF; Khan, Rahim, G G A R SIEP-EPF; Lawal, Jimi O SIEP-EPF; Powell, Ceri CM SIEP-EPB; Barnden, Jonathan J SIEP-EP-EA; Lau, David DNP SIEP-EPF  
**Subject:** Q&As for RRR  
**Importance:** High  
**Sensitivity:** Confidential

Simon,  
As seen below, Q&As for RRR.

Regards,  
Rhea

**General Suggested Q&A Responses**

Q: What major new reserves bookings will be made this year?  
A: We expect to be in a position by the end of the year to declare reserves in relation to the Kashagan development in Kazakhstan. Other bookings are manifold and of a relatively minor nature. *(Dangerous question - investors will probably know about FID being reached in Angola Block 18 and Erha - we have already booked the reserves for those projects. We do not intend to disclose reserves for China W2E until upstream FIDs are taken - the first being due in 2003).*

Q: What is the outlook for Shell's Reserves Replacement in 2002?  
A: Currently we project performance similar to 2001 excluding Enterprise (ca 50%), however with Enterprise we should comfortably replace production (ca 120%).

Q: This level of performance (ca. 50% reserves replacement, excluding A&D) seems to be poor compared with competitors.  
A: Investors are reminded that the SEC rules for proved reserves disclosure require conservatism in the reported numbers. This can lead to proved reserves that do not truly reflect our expectations for certain projects, particularly new developments in frontier areas. We plan our business on the basis of expectation reserves, which continue to grow steadily year on year [NB we do not report expectation reserves externally. Also, the previous statement is true only of life-cycle expectation reserves: within-licence expectation reserves are currently declining year on year, in line with proved reserves].

Q: Do you regard the Enterprise reserves as contributing to your proved reserves replacement targets?  
A: Certainly the acquisition plays a key role in ensuring that our proved reserves base continues to grow in support of our production growth targets.

Q: BP recently announced reserves write-downs in several fields, including some in which Shell also has an interest. Will Shell be making similar write-downs?  
A: We cannot comment on the detail of competitors reserves declarations, since we do not have access to information in detail. However, our understanding is that the revisions mentioned for Scheihallion and Shearwater are likely to bring BP's proved reserves in those fields into line with Shell's and consequently we do not see any reason to revise our own reserves estimates.

Rhea Hamilton  
EP Investor Relations &  
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