

SIMON HENRY, October 16th, 2006

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03:17:21 2 Sachs; do you know?

03:17:24 3 A He followed the activities of Shell.

03:17:28 4 Q Are you aware if Goldman Sachs had any  
03:17:31 5 other analysts covering Shell during the time that  
03:17:35 6 you were at IR?

03:17:36 7 A Yes. The prime coverage of Shell was in  
03:17:38 8 London through a gentleman called Mark Fletcher.

03:17:53 9 Q Was that throughout the entire period of  
03:17:58 10 2001 through 2004?

03:18:00 11 A I think Mark was there for most, if not  
03:18:03 12 all, of that period.

03:18:22 13 Q Are you aware of any brokerage houses  
03:18:24 14 who employed analysts to follow -- withdrawn. Did  
03:18:30 15 any of the brokerage houses that follow Shell have  
03:18:34 16 only a single analyst who followed the companies?

03:18:47 17 A The large brokerage houses typically  
03:18:49 18 have two, with the prime always being in London  
03:18:53 19 for the Shell coverage, maybe not prime in terms  
03:18:55 20 of the Oil and Gas sector for that brokerage  
03:18:58 21 house, but the -- if I look at Goldman's, Merrill  
03:19:03 22 Lynch, UBS, and Lehman Brothers, they all had a  
03:19:12 23 New York-based Oil and Gas team and they all had a  
03:19:14 24 London-based Oil and Gas team. The New York team  
03:19:20 25 brought research and sold it and brokered into the

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03:19:23 2 U.S. market, and the European Teams did the same  
03:19:27 3 for the European Team. Research written in the  
03:19:30 4 U.S. rarely crossed the ocean, because U.S.-based  
03:19:35 5 research, as I mentioned earlier, is entirely  
03:19:41 6 enumerate, and it's based on the last three months  
03:19:44 7 and the next three months. Europeans rarely use  
03:19:49 8 American analyst reports, so -- that's what they  
03:19:53 9 told us anyway. They use European research if  
03:19:57 10 they use research at all.

03:20:01 11 Q I don't believe that actually answered  
03:20:02 12 the question, though. Were you aware of any  
03:20:04 13 brokerage houses that utilized a single analyst to  
03:20:09 14 follow Shell during your tenure at IR?

03:20:12 15 A U.S.-based or Europe or anywhere?

03:20:15 16 Q Anywhere.

03:20:15 17 A The smaller houses would all typically  
03:20:18 18 have one lead. Often they had a small team, one  
03:20:21 19 or two people, but in one location, so -- and ABN  
03:20:25 20 had one team based in Europe. It was only maybe  
03:20:28 21 the top ten who would have a team in both  
03:20:31 22 countries. We had around 40 analysts or brokerage  
03:20:37 23 houses following Shell.

03:20:39 24 Q How about with respect to Royal Dutch?

03:20:42 25 A There was -- nobody had separate

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03:20:44 2 coverage for Royal Dutch and Shell Transport.

03:20:46 3 They all covered the Royal Dutch/Shell Group.

03:20:49 4 Q Now, I believe you previously had  
03:20:51 5 indicated that Mark Gilman was an analyst or, at  
03:20:55 6 least while an analyst at First Albany, was the  
03:20:59 7 only analyst covering Royal Dutch/Shell for First  
03:21:02 8 Albany.

03:21:04 9 A That's correct.

03:21:04 10 Q First Albany and Mr. Gilman, I believe  
03:21:06 11 you also stated, were based in the United States?

03:21:09 12 A That's correct.

03:21:09 13 Q Were you aware of any other brokerage  
03:21:11 14 houses and analysts based in the United States who  
03:21:14 15 were the sole -- withdrawn. Are you aware of any  
03:21:19 16 brokerage houses that covered Royal Dutch/Shell  
03:21:24 17 where the only analyst covering the companies was  
03:21:28 18 based in the United States?

03:21:30 19 A There were others in addition to Mark,  
03:21:34 20 such as Karl Forsheimer, I think A.G. Edwards,  
03:21:48 21 and -- U.S., not Canada. Memory is beginning to  
03:22:00 22 fade now. Sorry. But there are -- there were  
03:22:03 23 other more boutique-style brokerage houses rather  
03:22:11 24 than those affiliated with an investment bank.

03:22:15 25 Q Are you aware if A.G. Edwards

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03:22:18 2 disseminated analyst reports regarding Royal

03:22:23 3 Dutch/Shell during your tenure at IR?

03:22:26 4 A Yes, they did.

03:22:27 5 Q Do you know if those analyst reports  
03:22:29 6 were disseminated in Europe?

03:22:33 7 A No, I don't.

03:22:55 8 Q In addition to the Group Strategy  
03:22:55 9 Presentation, I believe you indicated that there  
03:22:58 10 were also Business Strategy Presentations,  
03:23:01 11 correct?

03:23:01 12 A That's correct.

03:23:05 13 Q How often were those presentations  
03:23:07 14 conducted?

03:23:10 15 A For the Major Businesses, roughly every  
03:23:12 16 two years. For the Minor Businesses, less often.

03:23:15 17 Q Was EP one of Royal Dutch/Shell's Major  
03:23:22 18 Businesses?

03:23:22 19 A Yes, it was.

03:23:24 20 Q What role, if any, did you have in the  
03:23:26 21 conduct of the Business Strategy Presentations?

03:23:31 22 A First of all, including in the overall  
03:23:34 23 communication strategy, when was an appropriate  
03:23:37 24 time to hold such a Business Strategy  
03:23:40 25 Presentation; and secondly, discussions with the



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03:23:47 2 respective Managing Directors, including Phil and  
03:23:50 3 Judy, because they had an overall responsibility,  
03:23:53 4 about their role, content and messages that I  
03:23:59 5 would, uh, I would recommend in that presentation  
03:24:03 6 at that point in time, and again always based on  
03:24:07 7 what were the issues in the market or the  
03:24:10 8 competitive positioning. So I would set it up.

03:24:14 9 I would then have a role in review, or I  
03:24:18 10 and my team would have a role in reviewing the  
03:24:22 11 material as it was developed, both the  
03:24:24 12 presentation and the speech and the questions and  
03:24:26 13 answers. We'd also usually set up the follow-up  
03:24:29 14 meetings, whether they be one-on-one or lunches or  
03:24:33 15 other investor events that gave more face time  
03:24:38 16 between investors and executives.

03:24:43 17 Q I'd like to come back for a moment to  
03:24:45 18 the Group Strategy Presentations, and I apologize  
03:24:47 19 for this. I just realized you had mentioned after  
03:24:52 20 the presentations that there were a series of  
03:24:56 21 follow-up meetings; is that correct?

03:24:58 22 A Yes.

03:25:00 23 Q Where were those follow-up meetings  
03:25:01 24 conducted?

03:25:03 25 A In a variety of locations, but London,

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Edinburgh, Frankfurt, New York, Boston were nearly always on the list.

Q Were the meetings in New York conducted after the Strategy Presentation -- the Group Strategy Presentations conducted in New York?

A Yes.

Q And by "after" I mean immediately after.

A Immediately after, and the same day quite often, yes.

Q What was the purpose of the follow-up meetings?

A It was to give major investors the opportunity to meet with the senior executives face to face and ask the questions they didn't feel they could or didn't want to ask in the open forum. The open forum tended to be dominated by equity analysts, who at least in part were marketing their own views and opinions in the questions themselves, so the buy side, the big buy side players who made the real decisions preferred to keep their opinions to themselves and ask the questions that Shell got later interested in in a one-on-one meeting.

Q And by "open forum" are you referring to

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03:26:17 2 the Q&A session?

03:26:21 3 A Yes, that everybody could hear.

03:26:23 4 Q Approximately how long did the follow-up  
03:26:26 5 meeting that occurred in New York last?

03:26:29 6 MR. SMITH: Objection to form.

03:26:31 7 THE WITNESS: Each meeting would be  
03:26:32 8 typically 45 minutes to one hour.

03:26:35 9 BY MR. MACFALL:

03:26:36 10 Q Was more than one meeting conducted  
03:26:38 11 following a Group Strategy Presentation?

03:26:43 12 A Usually we would do, over a period of up  
03:26:49 13 to two weeks, 50 plus meetings.

03:26:55 14 Q Limiting my inquiry to the United  
03:26:58 15 States, were those meetings, the 50 or so  
03:27:02 16 meetings, conducted --

03:27:04 17 A Fifteen to 20 in the U.S.

03:27:06 18 Q Were those meetings all conducted in New  
03:27:07 19 York?

03:27:08 20 A No.

03:27:09 21 Q Where else?

03:27:09 22 A Boston.

03:27:15 23 Q Were they ever conducted in any other  
03:27:17 24 location?

03:27:18 25 A In the United States?

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03:27:19 2 Q In the United States.

03:27:21 3 A As follow-up to a Group Strategy  
03:27:23 4 Presentation, not that I recall. At other times  
03:27:27 5 in the year there are other locations in the  
03:27:29 6 United States that we would visit.

03:27:41 7 Q Were certain investors invited to the  
03:27:45 8 follow-up meetings?

03:27:47 9 A Yes.

03:27:48 10 Q Who determined who to invite to the  
03:27:51 11 follow-up meetings?

03:27:54 12 A I did.

03:27:57 13 Q Did you have a specific criteria that  
03:27:59 14 you used to formulate that list?

03:28:02 15 A Yes.

03:28:02 16 Q And could you please explain for me what  
03:28:04 17 that was.

03:28:06 18 A Current holding, current holding as a  
03:28:08 19 proportion of the total funds under management,  
03:28:12 20 and whether we knew that investor to be  
03:28:17 21 influential in a broader group, in the broader  
03:28:29 22 investment community.

03:28:31 23 Q Why did you utilize that criteria in  
03:28:32 24 deciding who to invite to the follow-up meetings?

03:28:37 25 A We had the three criteria, but the

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reason for using the three were the senior executive time is limited; therefore, we could only do so many meetings. Therefore, we should leverage that, get the best return. We should focus on people with large funds under management, and we should focus on your current shareholders, because it's easier to keep a shareholder than gain a new one. And you should selectively target a small proportion of large funds with a low holding.

Q Now, with respect to the first reason that you cited concerning the leverage, what did you mean by that?

A I mean if I've got one day of Sir Philip Watts' time, I would like him to meet the highest proportion of shareholders possible in that time.

Q Was consideration -- withdrawn. Was one of your considerations also generating interest in the purchase of Shell in the United States?

A Our aim was to clarify any questions or understanding or interest that the investors had. We could never, obviously, recommend purchase of Shell shares. That was up to the investor, based on the discussion they had and the facts available

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03:30:14 2 to them.

03:30:19 3 Q Separate and apart from recommending the  
03:30:21 4 purchase of Shell, was that one of your goals?

03:30:23 5 A I would like to think we helped increase  
03:30:25 6 demand for the Shell shares.

03:30:33 7 Q In connection with these follow-up  
03:30:35 8 meetings, were multiple investors invited, or were  
03:30:39 9 they meetings with individual investors?

03:30:43 10 MR. SMITH: Objection to form.

03:30:49 11 THE WITNESS: It was mainly individual,  
03:30:53 12 as a single investment house, but when we visited,  
03:30:58 13 the investment house would have an oil and gas  
03:31:01 14 analyst who is a specialist in Oil and Gas and  
03:31:04 15 would know the company very well, and he would  
03:31:06 16 invite portfolio managers from that company. So  
03:31:10 17 although we would be visiting one investment  
03:31:14 18 organization or asset management company, we may  
03:31:18 19 have up to 20 people involved in the meeting,  
03:31:24 20 different fund managers within that organization  
03:31:27 21 who might wish to purchase or be interested in  
03:31:30 22 Shell shares.

03:31:30 23 BY MR. MACFALL:

03:31:31 24 Q With regard to the format of those  
03:31:33 25 follow-up meetings, were prepared statements

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03:31:37 2 delivered by the Shell executives?

03:31:40 3 A Sometimes we took two minutes at the  
03:31:43 4 start of a meeting just to say -- to recap on the  
03:31:46 5 main messages from the main presentation. That  
03:31:51 6 would be anything that was not the main message in  
03:31:53 7 the presentation, but it was basically open  
03:31:56 8 question and answer, because that's what investors  
03:31:58 9 prefer.

03:31:59 10 Q Who appeared at the follow-up meetings  
03:32:01 11 on behalf of Shell?

03:32:04 12 A It would vary depending on the schedule,  
03:32:06 13 but in the U.S. Sir Philip and Judy would usually  
03:32:12 14 join the meeting, sometimes together, sometimes  
03:32:16 15 separately. Paul Skinner, as head over  
03:32:20 16 Downstream, would quite often do meetings in the  
03:32:25 17 U.S., and from time to time the other Managing  
03:32:26 18 Directors, including Walter van der Vijver, may do  
03:32:31 19 the one-on-ones as well.

03:32:40 20 Q Was there a particular demand for  
03:32:42 21 Mr. Watts' appearance at these follow-up meetings?

03:32:49 22 A The main demand was for Sir Philip as  
03:32:52 23 the Chairman of the CMD, which translated in  
03:32:56 24 America to being the de facto Chief Executive  
03:32:59 25 Officer.

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03:33:05 2 MR. MACFALL: Why don't we go off the  
03:33:06 3 record, please.

03:33:08 4 THE VIDEOGRAPHER: This marks the end of  
03:33:09 5 Tape 2 in the deposition of Mr. Henry. We are  
03:33:12 6 going off the record. The time is 3:33 p.m.

03:33:23 7 (Whereupon, a short recess was taken.)

03:48:08 8 THE VIDEOGRAPHER: This marks the  
03:48:09 9 beginning of Tape 3 in the deposition of  
03:48:11 10 Mr. Henry. We are back on the record. The time  
03:48:13 11 is 3:48 p.m.

03:48:17 12 BY MR. MACFALL:

03:48:17 13 Q Mr. Henry, I believe you, in addition --  
03:48:20 14 withdrawn. In addition to the follow-up meetings  
03:48:22 15 that were conducted in the United States, you  
03:48:24 16 indicated that there were follow-up meetings  
03:48:26 17 conducted in Europe as well; is that correct?

03:48:29 18 A That is correct.

03:48:30 19 Q Do you recall approximately how many  
03:48:32 20 such meetings were conducted in Europe and the  
03:48:37 21 U.K.?

03:48:38 22 A We do between five and eight days, five  
03:48:41 23 meetings a day, so 25 to 40 meetings overall.

03:49:06 24 Q Now, directing your attention again  
03:49:08 25 specifically to the follow-up meetings conducted



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03:49:10 2 in the United States, in preparation for meeting  
03:49:15 3 with specific investors, were briefing notes  
03:49:22 4 provided to Shell senior management?

03:49:26 5 A Yes, they were.

03:49:29 6 Q Who prepared those materials?

03:49:31 7 A My team.

03:49:35 8 Q Would that have included Mr. Sexton?

03:49:37 9 A Yes, it would.

03:49:42 10 Q Were you involved in the preparation of  
03:49:44 11 those materials?

03:49:45 12 A Not really.

03:49:49 13 Q Besides Mr. Sexton, was there anyone  
03:49:51 14 else involved in the preparation of such  
03:49:53 15 materials?

03:49:56 16 A Gerard Paulides and Bart van der  
03:50:02 17 Steenstraten.

03:50:10 18 Q Was Mr. Paulides and Mr. Van der  
03:50:13 19 Steenstraten involved in the preparation of  
03:50:17 20 briefing materials used in connection with the  
03:50:20 21 follow-up meetings conducted in the United States?

03:50:23 22 A Yes, they would prepare some of the  
03:50:26 23 information.

03:50:29 24 Q Conversely, was Mr. Sexton involved in  
03:50:31 25 the preparation of briefing materials utilized for

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the follow-up meetings conducted in Europe?

A Not really.

Q During the course of the various Group Strategy Presentations that were conducted during your tenure at IR, do you recall ROACE being discussed?

A During the meetings, yes.

Q Was that discussed during the presentations?

A It was usually part of the presentations. Certainly in December 2001, February 2003. That was probably it.

Q Is depreciation related to the Return On Average Capital Employed?

MR. SMITH: Objection to form.

MR. MACFALL: I'll rephrase the question.

BY MR. MACFALL:

Q Is DD&A or Depletion, Depreciation and Amortization used in the calculation of ROACE?

MR. SMITH: Objection to lack of foundation.

THE WITNESS: The depreciation, depletion, amortization, DD&A charge is included

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03:52:55 2 in the calculation of net income, which is then  
03:52:56 3 included in the calculation of ROACE.

03:53:04 4 BY MR. MACFALL:

03:53:04 5 Q You previously stated that proved  
03:53:06 6 reserves were utilized to calculate DD&A for  
03:53:14 7 Shell; is that correct?

03:53:15 8 A That's correct.

03:53:26 9 Q Do you recall if during 2001/2002 any  
03:53:33 10 analysts asked questions concerning proved  
03:53:41 11 reserves in connection with ROACE?

03:53:44 12 MR. SMITH: Are you still focused on the  
03:53:45 13 Group Strategy Presentation?

03:53:48 14 MR. MACFALL: I am. Thank you.

03:53:53 15 THE WITNESS: No, I don't.

03:54:02 16 BY MR. MACFALL:

03:54:03 17 Q Was Discounted Cash Flow an issue that  
03:54:06 18 arose at the Group Strategy Presentations?

03:54:10 19 A Do you mean by that the standardized  
03:54:13 20 measure?

03:54:15 21 Q Yes, I do.

03:54:16 22 A The supplementary information? No,  
03:54:16 23 never, because no investor uses that measure, not  
03:54:23 24 that I'm aware of. Certainly it was never raised  
03:54:26 25 with me, and most investors had the same view of

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the usefulness of that measure, as is included in the notes by all major oil companies about the fact that the measure is not useful.

Q Did the issue of Discounted Adjusted Cash Flow come up during those Group Strategy Presentations?

A No, but DACF did, Debt Adjusted Cash Flow.

Q Are you familiar with the term "Unit Finding Cost" or "Unit Finding and Development Cost"?

MR. SMITH: Objection to form. They're two different terms.

THE WITNESS: Yes, I'm familiar with both terms.

BY MR. MACFALL:

Q Thank you. Is there a difference between the two terms?

A Yes, there is.

Q Could you describe for me what Unit Finding Cost is.

A The Unit Finding Cost is an indication of the cost of finding new resources through exploration. It is clearly a dollar figure

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03:55:55 2 divided by a barrels figure. The dollar figure is  
03:55:59 3 relatively easy to calculate, because that comes  
03:56:03 4 from financial accounts and is included in the  
03:56:06 5 20-F for exploration expenditure. There is no  
03:56:11 6 recognized consistent method of calculating the  
03:56:16 7 volume figure associated with that evaluation,  
03:56:18 8 because exploration discoveries made in any given  
03:56:21 9 period do not translate into proved reserves in  
03:56:25 10 that period, typically. The only consistent  
03:56:29 11 measure available to anybody looking at the  
03:56:33 12 industry is proved reserves.

03:56:39 13 Q When you say the only consistent measure  
03:56:42 14 to anybody looking at the industry is proved  
03:56:46 15 reserves, do you mean that the only meaningful  
03:56:54 16 basis of comparison or consistent basis of  
03:57:00 17 comparison between companies is proved reserves?

03:57:03 18 MR. SMITH: Objection to form.

03:57:04 19 BY MR. MACFALL:

03:57:04 20 Q I'll rephrase the question. What is it  
03:57:06 21 that you mean by your last answer?

03:57:07 22 A What I mean is to get a Unit Finding  
03:57:11 23 Cost, you need to know how many barrels were  
03:57:14 24 discovered by a particular exploration well.  
03:57:16 25 There are many different ways of calculating that.

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03:57:19 2 Each company has their own way, and there is no  
03:57:21 3 industry standard or guideline for that, and there  
03:57:25 4 is no requirement to report that number under any  
03:57:29 5 regulatory regime. Therefore, there is no  
03:57:36 6 consistent set of information about volumes  
03:57:40 7 discovered available to the industry.

03:57:45 8 Q Are you aware of how Shell calculated  
03:57:51 9 UFC?

03:57:54 10 A Yes, I am.

03:57:55 11 Q Explain it to me.

03:57:56 12 A Was I aware now or was I aware during  
03:57:58 13 the class period?

03:57:59 14 Q During the class period, 2001 to 2004  
03:58:03 15 specifically.

03:58:06 16 A Just to be clear, my knowledge now is  
03:58:09 17 considerably more detailed than it was during that  
03:58:12 18 period; however, my understanding then was  
03:58:14 19 exploration expenditure as reported in the 20-F  
03:58:19 20 divided by what we term, in Shell, "Additions to  
03:58:24 21 Discovered Scope for Recovery." That is a  
03:58:27 22 classification of hydrogen resource, which  
03:58:31 23 means -- I'm sorry -- of hydrocarbon resource,  
03:58:33 24 which means we have observed hydrocarbons, and  
03:58:39 25 based on the test of the well and the seismic data

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03:58:45 2 available, the amount of hydrocarbon that that  
03:58:48 3 particular well has demonstrated is in the  
03:58:52 4 reservoir, it is in addition to what we in generic  
03:58:59 5 terms call our Resource Base. It is not in  
03:59:03 6 addition to proved reserves until a much later  
03:59:06 7 stage.

03:59:11 8 Q I'm sorry. What you just described for  
03:59:12 9 me, is that your current understanding, or was  
03:59:15 10 that your understanding --

03:59:17 11 A It was my understanding at the time.

03:59:19 12 Q How does that differ, if at all, from  
03:59:21 13 your current understanding of the term?

03:59:23 14 A My current understanding, I would have  
03:59:25 15 more detail and knowledge of how the volume of  
03:59:30 16 that particular well is believed to demonstrate,  
03:59:32 17 how that is calculated in technical terms.

03:59:37 18 Q Now, you differentiated earlier between  
03:59:40 19 Unit Finding Costs and Unit Finding and  
03:59:42 20 Development Cost. Could you please describe for  
03:59:46 21 me your understanding, if you have one, of the  
03:59:48 22 term "Unit Finding Development Cost."

03:59:51 23 A My understanding of that term is again  
03:59:55 24 it's a dollar figure divided by a volume figure,  
03:59:59 25 and the simplest definition is the capital

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04:00:02 2 investment total, including exploration  
04:00:05 3 expenditure, in a given period, divided by the  
04:00:09 4 number of barrels, added to proved reserves in  
04:00:14 5 that period. Now, there are different versions  
04:00:21 6 including or excluding barrels acquired or  
04:00:25 7 divested, but that's the basis of the calculation.

04:00:36 8 Q Do you recall if Unit Finding and  
04:00:39 9 Development Costs were discussed during any of the  
04:00:45 10 Group Strategy Presentations during your tenure at  
04:00:47 11 IR?

04:00:50 12 A I can't recall specifically when, but I  
04:00:52 13 believe they were addressed.

04:00:57 14 Q Generally do you recall if that occurred  
04:01:01 15 before or after the Reserves Replacement Ratio  
04:01:10 16 issue becoming commonly inquired about?

04:01:14 17 MR. SMITH: Objection to form.

04:01:16 18 BY MR. MACFALL:

04:01:17 19 Q Well, I'll rephrase. Using the time  
04:01:20 20 period which I believe you indicated was early  
04:01:24 21 2002 in which it became more common for analysts  
04:01:27 22 and investors to raise questions or ask questions  
04:01:30 23 about RRR, do you recall if Unit Finding and  
04:01:35 24 Development Costs were discussed before or  
04:01:39 25 subsequent to that time?



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04:01:50 2 A I don't recall a specific instance in a  
04:01:54 3 Group Strategy Presentation, but more generically  
04:01:58 4 your question I would have discussed with analysts  
04:02:00 5 myself.

04:02:04 6 MR. FERRARA: Sorry. I think his  
04:02:05 7 question was: Before or after 2002?

04:02:11 8 THE WITNESS: Would have been before  
04:02:12 9 2002.

04:02:13 10 BY MR. MACFALL:

04:02:14 11 Q Now, you said not in the context of the  
04:02:16 12 Group Strategy Presentation, but in discussions  
04:02:18 13 with analysts, correct?

04:02:20 14 A I said I didn't recall a Group Strategy  
04:02:22 15 Presentation, but I believe it would have been an  
04:02:26 16 element of the discussions that I would or my team  
04:02:32 17 would have had with analysts.

04:02:35 18 Q We've been discussing at some length the  
04:02:37 19 formal presentations conducted by Shell. I'd like  
04:02:43 20 now to ask: Did you, throughout your tenure at  
04:02:46 21 IR, have individual -- withdrawn. Did you have  
04:02:51 22 contact with individual analysts on an informal  
04:02:54 23 basis; for example, had telephone conversations  
04:02:57 24 with various analysts?

04:02:59 25 A Yes, I did.

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04:03:01 2 Q Was that a common occurrence during your  
04:03:05 3 tenure at IR?

04:03:09 4 A Almost every day.

04:03:15 5 Q Do you recall if there were particular  
04:03:17 6 analysts who you had more contact with than  
04:03:20 7 others?

04:03:28 8 A There are a group of analysts that are  
04:03:36 9 highly ranked in terms of the influence they have  
04:03:39 10 over the market, and I, as head of Group Investor  
04:03:44 11 Relations, I would focus the time I spent on the  
04:03:49 12 higher ranked analysts.

04:03:51 13 Q Could you identify those individuals for  
04:03:53 14 me, please.

04:03:56 15 A Based in the U.K., they would include  
04:04:02 16 Neil Perry, who was then at UBS Warburg; Jeremy  
04:04:08 17 Eldon, who was then at Lehman Brothers; J.J.  
04:04:12 18 Trainer, who was then at Deutsche Bank; Rod  
04:04:18 19 McLean, who was then at CSFB; Mark Ianotti, who  
04:04:26 20 was part Citi Group, part Merrill Lynch; John  
04:04:33 21 Rigby, who was then at Commerce Bank. And I would  
04:04:43 22 keep some level of personal relationship with one  
04:04:46 23 or two of the U.S.-based analysts, although that  
04:04:52 24 was primarily handled by David Sexton.

04:55 25 The ones that I would retain contact

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04:05:00 2 with would be Doug Terrison at Morgan Stanley;  
04:05:04 3 Arjun Murti, Goldman Sachs; Steve Pfeiffer,  
04:05:24 4 Merrill Lynch; Mark Flannery, Credit Suisse. And  
04:05:32 5 they were the primary contacts that I can recall.

04:05:38 6 Q I'd just like to clarify. With respect  
04:05:41 7 to certain of the investors that you identified as  
04:05:44 8 being located in the U.K., they were U.K. -- I'm  
04:05:49 9 sorry -- analysts located in the U.K. These were  
04:05:53 10 analysts that worked out of the U.K. for companies  
04:05:59 11 based in the United States, correct; for example,  
04:06:04 12 Lehman Brothers, Citi Group, Merrill?

04:06:11 13 MR. SMITH: Objection to form.

04:06:12 14 THE WITNESS: I don't know their  
04:06:13 15 corporate structure, but their corporate head  
04:06:18 16 office, of the ones you just mentioned, were I  
04:06:21 17 assume in New York. The lead analyst coverage in  
04:06:26 18 all those cases was either clearly in London or  
04:06:29 19 was clearly disputed within the organization in  
04:06:34 20 question, but we tended to focus on those that  
04:06:37 21 made a difference where our share price was set,  
04:06:38 22 which was London.

04:06:43 23 BY MR. MACFALL:

04:06:43 24 Q Now, with respect to the analysts that  
04:06:45 25 you identified in the United States, do you recall

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04:06:56 2 approximately how frequently you spoke with those  
04:06:59 3 individuals?

04:07:02 4 A I would aim to speak with them when I  
04:07:04 5 was visiting the U.S., but it would not be that  
04:07:09 6 often that I would speak with those individuals.  
04:07:12 7 I would usually restrict it to a particular issue.  
04:07:19 8 I remember just following up particular research  
04:07:22 9 reports that they may have written. That would be  
04:07:30 10 me proactively contacting. Reactively, I would  
04:07:33 11 get calls from their London-based analysts anyway  
04:07:38 12 on a regular basis, and from the U.S.-based  
04:07:42 13 analysts, if ever David Sexton were not available,  
04:07:46 14 they would contact me direct.

04:07:58 15 Q Did you speak to various analysts every  
04:08:02 16 day during your tenure at IR?

04:08:04 17 MR. SMITH: Objection to form.

04:08:07 18 THE WITNESS: Pretty much every day I  
04:08:08 19 would talk to somebody, because I was there partly  
04:08:11 20 to answer the phone when it rang.

04:08:15 21 BY MR. MACFALL:

04:08:16 22 Q I believe you stated that Unit Finding  
04:08:19 23 and Development Cost was something that arose  
04:08:23 24 during the course of certain of your conversations  
04:08:26 25 with analysts prior to 2002; is that correct?

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04:08:29 2 A Indeed.

04:08:30 3 Q Okay. Do you remember how frequently  
04:08:33 4 that issue arose?

04:08:36 5 A The main way in which it would have  
04:08:38 6 arisen was I was new to the whole concept of  
04:08:42 7 equity research and marketing when I took over as  
04:08:46 8 head of Investor Relations, so I spent time with  
04:08:50 9 some of the analysts, understanding how they look  
04:08:53 10 at a company, how they value it, and what it is  
04:08:56 11 that is important to them, so -- to understand the  
04:08:58 12 metrics, so it was one of the metrics that we  
04:09:02 13 would have discussed in that period. So I was  
04:09:05 14 pretty aware of how an analyst looked at the  
04:09:08 15 company. It was not separately one of the key  
04:09:12 16 up-front metrics that was included in a  
04:09:15 17 presentation or discussion, but it could lead to a  
04:09:19 18 question. You could get questions on it.

04:09:22 19 Q So am I correct then that during the  
04:09:25 20 period in which you first started working for IR,  
04:09:30 21 it was actually the analysts that apprised you of  
04:09:34 22 the significance of UFDC?

04:09:36 23 MR. SMITH: Objection to form. I don't  
04:09:37 24 think that's what he said.

09:41 25 THE WITNESS: The analysts would

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04:09:43 2 describe to me how they individually looked at a  
04:09:46 3 company and how they built a model and how they  
04:09:49 4 then apprised different metrics. UFDC was one of  
04:09:53 5 them that they talked about.

04:09:56 6 BY MR. MACFALL:

04:09:58 7 Q How about ROACE; was that one of the  
04:10:03 8 metrics that they talked about?

04:10:04 9 A Yes, it was.

04:10:08 10 Q Do you recall discussing ROACE with  
04:10:13 11 various analysts during one-on-one communications  
04:10:18 12 with them?

04:10:20 13 MR. SMITH: Objection to form.

04:10:23 14 THE WITNESS: In general, yes, I do.  
04:10:25 15 Not specifically, but it was a regular topic of  
04:10:28 16 conversation.

04:10:44 17 BY MR. MACFALL:

04:10:45 18 Q Are you aware if the market perceived  
04:10:47 19 ROACE as being an important metric with regard to  
04:10:52 20 the performance of a petroleum company?

04:10:54 21 MR. SMITH: Objection to form.

04:11:00 22 THE WITNESS: My impression was that  
04:11:01 23 they did regard ROACE as an important indicator,  
04:11:09 24 although not all of them agreed on this.

04:11:12 25

1 SIMON HENRY, October 16th, 2006

2 BY MR. MACFALL:

3 Q Do you know how Royal Dutch/Shell  
4 compared to BP during your tenure at IR in terms  
5 of ROACE?

6 A We were better than BP for all that  
7 period if calculated on the basis of excluding  
8 premiums paid for acquisitions in your capital  
9 employ. BP had their own calculation of ROACE on  
10 which, of course, they were best. We used the  
11 standard information, the standard definition,  
12 same as Exxon or anybody else, and we were  
13 exceeding BP in all years.

14 Q How about with respect to ExxonMobil?

15 A We were behind ExxonMobil most of the  
16 time. There may have been a short period when we  
17 were equal to or slightly better than Exxon. Over  
18 the period, the gap widened.

19 Q And by that do you mean that there was a  
20 more significant difference between Exxon and  
21 Royal Dutch/Shell in terms of ROACE?

22 A The end of the period a more significant  
23 difference than the beginning of the period, yes.

24 Q Thank you.

25 Now, in connection with the follow-up

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04:13:09 2 meetings that occurred after the Group Strategy  
04:13:16 3 Presentations, do you recall if you received  
04:13:23 4 telephone calls from investors concerning those  
04:13:28 5 meetings?

04:13:34 6 A At what point; before or after the  
04:13:36 7 meetings were held?

04:13:40 8 Q Do you recall if you received telephone  
04:13:41 9 calls prior to the meetings from investors who  
04:13:44 10 expressed any specific areas of interest  
04:13:49 11 concerning Shell?

04:13:51 12 MR. SMITH: Objection to form.

04:13:53 13 THE WITNESS: I personally don't recall  
04:13:57 14 any specific calls to me, but we used to make  
04:14:01 15 calls to them to ask them if there were any  
04:14:05 16 specific issues or concerns that they wanted to  
04:14:08 17 raise. That was part of our briefing process for  
04:14:10 18 the executives.

04:14:11 19 BY MR. MACFALL:

04:14:13 20 Q During the course of those follow-up  
04:14:15 21 meetings, do you recall if UFDC was discussed  
04:14:18 22 throughout the time of your tenure at IR?

04:14:20 23 MR. SMITH: Objection to form. He  
04:14:22 24 didn't say those were follow-up meetings.

04:25 25 THE WITNESS: In those follow-up



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04:14:26 2 meetings it's quite likely from time to time that  
04:14:30 3 UFDC was discussed, because many subjects were  
04:14:33 4 discussed. For some investors it was something  
04:14:36 5 they were interested in; for others it wasn't.

04:14:40 6 BY MR. MACFALL:

04:14:40 7 Q Do you recall if ROACE was discussed  
04:14:45 8 typically at those follow-up meetings?

04:14:47 9 A More regularly than UFDC, it was a more  
04:14:51 10 common subject of questions and discussion.

04:15:05 11 Q I believe you testified earlier today  
04:15:08 12 that in early 2002 investor inquiries concerning  
04:15:15 13 the Reserves Replacement Ratio first became more  
04:15:22 14 common following BP's setting of the agenda that  
04:15:27 15 included that metric; is that correct?

04:15:30 16 MR. SMITH: Objection to form. That  
04:15:31 17 wasn't his testimony.

04:15:34 18 THE WITNESS: I said --

04:15:35 19 BY MR. MACFALL:

04:15:36 20 Q I'll withdraw the question. Did there  
04:15:38 21 come a time in 2002 when investors began to ask  
04:15:44 22 more frequently about Shell's Reserves Replacement  
04:15:48 23 Ratio?

04:15:49 24 MR. SMITH: Objection to form. Again  
15:50 25 that's not his testimony.

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04:15:55 2 THE WITNESS: I think I mentioned

04:15:56 3 earlier that 2002, during the year, the issue of  
04:16:00 4 reserves replacement became a more common subject  
04:16:02 5 of discussion. It would initially be kicked off  
04:16:06 6 by a round of reported reserves additions for the  
04:16:11 7 year of 2001, which were reported between February  
04:16:14 8 and May 2002, but also informed, as I mentioned  
04:16:20 9 earlier, by the BP's impending knowledge of their  
04:16:24 10 production problems several months before they  
04:16:27 11 actually admitted them, and the way they were  
04:16:31 12 moving the market ahead of the ultimate Russian  
04:16:34 13 deal towards thinking about access to resource  
04:16:37 14 base being a key competitor differentiator rather  
04:16:42 15 than ability to generate growth.

04:16:46 16 BY MR. MACFALL:

04:16:46 17 Q Do you recall what BP's Reserves  
04:16:51 18 Replacement Ratio was at about that time? And by  
04:16:53 19 "that time" I mean early 2002.

04:16:55 20 A I don't recall exactly, but if my memory  
04:16:58 21 serves me right, it was well above one hundred  
04:17:04 22 percent.

04:17:07 23 Q Do you recall what Royal Dutch/Shell's  
04:17:11 24 Reserves Replacement Ratio was during that same  
04:17:12 25 period?

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04:17:13 2 A At the end of 2001 it was below  
04:17:16 3 100 percent. The end of 2002 it was 117 percent,  
04:17:23 4 but during that year we had acquired Enterprise  
04:17:28 5 Oil, and the market to a certain extent  
04:17:31 6 differentiated between acquisitions activity  
04:17:37 7 through organic type investments.

04:17:39 8 Q Now, specifically with regard to 2001,  
04:17:43 9 while it's below 100 percent, do you recall  
04:17:46 10 approximately what it was during that year or for  
04:17:48 11 that year?

04:17:52 12 A I'm sorry. I don't -- I don't,  
04:17:53 13 actually.

04:17:55 14 Q With regard to 2002, excluding the  
04:17:58 15 Enterprise acquisition, do you recall what Shell's  
04:18:01 16 organic Reserves Replacement Ratio was?

04:18:06 17 A I believe it was around 50 percent.

04:18:15 18 Q Do you recall what BP's Reserves  
04:18:18 19 Replacement Ratio was for 2002?

04:18:22 20 A It would have been over a hundred  
04:18:23 21 percent, but in the process of announcing these  
04:18:30 22 data, that was the time at which the BP Russia  
04:18:34 23 deal was announced with very large resource  
04:18:38 24 volumes associated with it. I don't think it was  
04:18:45 25 included in that number at the time, but that

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04:18:47 2 overshadowed the numbers at the time.

04:18:54 3 Q Do you recall what Exxon's Reserves  
04:18:56 4 Replacement Ratio was during 2002?

04:19:00 5 A It would have been between 100 and  
04:19:02 6 120 percent, because that's what they manage it to  
04:19:05 7 every year.

04:19:17 8 Q At the time that investors and analysts  
04:19:21 9 began to inquire with respect to Shell's Reserves  
04:19:25 10 Replacement Ratio, do you recall if anyone asked  
04:19:30 11 why Shell's RRR was lower than its peers?

04:19:39 12 A I don't recall a specific instance, but  
04:19:40 13 I'm sure I was asked that question.

04:19:45 14 Q Do you recall if that topic was  
04:19:47 15 addressed in any prepared statements that were  
04:19:51 16 drafted during that period?

04:19:53 17 A We began to ensure that that question  
04:20:00 18 and answer was prepared for each of the type of  
04:20:05 19 events that I was talking about earlier, the  
04:20:07 20 quarterly results or mid-year or press conference.  
04:20:10 21 I would expect Q&A to be prepared around the issue  
04:20:14 22 of reserve replacement.

04:20:17 23 Q Was the inclusion of that topic based on  
04:20:23 24 inquiries that you were receiving in IR?

04:20:29 25 A In part, yes. It was one topic amongst

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2 many.

3 Q Specifically with regard to that "one  
4 topic amongst many," do you recall what kinds of  
5 inquiries you were receiving during that period?

6 A Very similar to the question that you've  
7 just posed: Why was Shell's performance less good  
8 than the competitors?

9 Q Did you have an understanding as to why  
10 Shell's performance concerning RRR was less good  
11 than its peers?

12 A My understanding improved over that  
13 period, from that period on. It's difficult to  
14 reconstruct exactly what I would have seen as  
15 being an understanding, but primarily it was about  
16 investment levels in the company which lead to new  
17 projects, which lead to proved reserves, and how  
18 successful that new investment would be or how  
19 successful the company had been at generating new  
20 opportunities in which to invest, whether it be  
21 through exploration or through negotiation with  
22 governments.

23 Q Now, with regard to Reserves Replacement  
24 Ratio -- withdrawn. Are you aware of company-wide  
25 efforts to reduce costs at Shell during the late

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04:21:58 2 nineties and early 2000s?

04:22:00 3 A Yes, I am.

04:22:01 4 Q As part of that effort did Shell reduce  
04:22:04 5 its capital expenditure in its Upstream  
04:22:07 6 activities?

04:22:12 7 A Not strictly as part of that effort.  
04:22:14 8 The effort to reduce cost was about operating  
04:22:16 9 expenditures, not about capital expenditures, but  
04:22:20 10 in the same period capital investment was also  
04:22:24 11 reduced following the collapse in the oil price in  
04:22:28 12 1998.

04:22:45 13 Q Are you aware if that reduction in  
04:22:47 14 capital expenditure in Shell's Upstream activities  
04:22:51 15 adversely impacted Shell's Reserves Replacement  
04:22:54 16 Ratio?

04:22:55 17 A Am I or was I then?

04:22:57 18 Q Are you now?

04:22:58 19 A Am I now? Yes, I do believe that to be  
04:23:00 20 the case now.

04:23:01 21 Q Were you aware of that then?

04:23:03 22 A I suspected that might be the case then.  
04:23:05 23 I was not -- I did not have access to as much  
04:23:11 24 information at that point as I do now.

04:23:17 25 Q Do you recall if there was pressure from

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04:23:22 2 Shell's management to increase the company's RRR  
04:23:32 3 to improve its competitive position relative to  
04:23:36 4 its peers relative to the period of 2001 through  
04:23:38 5 2004?

04:23:39 6 MR. SMITH: Objection to form.

04:23:44 7 THE WITNESS: I'd probably look for a  
04:23:46 8 definition of "pressure" there. The management  
04:23:49 9 was aware, as we go through the period, of a  
04:23:51 10 competitive disadvantage as perceived in the  
04:23:57 11 market, and any management, in that situation,  
04:23:59 12 will look to drive the organization to perform  
04:24:05 13 better in that area, so if that equals pressure,  
04:24:09 14 that's pressure that leaders would place on the  
04:24:13 15 organization to perform better in a given area.

04:24:15 16 BY MR. MACFALL:

04:24:16 17 Q Did senior management in Shell, in fact,  
04:24:18 18 drive the operating units to improve performance  
04:24:22 19 in connection with the RRR during that period?

04:24:24 20 A 2001 to 2004?

04:24:27 21 Q Yes.

04:24:29 22 A Not directly, because it's not something  
04:24:31 23 you manage directly. They would be looking to  
04:24:34 24 develop projects and to invest maybe at higher  
04:24:40 25 levels, and we did see an increase in the

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04:24:42 2 investment levels over that period, because it's  
04:24:46 3 investments in projects that ultimately lead to  
04:24:48 4 the recognition of proved reserves.

04:25:10 5 Q Did management also drive the various  
04:25:15 6 Businesses to improve ROACE during the period of  
04:25:23 7 2001 to 2004?

04:25:26 8 A Not to improve; to sustain.

04:25:31 9 Q Do you recall what the ROACE level for  
04:25:34 10 Shell was, approximately, during that period?

04:25:38 11 MR. SMITH: Objection to form.

04:25:46 12 THE WITNESS: What the group was  
04:25:47 13 targeting was a particular rate of return or a  
04:25:50 14 reference oil price, so it was known as a  
04:25:52 15 "normalized ROACE," because we adjusted the  
04:25:57 16 results back to that reference price. The  
04:25:59 17 reference price at the beginning of the period and  
04:26:03 18 the reference return on capital was 14 percent at  
04:26:07 19 \$14 oil. Over the period of time, that  
04:26:13 20 expectation was relaxed a little until it was I  
04:26:15 21 think 13 or even 12 percent at \$16 a barrel for  
04:26:22 22 the Group, and there was subsidiary targets for  
04:26:26 23 the individual Businesses which were consistent  
04:26:28 24 with the Group level targets.

04:26:31 25



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04:26:38 2 BY MR. MACFALL:

04:26:39 3 Q Do you recall what actions were  
04:26:40 4 undertaken by senior management in order to drive  
04:26:49 5 the Businesses to maintain ROACE at those levels?

04:26:57 6 MR. FERRARA: Sorry. I usually delay to  
04:26:59 7 let Colby object to the form of the question, but  
04:27:04 8 since he has let the word "drive" by in the prior  
04:27:10 9 question, I will object to form, because I don't  
04:27:13 10 know what "drive" means, and I think you're going  
04:27:15 11 to have to define it for the witness.

04:27:20 12 MR. MACFALL: Actually, I don't know  
04:27:21 13 what that term (something) the witness; however,  
04:27:21 14 he used the term "drive" at some point, so I'm  
04:27:25 15 using his words, but I'll ask a different  
04:27:29 16 question.

04:27:30 17 BY MR. MACFALL:

04:27:31 18 Q Did senior management undertake any  
04:27:33 19 actions to cause the various Businesses at Royal  
04:27:43 20 Dutch/Shell to maintain its ROACE during the  
04:27:49 21 period of 2001 to 2004?

04:27:52 22 A The general steps taken were cost  
04:27:57 23 management, the operating cost management with an  
04:28:00 24 expectation that these would be reduced steadily  
04:28:05 25 over time. Investment levels were budgeted below

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04:28:14 2 what the company could possibly spend to force  
04:28:16 3 choices in investment and discipline and ensure  
04:28:19 4 that only the best projects were selected.  
04:28:24 5 Various divestments were made. During the period  
04:28:28 6 two public acquisitions were made that I mentioned  
04:28:34 7 earlier, plus two major acquisitions of assets,  
04:28:38 8 one in Germany and one in the United States,  
04:28:41 9 Downstream assets, from Chevron/Texaco in the U.S.  
04:28:46 10 and from DEA in Germany. And the combination of  
04:28:56 11 the change in the portfolio, the acquisitions, the  
04:29:00 12 divestments, limiting the capital investment and  
04:29:02 13 the reduction of cost was an overall package that  
04:29:05 14 management was using to -- with the intent of  
04:29:10 15 keeping the return on capital at a competitive  
04:29:14 16 level.

04:29:15 17 Q Do you recall ever having conversations  
04:29:17 18 with Mr. Watts concerning keeping ROACE at a  
04:29:23 19 competitive level during the period of 2001 to  
04:29:29 20 2004?

04:29:30 21 A I remember various conversations. I  
04:29:31 22 couldn't place them at a particular time.

04:29:34 23 Q Were the various actions that you just  
04:29:37 24 enumerated ever discussed between yourself and  
04:29:41 25 Mr. Watts?

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04:29:43 2 A Yes, they were.

04:29:49 3 Q Do you recall having any conversations  
04:29:53 4 with Ms. Boynton during the period of 2001 to 2004  
04:29:58 5 concerning Shell's efforts to meet or maintain  
04:30:06 6 ROACE?

04:30:10 7 A Again yes, I had several discussions.  
04:30:13 8 Can't place any specific in time.

04:30:18 9 Q Do you recall if those discussions also  
04:30:20 10 involved some of the activities you described in  
04:30:23 11 connection with management's effort to maintain  
04:30:27 12 ROACE?

04:30:28 13 A Yes, they were.

04:30:33 14 Q Do you have any conversations with  
04:30:36 15 Mr. van der Vijver during that same period, 2001  
04:30:39 16 through or until 2004?

04:30:43 17 A Yes.

04:30:44 18 Q Concerning management's efforts with  
04:30:45 19 regard to ROACE?

04:30:47 20 A Yes, I did.

04:30:48 21 Q And again do you recall generally if  
04:30:51 22 those conversations involved senior management's  
04:30:54 23 efforts in connection with the maintenance of  
04:30:56 24 ROACE during that period?

04:30:59 25 A Yes, they did.

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1

04:31:12 2

Q And just sort of backtracking, with

04:31:14 3

respect to Reserves Replacement Ratio do you

04:31:15 4

recall having any conversations with Mr. Watts --

04:31:20 5

withdrawn. Did you ever discuss Shell's Reserves

04:31:26 6

Replacement Ratio with Mr. Watts?

04:31:28 7

A Yes, I did.

04:31:30 8

Q Do you recall approximately the first

04:31:32 9

time you discussed that issue with him?

04:31:40 10

A It would have been in 2002, I believe,

04:31:43 11

but more likely the latter part of the year.

04:31:56 12

Q Do you recall the substance of your

04:31:59 13

conversation with Mr. Watts concerning Reserves

04:32:03 14

Replacement Ratio in the latter part of 2002?

04:32:06 15

A Yes. The substance of my discussions

04:32:07 16

with Phil were almost always looking forward at

04:32:14 17

expectations, how are we going to perform against

04:32:18 18

what the market would either like to see us do or

04:32:20 19

expect us to do, so my discussions with Sir Philip

04:32:25 20

or Judy and/or Walter would have been about the

04:32:29 21

future and what would our expectations be and what

04:32:34 22

would then triggers be, such as major investment

04:32:37 23

decisions or investment levels, are they

04:32:40 24

appropriate.

04:32:46 25

Q Do you recall any occasions when

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conversations regarding expectations about  
reserves replacement were impacted by past actions  
or past decisions to book reserves?

MR. SMITH: Objection to form.

THE WITNESS: From time to time during  
mainly 2003, discussions with Walter indicated  
that one of the reasons going forward we would not  
book so many -- book as many reserves as we might  
like, is that, on certain projects, reserves had  
already been recognized.

BY MR. MACFALL:

Q Do you remember specifically which  
projects you discussed with Mr. van der Vijver?

A I remember or recall discussing in early  
2003, Block 18 in Angola, Ormen Lange, Ehra, and  
I'm not sure if it was then or at a later stage,  
Gorgon in Australia.

Q Do you recall which of those various  
projects you first discussed with Mr. van der  
Vijver in connection with the Reserves Replacement  
Ratio issue?

MR. SMITH: Objection to form.

THE WITNESS: There was only four  
projects. I recall discussing three of them at

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04:34:43 2 the same time.

04:34:44 3 BY MR. MACFALL:

04:34:44 4 Q And which three were those?

04:34:46 5 A The first three I mentioned. I'm not  
04:34:48 6 sure if we discussed Gorgon at the time. I don't  
04:34:52 7 recall.

04:34:53 8 Q How did the issue of prior bookings of  
04:34:57 9 reserves in connection with those projects come up  
04:35:00 10 with Mr. van der Vijver?

04:35:05 11 A The specific discussion that I had came  
04:35:06 12 up when I was accompanying Walter on one or more  
04:35:13 13 meetings in February 2003 which were follow-up to  
04:35:16 14 the Group Strategy Presentation in London, and we  
04:35:22 15 had just reported a low Reserves Replacement Ratio  
04:35:28 16 for 2002, particularly in the area of gas, I  
04:35:35 17 think, and I was asking Walter what the  
04:35:37 18 expectations were for particular projects where I  
04:35:39 19 knew we were making progress or likely to make  
04:35:45 20 progress in the near future, in the next 12 to 18  
04:35:49 21 months, so I was looking for where are we going  
04:35:52 22 and then what is it that Walter could share that I  
04:35:54 23 could build into what we said externally, Q&As or  
04:36:02 24 whatever the format.

04:36:03 25 Q Now, specifically with respect to Block

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18 in Angola, at the time you discussed --

withdrawn. Did you specifically discuss that project with Mr. van der Vijver?

A I recall it being mentioned.

Q Do you recall what it was that he said in connection with Block 18?

A The only thing I recall over the year projects was that some reserves had been booked already.

Q Do you recall if, at the time of that conversation with Mr. van der Vijver, any of those projects had reached final investment decision?

A The three I mentioned, Ehra, Ormen Lange or Block 18, were all either imminent or had already taken -- I think Block 18 had already taken FID at that time, and Ormen Lange and Ehra -- Ormen Lange was about to take FID; Ehra was about that time.

Q Are you aware -- withdrawn. Did you learn whether or not reserves were booked at either Block 18, Ormen Lange or Ehra prior to the time that FID was reached with respect to those projects?

A I had been advised by staff in EP on I

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04:37:29 2 believe Ehra and Block 18. I don't recall Ormen  
04:37:31 3 Lange I was aware of.

04:37:43 4 Q Do you recall when you were so advised?

04:37:46 5 A On Ormen Lange?

04:37:49 6 Q I'm sorry. With regard to Block 18 and  
04:37:50 7 Ehra.

04:37:52 8 A Block 18, it was sometime during 2002,  
04:37:54 9 and I or my team were asking questions of EP about  
04:37:58 10 again events we knew were about to happen, such as  
04:38:02 11 the Final Investment Decision, and trying to  
04:38:05 12 understand what the impact of those events would  
04:38:07 13 be on reported information.

04:38:14 14 Q Do you recall who it is that --  
04:38:17 15 withdrawn. Was there a particular contact at EP  
04:38:22 16 who responded to your inquiries concerning Block  
04:38:27 17 18 and Ehra?

04:38:29 18 A We had two contacts. One was our normal  
04:38:31 19 focal point, which was Rhea Hamilton, and the  
04:38:35 20 other was to go directly to the Resources or  
04:38:38 21 Reserves Coordinator, who was John Pay. Sometimes  
04:38:44 22 Rhea responded. Sometimes John Pay responded.

04:38:58 23 Q Do you recall how it is that you learned  
04:39:00 24 that reserves had been booked at Block 18 and Ehra  
04:39:04 25 prior to FID being reached?



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04:39:13 2 A I can't say exactly, but I believe it  
04:39:15 3 was an e-mail from either Rhea or John.

04:39:21 4 Q Do you recall how the issue first came  
04:39:23 5 up?

04:39:23 6 A I believe it would be my team asking for  
04:39:28 7 advice or just information around what we knew  
04:39:31 8 were upcoming events, such as Final Investment  
04:39:34 9 Decision on Block 18.

04:39:39 10 Q Was the interest in connection with what  
04:39:44 11 reserves, what proved reserves could be booked  
04:39:46 12 upon reaching FID of Block 18?

04:39:50 13 A The interest in any project would be  
04:39:53 14 around the metrics, the investment, the production  
04:39:55 15 level and the reserves that would be booked.

04:39:58 16 Q And by "reserves" are you specifically  
04:40:00 17 referencing proved --

04:40:05 18 A Proved reserves, yes. We would also ask  
04:40:07 19 about total resource to be developed, on the  
04:40:10 20 ground that proved reserves is easily considered  
04:40:12 21 to be less than the total resource.

04:40:12 22 THE REPORTER: On the ground that proved  
04:40:12 23 reserves would be less than what?

04:40:13 24 THE WITNESS: The total resource that  
40:17 25 will be developed by a given project.

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04:40:21 2 BY MR. MACFALL:

04:40:21 3 Q Do you specifically recall who was  
04:40:28 4 contacted at EP -- withdrawn. Do you specifically  
04:40:34 5 recall who was contacted with regard to the amount  
04:40:40 6 of reserves that could be booked upon Block 18  
04:40:46 7 reaching FID?

04:40:48 8 MR. SMITH: Objection to form,

04:40:49 9 THE WITNESS: No, I don't.

04:40:52 10 BY MR. MACFALL:

04:40:54 11 Q Do you recall what you were told with  
04:41:02 12 regard to the booking of reserves at -- proved  
04:41:06 13 reserves at Block 18 upon reaching FID?

04:41:17 14 A To be specific about -- the timing had  
04:41:20 15 been told, but eventually I understood that some  
04:41:23 16 reserves had been booked, more reserves could  
04:41:28 17 potentially be booked at Final Investment  
04:41:30 18 Decision, and that total number was still  
04:41:33 19 considerably less than the total resource  
04:41:37 20 associated with the asset, the Shell share of that  
04:41:39 21 asset.

04:41:41 22 Q Was Block 18 a joint venture?

04:41:44 23 A Yes, it was.

04:41:46 24 Q Do you know who Shell's joint venture  
04:41:48 25 partners were at Block 18?

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04:41:50 2 A It was BP. It was a 50/50 joint  
04:41:53 3 venture.

04:42:00 4 Q Were you aware if BP was to book proved  
04:42:04 5 reserves upon Block 18 reaching FID?

04:42:07 6 A No, I was not aware.

04:42:11 7 Q Was that a concern at IR, that BP might  
04:42:15 8 book proved reserves upon FID of Block 18 and that  
04:42:20 9 Shell could not book a concomitant amount of  
04:42:30 10 proved reserves because of prior booking?

04:42:32 11 A A general concern at IR would be  
04:42:34 12 competitors disadvantage, which was partly our  
04:42:37 13 reason for the questions in the first place, to  
04:42:39 14 understand where we were likely to be positioned  
04:42:41 15 before it happened, and so building up those  
04:42:45 16 sources of information could create a general  
04:42:48 17 concern. On one relatively small project, it was  
04:42:52 18 not the end of the world for IR.

04:43:00 19 Q Were you concerned that investors would  
04:43:02 20 want to know why Shell was booking less proved  
04:43:06 21 reserves than BP at FID with regard to Block 18?

04:43:14 22 MR. MORSE: Objection to form.

04:43:16 23 THE WITNESS: Not really, because if I  
04:43:19 24 remember rightly, we're talking less than point  
04:43:28 25 two percent of the total proved reserves. That is

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04:43:34 2 not material for investors in and of itself.

04:43:35 3 BY MR. MACFALL:

04:43:35 4 Q And that .2 percent that you're  
04:43:38 5 referring to, that was what had been booked prior  
04:43:41 6 to FID?

04:43:42 7 A No, that .2 percent was approximately  
04:43:46 8 what had been booked prior to FID, as I understood  
04:43:51 9 at the time.

04:43:51 10 Q How about with respect to Ehra; do you  
04:43:56 11 have any understanding of the volume of proved  
04:44:11 12 reserves that were booked prior to FID in  
04:44:13 13 connection with that project?

04:44:17 14 A My understanding was that was a higher  
04:44:19 15 number and that the number may be reduced, but the  
04:44:25 16 FID was taken roughly at the end of 2002 anyway.

04:44:33 17 Q Did you have an understanding as to when  
04:44:34 18 the reserves were -- withdrawn. Do you know when  
04:44:39 19 proved reserves were first booked in connection  
04:44:43 20 with Ehra?

04:44:44 21 A No, I don't, or I don't recall anyway,  
04:44:46 22 no.

04:44:55 23 Q Do you recall the volume of proved  
04:44:56 24 reserves that were booked prior to FID in  
04:44:59 25 connection with Ehra?

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04:45:01 2 A If I recall correctly, it was around  
04:45:03 3 160 million barrels.

04:45:16 4 Q Are you aware of the proportion of total  
04:45:21 5 proved reserves at Ehra that that 160 million  
04:45:26 6 barrels represented?

04:45:28 7 A About 0.7 percent.

04:45:36 8 Q I believe you also mentioned Gorgon as  
04:45:40 9 being a project where you ultimately learned that  
04:45:44 10 reserves were booked prior to FID; is that  
04:45:46 11 correct?

04:45:47 12 A It is a project I did ultimately learn,  
04:45:50 13 yes.

04:45:53 14 Q When did you first become aware or first  
04:45:56 15 learn that reserves were booked at Gorgon prior to  
04:46:00 16 FID?

04:46:01 17 A It was indicated during that later part  
04:46:03 18 of 2002 in similar correspondence to that we  
04:46:12 19 discussed for the other, the other fields.

04:46:14 20 Q Do you recall the volume of proved  
04:46:16 21 reserves that was booked in connection with Gorgon  
04:46:20 22 prior to FID?

04:46:21 23 A Yes, I do.

04:46:22 24 Q And what is that volume, sir?

04:46:23 25 A I believe 557 million barrels.

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04:46:32 2 Q Do you recall if you discussed the  
04:46:36 3 booking of those proved reserves at Gorgon with  
04:46:42 4 Mr. van der Vijver?

04:46:44 5 A I don't recall if I discussed Gorgon  
04:46:46 6 with Mr. van der Vijver. The information had come  
04:46:50 7 to me through I think John Pay.

04:46:53 8 Q Do you recall approximately --  
04:46:56 9 withdrawn. Do you recall approximately when it  
04:46:57 10 was that you learned from Mr. Pay that  
04:47:01 11 557 million barrels had been booked in connection  
04:47:06 12 with Gorgon prior to FID?

04:47:08 13 MR. SMITH: Objection to form.

04:47:10 14 THE WITNESS: Second half 2002.

04:47:29 15 BY MR. MACFALL:

04:47:30 16 Q Did you ever discuss the booking of  
04:47:33 17 proved reserves prior to FID with Mr. Watts?

04:47:44 18 A Yes, I did.

04:47:45 19 Q Do you recall when you first discussed  
04:47:47 20 that topic with Mr. Watts?

04:47:52 21 A I don't really recall discussing it  
04:47:55 22 before the December 2003/January '04 period.

04:48:03 23 Q Would that be in connection with Project  
04:48:05 24 Rockford?

04:48:09 25 A Yes, it would.