

[REDACTED]

From: [REDACTED]
Sent: 11 May 2007 13:02
To: [REDACTED]
Cc: [REDACTED]
Subject: Fw: Donovans: Email received [REDACTED]
Importance: High

[REDACTED]

Donovan has a long running dispute with Shell stemming from rights to the Shell card system in the UK. Over the years this has morphed into a general anti Shell campaign run through his website royaldutchshell.com (Wonder who didnt claim that one in time!). He has, for instance, aligned with [REDACTED] over the North Sea safety allegations. He supplied this and other distorted facts to [REDACTED] last autumn- his basic premise is that Shell management doesnt live up to their published values- which we of course strongly deny.

His tactic here seems to be to produce a Sakhalin pseudo expose, [REDACTED] and then give a time to reject it which given the time difference with Sakhalin it is impossible for [REDACTED] to meet. Once you read this correspondence it will be extremely important to respond at once and in the strongest terms to allow [REDACTED] to take the appropriate action.

In the meantime, [REDACTED] will engage with [REDACTED] who is travelling with at present, to put a context around this, but it is also extremely important that you and SEIC produce a measured response to these allegation asap [REDACTED] will then determine the best way forward to respond externally.

Sorry for the grief, I know from personal experience that this is not pleasant stuff to deal with.

[REDACTED]

[REDACTED]

el: [REDACTED]
Mob: [REDACTED]
Fax: [REDACTED]
Email: [REDACTED]
Internet: <<<http://www.shell.com/>>>

[REDACTED]

CONFIDENTIALITY. This communication (and any attachment) is intended exclusively for use by the addressee(s). The information contained may be confidential and/or privileged and may constitute the sender's commercial secret. If you receive this communication in error please immediately inform the sender by reply, permanently delete it from your system and do not copy this communication or disclose its contents to anyone.

КОНФИДЕНЦИАЛЬНОСТЬ. Настоящее сообщение (и любые приложения к нему) предназначено исключительно для предполагаемого адресата(-ов). Информация, содержащаяся в данном сообщении, может иметь конфиденциальный и (или) исключительный служебный характер или составлять коммерческую тайну. Если вы не являетесь тем адресатом, которому направлено данное сообщение, пожалуйста, немедленно сообщите об этом отправителю, уничтожьте сообщение, не копируйте и не раскрывайте его содержание кому-либо.

-----Original Message-----

From: [REDACTED]
Sent: 11 May 2007 14:49
To: [REDACTED]
Cc: [REDACTED]

[REDACTED]
Subject: FW: Donovans: Email received [REDACTED]
Importance: High

[REDACTED]
Just in case you have not seen from elsewhere.
[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Friday, May 11, 2007 2:16 PM
To: [REDACTED]
Subject: FW: Donovans: Email received [REDACTED]
Importance: High

-----Original Message-----

From: [REDACTED]
Sent: 11 May 2007 11:04
To: [REDACTED]
Subject: Donovans: Email received [REDACTED]
Importance: High

For your information.

Regards

[REDACTED]
[REDACTED]
[REDACTED]
Address: [REDACTED]
Tel: [REDACTED] **Email:** [REDACTED]
Internet: <<http://www.shell.com/>>

[REDACTED]

From: [REDACTED]
Sent: 27 February 2007 10:51
To: [REDACTED]
Subject: RE: Scotsman.com Business - Shell Oil - Russia targets Shell over environmental dam

[REDACTED]

This appears to be very old news (and pure puff on the part of Russia). I am not clear from the website how this is being used. Is it just that the Donovans have sent the Scotsman their letters to [REDACTED] from last September? I am surprised the Scotsman would simply carry them without investigating more.

Regards

[REDACTED]

[REDACTED]

Tel: [REDACTED] Fax: [REDACTED] Email: [REDACTED]
Internet: <http://www.shell.com>

-----Original Message-----

From: [REDACTED]
Sent: 27 February 2007 10:30
To: [REDACTED]
Subject: Scotsman.com Business - Shell Oil - Russia targets Shell over environmental dam

Dear All,
Were you aware of this? I have not had any calls from The Scotsman. However, we can probably assume that the Donovans may also consider sending the Scotsman other information.

Kind regards,

[REDACTED]

Tel No: [REDACTED]
Fax No: [REDACTED]
mailto: [REDACTED]

<http://business.scotsman.com/topics.cfm?tid=1152&id=1440682006>

[REDACTED]

From: [REDACTED]
Sent: 15 May 2007 07:16
To: [REDACTED]
Cc: [REDACTED]
Subject: RE: DONOVAN [REDACTED]

Importance: High

Gents - FYI, Donovan has posted the [REDACTED] email on his website, with the following preamble. [REDACTED] should be given a heads' up that it has got this wider exposure, as it increases the chance that it might crop up at the AGM. [REDACTED] can do?

[REDACTED]

Monday 14 May 2007

Royal Dutch Shell Directors and officials were given advance sight of the article below and have chosen not to comment or seek injunctive legal proceedings: Shell CEO Jeroen van der Veer, Malcolm Brinded (Executive Director of Shell EP), Keith Ruddock (General Counsel Shell EP), Richard Wiseman (General Counsel Shell International Ltd), Michiel Brandjes (RDS Plc Company Secretary) and last, but not least, Jorma Ollila, Chairman of Royal Dutch Shell plc.

THE ARTICLE

The information about Sakhalin Energy contains serious allegations. It is published with a health warning regarding its veracity. The source of the information is unknown.

When the first information arrived the name of the sender was given as David Greer. Mr Keith Ruddock, General Counsel of Shell EP, kindly contacted David Greer, Deputy CEO of Sakhalin Energy, to ask if he had in fact sent the email. Mr Greer stated that he had not done so. This fact has now been confirmed by the sender of the email who has not explained the reason for the deception. Shell has described the email as being a forgery.

This is what the sender said when I raised the matter in subsequent correspondence:

The choice of Pseudonym may be considered inappropriate, but the objective was not to develop personal credibility or reputation. If the information is factually correct then it requires no qualification?

The objective was to expose a situation and therefore, there were a number of recipients to the email! Many are invited to dine on this information and he who publishes, will dine again!

The entire information – every single word published herein, has been seen in advance by the legal department of Royal Dutch Shell. Shell General Counsel have been given the opportunity to identify any incorrect information in relation to basic elements, for example whether any of the contractor or other names stated as being associated with the Sakhalin-2 project is untrue. We invited them to bring any categorically false information to our attention.

In addition we also checked with a number of Shell insiders, one of whom has a strong connection with Sakhalin Energy. **None of them has confirmed the veracity of any of the allegations.** On the other hand, none have picked holes in the basic information. All believe the information supplied to be plausible. They all share my own gut instinct about the veracity of the content.

We do not know the motive of the person who sent the information. When you read it you will probably agree that someone has gone to a lot of trouble and appears to have a high level of knowledge. **Under the dubious circumstances in which it was conveyed, the information should be viewed with suspicion and appropriate caution.**

What do you make of it? Can you confirm any of the allegations? Alternatively can you say for a fact that anything stated is untrue? Please let me know via my email address alfred@shellnews.net <<mailto:alfred@shellnews.net>>

If you want to remain ANONYMOUS please post any comments on Live Chat.

Is it of any significance that Shell has had an opportunity to obtain an injunction to prevent publication but has chosen not to do so? Perhaps they are satisfied with the health warnings attached to this information.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Correspondence: [REDACTED]
Tel: [REDACTED] Fax: [REDACTED] Mobile: [REDACTED]
Email: [REDACTED]
Internet: <<http://www.shell.com/>>

-----Original Message-----
From: [REDACTED]
Sent: 11 May 2007 15:47
To: [REDACTED]
Subject: FW: Email received [REDACTED]

-----Original Message-----
From: [REDACTED]
Sent: 11 May 2007 15:46
To: [REDACTED]
Subject: FW: Email received [REDACTED]

For your information.

Regards

[REDACTED]
[REDACTED]
[REDACTED]

So Lead me, Follow me or Get out of my way; Success is how we bounce when we are on the bottom.

No one within SEIC appreciates the challenges that PDP have more than himself and I pledge my total support to assist you all in going forward. In fact today, I commissioned the establishment of a Pipeline Recovery Plan Support Team under the leadership of Stephanie Nally to assist all of you going forward. Details of the team are summarised in the enclosed email."

EXTRACT ENDS

Regards

Alfred Donovan

[REDACTED]

From: [REDACTED]
Sent: 05 June 2007 20:13
To: [REDACTED]
Cc: [REDACTED]
Subject: Re: Sakhalin energy leaked e-mail

Dear all,

Sadly having confirmed [REDACTED] email is authentic on donovans site, the FT are running with a story about the email itself.

We have managed to neutralise most of the allegations on the donovan side. Sadly it's not that they are interested in but the colourful email itself.

There is not much more we can do at this stage.

Kind regards

[REDACTED]

[REDACTED]

From: [REDACTED]
Sent: 06 June 2007 00:40
To: [REDACTED]
Cc: [REDACTED]
Subject: FT Website

Colleagues,

In case you do not get the chance to see it before the interview, I attach below the article on the FT website. They have apparently decided to give it a light touch asking readers to vote on whether or not it is the worst motivation email ever. The good news is that they have obviously decided, on the website at least, to stay clear of the allegations contained within the same article on the Donovan website. Unless it is a really slow news day, I would be surprised if the print this in the newspaper.

I was unable to contact [REDACTED] by phone on this issue (his mobile appears to be switched to voicemail).

Regards

'Pipeliners All!' Shell's memo to Sakhalin

Published: June 5 2007 22:29 | Last updated: June 5 2007 22:29

As if laying pipelines across Sakhalin Island, described by Chekhov as "hell", were not enough, the engineers battling the elements there have to put up with their boss's motivational memos.

In a [REDACTED] [REDACTED] the deputy chief executive of Sakhalin Energy Investment Company, the consortium running the Sakhalin 2 project, he reveals that he despises cowards and urges his staff to "Lead me, follow me, or get out of my way".

Sakhalin 2 has had a troubled history, hit by rising costs and concerns about its environmental impact.

In a deal completed in April, Royal Dutch Shell <<http://mwprices.ft.com/custom/ft2-com/html-quotechartnews.asp?FTSite=FTCOM&q=RDSB&searchtype&expanded=&countrycode=uk&s2=uk&ymb=RDSB&company=NEW>> and its Japanese partners were forced to allow Gazprom <<http://mwprices.ft.com/custom/ft2-com/html-quotechartnews.asp?FTSite=FTCOM&q=GAZP&searchtype&expanded=&countrycode=ru&s2=ru&ymb=GAZP&company=NEW>>, Russia's state-controlled gas company, to buy a majority stake.

[REDACTED] e-mail reveals the pressure the company is under to hit its schedule of delivering its first shipments of liquefied natural gas by the second half of next year and the unusual management techniques he is using.

"Pipeliners All! Many thanks to all of you for your contributions to this week's Bi-Annual Challenge ... and what a Challenge it is going to be for all of us!" the e-mail begins, cheerily enough.

"From the outset, I want to assure you that, despite the mutterings on the day and the challenges ahead, I have total faith in you and our collective ability to complete the task ahead of us."

After the good news, though, the mood darkens. "However, some of the comments and body language witnessed at the Bi-annual Challenge meeting do suggest that PDP is running the risk of becoming a team that doesn't want to fight and lacks confidence in its own ability. Surely, this is not the case? Pipeliners and Engineers love to fight and win, traditionally. All real engineers love the sting and clash of challenge."

After more appeals to the pride of "real frontier professionals" comes the inspirational bit. "When everyone of you were kids, I am sure that you all admired the champion marble player, the fastest runner, the toughest boxer, the big league football players. Personally, I, like most others, love winning. I despise cowards and play to win all of the time. This is what I expect of each and everyone of you...

"Strive to be proud and confident in yourselves, be proud of your tremendous pipeline achievements to date and lift up your level of personal and team energy to show everyone that you are a winning team capable to achieving this year's goals. If you can crack this angle, I am very confident you can crack the job, with ease.

"So Lead me, Follow me or Get out of my way; Success is how we bounce when we are on the bottom."

The memo was leaked to the website www.royaldutchshellplc.com <<http://www.royaldutchshellplc.com>>, which has long been a thorn in Shell's side.

Shell confirmed the e-mail was genuine but was reluctant to discuss it further

[REDACTED]
[REDACTED]
[REDACTED]
Phone: [REDACTED]
Phone: [REDACTED]
Fax: [REDACTED]
Mobile: [REDACTED]
E-mail: [REDACTED]

Ruddock, Keith KA SI-LSEP

From: Alfred Donovan [alfred@shellnews.net]
Sent: 11 May 2007 08:36
To: Ruddock, Keith KA SI-LSEP
Cc: Ollila, Jorma RDS-RDS/CH; van der Veer, Jeroen J RDS-CEJV; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF
Subject: Email received David Greer

Dear Mr Ruddock

I received the email below this morning, purportedly from David Greer. I understand that he has sent the email to Mr Jeroen van der Veer.

I am already checking certain aspects with Shell insiders.

Do you have any comment prior to publication which will take place later this morning? If you categorically state that the email is a hoax, then I will act accordingly. Although I have good reason to believe that it is authentic, I decided that it was appropriate to give Shell the opportunity to comment.

Regards

Alfred Donovan

THE EMAIL

From David Greer,

Shell – Sakhalin II – The Demise of Sound Values, Democracy and Accountability

In 2005, the Prime Contractor for Shell's troubled Sakhalin II Onshore Pipeline Construction project, Starstroi (Contractor) communicated to Sakhalin Energy Investment Company Limited (Client) that notwithstanding their Contractual obligation to construct the onshore pipeline project, they were experiencing serious cash flow difficulties. In 2005 various Subcontractors who were under-performing in relation to scheduled progress, communicated to Sakhalin Energy Investment Company Limited (SEIC) that they were not being paid and this was affecting the Subcontractor's ability to make payments to their Suppliers and Employees. Some of the Subcontractors ceased ordering the materials and equipment necessary to execute the work until such times as the

overdue payments necessary to fund procurement were made. The consequences of non-payment by the Contractor to the Subcontractor's were evident by reference to the progress made at site, in terms of the chronological records of quantifiable work executed.

This situation remained unaltered until the end of 2006 and the Sakhalin II project experienced numerous incidents of contract and regulatory breaches. The Employer and Contractor did not have sufficient supervision or inspectors at site and there were many incidents of non-conformance with contractual, regulatory and legal obligations by SEIC's Contractor. **There were also record numbers of accidents with some 18 fatalities.** The dilemma SEIC faced was whether to stop the project or accept the non-conforming work and risk litigation or prosecution for infringement of Russian legislation. **The latter option was chosen.** SEIC's behaviour is forcing staff to compromise on their own professionalism in order to get the product into the pipeline. For some staff this compromise was too much and this led to the resignation of SEIC's Environmental Coordinator Imogen Crawford and Environmental Lead, Oxana Titarenko and Quality Control Manager, Mr David Ball. In addition to environmental issues, SEIC have consistently ignored reports produced by their Quality Control Department over a four-year period, which highlight hundreds of Contract and Russian Regulatory breaches.

During 2006 there were numerous allegations made in the International press that Shell's Sakhalin project was responsible for breaches of Russian Environmental legislation, resulting in damage to Sakhalin's natural Environment. During this period SEIC also experienced difficulty obtaining official permits and the land acquisition required to complete the construction of SEIC's onshore pipeline.

The Onshore Pipeline is being constructed by SEIC's Prime Contractor 'Starstroi'. Starstroi was created from the collaboration of their two main shareholders, consisting of Saipem SA who own 50% and Globalstroi Engineering (formerly Lukoil Neftegaztroi), who own 42.83%. In 2006 Starstroi were experiencing internal conflict between Saipem and Globalstroi, which meant that they found it difficult to continue to work together as a cohesive organisation. During the latter part of 2006, the conflict escalated between Saipem SA and Globalstroi Engineering, resulting in the two organisations refusing to work together and the immediate suspension of Sakhalin II construction activities. The Contractor's situation continued to deteriorate in 2006 until such time as the Contractor as an organization began to implode.

In October 2006, David Greer of Shell, the Deputy CEO of Sakhalin II attempted to mediate between Saipem and Globalstroi in an effort to resolve Starstroi's internal problems. The two warring factions refused to reconcile and the remaining work was divided between Saipem and Globalstroi, ensuring they worked in separate site locations. The separation was agreed by SEIC on the condition that the interpersonal and cultural conflict did not escalate. **What then prevailed on the Sakhalin II project was numerous incidents of alleged bribery, manipulation of supplier costs, disorganisation, delay and confusion.** The Contractor's departments responsible for Engineering, Construction, Permits, Project and Commercial Management were reliant upon expertise from both organizations. However, the Personnel seconded from Globalstroi Engineering and Saipem SA into those departments had now been repatriated to their respective Employers. This separation meant that the Contractor Starstroi was no longer effective at managing the project.

Early in 2007 Gazprom acquired 50% of SEIC and reserved the right to appoint the Commercial Director for the Sakhalin II project. Realizing that Shell Management team seconded to SEIC may lose financial control of the project; Shell quickly altered the financial strategy. The individuals within SEIC Onshore Pipeline Team with financial authority are comprised entirely of Shell staff seconded to SEIC. **SEIC is now finalizing an agreement to pay all of Starstroi's future costs regardless of entitlement, subject to the contractor agreeing to a Contract amendment.** The amendment must be signed before the official date that will see Gazprom empowered to influence or challenge Tender Board decisions on the financial authority granted for the Sakhalin II project. **The race is on for Shell to commit SEIC prior to Gazprom exercising its rights to a binding contractual obligation for additional expenditure before it can be challenged.**

SEIC have now paid all of the historical costs that the Contractor had claimed during the post-contract period, regardless of Contractor entitlement, abortive work, subsidiary enrichment or negligence. The method used by SEIC is to reframe/fabricate where necessary the descriptions and substantiation required for Tender Board Approval. The Tender Board is the official body representing the shareholders, empowered to increase the financial authority available to SEIC. SEIC are now proposing to agree to a Contract Amendment that illustrates a completion date that is simply not feasible, in order to obtain shareholder buy in. However, on paper this date could only be proposed if certain construction activities were carried out illegally in 2006.

The payment of all historical costs was made on condition that the Contractor executed the 2006 work without obtaining the official permits as required by Russian regulatory bodies. The Contractor claimed that financial duress forced their agreement and risk prosecution to complete the work on the condition that SEIC would bear the cost of any future damages. The proposed contract amendment now includes a scheme in which, in addition to paying any and all future costs for executing the remaining work, additional payments will be made over the course of the remaining period to induce the Contractor to continue.

The Contractor's concerns are that the proposed Contract Amendment could be construed as an offer by SEIC to the Contractor who has been placed in a position of trust by Russian Regulatory Bodies, in order to induce them to behave in a way that is inconsistent with that trust. If this offer had been made directly to a Russian official it may have been construed as a bribe, which raises the question of whether this interpretation is relevant to the proposed Contract Amendment. Shell intends to commit their investors to an alleged cost, which is in fact a financial inducement offered to the Contractor by means of deception. The gamble by Shell is that no independent audit of SEIC costs will take place once Gazprom become the official Custodian of SEIC.

The division and separation of the work between Globalstroi and Saipem SA is now providing evidence that Globalstroi are outperforming Saipem and will finish their work sections first. This has led to concerns within SEIC that the existing SEIC Organisation may be restructured with the removal of the certain Shell and Saipem SA seconded staff.

It is for this reason that SEIC under the direction of Shell recently merged the project

management organisation to include the Prime Contractor's staff in order to create the perception of a reciprocal critical reliance on each other to complete the project.

This strategy is intended to make it difficult for the future SEIC board, which will include Gazprom to comment on the appropriate level of participation of SEIC existing Project Management Team or the Contractor as independent organisations. The SEIC/Contractor alliance is somewhat unorthodox given that SEIC are the representatives of the shareholders. There are concerns that Gazprom will question whether it is appropriate to merge on decisions relative to methods and costs, which create opportunities for the Contractor at the expense of the shareholders.

The decision to integrate SEIC/Contractor as a single management team has provided an opportunity for the Contractor to increase revenue. The Contractor is now adopting a procurement strategy of single sourcing suppliers. This is authorised by SEIC and financed by Shell's shareholders. The Contract has changed from a lump sum agreement to the full reimbursement of all Contractor costs. **There is therefore, no financial incentive or contractual obligation for the Contractor to procure on principles of best practice.** The cost to SEIC equates to the revenue for the Contractor, whose financial objective will be to achieve the maximum revenue possible.

There have been allegations that the Contractor is communicating the desired costs to potential suppliers in order to manipulate the supply chain. Some of the suppliers are allegedly subsidiaries of Globalstroi Engineering Shareholders and there have been incidents where members of Globalstroi staff are occupying roles within both the Contractor and Subcontractor organisations. When this situation is discovered the individual simply resigns from Globalstroi, but the supplier remains in place. An example of this kind of supply chain manipulation by the Contractor now exists as evidenced by the position of a Mr. V Koslov. Mr Koslov is employed by Globalstroi Engineering and is also the General Director of their Subcontractor JSC Leasingstroy Mash.

All of this seems to be in contrast to Shell's philosophy to promote sound values, democracy and accountability!

Address: [REDACTED]
Tel: [REDACTED] Fax: [REDACTED] Email: [REDACTED]
Internet: <<http://www.shell.com/>>

-----Original Message-----

From: Ruddock, Keith KA SI-LSEP
Sent: 11 May 2007 14:46
To: 'Alfred Donovan'
Cc: Wiseman, Richard RM SI-LMAPF
Subject: RE: Email received David Greer

Dear Mr Donovan,

Thank you for your email. I can confirm that Mr Greer is still the Deputy CEO of Sakhalin Energy. As to who the intended target of this forgery was, I am afraid we can only speculate but probably, as you say, will never know.

Regards

Keith Ruddock

Keith Ruddock
General Counsel Exploration and Production
Shell International B.V.
The Hague, The Netherlands - Trade Register no. 27155369
Address: c/o Kessler Park 1, 2288 GS Rijswijk, The Netherlands
Tel: +31 70 447 4323 Fax: 4380 Email: Keith.Ruddock@shell.com
Internet: <<http://www.shell.com/>>

-----Original Message-----

From: Alfred Donovan [mailto:alfred@shellnews.net]
Sent: 11 May 2007 14:39
To: Ruddock, Keith KA SI-LSEP
Cc: Wiseman, Richard RM SI-LMAPF; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF
Subject: RE: Email received David Greer

Dear Mr Ruddock

Thank you for that information.

Is Mr Greer still Deputy CEO of Sakhalin Energy?

I wonder who the target was of the forgery: my website, Mr Greer, or Shell?

Leaving that issue to one side (we will probably never know the answer) I am grateful for your kind efforts to check on the authenticity.

Regards

Alfred Donovan

From: keith.ruddock@shell.com [mailto:keith.ruddock@shell.com]
Sent: 11 May 2007 14:23
To: alfred@shellnews.net
Cc: Jorma.Ollila@shell.com; jeroen.vanderveer@shell.com; Malcolm.Brinded@shell.com; richard.wiseman@shell.com
Subject: RE: Email received David Greer
Importance: High

Dear Mr Donovan,

Further to my earlier email, I have now been able to contact Mr Greer who has, as anticipated, confirmed that this email did not come from him.

Regards

Keith Ruddock

Keith Ruddock
General Counsel Exploration and Production
Shell International B.V.
The Hague, The Netherlands - Trade Register no: 27155369
Address: c/o Kessler Park 1, 2288 GS Rijswijk, The Netherlands
Tel: +31 70 447 4323 Fax: 4380 Email: Keith.Ruddock@shell.com
Internet: <http://www.shell.com/>

-----Original Message-----

From: Ruddock, Keith KA SI-LSEP

Sent: 11 May 2007 14:01

To: 'Alfred Donovan'

Cc: Ollila, Jorma RDS-RDS/CH; van der Veer, Jeroen J RDS-CEJV; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF

Subject: RE: Email received David Greer

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Dear Mr Donovan

Thank you for your email. On reviewing the email you have attached, which purports to have come from Mr Greer, we consider it to be very unlikely that this was ever sent by him. However, given the time differences involved with Sakhalin island, we have not so far been able to obtain his confirmation that this email is a forgery.

I anticipate being able to confirm to you that this is the case once I have made contact with Mr Greer but, in the meantime, I suggest that you await further communication from me before proceeding any further with regard to this email.

Regards

Keith Ruddock

Keith Ruddock
General Counsel Exploration and Production
Shell International B.V.
The Hague, The Netherlands - Trade Register no. 27155369
Address: c/o Kessler Park 1, 2288 GS Rijswijk, The Netherlands
Tel: +31 70 447 4323 Fax: 4380 Email: Keith.Ruddock@shell.com
Internet: <http://www.shell.com/>

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From: Alfred Donovan [mailto:alfred@shellnews.net]

Sent: 11 May 2007 08:36

To: Ruddock, Keith KA SI-LSEP

Cc: Ollila, Jorma RDS-RDS/CH; van der Veer, Jeroen J RDS-CEJV; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF

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[REDACTED]

125

Regards

Alfred Donovan

THE EMAIL

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During 2006 there were numerous allegations made in the International press that Shell's Sakhalin project was responsible for breaches of Russian Environmental legislation, resulting in damage to Sakhalin's natural Environment. During this period SEIC also experienced difficulty obtaining official permits and the land acquisition required to complete the construction of SEIC's onshore pipeline.

The Onshore Pipeline is being constructed by SEIC's Prime Contractor 'Startroi'. Startroi was created from the collaboration of their two main shareholders, consisting of Saipem SA who own 50% and Globalstroi Engineering (formerly Lukoil Neftegaztroi), who own 42.83%. In 2006 Startroi were experiencing internal conflict between Saipem and Globalstroi, which meant that they found it difficult to continue to work together as a cohesive organisation. During the latter part of 2006, the conflict escalated between Saipem SA and Globalstroi Engineering, resulting in the two organisations refusing to work together and the immediate suspension of Sakhalin II construction activities. The Contractor's situation continued to deteriorate in 2006 until such time as the Contractor as an organization began to implode.

In October 2006, David Greer of Shell, the Deputy CEO of Sakhalin II attempted to mediate between Saipem and Globalstroi in an effort to resolve Startroi's internal problems. The two warring factions refused to reconcile and the remaining work was divided between Saipem and Globalstroi, ensuring they worked in separate site locations. The separation was agreed by SEIC on the condition that the interpersonal and cultural conflict did not escalate. **What then prevailed on the Sakhalin II project was numerous incidents of alleged bribery, manipulation of supplier costs, disorganisation, delay and confusion.** The Contractor's departments responsible for Engineering, Construction, Permits, Project and Commercial Management were reliant upon expertise from both organizations. However, the Personnel seconded from Globalstroi Engineering and Saipem SA into those departments had now been repatriated to their respective Employers. This separation meant that the Contractor Startroi was no longer effective at managing the project.

Early in 2007 Gazprom acquired 50% of SEIC and reserved the right to appoint the Commercial Director for the Sakhalin II project. Realizing that Shell Management team seconded to SEIC may lose financial control of the project; Shell quickly altered the financial strategy. The individuals within SEIC Onshore Pipeline Team with financial authority are comprised entirely of Shell staff seconded to SEIC. **SEIC is now finalizing an agreement to pay all of Startroi's future costs regardless of entitlement, subject to the contractor agreeing to a Contract amendment.** The amendment must be signed before the official date that will see Gazprom empowered to influence or challenge Tender Board decisions on the financial authority granted for the Sakhalin II project. **The race is on for Shell to commit SEIC prior to Gazprom exercising its rights to a binding contractual obligation for additional expenditure before it can be challenged.**

SEIC have now paid all of the historical costs that the Contractor had claimed during the post-contract period, regardless of Contractor entitlement, abortive

work, subsidiary enrichment or negligence. The method used by SEIC is to reframe/fabricate where necessary the descriptions and substantiation required for Tender Board Approval. The Tender Board is the official body representing the shareholders, empowered to increase the financial authority available to SEIC. SEIC are now proposing to agree to a Contract Amendment that illustrates a completion date that is simply not feasible, in order to obtain shareholder buy in. However, on paper this date could only be proposed if certain construction activities were carried out illegally in 2006.

The payment of all historical costs was made on condition that the Contractor executed the 2006 work without obtaining the official permits as required by Russian regulatory bodies. The Contractor claimed that financial duress forced their agreement and risk prosecution to complete the work on the condition that SEIC would bear the cost of any future damages. The proposed contract amendment now includes a scheme in which, in addition to paying any and all future costs for executing the remaining work, additional payments will be made over the course of the remaining period to induce the Contractor to continue.

The Contractor's concerns are that the proposed Contract Amendment could be construed as an offer by SEIC to the Contractor who has been placed in a position of trust by Russian Regulatory Bodies, in order to induce them to behave in a way that is inconsistent with that trust. If this offer had been made directly to a Russian official it may have been construed as a bribe, which raises the question of whether this interpretation is relevant to the proposed Contract Amendment. Shell intends to commit their investors to an alleged cost, which is in fact a financial inducement offered to the Contractor by means of deception. The gamble by Shell is that no independent audit of SEIC costs will take place once Gazprom become the official Custodian of SEIC.

The division and separation of the work between Globalstroi and Saipem SA is now providing evidence that Globalstroi are outperforming Saipem and will finish their work sections first. This has led to concerns within SEIC that the existing SEIC Organisation may be restructured with the removal of the certain Shell and Saipem SA seconded staff.

It is for this reason that SEIC under the direction of Shell recently merged the project management organisation to include the Prime Contractor's staff in order to create **the perception** of a reciprocal critical reliance on each other to complete the project.

This strategy is intended to make it difficult for the future SEIC board, which will include Gazprom to comment on the appropriate level of participation of SEIC existing Project Management Team or the Contractor as independent organisations. The SEIC/Contractor alliance is somewhat unorthodox given that SEIC are the representatives of the shareholders. **There are concerns that Gazprom will question whether it is appropriate to merge on decisions relative**

to methods and costs, which create opportunities for the Contractor at the expense of the shareholders.

The decision to integrate SEIC/Contractor as a single management team has provided an opportunity for the Contractor to increase revenue. The Contractor is now adopting a procurement strategy of single sourcing suppliers. This is authorised by SEIC and financed by Shell's shareholders. The Contract has changed from a lump sum agreement to the full reimbursement of all Contractor costs. **There is therefore, no financial incentive or contractual obligation for the Contractor to procure on principles of best practice.** The cost to SEIC equates to the revenue for the Contractor, whose financial objective will be to achieve the maximum revenue possible.

There have been allegations that the Contractor is communicating the desired costs to potential suppliers in order to manipulate the supply chain. Some of the suppliers are allegedly subsidiaries of Globalstroi Engineering Shareholders and there have been incidents where members of Globalstroi staff are occupying roles within both the Contractor and Subcontractor organisations. When this situation is discovered the individual simply resigns from Globalstroi, but the supplier remains in place. An example of this kind of supply chain manipulation by the Contractor now exists as evidenced by the position of a Mr. V Koslov. Mr Koslov is employed by Globalstroi Engineering and is also the General Director of their Subcontractor JSC Leasingstroy Mash.

All of this seems to be in contrast to Shell's philosophy to promote sound values, democracy and accountability!

-----Original Message-----

From: Alfred Donovan <alfred@shellnews.net>

To: Ruddock, Keith KA SI-LSEP

CC: van der Veer, Jeroen J RDS-CEJV; Ollila, Jorma RDS-RDS/CH; Brinded, Malcolm A RDS-ECMB; Brandjes, Michiel CM RDS-LC; Wiseman, Richard RM SI-LMAPF

Sent: Sat Jun 02 12:55:04 2007

Subject: Sakhalin-2 Whistleblower

Dear Mr Ruddock

I have received further extensive information from the same source as was discussed in our previous correspondence.

13a

Further serious allegations are made.

These are just a few examples: -

1. The deliberate manipulation and fabrication of information supplied to SEIC shareholders i.e. Gazprom, Mitsui and Mitsubishi.
2. The use of coercion against SEIC employees to persuade/force them to agree a timetable for a pipeline completion date of December 2007. The information reveals the importance of the date in question, why it is unlikely to be achieved, and the huge financial potential consequences.
3. The supply of false information to lending institutions to secure project loans.
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Most of the allegations, including the "enormous pressure that Mr David Greer is putting on various members of the SEIC organisation", directly involve Mr David Greer. In this connection, I have also been provided with a copy of an extraordinary recent email sent by Mr Greer.

I have been informed by our source that the best is yet to come. The individual concerned appears to be following a policy of a staged release of insider information and insider documents. The picture being revealed is of a white elephant project which is rotten at the core.

I am happy to let Shell have advance sight of any such information and documents before publication, including the information and email referred to above. I would take into account any comments made by Shell and would publish unedited any comments supplied specifically for publication.

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Keith Ruddock
General Counsel Exploration and Production

Shell International B.V.
The Hague, The Netherlands - Trade Register no. 27155369
Address: c/o Kessler Park 1, 2288 GS Rijswijk, The Netherlands
Tel: +31 70 447 4323 Fax: 4380 Email: Keith.Ruddock@shell.com
Internet: <http://www.shell.com>

Sent from my BlackBerry Wireless Handheld

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Ruddock, Keith KA SI-LSEP

From: Alfred Donovan [alfred@shellnews.net]
Sent: 02 June 2007 11:55
To: Ruddock, Keith KA SI-LSEP
Cc: van der Veer, Jeroen J RDS-CEJV; Ollila, Jorma RDS-RDS/CH; Brinded, Malcolm A RDS-ECMB; Brandjes, Michiel CM RDS-LC; Wiseman, Richard RM SI-LMAPF
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From: Alfred Donovan [alfred@shellnews.net]
Sent: 04 June 2007 16:54
To: Ruddock, Keith KA SI-LSEP
Cc: van der Veer, Jeroen J RDS-CEJV; Ollila, Jorma RDS-RDS/CH; Brinded, Malcolm A RDS-ECMB; Brandjes, Michiel CM RDS-LC; Wiseman, Richard RM SI-LMAPF
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THE EMAIL EXTRACT

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Cc: Zhironkina, Alexandra S SEIC-P-PDS; Briston, Gary SEIC-P-PDE; Wyper, Campbell SEIC-FCP; Hillhorst, Hein MJ SEIC-P-PDE; Farquhar, Bill SEIC-P-PDS; McGillivray, William D SEIC-P-ICT; 'Mercer (CTSD), Hilary'; Meehan, David A SEIC-P-PSF; Clucas, Chris A SEIC-HRP; Vasyuk, Anna SEIC-FF; Belozerskikh, Sergey SEIC-P-PD; Parker, Robert S SEIC-AZ; Crowder, John SEIC-ALG; Shand, Alan SEIC-P-OPF; Nally, Stephanie O SEIC-P-PDE; McCourt, Eoin P SEIC-P-ICT; Bungey, Stephen SEIC-P-PDS; Jansen, Sjors SEIC-P-OPF; Kloeck, Gert MJC SEIC-P-PDS; Garcia-Cruz, Jorge A SEIC-P-PDB; 'Richard Lewis'; GX SEIC Phase 2 PLT; Langford, Gawain SEIC-P-PDP; Lindsay, William J SEIC-P-PDP

"Pipeliners All !

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challenges?

When everyone of you, were kids, I am sure that you all admired the champion marble player, the fastest runner, the toughest boxer, the big league football players. Personally, I like most others love winning. I despise cowards and play to win all of the time. This is what I expect of each and everyone of you going forward this year. Nothing less. Strive to be proud and confident in yourselves, be proud of your tremendous pipeline achievements to date and lift up your level of personal and team energy to show everyone that you are a winning team capable to achieving this year's goals. If you can crack this angle, I am very confident you can crack the job, with ease.

So Lead me, Follow me or Get out of my way; Success is how we bounce when we are on the bottom.

No one within SEIC appreciates the challenges that PDP have more than himself and I pledge my total support to assist you all in going forward . In fact today, I commissioned the establishment of a Pipeline Recovery Plan Support Team under the leadership of Stephanie Nally to assist all of you going forward. Details of the team are summarised in the enclosed email."

EXTRACT ENDS

Regards

Alfred Donovan

146
another
number
jmf

Ruddock, Keith KA SI-LSEP

From: Ruddock, Keith KA SI-LSEP
Sent: 05 June 2007 07:31
To: 'alfred@shellnews.net'
Subject: Re: SEIC Whistleblower

Dear Mr Donovan,

I confirm that the email attached below from Mr Greer does appear to be authentic.

Yours sincerely

Keith Ruddock

Keith Ruddock
General Counsel Exploration and Production
Shell International B.V.
The Hague, The Netherlands - Trade Register no. 27155369
Address: c/o Kessler Park 1, 2288 GS Rijswijk, The Netherlands
Tel: +31 70 447 4323 Fax: 4380 Email: Keith.Ruddock@shell.com
Internet: <http://www.shell.com>

Sent from my BlackBerry Wireless Handheld

-----Original Message-----

From: Alfred Donovan <alfred@shellnews.net>
To: Ruddock, Keith KA SI-LSEP
CC: van der Veer, Jeroen J RDS-CEJV; Ollila, Jorma RDS-RDS/CH; Brinded, Malcolm A RDS-ECMB; Brandjes, Michiel CM RDS-LC; Wiseman, Richard RM SI-LMAPF
Sent: Mon Jun 04 17:53:38 2007
Subject: SEIC Whistleblower

Dear Mr Ruddock

This is an extract from an email Mr David Greer purportedly sent out to selected Onshore Pipeline Personnel on the 18th April 2007. It seems only proper for Shell to have the opportunity to see this before it is published tomorrow. If I do not hear from you to the contrary, I will assume that it is authentic, in which case it will support the credibility of the other information being published. If you advise me that it is not authentic, then I will act accordingly.

THE EMAIL EXTRACT

To: Guyt, Jaap SEIC-P-PDP; Kunz, Dennis C SEIC-AU;
Boulstridge, Robert SEIC-P-PDP; Tattersdill, Alan SEIC-P-PDP; Primak, Boris SEIC-P-PDP; Harris, Wayne R SEIC-P-PDP; Porter, Simon DL SEIC-P-PDP; Dorsch, Ulrich W SEIC-P-PDP; Labrujere, Job J SEIC-P-PDP; Brooks, Graham Peter SEIC-P-PDP; Joos, Aaron SEIC-P-PDP; Burt, Stephen A SEIC-P-PDP; Baxter, Peter P SEIC-PDP; Shand, John SEIC-PDP; Martinez, Ramon SEIC-P-PDP; 'LLinassi (E-mail)'

Cc: Zhironkina, Alexandra S SEIC-P-PDS; Briston, Gary SEIC-P-PDE; Wyper, Campbell SEIC-FCP; Hilhorst, Hein MJ SEIC-P-PDE; Farquhar, Bill SEIC-P-PDS; McGillivray, William D SEIC-P-ICT; 'Mercer (CTSD), Hilary'; Meehan, David A SEIC-P-PSF; Clucas, Chris A SEIC-HRP; Vasyuk, Anna SEIC-FF; Belozerskikh, Sergey SEIC-P-PD; Parker, Robert S SEIC-AZ; Crowder, John SEIC-ALG; Shand, Alan SEIC-P-OPF; Nally, Stephanie O SEIC-P-PDE; McCourt, Eoin P SEIC-P-ICT; Bungey, Stephen SEIC-P-PDS; Jansen, Sjors SEIC-P-OPF; Kloeck, Gert MJC SEIC-P-PDS; Garcia-Cruz, Jorge A SEIC-P-PDB; 'Richard Lewis'; GX SEIC Phase 2 PLT; Langford, Gawain SEIC-P-PDP; Lindsay, William J SEIC-P-PDP

"Pipeliners All !

Many thanks to all of you for your contributions to this week's Bi-Annual Challenge.....and what a Challenge it is going to be for all of us! From the outset, I want to assure you that despite the mutterings on the day and the challenges ahead, I have total faith in you and our collective ability to complete the task ahead of us.

However, some of the comments and body language witnessed at the Bi-annual Challenge meeting do suggest that PDP is running the risk of becoming a team that doesn't want to fight and lacks confidence in its own ability. Surely, this is not the case? Pipeliners and Engineers, love to fight and win, traditionally. All real engineers love the sting and clash of challenge. All of you are here today on this project for one of several reasons, I suspect. Firstly, to earn a decent living for yourself and your loved ones. Secondly, you are here for your own professional self respect, because you would not want to be anywhere else. Thirdly, you are here because you are real frontier professionals and all professionals like to succeed. So why would any of you not want to rise up and overcome the remaining challenges?

When everyone of you, were kids, I am sure that you all admired the champion marble player, the fastest runner, the toughest boxer, the big league football players. Personally, I like most others love winning. I despise cowards and play to win all of the time. This is what I expect of each and everyone of you going forward this year. Nothing less. Strive to be proud and confident in yourselves, be proud of your tremendous pipeline achievements to date and lift up your level of personal and team energy to show everyone that you are a winning team capable to achieving this year's goals. If you can crack this angle, I am very confident you can crack the job, with ease.

So Lead me, Follow me or Get out of my way; Success is how we bounce when we are on the bottom.

No one within SEIC appreciates the challenges that PDP have more than himself and I pledge my total support to assist you all in going forward . In fact today, I commissioned the establishment of a Pipeline Recovery Plan Support Team under the leadership of Stephanie Nally to assist all of you going forward. Details of the team are summarised in the enclosed email."

EXTRACT ENDS

Regards

Alfred Donovan

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Ruddock, Keith KA SI-LSEP

From: Alfred Donovan [alfred@shellnews.net]
Sent: 05 June 2007 07:36
To: Ruddock, Keith KA SI-LSEP
Subject: RE: SEIC Whistleblower

Dear Mr Ruddock

I am grateful to you for the confirmation.

Yours sincerely

Alfred Donovan

From: keith.ruddock@shell.com [mailto:keith.ruddock@shell.com]
Sent: 05 June 2007 07:31
To: alfred@shellnews.net
Subject: Re: SEIC Whistleblower

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