**INVESTOR RELATIONS PROGRAMME 2002**

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<th>DATE</th>
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**Key:****
- `A` = A closed period begins
- `V` = A closed period ends
- `Conf` = Conference/Industry Forum
- `D/L` = Dinner/Lunch
- `Pres` = Presentation
- `1-1` = One-to-One Meetings

*IR Programme 2002 0100902(latest).xls*
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<th>UK equity $bn</th>
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Other centres: blue = principal analyst UK based
Shell wgt/BP wgt: red = weight < 85%; orange = 85%<weight<115%; green = weight > 115%
Oil stock weight: S = net seller of oil stocks in quarter; H = holder of oil stocks in the quarter; B = buyer of oil stocks in quarter
Stock preference: Green/Shell: relative improvement in holding of Shell in the quarter;
Red/BP: relative deterioration in holding of Shell/improvement in holding of BP in the quarter
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**Principal Ireland based investing institutions**

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**In USA**
US Meeting programme proposal: November 4th to 7th 2002

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

4 November – Judy Boynton / David Sexton
- Northern Trust (6) – Chicago
- Jennison Associates (27) – NY
- Oppenheimer Funds (28) – NY
- Neuberger Berman (29) – NY

5 November - Judy (NY) / David Sexton
- Goldman Sachs Asset Management (13)
- JP Morgan (21)
- Deutsche Investment Management Americas (22)
- T Price Rowe (24)
- Alliance Capital Management (25)

6 November - Jeroen van der Veer (NY) / David Sexton
- Cap Guardian (1 and 4...different divisions of the same company)
  - Lazard (9)
  - Merrill Lynch (NJ) (5)
  - Morgan Stanley Advisors (12)
  - Please note that he has to give a presentation that morning at Merrill

7 November - Jeroen van der Veer (Boston) / David Sexton
- Fidelity (2)
- State Street (7)
- Wellington (19)
- Putman (3)
- Fleet Investment Advisors (46)

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

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

**Index**: index funds with limited active investment decisions.
COMMUNICATIONS AUDIT

SHELL: FINDINGS & RECOMMENDATIONS

FINSBURY GROUP
SEPTEMBER 2002
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1. Executive Summary

1.1 Report Methodology

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

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

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

1.2 Introduction

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

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

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

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

There are positives. In our research Shell was consistently recognised for its honesty and integrity. While audiences believe Shell should communicate better, they prefer its simpler approach to BP's more obviously manipulative attitude towards communications. There's recognition, too, about somewhat grudging that...
Shell is making progress. It is clear that perceptions can be changed, but there is little goodwill to build on and no overnight fix.

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

1.3 Senior Management

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

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

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

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

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

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

As if following Mark Moody-Stuart was not difficult enough, Phil Watts is incessantly and inevitably compared with John Browne, who is widely recognised as a good communicator, well regarded by journalists and analysts alike.
"Inevitably Shell will always be compared to BP and how they handle their media relations. They key to BP has been John Browne and the incredible reputation that precedes him. He also is known as someone who speaks for himself, something that goes down very well with the journalists. As a result, much of their good coverage is well deserved, but they also benefit from a fair degree of luck." (Journalist)

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

1.3.1 Recommendations

- There needs to be a clearer and more demonstrable commitment from senior management to open and consistent communication.

- In the UK, for instance, Phil Watts should host off-the-record lunches with senior business editors such as Andrew Gowers (Financial Times), Jeff Randall (BBC), Neil Collins (Daily Telegraph), Rory Godson (Sunday Times) and Fred Kempe (Wall Street Journal).

- The Financial Times is the most important publication, and the biggest current problem. Phil Watts met Andrew Gowers at a Finsbury dinner and has subsequently had a one-to-one with him. The next step should be a group lunch with senior Shell directors (including Judy Boyton, Paul Skinner, Malcolm Brinded and Simon Henry) and senior FT journalists including not only Gowers but also Will Lewis (News Editor), Martin Dickson (Lombard), George Graham (Head of Lex).

- Covering the FT and WSJ will reach financial audiences in the UK and US, but given the geographic spread of its investors Shell needs to communicate with the wider press. Members of the CMD other than Phil Watts should be used to talk to the leading European journals, not just in the Netherlands but also in the major financial markets of France, Germany and Italy.

- Refresher training sessions on presentation skills and media handling should be considered for all senior management.

- Clarity of communication around the issue of the dual-headed structure would reduce comment in this area. The market needs to be educated on the positive aspects of the Shell/Royal Dutch set up.

1.4 Accessibility

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

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

Shell Communications Audit
September 2007

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

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

### 1.4.1 Recommendations

- Phil Watts has to become more accessible to investors, journalists and analysts. This does not mean being universally accessible, prioritisation is important. Shell must decide who are the key influencers and concentrate on them.

- There need to be spokespeople inside and outside of the CMD and IR/PR departments who can brief the City on a background basis on the key topical issues. Senior spokesmen within the company need to be identified, trained and made available by the press office and investor relations department when appropriate.

### 1.5 Investor Relations Team

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

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

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

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

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

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

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

1.5.1 Recommendations

- The IR team should be expanded to provide more support to the strong existing team. BP and Unilever have teams of 11. We recommend a relatively senior appointment to work alongside Mike Harrop, as well as an additional analytical resource.

- The IR team needs also needs to be more responsive to investor needs and more proactive about arranging investor meetings.

- At a practical level phone calls should be acknowledged within 24 hours and if no immediate answer can be provided a timeframe should be given for when a response will be available.

1.6 Press Office

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

Shell Communications Audit
September 2007

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

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

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

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

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

1.6.1 Recommendations

- The press office should be used more as a marketing tool. Rather than just responding to requests the department should be generating positive news between financial calendar announcements, such as new projects and so on.

- The press office either needs a dedicated financial specialist who can concentrate on what the City needs without getting sidetracked by other issues or to use an external resource with more day-to-day financial communications capability.

- Results press releases need to be clearer so that journalists can see the story immediately and not have to search for it.

- Press office needs to be provided with positive message sheets on key financial issues so that it is not always seen as taking a defensive position.

1.7 Information Sources

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

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

- Given the model-driven nature of their work, analysts would appreciate more information such as divisional revenues and volumes in the quarterly releases.

- They would also like more data on oil products and gas and power. Given Shell's leading positions in those areas by leading the way on the provision of relevant information Shell can begin to get the communications agenda in to areas where it feels most comfortable relative to its competition.

- The search facility on the website should be upgraded and made more user-friendly.

1.8 Targets and Expectations Management

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

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

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

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

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

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

- Clear and achievable targets need to be set, with realistic timeframes attached and views on external factors that may affect the achievability of the targets.

- Management of expectations could be improved relative to BP – but this needs to be a gradual process, not a sudden shift, so as not to be seen as too manipulative.

- Although analysts urge Shell to follow BP’s lead and issue a quarterly trading statement in addition to the results we do not believe this is necessary. If analysts understand the drivers of the company’s business and sufficient information is provided in the quarterly results on past performance and current outlook, trading updates should not be necessary.

1.9 Message Development

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

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

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

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

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

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

- There is a need for a clear and consistent message, particularly with regard to strategy. This is especially important for journalists, who want a simple story and rarely have time to search for one.

- New announcements need fresh themes that are consistent with the message and the strategy but provide new momentum to the growth story.

1.10 Results Presentations and Q&A

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

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

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

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

1.10.1 Recommendations

- Investor conference calls work well – but Judy Boynton should be present throughout or not at all, not just come in for questions. It worked well having Phil Watts and the team present for the Q2 announcement and this should be repeated.

- A senior management spokesman needs to be available for the press at Q1 and Q3 – not just for the Financial Times.

- Early morning calls to wire services (such as Reuters and Bloomberg) help to set the press agenda. If management is pressed for time, conference calls are a good way of getting through a large number of outlets in a short period.

- Extra time needs to be spent in results presentation rehearsals preparing responses to particularly ‘hot’ topics. The management team should have a dedicated presentation rehearsal one or two days before the announcement.

- The development of a thorough, user-friendly data book, which highlights the positive aspects of each issue, helps to finesse responses with supporting detail.

1.11 Annual Communications Programme

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Shell Communications Audit
September 2002

Sincerely, Private & Confidential

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

"More roadshows are needed, neither company's management is very accessible, I know they're huge and once you get over $10bn it gets more difficult but there's no reason why management can't meet small groups. Even if they just came to NY, it would make a huge difference. Or perhaps they could use their IR teams more proactively." (US buy-side analyst)

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

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

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

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

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

"Off sites are very important, I'm a big fan of them. They need to be attended by senior management if they're not to be a waste of time. That doesn't necessarily mean Phil and Judy, in fact it would almost be better without them. A downstream visit could be hosted by Paul Skinner, for example. We'd want access to middle management, people in the divisions and on the ground. If they're good it fills you with confidence." (Self-side analyst)
Analysts appreciate Shell’s annual strategy seminar, although they do not like the timing. By holding the event just before Christmas there is little chance for them to generate business on the back of any research note they might write and investors are not keen on one-to-one follow-up meetings at that time of year. When everyone gets back from Christmas and New Year the strategy seminar already seems like old news. While it might be tempting to delay this year’s strategy presentation in to next summer, our research indicates this would be a mistake. Investors and analysts claim to be unclear on what Shell’s strategy is. In the light of recent press criticism a delay of more than a few weeks would be taken as a sign of weakness.

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

1.1.1 Recommendations

- Shell’s roadshow programme is as active as almost any of its FTSE 100 peers. However, while question marks remain over its strategy and direction, the company must continue to see more investors in more locations more often. These need not all be one-on-one meetings; most investors are happy that group meetings are part of the mix. Phil Watts and Judy Boynton should do a significant proportion of the meetings with important shareholders, but other senior directors and the IR team itself can relieve the burden.

- Most meetings with investors will begin with a presentation from the Shell team. Some investors will not want to hear this and will prefer to set their own agenda and ask their own questions. The presentation team should therefore also have a page of key messages and themes to ensure positive points do not get overlooked.

- Regular audits of press, analyst and investor opinion should be undertaken to assess how the message is being received and to shape the message going forward.

- More regular site visits should be organized for both investors/analysts and press.

- Seminars for analysts and investors should also be considered on specific business issues, perhaps to alternate bi-annually with site visits. These can often be a more productive way of tackling an issue, allowing the company to get its points across in a shorter period of time than a site visit and eliminate the need for travelling. The press would also benefit from issues-related meetings outside of the pressures of results announcements.

- The annual strategy presentation should be moved in the calendar to allow time for the messages to be digested fully by the market – after Christmas would be better than before.

- An annual analyst dinner would enable the analysts to get to know the senior management better, particularly Phil Watts and Judy Boynton.

- Social events and corporate entertainment should also be considered, although not forced, perhaps to coincide with a specific event that the company is sponsoring, such as Formula One motor racing.

1.1.2 Corporate and Social Responsibility

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

Shell Communications Audit
September 2007

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

1.13 Conclusion

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

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

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

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

From: De Wit, Ingrid IWE SIG-GP
Sent: 13 November 2002 08:39
To: Skinner, Marion M SIG-GP
Subject: FW: Notes from recent one-on-ones

Please print for Malcolm for tonight. Thanks!

Ingrid de Wit
Secretary to Mr M.A. Brinded, Group Managing Director, Royal Dutch/Shell Group of Companies
Shell International B.V.
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----Original Message----
From: Sexton, David A SHLOIL
Sent: 12 November 2002 21:53
To: Brinded, Malcolm A SIG SIG-GP
Cc: Henry, Simon S SIG-FI
Subject: Notes from recent one-on-ones

Malcolm:

Simon Henry asked if I would forward to you the notes from the recent one-on-ones Jeroen had in NY as well as Boston. Attached are those notes which includes both the questions and in most cases, a short version of his answer.

Please let me know if you have any questions.

Many thanks

David A. Sexton
Manager, Investor Relations - USA
Royal Dutch/Shell Group of Companies
Tel: +1 212-218-3112
e-mail: david.sexton@shell.com
Internet: www.shell.com/investor

[Signature]

Jeroen Van der
Voor one-on-one...

EXHIBIT

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Sexton

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Jeroen Van der Veer – One-on-ones  
6-7 November 2002

Merrill Lynch energy conference (New York) – Q&As

Will you continue to do acquisitions even with ROACE outside your desired band?

Do you use $14 or $16 Brent as your oil reference condition and where do you see your oil and gas production going?

- Use $16 Brent and $3.00 Henry Hub
- We have given up on forecasting oil and gas prices.
- When we do acquisitions, we check the viability at a variety of commodity prices.

Can you talk about your proposed Baja LNG project?

- Still waiting on the Mexican government

When will you achieve your 12% ROACE in US OP?

- By 2004

You emphasized EP and GP today, why do you stay in the downstream or chemical businesses?

- It is largely an integration play between the downstream and chemicals
- Chemical is a very cyclical business over history
- Chemical market is growing by 1-2 times GDP

Can you tell us more about your emphasis on natural gas?

- Today we are about 60% oil and 40% natural gas
- And we focus on both pipeline gas as well as LNG
- In the AP area, Malaysia gas was the first to be shipped as LNG to Japan

Can you talk about the refining environment in Europe and Asia?

- This year has been very tough as well as the previous year
- AP and Europe are the toughest regions right now but they will eventually improve
- Europe – smaller refineries may have to shut down due to new fuel requirements
- We always try and run cash positive

GTL v. LNG plants?

- 10 years ago, LNG plants were better economically
• New GTL plants have become a lot cheaper to operate and have similar economics as LNG
• Employment for the state government is better if you build a GTL plant
• We want to build new GTL plants that are 75,000 barrels in size
• Also, we do not want to have a situation where there is overcapacity in LNG

Is the arrears situation in Western Africa stabilized?

• Reviewed three reasons for production forecast decline
• Saudi projects are still very slow

Can you comment on your North American gas strategy?

• NA is going to be short hydrocarbons
• Aera has made a good turnaround
• We will buy gas assets only at the right price

Can you comment on oil prices?

• There is still some war premium in the price
T Rowe Price – New York

Going forward, are you going to be more focused on returns or growth?

- Organic opportunities are usually better than acquisitions
- Re acquisitions, we focus on gaps in the portfolio or where we can do it cheaper or more efficiently than someone else
- We believe there remains gaps in our US EP portfolio and still are unhappy with our position in Japan

Can you talk about your production targets?

- Things have changed, so we need to re-review where we are
- Mostly OK...things upcoming include the Middle East, Kazakhstan, and offshore Nigeria to name a few

Where do the Saudi projects currently stand?

- Saudi leadership is currently focused on other things
- Going very slow

Your gearing level, is it going to stay at the current level?

- We would like to keep our AAA credit rating which is very important to us

What is the level of stock buy-backs?

- $1.3-5.0 is the range this year

What are your thoughts around divestments?

- We are always looking at this and consider all businesses

What about your RRR this year and next?

- Must look at the project decisions that we will be making this year as well as next

Why did you buy McMurray?

- Discussed the Rockies strategy

Is there turmoil at the CMD level? Is there pressure on the CMD from the market?

- Yes, in the areas of production targets and being removed from the S&P

Can you comment on growth v. OPEC quotas in Nigeria?
Nigeria will not accept the current OPEC quotas
Merrill Lynch Asset Management – New York

What is your Capex level for next year?

- We are still in the planning process
- Will be around $14 bln organic for 2002

What will your company look like a couple of years out?

- More EP and GP
- More natural gas

Can you comment on acquisitions?

- Organic growth is usually better than acquisitions
- Still will do acquisitions where we have a gap in the portfolio

Where are the returns for your businesses today?

- Only the US downstream is truly hurting
- US downstream can improve in both the marketing as well as refinery liability

Where are you going with capex?

- 70% of it is going to EP and GP

Can you comment on Iraq?

- We have no presence there because the UN sanctions prohibit this
- Doing some training courses under the oil for food program

Can you talk about LNG into the US?

- There is confidence that the economics work

How has your shareholder base changed as a result of the S&P decision?

How should we look at share re-purchases going forward?

- Must look at our overall gearing, buy-backs and capex/acquisitions in a holistic view
Citadel – New York

Can you comment on your acquisition strategy?

- We are interested in doing acquisitions that close gaps in our portfolio
- We still have gaps in the US on gas reserves, Russia and in the ME

Can you comment on where the WE pipeline currently stands?

- Pipeline is a condition for getting some upstream projects
- Discussed Russian reserves in the future
- Discussed who was participating
- Have not signed the final documents

What is currently happening in Russia?

- Sakhalin will be a good project
- But we need to make sure that the gas is largely sold and contracted for
- Alliance with Gazprom – we are beginning to make some progress there
- The Russian oil companies – they do not all operate in concert with our business principles. And at lower oil prices, they are at best; a break-even business but they have good reserves and some good people.

What about growth in Nigeria v. OPEC quotas?

- I cannot predict the future

What are the weaknesses in your competitors?

- We are a solid and sustainable company
- We have a strong balance sheet and do not do wild things

What gives you confidence that you will achieve the desired results with the re-branding exercise in the US?

- Have set targets
- Put new team in place

What upstream technologies are you embracing?

- Going deeper and doing it cheaper is very important
CitiGroup – New York

How important to you is your upstream growth target?

- Growth overall is very important
- First criteria we look at is what are our anticipated profits from a project
- We want a diversified portfolio

Are you going to change your reference conditions?

- No, these are long-term expectations

What about the Henry Hub price?

- If the price stays above $4, there will be a large number of LNG projects
- If below $2, then no Canadian gas, thus $3.00 is a middle road
- We are keen for opportunities in the US
- East Coast LNG looks good from Venezuela, Nigeria and Trinidad

Any worries about what is happening to El Paso or Dynergy?

- We are very selective in who we partner with
- Some of these companies have become more modest due to their financial problems

What about spot LNG?

- Growth has been slower due partly to lack of infrastructure and to the legacy of long-term contracts
- But the % will go up

Are LNG prices going down?

- We currently have the lowest cash cost, the lowest capital cost so we are in a very good position if prices weaken
- But the majority of our gas is under long-term contract

Is capital intensity going down in the North Sea?

- Costs are still relatively low
- There are steep decline rates in the North Sea

Outside the US, do you see further changes?

- Overall, I think we are OK
- We like our current gearing level
• Argentina will be an issue

Why did you buy a lubricants business?

• Outside the US, we have a very strong business
• US, we will lose the Havoline brand
• Huge cost synergies with outside the US
• We will get help in Canada and Mexico
• And could position PQS brands along Shell brands

Are you happy with your portfolio?

• We are always making adjustments to our portfolio
• We only do acquisitions where there are gaps or where we can do it cheaper than someone else
• We prefer organic growth
• Always look at level of profitability

How do you allocate money for buy-backs?

• We look at our balance sheet, opportunities, commodity prices, taxes, etc.

Nigeria – are there going to be funding delays?

• Deep water projects have a different set of returns
• If the project is on-shore or shallow, the government must fund
• There are always delays – in the end, the projects get done, but there are always issues
Lazard – New York

Where is ROACE going?

- Talked about portfolio and commented that it is constantly changing
- Organic growth is usually better than acquisitions
- Reviewed recent acquisitions and why we did them

Can you talk about your acquisition of Enterprise?

- Highest synergies of anyone that could have bought the company
- It has good prospects
- It also provides some upside when oil prices are high

Can you talk about acquisitions in general?

- Organic growth is better than acquisitions
- And we are shifting to organic growth over time
- Acquisitions must be at favorable prices
- NA gas is still a gap

Can you comment on your RRR and F&D costs?

- Have looked at this but it is still too soon to give you any final numbers
- Have done OK this year

Can you comment on the differences between your company and Exxon?

- Diversity is a key value in our company
- And we have a high degree of local sensitivities

How do you see your returns in the future?

- We are very protective of our dividend policy
- Discussed our approach to managing the balance sheet
- Discussed the differences between RD and XOM
- I believe that XOM is a little jealous of our company

What are you going to do to fix the downstream in the US?

- It is a big bet
- 6000 retail sites will be closed
- There are synergies at our refineries and utilization improvement targets
- Reviewed Shell Oil’s history with the Group
- And we have a seasoned team in place
How do you view your accounting practices v. other companies?

- We are very transparent
- Have conservative bookkeeping
- Must follow Dutch, UK and US financial rules
Goldman Sachs Asset Management – New York

What are you going to do about your ROACE?

- Our target is that our major businesses are capable of earning 15% at mid-cycle conditions
- 70% of our Capex goes to EP/GP

Why is XOM ahead of you in ROACE?

- They have a goal of being 3% better than everyone else in the industry, but we do not understand or believe them

Is there anything that protects you if you are wrong on ROACE?

- XOM has more assets in the US, so that helps them
- We are partners with them in the UK, so no help there
- We are stronger in the downstream outside the US than they are
- US downstream is really bad in the US for us
- XOM is bigger than we are in Chemicals
- We are bigger than them in LNG

Will you do more acquisitions?

- Organic growth is better than acquisitions
- This year, we have done a lot of acquisitions but all were opportunistic in nature

The $12 bln in capex supports what level of growth?

- 3% from 2000-2005

What are the holes in your portfolio?

- NA gas
- LNG can fill some of that gap but it will not solve the energy problems of the US

What is your debt to cap goal?

- 20-30%

What about buybacks?

- $12.5 bln over five years
Putman – Boston

Why are you spending $14 bln in capex?

- $12 bln is the “normal” amount
- Explained why we are spending more than that
- Scaling back in OP and Chemicals

Where are you on cost leadership?

Are you going to change your reference conditions?

- No

Can you talk about your RRR?

- First, RRR is a lumpy business
- Must look at when we make FIDs
- Discussed SEC rules on how reserves are booked
- Discussed the 800 million barrels that was mentioned on the conference call

What about eliminating a production target altogether and just focusing on returns?

- Discussed the balance of production growth v. returns

What is an optimum reserve life?

- talked about reserves in general and focused on reserves next to concessions that were about to expire
- Cannot pick a number
- Want the best possible return on the reserves you have

Is your 3% growth target conservative?

- It is the middle of the river
- NA gas still a gap

Why have a Chemical or downstream business?

- Oil prices would have to stay high to just have an EP business
- We want more upstream but also want profitable growth in OP and Chemicals
- If we only have EP, would be a much more volatile stock
- Having the others sometimes is an entrance to other countries

Where are oil prices going in the future?
Can you talk about production growth?

- Talked about the reasons we changed our production growth rate guidance

Can you comment on Nigeria v. OPEC quotas?

- If you add all the projects, OPEC and non-OPEC growth and compare that to demand, there is a looming issue

If F&D costs are rising, why not just buy companies?

- Take Russia – lots of companies but lots of risks there, so just buying someone might not be such a good idea

Where are we on service costs?

- They are currently high, but will be coming down

Can you comment on NA gas?

- We will not overpay for any acquisition
- Still some opportunities
- Organic growth still better than acquisitions

Where do you see oil demand going?

- 1-2% per year
- Far East still tied to some multiple of GDP growth
- Big unknown is still China

Chemicals – how can you compete against XOM?

- In the US, we have a higher % of advantaged feed stocks
- In Europe, we are better integrated

If you had to trade off dividends v. buybacks, which would win?

- Dividends
Wellington Management – Boston

Can you talk a little about the US downstream?

- Reviewed history of the US downstream
- Discussed improvement plans

Can you talk a little about import of European gasoline?

- They will probably continue to export to the US
- The yield in Europe is shifting primarily due to less gasoline being sold in Europe due to greater diesel demand

How much are you spending on downstream and environmental regulations?

- Smaller refineries may go out of business as opposed to meeting the requirements
- Talked about differentiated fuels

Where are you re NA gas?

- Currently, there is little supply growth
- Canada, smaller fields and LNG may be some of the answer

What are you doing in China?

- Reviewed various initiatives that are on-going in China
- Reviewed WE pipeline/Gazprom partnership

LNG – how will new contracts compare to the old ones?

- There is price pressure -- the price itself and the length of the contract
- The price is linked to a basket of energy products

Will we be long with regard to LNG?

- I think yes, in the short term
- But ships can be a bottleneck
- Want part of the LNG output covered by long-term contracts, like at Sakhalin
- Will we have contracts in the US – I do not know, but it is possible

Can you comment on RRR rates, Nigeria v. OPEC quotas?

- Reviewed how we look at reserves, how we book reserves, timing of booking, etc.
- We have had some poor years but have stepped up exploration efforts
• Nigeria is not prepared to cut back on their projects, thus there will be tension in OPEC over future quotas
• Thus, volatility in oil prices is a given

Can you give us an update on the Saudi projects?

• Going very slow
• Leadership of the Kingdom is distracted with other issues

Can you talk about decline rates?

• XOM has a different view of oil demand than we do
• We believe that demand will begin to flatten and will be less
• Best protection is to have the lowest cost and best technology

What about Chinese oil companies – how good are they?

• They can be very competitive
• Have good technical people
• But must catch up to the West’s technology
Fidelity – Boston

Can you talk about your ROACE?

- Discussed three reasons why we are below our target range
- We are committed to the range

Can you talk about what your acquisition strategy?

- Discussed Nigeria v. OPEC quotas
- Discussed why we bought Enterprise

How can you not lose in the US re the downstream?

- Discussed what we did in Europe to improve, which gives us confidence that we can do it in the US
- Our refinery reliability can be improved

Re your capex, how do we know it is not going to grow?

- $12 bln is our base investment case
- 70% is devoted to the upstream and GP
- Discussed overall financial model
- Organic growth is better than doing acquisitions

Can you talk about acquisitions and NA gas?

- Talked about how DEA was such a good deal and what we look for when we consider an acquisition

How do you compare to BP or XOM?

- XOM is a very professionally run company but is somewhat static in its views
- BP is not as global as we are and outsources a great deal of work

How do you manage risk say in Nigeria v. the North Sea?

- Shell is a good partner for governments to work with

What will happen with Nigeria and OPEC quotas?

- They will get additional capacity
- They are a very poor country
- They will get their way
- But the result will be a volatile oil price
Can you give us an update on Chemicals?

- At the oil/chemical interface, one can make a lot of money
- Chemicals will grow faster than oil
- Can make good cash returns in Chemicals
- Supply side of ethylene will be tight in '04
- The growth in Chemicals will be in the ME and Far East
Fleet Securities – Boston

Can you talk about NA gas?

- We will use LNG imports to help address that situation along with developments in the GoM, Rockies and in Canada

What are you going to do to lift the ROACE in the US downstream?

- Reviewed how we were different in performance outside the US v. in the US
- Reviewed the improvement plan

What about your refinery network in the US – what is wrong?

- Discussed Jeroen's experience when he first came to the US as head of Chemicals where there was not an emphasis on reliability and costs
- The personal credibility of Shell’s senior leadership is on the line here

US upstream – what are you going to do about your gas position?

- The US is short gas
- We will import LNG, and will pursue opportunities in the GoM, Rockies and in Canada

Can you talk about your US gas trading business?

- Globally, we are a very big trader
- Have over time, expanded to trade both gas and power
- Discussed the GP strategy and tolling arrangements
- Want to use the present size of the power business to move forward…they are currently focusing on operational excellence

Do you think other companies will enter the power market?

- Our basic model is to have our molecules be used to drive our power generators and then market the resulting power

How do you evaluate acquisitions?

- We look at various metrics including anticipated ROACE, whether it will be accretive or not, etc.
- We evaluate projects on a grid of commodity prices
- And, we look at what the next step is after we acquire the company
State St. – Boston

Is your production growth target of 3% still valid?

- We are currently reviewing that issue
- Need to look at where the production growth will come from particularly in light of our purchase of Enterprise
- Need to re-consider what growth will be at some estimated commodity price
- But I believe that a 5-year growth target is too static and should be shorter
- Should look at the quality and where your reserves are located instead of just the growth target

Where is your capex budget going?

- It will be in the range of $12-12.5 bln

Why is your Chemical’s business doing better?

- Economy is doing a little better
- We are gaining some market share
- But some of the growth is coming from re-stocking
- And, we have seen a little order slowdown in the August/September time frame

Do you have some sort of special mix of product lines in Chemicals?

- Not, not really
- We do see nice growth in polymers where plastics are replacing metals in certain applications

Do you see LNG coming to the US using floating re-gas terminals on ships?

- Possibly
- We do have to consider long-term contracts

What are you doing currently in China?

- Reviewed the China map in the presentation and discuss various initiatives

What is happening in GTL?

- We want to build some additional plants that are 75,000 b/d
- Qatar and Iran are the two best current candidates
- May take as long as 40 months to construct

Where do the Saudi projects currently stand?
Something will happen, but not sure when

Iraq – do you potentially have access to that country after a war?

- We used to be a producer in Iraq
- But, we are not clear what will happen after a war
- And, I am not aware that we have any claims in that country