

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 the state of over the North Sea safety allegations. He supplied this and other distorted facts to the 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, purportedly from you, which it is clearly not and then give a time to reject it which given the time difference with Sakhalin it is impossible for you to meet. Once you read this correspondance it will be extremely important to respond at once and in the strongest terms to allow the time to take the appropriate action.

In the meantime, with a present, to put a context around this, but it 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. We 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.

Mob.: Fax: Email:

Internet: < <http://www.shell.com/>>

Incorporated in The Hague, The Netherlands - Trade Register no. 27142451 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.

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

I

K

From: Sent: 11 May 2007 14:49

Cc:

To: To:

Subject: FW: Donovans: Email received **Concernent** Importance: High

Just in case you have not seen from elsewhere.

-----Original Message-----From: Sent: Friday, May 11, 2007 2:16 PM To: Constant of the sent of the se

Subject: FW: Donovans: Email received Importance: High

	Original Message			<i></i>		
	From:					
	Sent: 11 May 2007 11:04 To:					
s. ¹⁰	Subject: Donovans: Email received				4 - 1 ²	
	Importance: High					
			•			
			÷			
		2.				
	For your information.					
	Regards					
a 2						
	Address Tel: Email:					
6-5	Internet: < <u>http://www.shell.com/></u>					
	memorial and a second					
	Original Message					
	From: The second s					
	Sent: 11 May 2007 09:18					
	Cc: Subject: FW: Email received	а Т				
	Importance: High					
		والمراجعة ويورد المراجع				
2.1	가지로 가지가 같은 것은 것은 것은 것은 것은 것은 것은 것이다. 기회가 다시고 같은 것은 것은 것은 것은 것은 것은 것이다.					· , ;
•						
	Regards				·· .	
a				* *		
	<u>a se a é ana se a</u>	. ···				
		×				
					8 a.	
	Address				*a - 2 	
	Tel: Email: Email: Fax: Fax: Fax: Fax: Fax: Fax: Fax: Fax					
	Internet: <u><http: www.shell.com=""></http:></u>	· · · ·			*A	
	Original Massage		т — Б			
:	Original Message 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; Brinde	d, Malcolm /	A RDS-ECMB	: Wiseman,	
	Richard RM SI-LMAPF					
	Subject: Email received David Greer				· .	
	an ar a a a a a a a a a a a a a a a a a				-	

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 'Startroi'. 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 Leasingstroymash.

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

100

Ruddock, Keith KA SI-LSEP

From: Sent: To: Cc:

Subject:

Alfred Donovan [alfred@shellnews.net] 12 May 2007 16:43 Ruddock, Keith KA SI-LSEP Wiseman, Richard RM SI-LMAPF; Ollila, Jorma RDS-RDS/CH; van der Veer, Jeroen J RDS-CEJV; Brinded, Malcolm A RDS-ECMB Financial Times offers deepest apologies to Shell insiders



image001.png

Dear Mr Ruddock

I have supplied below a draft of an article intended for publication on Monday. Please feel free to correct any inaccurate information.

will in any event be back in contact on Monday morning regarding the email purportedly rom David Greer which I accept was not authored by him. Developments are taking place in regard to the veracity of the content, including further correspondence with the sender of the email.

Regards

Alfred Donovan

DRAFT ARTICLE

ShellNews.net: Financial Times offers deepest apologies to Shell insiders about alleged 'planted questions'

On Wednesday 9 May 2007, FT.com published a Question & Answer session with Royal Dutch Shell CEO, Jeroen van der Veer. FT readers had been invited over several days to submit questions on the subject of Energy vs environment for Mr Van der Veer to answer.

Financial Times: Energy vs environment? Updated Q & A with Jeroen van der Veer `http://royaldutchshellplc.com/2007/05/10/financial-times-energy-vs-environment-updatedq-a-with-jeroen-van-der-veer/> <http://royaldutchshellplc.com/wp-admin/post.php? action=edit&post=7416>

We published the FT.com article on our website <u>www.royaldutchshellplc.com</u> <http://www.royaldutchshellplc.com>

It has a busy "Live Chat" facility on which visitors can instantly post comments. It also displays the number of people currently visiting the site. Normally around 20 to 30 visitors, with 87 being the highest number at one time recorded thus far. The site received over 3 million hits and over 2 million page views last month.

We have a number of Shell insiders monitoring the publication of news articles about Shell which are updated many times every day on a 24/7 basis. Shell insiders also monitor comments posted on Live Chat. Sometimes there is an outcry if something fishy is spotted.

This happened on Wednesday when an observant Shell insider noticed that some of the FT

readers asking questions were actually undisclosed Shell employees. It ended up with the Financial Times entering the Live Chat forum to post an explanation and an apology. We give the FT full credit for doing so.

One at least of the Shell employee names, Mr Peter Wood, a Shell economist who works for Shell in The Hague along with Mr Van der Veer, should have immediately rung alarm bells with the Shell CEO, but for some reason his name and city apparently did not do so. The name of Peter Wood should have extra significance because it happens to also be the name of the representative of all non-USA Shell stockholders in the multibillion dollar consolidated class action lawsuit brought against Shell in respect of the reserves fraud.

The name and city of another Shell employee, Raymond Franssen from "Miri" (where Shell has a main office), was also distinctive, but apparently also went unnoticed by Van der Veer.

Perhaps Mr Van der Veer knew that both people were Shell employees but was under the impression that this would be disclosed in the Q & A article which was published.

After becoming aware of the outcry, the FT immediately amended the online article, by 'eclaring the fact that the two names spotted by our observant insiders are indeed Shell employees. Otherwise FT readers would still not know the truth.

Here is the sequence of comments on Live Chat.

("Royal Dutch Shell" is an automated abbreviation of royaldutchshellplc.com. "Coolfonz" is a registered guest.)

Guest 5292: The FT's Q&A would be more convincing if a disproportionate number of the questions did not originate from Shell's own staff. The FT owes it to its readers to indicate which of the questions originated from within Shell.

Guest 4847: The planted questions provide more evidence of a continued culture of deception and spin here at Shell. This time it involves v.d.veer personally although he may be an innocent victim like the FT. What a cynical move days prior to the AGM.

Guest 3848: Is this not a full blown scandal.

Guest 1382: Yes, some of the questions are from Shell staff. The FT seems to have withdrawn the article. I cannot find it on their site.

Royal Dutch Shell: The article in question is still on the FT.com site

Guest 2809: hi, does anyone have evidence of the questions being posted by Shell staff, which they would be prepared to provide to the FT?

Guest 5926: The readers with addresses in Miri, Muscat, and The Hague should be immediately suspicious - maybe some of the authors of the questions would like to speak up?

Guest 9809: Perhaps someone working for Shell could check the names against the internal directory?

Guest 8352: Who should I contact at the FT? Please supply contact information.

Guest 2809: Hi, I work for the FT. I agree it is reasonable to expect that questions asked by

Shell staff should be identified as such (and in Q&As with other companies of course). Of course this is not always 100% possible. However we have identified two questions as coming from Shell staff. They had identified themselves as such but their email addresses had become separated from their name/location/question. This is an error on our part, which we deeply regret. We've now marked those questions which we identified as coming from Shell staff members, and have asked Shell PR to assist in identifying any others. In reply to guest_8352 - you can email me directly: kate.mackenzie AT ft.com -- of course we'll have to investigate ourselves. Thanks all for drawing this to our attention.

Royal Dutch Shell: Posted by John Donovan. We can confirm that the postings by the FT are authentic. As Kate says, the relevant FT.com article has been amended and now identifies two known Shell employees.

Coolfonz: Peter Wood is a Shell economist from the Hague and Frannssen is a deepwater specialist, amazing how little they know about their own cmpany considering how senior they are...

707

DRAFT ARTICLE ENDS

Ruddock, Keith KA SI-LSEP

From: Sent: To: Cc: Alfred Donovan [alfred@shellnews.net] 14 May 2007 09:11 Wiseman, Richard RM SI-LMAPF van der Veer, Jeroen J RDS-CEJV; Brinded, Malcolm A RDS-ECMB; Ollila, Jorma RDS-RDS/CH; Brandjes, Michiel CM RDS-LC; Ruddock, Keith KA SI-LSEP Sakhalin-2

Subject:

Dear Mr Wiseman

I have sent the communication below to Mr Ruddock. I am sending it separately to you in case it does not reach him bearing in mind that he is currently travelling overseas.

Regards

Alfred Donovan

EMAIL SENT THIS MORNING.

Dear Mr Ruddock

I have had extensive correspondence with the source of the "David Greer" email. The individual concerned has supplied further information. It is all set out below. The introductory comments in the article are also self-explanatory and should be taken into account. I have also been in correspondence with several Shell insiders. I intend to publish the article today. Any comment Shell wishes to make will be published with it on an unedited basis. I will carefully consider any comment you may wish to make about the intended publication.

Regards

Î

Alfred Donovan

Draft: Sakhalin Energy Article (Headline yet to be created)

The information about Sakhalin Energy contains serious allegations. It is published with a health varning 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

7.54

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 <u>alfred@shellnews.net <mailto:alfred@shellnews.net></u>

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

1s 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.

INFORMATION SUPPLIED ON 11 MAY 2007

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 verdue 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

70>

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'. 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 ontractual 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 postcontract 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 aganisations. 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 Leasingstroymash.

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

INFORMATION SUPPLIED FROM THE SAME SOURCE ON 13 MAY 2007

The Contract amendment has not at this time been signed! Mr Campbell Wyper of Shell is the most Senior member of Shell involved in the pending deal between Sakhalin Energy and their Contractor. Mr Wyper has tasked the Onshore Pipelines Commercial Manager Mr Robert Boulstridge (Robert.Boulstridge@sakhalinenergy.ru) with responsibility for authorising the payments once agreement is reached and their Senior Contracts Advisor Mr Martin Seaman (Martin.Seaman@sakhalinenergy.ru) with finalising the wording of the document that both parties will be required to sign.

If you were to request answers to the following questions from Shell, this would not expose you to

litigation. These will be unwelcome questions!

1. Is there any intention to enter into an agreement, which will see the Contractor enriched far in excess of their existing entitlement, at the expense of the Shareholders?

2. Have Shell declared in writing to the Russian authorities any breaches committed by their Contractor as evidenced by SEIC's project 'non-conformance' notifications?

3. What if any is the quantifiable number of incidents of regulatory breaches illustrated on nonconformances notifications?

4. When it is required by Russian legislation, is there an official permit in place for every river crossing that has now been complete?

INFORMATION SUPPLIED FROM THE SAME SOURCE ON 14 MAY 2007

I am the author, it is not an extract from a report!

You can disclose the information you have and question 3, which is posed in a way that implies where are many incidents and seeks disclosure.

The project is being run and resourced as dictated by Starstroi and their Subcontractors, regardless of whether the resources are required by SEIC, with all costs borne by SEIC. The opportunity cost for ensuring that only suppliers that are critical to construction are procured is not an option. The behind the scenes manipulators who are the beneficiaries of some of the additional cost to SEIC are controlling outsourced resources. This is possible because they form part of the Contractors Subcontract Administration organisation.

Within the SEIC organisation there are literally hundreds of Russian staff recruited to ensure 'Russian Content', who occupy positions without possessing the required qualifications or experience to fulfil the role. Starstroi's administration and commercial management of all suppliers/subcontractor's is undertaken by unqualified staff, whose procurement and management methods do not conform to accepted international or financial accounting standards. Record keeping is confined to information on lists, which are consistently proven to be inaccurate. This ensures that auditing of accounts where additional cost has been authorised, which is in addition to what was originally agreed under contract will be difficult if not impossible!

Javid Greer has compromised himself because of a relationship he has with a member of the Transavto organisation and personnally intervenes if Transavto 'rates' for supply of Transavto equipment or its requirement are questioned.

MORE INFORMATION RECEIVED FROM THE SAME SOURCE ON 14 MAY 2007

To complete the project in the correct manner, observing the various constraints identified by reference to QC/QA methods would see the Sakhalin II pipeline construction phase complete in August 2008. This date is unacceptable, so it has been decided some corners must be cut, which involve compromising on the following:

- Insuffient or no Erosion Protection to rivers and embankments
- Ignoring legislative requirements Water Protection Zones
- Tree Felling without Tree Felling Permits to avoid the wait
- Crossing Rivers without due care and without the required Permits/Authority to avoid delay

- Insufficient excavation/cover/backfill material for pipeline
- Damage to federal roads, through insufficient maintenance
- Damage to federal roads, driving heavy vehicles in winter thaw period
- Plan to clean and gauge the pipeline without drying
- Inadequate Engineering Solutions pipeline route at Seismic fault-lines
- Suppression of reports of non-conforming work
- Approval of all work

• Subcontractors without SEIC official reprimand, undertaking work at night in order to avoid detection by SEIC QA/QC, and third party inspectors.

• Work carried out at night without supervision/inspection, accepted as fully conforming by SEIC, when impossible to know for sure.

All the above is the price worth paying in order to get the product into the pipeline by the desired date. Shell are offering substantial bonuses to the Shell staff seconded to SEIC if they can make the date happen.

It may happen, but the total cost will be intangible until the extent of environmental damage, if any, fines and future remedial repairs is calculated. The pipeline could leak, if non-conforming work is not appropriately reported and rectified.

Quality Control is essential to the safe and successful construction of an Oil and Gas pipeline.

11. A. B. A. B.

Ruddock, Keith KA SI-LSEP

From: Sent: To: Cc: Alfred Donovan [alfred@shellnews.net] 14 May 2007 09:07 Ruddock, Keith KA SI-LSEP van der Veer, Jeroen J RDS-CEJV; Brinded, Malcolm A RDS-ECMB; Ollila, Jorma RDS-RDS/CH; Wiseman, Richard RM SI-LMAPF Sakhalin-2

Subject:

Dear Mr Ruddock

I have had extensive correspondence with the source of the "David Greer" email. The individual concerned has supplied further information. It is all set out below. The introductory comments in the article are also self-explanatory and should be taken into account. I have also been in correspondence with several Shell insiders. I intend to publish the article today. Any comment Shell wishes to make will be published with it on an unedited basis. I will carefully consider any comment you may wish to make about the intended publication.

Renards

Alfred Donovan

Draft: Sakhalin Energy Article (Headline yet to be created)

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 regronal credibility or reputation. If the information is factually correct then it requires no alification?

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

10

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 <u>alfred@shellnews.net <mailto:alfred@shellnews.net></u>

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.

INFORMATION SUPPLIED ON 11 MAY 2007

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 roject, Starstroi (Contractor) communicated to Sakhalin Energy Investment Company Limited lient) 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 nonpayment 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 hfringement of Russian legislation. The latter option was chosen. SEIC's behaviour is forcing aff 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 'Startroi'. 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 ndividuals 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 postcontract 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 Leasingstroymash.

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

INFORMATION SUPPLIED FROM THE SAME SOURCE ON 13 MAY 2007

The Contract amendment has not at this time been signed! Mr Campbell Wyper of Shell is the inost Senior member of Shell involved in the pending deal between Sakhalin Energy and their Contractor. Mr Wyper has tasked the Onshore Pipelines Commercial Manager Mr Robert Boulstridge 'Robert.Boulstridge@sakhalinenergy.ru' with responsibility for authorising the payments once agreement is reached and their Senior Contracts Advisor Mr Martin Seaman 'Martin.Seaman@sakhalinenergy.ru' with finalising the wording of the document that both parties will be required to sign.

If you were to request answers to the following questions from Shell, this would not expose you to litigation. These will be unwelcome questions!

1. Is there any intention to enter into an agreement, which will see the Contractor enriched far in excess of their existing entitlement, at the expense of the Shareholders?

2. Have Shell declared in writing to the Russian authorities any breaches committed by their Contractor as evidenced by SEIC's project 'non-conformance' notifications?

3. What if any is the quantifiable number of incidents of regulatory breaches illustrated on nonconformances notifications? 4. When it is required by Russian legislation, is there an official permit in place for every river crossing that has now been complete?

INFORMATION SUPPLIED FROM THE SAME SOURCE ON 14 MAY 2007

I am the author, it is not an extract from a report!

You can disclose the information you have and question 3, which is posed in a way that implies there are many incidents and seeks disclosure.

The project is being run and resourced as dictated by Starstroi and their Subcontractors, regardless of whether the resources are required by SEIC, with all costs borne by SEIC. The opportunity cost for ensuring that only suppliers that are critical to construction are procured is not an option. The behind the scenes manipulators who are the beneficiaries of some of the additional cost to SEIC are controlling outsourced resources. This is possible because they form part of the Contractors Subcontract Administration organisation.

Within the SEIC organisation there are literally hundreds of Russian staff recruited to ensure 'Russian Content', who occupy positions without possessing the required qualifications or sperience to fulfil the role. Starstroi's administration and commercial management of all suppliers/subcontractor's is undertaken by unqualified staff, whose procurement and management methods do not conform to accepted international or financial accounting standards. Record keeping is confined to information on lists, which are consistently proven to be inaccurate. This ensures that auditing of accounts where additional cost has been authorised, which is in addition to what was originally agreed under contract will be difficult if not impossible!

David Greer has compromised himself because of a relationship he has with a member of the Transavto organisation and personnally intervenes if Transavto 'rates' for supply of Transavto equipment or its requirement are questioned.

MORE INFORMATION RECEIVED FROM THE SAME SOURCE ON 14 MAY 2007

To complete the project in the correct manner, observing the various constraints identified by reference to QC/QA methods would see the Sakhalin II pipeline construction phase complete in August 2008. This date is unacceptable, so it has been decided some corners must be cut, which involve compromising on the following:

Insuffient or no Erosion Protection to rivers and embankments

- Ignoring legislative requirements Water Protection Zones
- Tree Felling without Tree Felling Permits to avoid the wait
- Crossing Rivers without due care and without the required Permits/Authority to avoid delay

14

- Insufficient excavation/cover/backfill material for pipeline
- Damage to federal roads, through insufficient maintenance
- Damage to federal roads, driving heavy vehicles in winter thaw period
- Plan to clean and gauge the pipeline without drying
- Inadequate Engineering Solutions pipeline route at Seismic fault-lines
 - Suppression of reports of non-conforming work

Approval of all work

• Subcontractors without SEIC official reprimand, undertaking work at night in order to avoid detection by SEIC QA/QC, and third party inspectors.

• Work carried out at night without supervision/inspection, accepted as fully conforming by SEIC, when impossible to know for sure.

All the above is the price worth paying in order to get the product into the pipeline by the desired date. Shell are offering substantial bonuses to the Shell staff seconded to SEIC if they can make the date happen.

It may happen, but the total cost will be intangible until the extent of environmental damage, if any, fines and future remedial repairs is calculated. The pipeline could leak, if non-conforming work is not appropriately reported and rectified.

Quality Control is essential to the safe and successful construction of an Oil and Gas pipeline.

144 C 144 - 17

Ruddock, Keith KA SI-LSEP

From: Sent: To: Cc: Alfred Donovan [alfred@shellnews.net] 14 May 2007 09:16 Wiseman, Richard RM SI-LMAPF van der Veer, Jeroen J RDS-CEJV; Brinded, Malcolm A RDS-ECMB; Ollila, Jorma RDS-RDS/CH; Brandjes, Michiel CM RDS-LC; Ruddock, Keith KA SI-LSEP FW: Financial Times offers deepest apologies to Shell insiders

Subject:



image001.png

Dear Mr Wiseman

I have sent the communication below to Mr Ruddock on 12 May. I am sending it separately to you in case it did not reach him, bearing in mind that he is currently travelling overseas. Please advise if Shell wishes to comment or correct any information you consider to be inaccurate.

Regards

Alfred Donovan

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

Sent: 12 May 2007 16:43

To: 'keith.ruddock@shell.com'

Cc: 'richard.wiseman@shell.com'; 'jorma.ollila@shell.com'; 'jeroen.vanderveer@shell.com';

'malcolm.brinded@shell.com'

Subject: Financial Times offers deepest apologies to Shell insiders

Dear Mr Ruddock

I have supplied below a draft of an article intended for publication on Monday. Please feel free to correct any inaccurate information.

I will in any event be back in contact on Monday morning regarding the email purportedly from David Greer which I accept was not authored by him. Developments are taking place in regard to the veracity of the content, including further correspondence with the sender of the email.

Regards

P

Alfred Donovan

DRAFT ARTICLE

ShellNews.net: Financial Times offers deepest apologies to Shell insiders about alleged 'planted questions'

On Wednesday 9 May 2007, FT.com published a Question & Answer session with Royal Dutch Shell CEO, Jeroen van der Veer. FT readers had been invited over several days to submit questions on the subject of Energy vs environment for Mr Van der Veer to answer.

Financial Times: Energy vs environment? Updated Q & A with Jeroen van der Veer

110

<http://royaldutchshellplc.com/2007/05/10/financial-times-energy-vs-environment-updatedq-a-with-jeroen-van-der-veer/> <http://royaldutchshellplc.com/wp-admin/post.php? action=edit&post=7416>

We published the FT.com article on our website <u>www.royaldutchshellplc.com</u> <<u>http://www.royaldutchshellplc.com</u>>

It has a busy "Live Chat" facility on which visitors can instantly post comments. It also displays the number of people currently visiting the site. Normally around 20 to 30 visitors, with 87 being the highest number at one time recorded thus far. The site received over 3 million hits and over 2 million page views last month.

We have a number of Shell insiders monitoring the publication of news articles about Shell which are updated many times every day on a 24/7 basis. Shell insiders also monitor comments posted on Live Chat. Sometimes there is an outcry if something fishy is spotted.

This happened on Wednesday when an observant Shell insider noticed that some of the FT —readers asking questions were actually undisclosed Shell employees. It ended up with the inancial Times entering the Live Chat forum to post an explanation and an apology. We give the FT full credit for doing so.

One at least of the Shell employee names, Mr Peter Wood, a Shell economist who works for Shell in The Hague along with Mr Van der Veer, should have immediately rung alarm bells with the Shell CEO, but for some reason his name and city apparently did not do so. The name of Peter Wood should have extra significance because it happens to also be the name of the representative of all non-USA Shell stockholders in the multibillion dollar consolidated class action lawsuit brought against Shell in respect of the reserves fraud.

The name and city of another Shell employee, Raymond Franssen from "Miri" (where Shell has a main office), was also distinctive, but apparently also went unnoticed by Van der Veer.

Perhaps Mr Van der Veer knew that both people were Shell employees but was under the impression that this would be disclosed in the Q & A article which was published.

After becoming aware of the outcry, the FT immediately amended the online article, by declaring the fact that the two names spotted by our observant insiders are indeed Shell employees. Otherwise FT readers would still not know the truth.

Here is the sequence of comments on Live Chat.

("Royal Dutch Shell" is an automated abbreviation of royaldutchshellplc.com. "Coolfonz" is a registered guest.)

Guest 5292: The FT's Q&A would be more convincing if a disproportionate number of the questions did not originate from Shell's own staff. The FT owes it to its readers to indicate which of the questions originated from within Shell.

Guest 4847: The planted questions provide more evidence of a continued culture of deception and spin here at Shell. This time it involves v.d.veer personally although he may be an innocent victim like the FT. What a cynical move days prior to the AGM.

Guest 3848: Is this not a full blown scandal.



Guest 1382: Yes, some of the questions are from Shell staff. The FT seems to have withdrawn the article. I cannot find it on their site.

Royal Dutch Shell: The article in question is still on the FT.com site

Guest 2809: hi, does anyone have evidence of the questions being posted by Shell staff, which they would be prepared to provide to the FT?

Guest 5926: The readers with addresses in Miri, Muscat, and The Hague should be immediately suspicious - maybe some of the authors of the questions would like to speak up?

Guest 9809: Perhaps someone working for Shell could check the names against the internal directory?

Guest 8352: Who should I contact at the FT? Please supply contact information.

Guest 2809: Hi, I work for the FT. I agree it is reasonable to expect that questions asked by Shell staff should be identified as such (and in Q&As with other companies of course). Of ourse this is not always 100% possible. However we have identified two questions as coming from Shell staff. They had identified themselves as such but their email addresses had become separated from their name/location/question. This is an error on our part, which we deeply regret. We've now marked those questions which we identified as coming from Shell staff members, and have asked Shell PR to assist in identifying any others. In reply to guest_8352 - you can email me directly: kate.mackenzie AT ft.com -- of course we'll have to investigate ourselves. Thanks all for drawing this to our attention.

Royal Dutch Shell: Posted by John Donovan. We can confirm that the postings by the FT are authentic. As Kate says, the relevant FT.com article has been amended and now identifies two known Shell employees.

Coolfonz: Peter Wood is a Shell economist from the Hague and Frannssen is a deepwater specialist, amazing how little they know about their own cmpany considering how senior they are...

PRAFT ARTICLE ENDS