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1
2 IN THE UNITED STATES DISTRICT COURT
3 DISTRICT OF NEW JERSEY
4 Civ. No. 04-3749 (JAP)
5 (Consolidated Cases)
6 Hon. Joel A. Pisano
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8
9 IN RE ROYAL DUTCH/SHELL |
10 TRANSPORT SECURITIES |
11 LITIGATION |

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12
13 Videotaped Deposition of
14 SIMON HENRY
15 Washington, D.C.
16 Monday, October 16th, 2006
17 10:00 a.m.

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23 Job No. 22-84924
24 Pages 1 - 236, Volume I
25 Reported by: Laurie Bangart-Smith

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2 Videotaped Deposition of
3 SIMON HENRY
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6 Held at the offices of:
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Washington, D.C. 20009

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Taken pursuant to notice, before Laurie
Bangart-Smith, Registered Professional Reporter
and Notary Public in and for the District of
Columbia.

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E X H I B I T S

(None)

0008

1 SIMON HENRY, October 16th, 2006
2 P R O C E E D I N G S
3 THE VIDEOGRAPHER: Here begins Tape
4 Number 1 in the deposition of Simon Henry, in the
5 matter of Royal Dutch/Shell Transport Securities
6 Litigation, in the United States District Court,
7 District of New Jersey, Case Number 04-374.
8 Today's date is October 16th, 2006. The time is
9 10:08 a.m. The video operator today is Cali Day
10 of LegaLink New York. This video deposition is
11 taking place at 1875 Connecticut Avenue,
12 Northwest, Washington, D.C., 20009.
13 Would counsel please identify themselves
14 and state whom they represent.
15 MR. MACFALL: Timothy MacFall,
16 Bernstein, Liebhard & Lifshitz, for plaintiffs in
17 the class.
18 MS. LAURENT: Christine Laurent from
19 Bernstein, Liebhard & Lifshitz on behalf of
20 plaintiffs in the class.
21 MR. BERNSTEIN: Stanley Bernstein,
22 Bernstein, Liebhard & Lifshitz.
23 MR. HABER: Jeffrey Haber, Bernstein,
24 Liebhard & Lifshitz, on behalf of lead plaintiff,

25 Peter M. Wood, in the class.

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1 SIMON HENRY, October 16th, 2006

2 MS. MACKINTOSH: Christine Mackintosh,
3 Grant & Eisenhofer, on behalf of the opted-out
4 plaintiffs.

5 MR. WARE: David Ware, Debevoise &
6 Plimpton, on behalf of Royal Dutch/Shell.

7 MR. SMITH: Colby Smith from Debevoise &
8 Plimpton on behalf of the corporate defendants,
9 Royal Dutch Petroleum and Shell Transport and
10 Trading, and for the witness.

11 MR. PLATT: Charles Platt, Shell
12 International, on behalf of Royal Dutch/Shell.

13 MS. TISKA: Tracey Tiska from Hogan &
14 Hartson for defendants KPMJ Accountants, N.V.

15 MR. FOUKAS: Savvas Foukas, Hughes,
16 Hubbard & Reed, for PricewaterhouseCoopers, LLP.

17 MS. MAZARAKIS: Akrivi Mazarakis, Mayer,
18 Brown, Rowe & Maw, Sir Philip Watts.

19 MR. MORSE: Adriaen Morse, Mayer, Brown,
20 Rowe & Maw, for Phil Watts.

21 MS. WICKHEM: Rebecca Wickhem of Foley &
22 Lardner, LLP, for Judith Boynton.

23 MR. FERRARA: Ralph Ferrara, LeBoeuf
24 Lamb, on behalf of the corporate defendants, Shell
25 Transport and Trading and Royal Dutch/Shell, and

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1 SIMON HENRY, October 16th, 2006

2 the witness appearing here today, Mr. Simon Henry.

3 THE VIDEOGRAPHER: The court reporter
4 today is Laurie Bangart-Smith of LegaLink New
5 York. Would the reporter please swear in the
6 witness.

7 SIMON HENRY,
8 having been duly sworn, testified as follows:

9 EXAMINATION BY COUNSEL FOR PLAINTIFFS
10 BY MR. MACFALL:

11 Q Good morning, Mr. Henry.

12 A Good morning.

13 Q We met a few moments ago. My name is
14 Tim MacFall. I'm going to be asking you a few
15 questions today with regard to this litigation

16 pending against Royal Dutch/Shell.

17 I'd like to go over a few ground rules,
18 which I'm sure your counsel has already covered
19 with you, but just for the sake of clarity, if at
20 any point you feel like you need a break or you
21 would like to consult with counsel, just indicate
22 that to me, and I'm sure we can accommodate you.
23 If at some point I ask a question that you don't
24 understand or is unclear, just indicate that, and
25 I'll be more than happy to rephrase it for you.

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1 SIMON HENRY, October 16th, 2006

2 In order to have a clear record,
3 although the deposition is being video-recorded,
4 it's necessary for you to answer audibly, using
5 words, in order for the court reporter to record
6 it in the transcript.

7 Do you understand, sir?

8 A I do.

9 Q Mr. Henry, have you ever had your
10 deposition taken before, sir?

11 A Yes, I have.

12 Q Okay. Could you please briefly describe
13 what that deposition was taken in connection with.

14 A In November 2004 a deposition taken by
15 Securities and Exchange Commission in relation to
16 the same issues that this deposition covers.

17 Q And I take it by that you mean the
18 recategorization of certain proved reserves by
19 Royal Dutch/Shell; is that correct, sir?

20 A That's correct.

21 Q Separate and apart from that deposition,
22 have you ever had your deposition taken before,
23 sir?

24 A No.

25 Q Mr. Henry, could you please briefly

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1 SIMON HENRY, October 16th, 2006

2 describe for me your educational background,
3 beginning with University.

4 A I studied mathematics at Cambridge
5 University in England from 1979 to 1982. I
6 graduated first class honors in 1982, was awarded

7 a Bachelor of Arts degree, and in 1986 received a
8 masters of arts degree from the same university.
9 That is the academic education.

10 I have a professional qualification in
11 addition. I'm an associate member of the
12 Chartered Institute of Management Accountants, a
13 U.K.-based institute, where I studied from 1986 to
14 1988 and became an associate member in 1989, and I
15 remained a member of that institution.

16 Q I believe you used the term "Chartered
17 Accountant." Is there another type of accountancy
18 in the U.K.?

19 A Yes. There are at least three types of
20 accountancy that I'm aware of: Certified
21 Accountant, Institute of Chartered Accountants,
22 and the Institute to which I belong, which is the
23 Chartered Institute of Management Accountants --
24 the Institute of Chartered Accountants of England
25 and Wales, and then there's the Institute of which
0013

1 SIMON HENRY, October 16th, 2006
2 I'm a member, the Chartered Institute of
3 Management Accountants, so technically I'm a
4 Chartered Management Accountant.

5 Q Are you currently employed, sir?

6 A Yes, I am.

7 Q And could you please tell me by whom you
8 are currently employed.

9 A I'm employed by Shell International
10 Exploration & Production based in Rijswijk in The
11 Hague and the Netherlands.

12 Q What position do you hold with Shell?

13 A I'm the Executive Vice President Finance
14 for the Exploration & Production Business.

15 Q How long have you been employed by
16 Shell?

17 A Twenty-four years and one month. I
18 joined in September 1982.

19 Q I realize this is a very long period of
20 time that we'd like to cover, but if you could
21 very briefly describe for me the various positions
22 that you've held within Shell since you've been
23 employed.

24 A I joined as an instrument engineer, in
25 the engineering function at Stanlow Refinery in
0014

1 SIMON HENRY, October 16th, 2006
2 the United Kingdom. After four years in that
3 role, I moved to Internal Audit based in
4 Manchester in England. After two years in that
5 role, in 1988 I moved to Shell Haven Refinery in
6 Southern England to head an IT project, and in
7 1990 I moved to ShellMex House in London as the
8 head of Management Accounts for Shell U.K.
9 Downstream Business. In 1992 I moved to Egypt to
10 take over as Finance Manager of Shell Marketing
11 Egypt, and in 1994 I stayed in Egypt but moved to
12 the Upstream Exploration & Production Business as
13 Finance Controller.

14 In 1996 I returned to London in Shell
15 Center as the Shareholder Finance Advisor for the
16 Downstream Businesses in Asia Pacific. In
17 March 1998 I moved to Bangkok in Thailand as the
18 Finance Director for the Mekong Cluster, which was
19 Finance Director for all of Shell's Businesses in
20 Thailand, Vietnam, Laos and Cambodia. While I was
21 in Bangkok we reorganized, and I became the
22 General Manager of Finance for the Retail
23 Marketing Business in Southeast Asia, and for part
24 of that time I was also the General Manager of
25 Marketing in the Business. At the end of 2000,
0015

1 SIMON HENRY, October 16th, 2006
2 December 2000, I returned to London again to take
3 over as head of Shell Group Investor Relations,
4 which I did for just over three years, and in
5 April 2004 I moved to my current position.

6 Q Could you please briefly describe for me
7 your duties and responsibilities in your position
8 at Internal Audit.

9 A I was a member of a ten-person team who
10 covered audit for manufacturing facilities,
11 supply, distribution in the U.K. Downstream and
12 Chemicals Businesses. I was the specialist member
13 of the team who had a manufacturing/refining
14 background, so I was there as a specialist

15 resource, but also at the same time I was studying
16 for my accountancy examination. So I actually did
17 a significant number of financial audit activities
18 to help with that study, and also participated
19 with some cross-audits with a different audit team
20 in marketing audit, specifically retail marketing
21 audit. I was both a Team Lead for an audit and a
22 member of Audit Teams, depending on the size and
23 the materiality of the audit.

24 Q Thank you. Are you familiar with the
25 term "proved reserves"?

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1 SIMON HENRY, October 16th, 2006

2 A Yes, I am.

3 Q And could you please explain for me your
4 understanding of that term.

5 MR. SMITH: His understanding today?

6 BY MR. MACFALL:

7 Q Yes.

8 A My understanding of "proved reserves,"
9 reserves that are classified as reserves, proved
10 reserves under Regulation 4-10, defined with
11 reasonable certainty, meeting certain technical
12 and economic criteria as outlined both in
13 Regulation 4-10 and then subsequent guidelines
14 issued by the SEC.

15 Q Is your understanding of "proved
16 reserves" the same now as it was during the 2000
17 and 2003 time period?

18 A No, it is not.

19 Q Okay. Could you please explain for me
20 what your understanding of the term "proved
21 reserves," if you had such an understanding, was
22 during that time period.

23 MR. SMITH: Objection to form.

24 BY MR. MACFALL:

25 Q You can answer.

0017

1 SIMON HENRY, October 16th, 2006

2 A My understanding of the "proved
3 reserves" at the time, 2000 to 2004, just in
4 context, I have the financial background and
5 clearly I was familiar with the requirements for

6 reporting financial data and standards. As head
7 of Investor Relations, I had a broader remit to
8 understand more broadly information that was put
9 into the public domain by Shell. And as my role
10 evolved over the years and different items became
11 of interest to investors, I took it on myself to
12 ask people in Shell for explanation at various
13 times of what "proved reserves" definitions meant
14 largely in the context of current or future
15 actions or events, such as an investment decision
16 and what impact that might have on the proved
17 reserves that Shell were to report. I had
18 basically a series of communications which were
19 usually on single, single issues. There was no
20 overriding or broad training learning program that
21 gave me that knowledge.

22 Q Describe for me how it is you came to
23 that understanding during that time period. Do
24 you recall what your understanding of the actual
25 term was during that time period?

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1 SIMON HENRY, October 16th, 2006

2 MR. SMITH: Objection to form.

3 THE WITNESS: The -- just clarify the
4 question. My understanding of what --

5 BY MR. MACFALL:

6 Q Of the term "proved reserves." Let me
7 ask this: Did it differ from the understanding
8 that you just described previously regard to SEC
9 Rule 4-10?

10 MR. SMITH: Objection to form.

11 THE WITNESS: Okay. Firstly, I wasn't
12 familiar with Regulation 4-10 until a later date.
13 However, the words "reasonable certainty," what I
14 was familiar with, and the need to demonstrate
15 conditions that matter, that phrase "reasonable
16 certainty," such as commitment to proceed with a
17 project, I was at that time less aware than I now
18 am about some of the technical issues or some of
19 the economic issues that might enable a
20 hydrocarbon resource to be classified as proven
21 reserves or not.

22 BY MR. MACFALL:

23 Q Did you ever receive any formal training
24 within Shell in connection with proven reserves?

25 A Yes, I have.

0019

1 SIMON HENRY, October 16th, 2006

2 Q And could you please describe that for
3 me.

4 A During 2004 -- and I can't recall the
5 exact date, but most likely third quarter time --
6 I participated in the training, the reserves
7 training that followed the recategorization
8 exercise that was provided for the EP Leadership
9 Team at that point in time, so roughly a full day
10 in terms of the requirements. And I've
11 subsequently been involved in various engagements
12 through the Reserve Committee about updated
13 guidance or updated understanding of the rules.
14 The formal training was the one day in 2004.

15 Q Prior to 2004 -- withdraw. In your
16 position as Finance Controller in Egypt in 1994,
17 did you ever have occasion to work with or utilize
18 proved reserves?

19 A Yes, I did.

20 Q And could you please describe that for
21 me.

22 A Proved reserves is the basis of the
23 calculation of depreciation, depletion,
24 amortization of the financial accounts, and
25 therefore I was responsible for that calculation

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1 SIMON HENRY, October 16th, 2006

2 of the ultimate financial reporting of the
3 company, and therefore at the end of each year and
4 during each year at the quarter, quarter reporting
5 date, I was aware of what the currently reported
6 reserves for each of the assets within the country
7 were and what impact that had on the reported
8 depreciation, and I would be aware of changes that
9 were made inasmuch as they impacted the
10 depreciation charge, but I was not involved in or
11 really knowledgeable about the underlying reasons
12 for the changes.

13 Q Could you please briefly describe for me

14 the relationship between proved reserves and 23850
15 depreciation.

16 A The requirement under 569 for
17 depreciation of balance sheet amounts for Upstream
18 assets is to depreciate those assets on a unit of
19 production basis. This means that, for example,
20 if a hundred million dollars has been spent on the
21 asset, and there are \$50 million -- 50 million
22 barrels of proved reserves associated with the
23 asset, typically we would depreciate two dollars
24 for every barrel produced by that asset. The
25 calculation is slightly more complex in that there
0021

1 SIMON HENRY, October 16th, 2006
2 is a differentiation between proved developed and
3 proved undeveloped reserve, but by and large, the
4 driver of depreciation is the total proved
5 reserves recorded against a given asset, and that
6 drives the calculation of depreciation, which
7 ultimately feeds into the net income calculation
8 for the fiscal unit.

9 Q Thank you. Directing your attention
10 specifically to late 2000, I believe you stated
11 that that was the time when you first started with
12 Investor Relations.

13 A That's correct. December 2000.

14 Q What position did you initially hold
15 with Investor Relations?

16 A As the head of Group Investor Relations,
17 I was responsible for all Investor Relations
18 activity around the world.

19 Q Could you please briefly describe for me
20 your duties and responsibilities a little more
21 fully in that position.

22 A Okay. I -- firstly, I reported to the
23 CFO at the time, Steven Hodge, and I was
24 responsible for all communications with investors,
25 current or potential, in Shell Transport and
0022

1 SIMON HENRY, October 16th, 2006
2 Trading and Royal Dutch, and any of the markets in
3 which they traded or any investor community who
4 might potentially invest in either of those

5 securities.

6 I was responsible for regular
7 communications in terms of Quarterly Results
8 Announcements. I was responsible for some of the
9 regulatory announcements such as 6-Ks, Stock
10 Exchange releases that were made when an event
11 took place that required such a release. I was
12 responsible for the marketing and communications
13 plan and program by which the company communicated
14 with investors, both proactive and reactive. And
15 I was responsible for ensuring that executives
16 within the company were briefed on the market, on
17 developments in the market, on concerns that
18 investors had, and that meant that I was quite
19 involved in issues such as strategy discussions
20 and Business Plan development over that period.

21 Q Now, excuse me. When you say that you
22 were responsible for providing management with
23 feedback from the market, who specifically are you
24 talking about in terms of management?

25 A Primarily Sir Philip Watts, Judith

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1 SIMON HENRY, October 16th, 2006
2 Boynton. I mentioned Steven Hodge when I first
3 arrived, in December 2000. Judith arrived in --
4 and she took over formally in September 2001, so
5 for most of my period in Investor Relations I
6 reported to Judy. And Sir Philip took over as
7 Chairman of CMD in June 2001, so again for most of
8 my period Sir Philip was the Chairman of CMD. He
9 was the main contact with the markets. So they
10 were my main individual contacts, but I also had a
11 role in broader sharing of information with
12 people, heads of Strategy, the heads of the
13 Business Units such as EP or Downstream, their
14 planners and particularly their finance
15 representatives.

16 Q During the period that you were at IR,
17 who was the head of EP?

18 A Initially it was Sir Philip Watts, as he
19 was then, until June of 2001, and then that month
20 he was replaced by Walter van der Vijver.

21 Q Now, in terms of the organization of

22 Investor Relations, did you have any direct 23852

23 reports, meaning people who reported to you?

24 A Yes. We had a small team of ten people,
25 and we ran three offices, and I had three senior

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1 SIMON HENRY, October 16th, 2006
2 individuals report to me, which, when I first, uh,
3 first arrived, were Michael Harrop, who was based
4 in London who was responsible for the U.K. and
5 Republic of Ireland, all investors in those
6 countries. I had -- I'm struggling. I can't
7 remember his name. Jan, in the Netherlands, who
8 was shortly after replaced by Bart van der
9 Steenstraten, who was based in The Hague. My mind
10 has gone blank as to Jan's surname. Bart van der
11 Steenstraten was based in The Hague in the
12 Netherlands, and he was responsible for all
13 investors based in Continental Europe, and Dave
14 Sexton or David Sexton was based in New York, and
15 he was responsible for communication with
16 investors based in North America, both the U.S.
17 and Canada.

18 We also dealt with some Japanese
19 investors. Primarily we dealt with them in
20 London. They had small teams, and Dave Sexton
21 ultimately had one supporting analyst and an
22 assistant in New York. Mike had between two and
23 three supporting analysts based in London, because
24 London was the head office for the activity, and
25 London was where we did all the regulatory

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1 SIMON HENRY, October 16th, 2006
2 reporting, such as the quarterly results, and any
3 contribution to the annual filings were
4 coordinated out of London. And we had one analyst
5 in The Hague.

6 Q I believe you indicated that these
7 individuals, Mr. Harrop, Mr. van der Steenstraten
8 and Mr. Sexton, were responsible for
9 communications with investors. Could you please
10 elaborate on what it is you mean by responsible
11 for communications with investors.

12 A Each of them would be the first contact

13 for any questions that an investor might have 23853
14 about the companies, it's complex, and listing
15 with two companies forming a single group with
16 listings in different countries, but typically
17 investors were looking at the overall performance
18 of the Royal Dutch/Shell Group of Companies and
19 the questions -- any questions they had on
20 performance or events affecting the company,
21 events in the market, changes in oil price, for
22 example, questions would come into one of the
23 three offices, and any U.S.-based investor would
24 contact the New York office, and a European-based
25 investor would contact The Hague, so first point
0026

1 SIMON HENRY, October 16th, 2006
2 of contact.

3 Secondly, proactive communications
4 around, for example, Quarterly Results
5 Announcement, where any of the three individuals
6 would be tasked with proactive contact with
7 investors, either direct with the investment
8 company or with sell side research analysts around
9 those events, so proactive contact, typically on
10 the telephone or maintaining general contact
11 through regular meetings with effectively the
12 important opinion formers in the market.

13 And lastly, they were tasked with
14 arranging events, communication events within
15 their own market, aligned with the Global
16 Communications Plan or the Marketing Plan, which
17 was a roll-in plan that I maintained in London,
18 agreed with Judy and Phil about the communication
19 strategy and the key events, the key communication
20 requirements, usually on a look-forward basis
21 between three and nine months, maybe up to 12
22 months, as to when we would visit certain
23 locations, when executives would meet with
24 investors. And for example, if we planned a
25 presentation in the United States, we would
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1 SIMON HENRY, October 16th, 2006
2 typically meet with investors around that meeting
3 or that presentation, and Dave Sexton would make

4 those arrangements. That was his relationship²³⁸⁵⁴
5 with the U.S.-based investors, and he would
6 arrange the meetings and arrange all of the
7 communication around a particular event, and that
8 was done basically on three different markets,
9 given that the markets had quite different
10 characteristics.

11 Q Now, with respect to the Global Strategy
12 Plan, in addition to logistics -- for example,
13 site visitations, dates, et cetera -- were -- did
14 that plan include substantive issues or points or
15 information that Shell wanted to communicate to
16 the markets?

17 MR. SMITH: Objection to form.

18 THE WITNESS: Typically the plan would
19 look at, first of all, as I mentioned earlier,
20 what is the current state of the company in the
21 market, what are the current concerns of
22 investors, what are the questions they are asking,
23 what are the competitors doing. So it was
24 externally focused. What are the typical events
25 in the external market or events within Shell,
0028

1 SIMON HENRY, October 16th, 2006
2 such as a major investment decision, that we
3 expect to happen over a period; and how should we
4 best manage the communication process, both in
5 content, so yes, we did look at specific issues
6 whether they were of concern to the market, and
7 also in processes to which markets had different
8 specific concerns, which markets had we not been
9 making as much impact as we would have wished.
10 That's essentially a Marketing Plan.

11 BY MR. MACFALL:

12 Q Did that Global Strategy Plan make
13 allowances for the different geographic regions
14 you described in terms of presentation? By that I
15 mean the United States, Continental Europe and the
16 U.K.

17 A Yes, it did. Three very different
18 markets in terms of the way companies communicated
19 to the market, the type of concerns, the type of
20 investors in the market, and where they perceived

21 value to be in the company. The securities are
22 primarily listed in London and Amsterdam, and the
23 price for all of the securities associated with
24 the Royal Dutch/Shell Group of Companies is very
25 firmly set in the London market. It is set there
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1 SIMON HENRY, October 16th, 2006
2 because that is where the major shareholders are,
3 that is where the major trading takes place, that
4 is where the major opinion-formers on the
5 performance of the company in terms of the City of
6 London and the research analysts sit.

7 Shell and BP constitute then I think
8 about something like 13, 14 percent of the FTSE
9 Index, FTSE 100 Index. It's a similar percentage
10 today but slightly higher today at unification.
11 So any U.K. investor has to have an opinion on
12 those two companies. Also, any investor who is
13 making a choice about what they can invest in will
14 not go long on both BP and Shell, because then
15 they will be overweighted, overexposed to the U.K.
16 Index.

17 So not only was the price set in London,
18 but it was very sensitive to issues between Shell
19 and BP. It was very difficult for a long-term
20 investor with a large holding to favor both
21 companies, because it increased that portfolio
22 risk and exposure to one industry. So that was
23 clearly the focus, and the U.K. market would not
24 just be on the strength of the company, but it
25 would be on the issues that impacted people's
0030

1 SIMON HENRY, October 16th, 2006
2 perceptions of BP and Shell. That is where we
3 differentiate. We couldn't make a difference to
4 people's view of the Oil and Gas sector. It was
5 difficult to make in-roads into that prospectus on
6 the major multi-nationals versus the mid caps.
7 Therefore, the focus was very much Shell versus
8 BP.

9 Continental Europe investors tend to
10 have what we would term a longer time frame, a
11 longer, a mindset, a different mindset. They were

12 very much focused on strategy and much less 23856
13 focused on quarterly results, so in Continental
14 Europe we could -- the only discussions I had on
15 long-term environmental performance and renewable
16 energy opportunities while I was in Investor
17 Relations re Continental Europe, and that was a
18 reflection of the fact that large investors in
19 Scandinavia or in Germany or the Netherlands place
20 a higher premium on certain types of activities by
21 energy companies.

22 The Continental Europe, the main
23 competition was Total, a French company, and BP,
24 and therefore again you ensure that you are
25 pressing the right buttons from an investor

0031

1 SIMON HENRY, October 16th, 2006
2 perspective when talking to them in terms of
3 competitive positioning against those two
4 companies.

5 For the U.S., the U.S. itself is by far
6 the largest market in terms of available capital,
7 but as a non-U.S. company we were competing
8 against -- the competition was much tougher, so to
9 have a voice that would be heard, you needed to
10 target investors perhaps with more choice. In the
11 U.K. there are only a certain number of investors,
12 and similarly in Continental Europe. The U.S. is
13 a much larger market, so we had to be more
14 selective in looking to talk to people who were
15 potential buyers and not wasting our time and
16 effort where that was not a possibility.

17 U.S. investors had their highest focus
18 on the quarterly results and are much more
19 analytical than European investors, so numbers
20 mattered to U.S. investors more than the European,
21 and typically large U.S. investors have a longer
22 time horizon than the U.K., and therefore you're
23 always looking to appeal to people who will keep,
24 buy and hold the stock for a significant period of
25 time. Clearly our main competitors in the U.S.

0032

1 SIMON HENRY, October 16th, 2006
2 market in our own sector were Exxon, Chevron,

3 Conoco, plus their various offshoots, Texaco, 23857
4 Phillips. BP and Total also are competitors here,
5 because they were an alternative investment for a
6 U.S. investor who was interested in non-U.S.-based
7 oil and gas companies, large oil and gas, but the
8 U.S. market has also much more competition from
9 other large caps or other major capitalized
10 companies, so we're also in competition with GE,
11 Microsoft, much less so in Europe where people are
12 more sector-focused.

13 So given that we knew investors had a
14 different perspective -- there was also the issue
15 that U.S. investors very rarely looked at the
16 value of the business outside North America, and
17 therefore any communications inside North America
18 would have an element focused on our Business
19 inside North America, a much greater element than
20 our global presentations. So the U.S., while
21 being important to our other investors, was just
22 one country, whereas to a U.S. investor it's "the"
23 country, the domestic versus foreign split.

24 Q Now, with regard to United States, with
25 United States investors, did those communications
0033

1 SIMON HENRY, October 16th, 2006
2 also focus on Shell's global operations or
3 operations outside North America?

4 A Yes. They would always talk about the
5 global position. Quite frequently a third to
6 50 percent of the content would focus on North
7 American operations, whereas typically for a
8 global presentation it may be somewhere from zero
9 to 15 percent of the presentation, depending on
10 the global investor concerns.

11 Q Directing your attention specifically to
12 the 2001 to 2003 time frame, do you recall the
13 approximate breakdown of investment by investors
14 in the United States versus investors in
15 Continental Europe versus investors in the U.K.?

16 MR. SMITH: Objection to form.

17 THE WITNESS: When I first took over, we
18 had little or no direct information about current
19 holders of Shell stock. We didn't do market

20 analysis in terms of taking -- doing research, 23858
21 regular research on who was currently holding the
22 stocks. The U.S. market is relatively easy and
23 transparent, the U.K. slightly less so, and the
24 Continental European market where they were
25 primarily holders of Royal Dutch bearer shares
0034

1 SIMON HENRY, October 16th, 2006
2 listed on the Amsterdam Exchange, and bearer
3 shares meaning you don't have to identify
4 yourself, so fundamentally it was very difficult
5 to identify shareholders in Royal Dutch trading on
6 the Amsterdam Exchange.

7 To the best of our knowledge at the
8 time, the total percentage of shares held in the
9 U.S. was between 25 and 30 percent. At the time
10 also, Royal Dutch Petroleum was a full member of
11 the Standard & Poore's 500 index, which meant that
12 index funds investing in the United States were
13 typically based in and investing in the United
14 States would hold some Royal Dutch/Shell as part
15 of their Index fund.

16 In July 2002 the S&P changed their
17 requirement for membership of the Index to exclude
18 any companies that were primarily listed and
19 traded outside the United States, so Royal Dutch
20 was removed from the Index in the middle of 2002,
21 after which we saw, as you might expect, some
22 flowback of stock held to Europe. The percentage
23 fell to be, we believe, between 20 and 25 percent,
24 maybe lower than 20 percent over a period, bearing
25 in mind always that some of the bearer shares who

0035

1 SIMON HENRY, October 16th, 2006
2 we could not identify may have been based in the
3 United States.

4 So our main source of information, we
5 did set up market intelligence through Thompson
6 Financial. We also did a one-off survey of
7 holders by a company called Taylor Rafferty that
8 helped us to identify in a much better way who
9 were our current shareholders and where they were,
10 and we maintained that on a monthly basis until

11 I -- until after I left Investor Relations. So we23859
12 started off above 25 percent. We ended up
13 somewhere probably around 20 percent over that
14 period.

15 BY MR. MACFALL:

16 Q Okay. Am I correct that the loss of
17 approximately five percent of the investors in the
18 United States as a consequence of Royal Dutch's
19 exclusion from the S&P 500 Index was primarily a
20 result of the loss of investors whose investment
21 decisions were keyed into the S&P 500 Index; is
22 that correct?

23 MR. SMITH: Objection to form.

24 THE WITNESS: That was our
25 interpretation of the facts as we saw them,

0036

1 SIMON HENRY, October 16th, 2006
2 because there's no way we could tie everybody's
3 transactions. It was an approximate loss at the
4 time, and in fact, I think the actual loss was
5 more than that over a longer period of time,
6 because many of the non-index funds in the U.S.
7 would actually track their performance against an
8 index and therefore probably held Royal Dutch as a
9 hedge against the Index itself for their own
10 performance. And once that link was broken, there
11 was less incentive for them to hold Royal Dutch as
12 well, so I think over time it probably led to a
13 greater reduction, but that's a personal opinion
14 based on the facts that we saw.

15 BY MR. MACFALL:

16 Q At that time, approximately July of
17 2002, did Shell embark on any strategy in order to
18 compensate for the loss of those investors in the
19 United States?

20 A It was around about that time, not
21 necessarily pursuant to, we looked at our, the
22 holdings we could identify in the U.S. retail
23 investor sector, a very large sector in which we
24 felt, on analysis, we were underrepresented and
25 that there was potential to market the stock into

0037

1 SIMON HENRY, October 16th, 2006

2 the U.S. retail investor sector. Now, one of our
3 primary competitors, Exxon, is very highly
4 represented in that sector and is a not dissimilar
5 type of stock. We felt that we should have a good
6 opportunity, because it was a very large and
7 liquid market.

8 Q Did Shell undertake any actions in order
9 to become more active in the retail sector?

10 A Firstly, we recruited an individual into
11 the New York office who helped to develop
12 materials to communicate with brokers who
13 typically communicated ultimately to the retail
14 investors, and we held various communication
15 events that were targeted primarily at the
16 brokers, who would then communicate down into the
17 retail sector, but obviously, if it was a webcast
18 type communication, retail investors could listen
19 in direct as well, so yes, we developed a
20 marketing program targeted at U.S. retail
21 investors.

22 Q As part of that retail marketing
23 program, did Shell increase the number of
24 one-on-one meetings between senior management and
25 investors or potential investors in the United

0038

1 SIMON HENRY, October 16th, 2006
2 States?

3 MR. SMITH: I just want to make sure
4 we're clear about the time frame. We're still
5 talking about after the removal from the S&P 500?

6 MR. MACFALL: That's correct.

7 MR. SMITH: Okay.

8 THE WITNESS: Well, strike that truth,
9 no, because one-on-one meetings with investors,
10 with retail investors would not be very efficient
11 use of management time. You communicate to retail
12 investors through brokers, essentially, and
13 through -- if you hype mass market communications
14 techniques such as materials available from the
15 website mail shots, the one-on-one meetings were
16 typically with large investors, Fidelity, Putnam,
17 State Street, and they were pretty much held at
18 the same level, following the exclusion from the

19 S&P.

20 BY MR. MACFALL:

21 Q Now I'd like to go back to some of the
22 types of communications that Shell had with the
23 market, and I believe you mentioned quarterly
24 announcements; is that correct?

25 A That's correct.

0039

1 SIMON HENRY, October 16th, 2006

2 Q Could you please describe for me what
3 that was.

4 A A Quarterly Results Announcement is --
5 technically it is roughly a 20-page document
6 reporting the financial results of the prior three
7 months. Our quarters are the calendar quarters.
8 They're from January to March, April to June and
9 so on, and typically four weeks after the end of
10 the quarter we would make a Stock Exchange release
11 in the London market or on the London Exchange,
12 simultaneously with the Amsterdam Exchange, and
13 this release was primarily financial figures, but
14 also contained supporting text narrative to
15 explain the results in the given period in
16 comparison with previous or prior periods.

17 That would usually be accompanied with,
18 depending on what time of year and the current
19 state of performance, either a conference call
20 with analysts hosted by myself or a physical
21 presentation, which would also be typically
22 webcast to analysts, hosted by either the CFO,
23 which would have been Steven Hodge or Judy Boynton
24 later, or on occasion by the Chairman of CMD, Sir
25 Philip Watts.

0040

1 SIMON HENRY, October 16th, 2006

2 Q And just going back to the actual QRA
3 for a moment, you indicated that it reported
4 financial information. Did the QRA report proven
5 reserves?

6 A No, it did not.

7 Q Do you recall if the QRA reported --
8 withdrawn. Are you familiar with the term
9 "Reserves Replacement Ratio"?

10 A Yes, I am.

11 Q Could you please describe for me your
12 understanding of that term.

13 A Reserves Replacement Ratio is, for any
14 given period, equal to the number of new additions
15 to proved reserves, reported proved reserves,
16 divided by the production in the same period.

17 Q Do you recall if Shell reported its
18 Reserves Replacement Ratio in the QRAs?

19 A Within the narrative, typically for a
20 fourth quarter QRA, there would be a reference to
21 the Reserves Replacement Ratio for the previous
22 year, although this was not a regulatory
23 requirement to include it in that document, so I
24 cannot recall every single year that we've done
25 that explicitly. I'm just thinking typically

0041

1 SIMON HENRY, October 16th, 2006

2 we've given -- more recently we've given a range,
3 not a specific figure.

4 Q When you say "more recently," what
5 period --

6 A Since 2004.

7 Q Do you recall if Discounted Cash Flow
8 was reported in the QRAs?

9 A The standardized measure?

10 Q Yes.

11 A No, it was not reported in the QRAs.

12 Q Are you familiar with the term "Return
13 On Average Capital Employed"?

14 A Yes, I am.

15 Q Could you please explain for me your
16 understanding of that term.

17 A Simply, that's the net income divided by
18 the capital employed at the beginning and end of
19 the period, the average across the period. That's
20 a simple definition. There's slightly more
21 nuances to it if you wish to calculate it from a
22 given set of figures.

23 Q Is the ROACE or the Return On Average
24 Capital Employed something that Shell reported in
25 its QRAs?

0042

1 SIMON HENRY, October 16th, 2006 23863

2 A Q1, 2 and 3 reporting, typically not.
3 For Q4 it would be in the narrative and possibly
4 in some of the tables for the QRA. I'd have to
5 say I don't recall exactly what we would include.
6 It may not have been the same from year to year.

7 Q Do you know who was responsible for
8 drafting the QRAs?

9 A Michael Harrop, when he reported to me,
10 and from -- in other words, one of my team, and
11 from December 2002 Michael was replaced by Gerard
12 Paulides with the same role and responsibility.
13 They drafted the QRA under my guidance.

14 Q And when you say under your guidance,
15 could you please describe for me more fully your
16 involvement in the preparation of the QRAs.

17 A I mentioned the QRAs in two sections.
18 There is a narrative and there is a set of data.
19 The data was prepared by the Group Reporting
20 function, a small team based in London. All
21 financial statements would come through there with
22 auditors normal financial reporting process.
23 Based on those data, Mike and then Gerard would
24 prepare a first draft of what they believed should
25 be in the QRA for that period.

0043

1 SIMON HENRY, October 16th, 2006

2 The prime purpose of the QRA, the
3 narrative, was to communicate an explanation for
4 Business drivers that were impacting the results
5 to enable investors to understand what had driven
6 the earnings, the cash generation and the balance
7 sheet for the period. So they were looking for
8 explanations. They, in turn, worked with each of
9 the primary Businesses. We had four primary
10 Businesses: Exploration & Production, Gas and
11 Power, Oil Products and Chemicals. So they worked
12 with the finance contacts in each of the
13 Businesses to help draft the narrative, and they
14 would bring in events that had happened, new
15 acreage, drilling success or whatever there
16 happened to be.

17 That draft would then be discussed with

18 myself. We would make amendments, we would take
19 it back into the Businesses for their comments,
20 because typically it's a very small group of
21 people involved, so two, maybe three people in a
22 given Business. We would get agreement with the
23 Business, and then the final draft would be
24 presented to both the Group Controller, the Group
25 Treasurer as it was then, and the CFO, so
0044

1 SIMON HENRY, October 16th, 2006
2 ultimately the CFO was the owner in the company,
3 and with support from the CFO it would then be
4 sent to what was then the CMD.
5 Typically they would review that the
6 Tuesday before the results, which were on a
7 Thursday, always released on a Thursday morning,
8 and on Wednesday the Board would meet or
9 effectively what was called then "The Conference,"
10 which was both Boards, the Board of Royal
11 Dutch/Shell Transport, and then they would be
12 appraised of the release, and very occasionally
13 they would have a comment to make a change to the
14 QRA release, so that was the process, and I was
15 ultimately driving that process.

16 Q On those rare occasions when the Boards
17 had a comment, would that have been to the
18 narrative portion of the QRA?

19 A Correct.

20 Q To whom would they communicate those
21 comments?

22 A The Board?

23 Q Yes.

24 A They would communicate them immediately
25 back to me.

0045

1 SIMON HENRY, October 16th, 2006
2 Q I take it then that you would effect --
3 well, what action, if any, would you take in
4 response to a Board comment?

5 A I would do as I was asked.

6 Q Do you recall any specific instances of
7 the Boards providing you with comments to the
8 QRAs?

9 A I remember one specific instance around
10 Q4 2002, which would have been in February 2003, I
11 had in feedback on some of the narrative then.

12 Q Do you remember specifically the topics
13 that that feedback concerned?

14 A It was associated with production
15 growth.

16 Q Do you have any more specific
17 recollection? I mean can you describe any more
18 specifically for me what those comments involved?

19 A The QRA, as drafted, sometimes contained
20 forward-looking statements with appropriate
21 provisos at random but expectations either for
22 industry developments or for the performance of
23 the company, and it is a Stock Exchange release,
24 and therefore if you're making a projection about
25 future production growth, we would take -- we
0046

1 SIMON HENRY, October 16th, 2006
2 would put the statements into the Stock Exchange
3 Release, as that is the primary file document, and
4 we would then later communicate on them.

5 So at the end of that particular year,
6 end of 2002, we had been looking at future
7 production projections, and the wording that we
8 were seeking to achieve was not accepted by the
9 Board, and they made some changes.

10 Q Okay. And I don't mean to belabor the
11 point, although I am. Do you recall specifically
12 what the issue of the wording was?

13 A We, we were proposing rather less
14 specificity around future production growth
15 targets. They wanted to include a more specific
16 target for production growth.

17 Q Whether you say "a more specific
18 target," are you talking about a quantification of
19 the production target?

20 A Yes.

21 Q Now, I believe you also stated that in
22 conjunction with the QRAs, there were
23 presentations made, either a press conference,
24 teleconference, or a more formal -- or a live
25 physical meeting; is that correct?

0047

1 SIMON HENRY, October 16th, 2006

2 A That is correct. All of those could
3 take place: Press conference, teleconference, and
4 a physical conference with investors and analysts.

5 Q Dealing with the first of those, press
6 conferences, were such conferences held in
7 connection with each QRA?

8 A Typically, no. It was just done in the
9 mid-year and at the end of the year, and that's
10 reflected U.K. market practice. It's not a
11 requirement in the U.K. to report quarterly
12 financial results. It's just a requirement to
13 report six-monthly. And the customer practice in
14 the London market is for the Chief Executive or
15 the CFO to hold a press conference in releasing
16 the mid-year results and the full-year results, so
17 we tended to follow that practice.

18 The press conferences would be held in
19 London, by exception they would be held in The
20 Hague, and sometimes simultaneously in London and
21 The Hague, depending on the needs of the moment.
22 And they were organized by our press team, but all
23 the material, all the messages, all of the
24 preparation of the executives would be coordinated
25 as one exercise by myself and the head of Media

0048

1 SIMON HENRY, October 16th, 2006

2 Relations.

3 Q I was about to ask: Who was the head of
4 Media Relations during the period of 2001 and
5 2004?

6 A It was a lady by the name of Mary Jo
7 Jacobi. Her actual title was a bit more broad,
8 but she drove the strategy in the communication
9 approach for external relationships other than
10 investors, which included the media.

11 Q I believe you indicated that the CFO
12 would normally speak at a press conference; is
13 that correct?

14 A Would usually be there, quite often
15 speak, but if the conference was in the
16 Netherlands, it would be hosted by whoever was the

17 President of Royal Dutch at the time, which 23867
18 throughout this period was Jeroen van der Veer,
19 and the conference was typically held in Dutch as
20 well, not in English. In the U.K., if Sir Philip
21 Watts was present, Sir Philip would lead the
22 presentation, and usually Judy would be at the
23 presentation, and maybe she talked to the
24 financial results and answered the financial
25 questions.

0049

1 SIMON HENRY, October 16th, 2006

2 Q I take it by your answer then that
3 Mr. Watts would not participate in all press
4 conferences regarding QRAs.

5 A Not all press conferences, no. He
6 didn't participate in the Dutch, and I think there
7 were one or two in the period where Judy would
8 lead.

9 Q Now, were members of the financial media
10 and other media invited to these press
11 conferences?

12 A The financial media, yes. We also
13 typically held a teleconference before a physical
14 press conference that was held at the wire
15 services: Bloomberg, Reuters and AFP, and other
16 news services. We would hold a brief 30-minute
17 teleconference immediately after we had issued the
18 results to the Stock Exchange, the purpose there
19 being to give an opportunity for the wire
20 journalists to ask questions of -- again typically
21 it was either Sir Philip or Judy or both, to ask
22 questions of them so they had a better
23 understanding to put the stories out on the wires,
24 because on any given results announcements of the
25 day, the wires tend to set the tone for the day

0050

1 SIMON HENRY, October 16th, 2006

2 for media reporting. And that was usually about
3 an hour, 90 minutes before the press conference
4 itself.

5 Q And those wire services typically
6 disseminated articles concerning Shell's results
7 worldwide, correct?

8 MR. SMITH: Objection to form; lack of 23868

9 foundation.

10 BY MR. MACFALL:

11 Q Withdrawn. Do you -- are you familiar
12 with the scope of -- withdrawn. Let me try this
13 again. Did the wire services periodically or
14 typically write articles concerning the results
15 announced by Shell?

16 MR. SMITH: Objection to form.

17 THE WITNESS: They always, we hoped,
18 wrote an article about the quarterly results and
19 the performance of the company.

20 BY MR. MACFALL:

21 Q As part of your market monitoring
22 activities as head of IR, did you review those
23 articles?

24 A Not all of them, but I would typically
25 follow Bloomberg's and other news services that

0051

1 SIMON HENRY, October 16th, 2006

2 were notified to me as having carrying a
3 particularly interesting article.

4 Q Are you aware of whether those articles
5 were disseminated globally over the wire at the
6 same time?

7 A I guess I was only following them from
8 the U.K., and so it would be an assumption from me
9 that they would be available globally by whatever
10 mechanism the wire services would use. I was only
11 personally following them in the U.K.

12 Q Now, with regard to the press
13 conferences that were conducted concerning the
14 QRAs, you indicated that members of the financial
15 media attended those conferences. Who determined
16 who to invite to those conferences?

17 A The team reporting to Mary Jo Jacobi.

18 Q Could you please describe the format of
19 those conferences for me.

20 A Just to be clear, we're talking about
21 the press conferences, not the investor or the
22 analyst conferences, which were a quite separate
23 event?

24 Q That's correct.

25 A I guess if it were U.K.-based, we would
0052

1 SIMON HENRY, October 16th, 2006
2 have somewhere between 20 and 30 journalists. We
3 would either rent a room in a London hotel or
4 other conference venture or invite the journalists
5 to Shell Center, the head office in London. Phil
6 or Judy would start with their 10-, 15-minute
7 presentation on the results. It would have
8 somewhere between seven and ten slides, simple
9 description or explanation of the results,
10 followed by an open Q&A. There would usually be a
11 telephone call-in option, such that journalists
12 who could not attend physically could also listen
13 and also ask questions, and the whole event would
14 last for maybe an hour.

15 Q Now, with regard to the presentation on
16 the results, I take it that -- withdrawn. Did
17 Mr. Watts and Ms. Boynton utilize prepared
18 statements during that portion of the
19 presentation?

20 A Yes, they did.

21 Q Who was responsible for drafting those
22 prepared statements?

23 A Ultimate responsibility for the press
24 statements would be with Mary Jo, but in fact,
25 they were extracts from, although very similar to,

0053

1 SIMON HENRY, October 16th, 2006
2 the statements that would be used by either Sir
3 Philip or Judy or myself in investor
4 communications, so it was basically one
5 preparation process, and Mary Jo's team would --
6 "dumb down" would be maybe the wrong word, but
7 they would make it more understandable to
8 journalists relative to the investors who are
9 shall we say more liberate in their interests.

10 MR. FERRARA: Tim, we've been going for
11 a little more than an hour. Would it be
12 convenient to take a brief break?

13 MR. MACFALL: If I could just finish up
14 with a couple more questions.

15 MR. FERRARA: Sure.

16 BY MR. MACFALL: 23870
17 Q Do you recall if journalists from the
18 financial media in the United States typically
19 attended the QRA or the Quarterly Result press
20 conferences?
21 A Almost never, because they were held at
22 9:00 in the morning, and that was 4:00 a.m. in New
23 York. What we did have is the Bureau
24 representative usually from the "Wall Street
25 Journal" would be present, but the London Bureau
0054

1 SIMON HENRY, October 16th, 2006
2 as based in London. I don't recall too many
3 others. "New York Times" was occasionally
4 represented.

5 Q Now, when you say "represented," do you
6 mean that those individuals were physically
7 present at the press conference?

8 A Or they would call in. They were always
9 invited, but they didn't always attend.

10 Q Now, just for clarification, because I
11 was actually asking specifically with regard to
12 physical attendance at the conferences, but you
13 may have answered this: Do you recall if members
14 of the financial media in the United States
15 typically participated by telephone in those press
16 conferences?

17 A Journalists based in the United States,
18 almost never, from my memory. I don't even
19 remember, because it wasn't my invitation list.
20 If we would bother to invite them, we would just
21 invite the London Bureau because of the time and
22 distance.

23 MR. MACFALL: Why don't we go off the
24 record.

25 THE VIDEOGRAPHER: We're going off the
0055

1 SIMON HENRY, October 16th, 2006
2 record. The time is 11:16 a.m.

3 (Whereupon, a short recess was taken.)

4 THE VIDEOGRAPHER: We are back on the
5 record. The time is 11:42 a.m.

6 BY MR. MACFALL:

7 Q Mr. Henry, prior to the break we were 23871
8 talking about the press conferences that were held
9 in conjunction with the QRAs. I believe you
10 stated that members of the financial media from
11 the United States were invited but with certain
12 exceptions which you specified usually did not
13 attend. I'd like to ask: Do you recall
14 specifically which members of the United States
15 financial media were invited to those press
16 conferences?

17 MR. SMITH: Objection to form and
18 foundation.

19 THE WITNESS: To the best of my
20 knowledge, it would be the London-based Bureau of
21 Representatives of the "Wall Street Journal," the
22 "New York Times." And just to be clear, the same
23 was true about the wire services. It was the
24 London representatives. All reports that came out
25 following any of the discussions, quarterly
0056

1 SIMON HENRY, October 16th, 2006
2 results or otherwise, would come from the London
3 office; for example, Bloomberg. We never, in my
4 experience, spoke to U.S.-based journalists or
5 financial media.

6 BY MR. MACFALL:

7 Q Are you aware if representatives from
8 "Investors Business Daily" was invited to the
9 press conference?

10 A No.

11 Q No, you're not aware or no, they were
12 not invited?

13 A I'm not aware.

14 Q And I believe you, uh, you mentioned
15 Bloomberg. That would have been the London
16 representative of Bloomberg, correct?

17 A Correct.

18 Q Okay. How about Thompson's; do you
19 recall if anybody from Thompson's was normally
20 invited?

21 A I don't recall if Thompson's were
22 invited. The only relationship I had with
23 Thompson's that I was aware of was, in fact, the

24 shareholder information that they started to 23872

25 gather for us during 2002.

0057

1 SIMON HENRY, October 16th, 2006

2 Q Are you aware if a representative of
3 Reuters was invited to the press conferences?

4 A I can't say specifically, but typically
5 we would invite them to the teleconference that
6 would be held before the press conference, and
7 that's the only time I would expect to talk to
8 them.

9 Q Just so I understand you, so a
10 representative of Reuters was, to the best of your
11 recollection, invited to participate in the
12 teleconference which occurred prior to the press
13 release; is that correct? I'm sorry. Prior to
14 the press conference regarding the QRA.

15 A The London-based representatives of
16 Reuters would be invited to join the
17 teleconference that would be held maybe half an
18 hour after the Stock Exchange Release, which was
19 7:30 U.K., 2:30 a.m. New York, and one hour later
20 for Continental Europe, the call being held at
21 that time so that it was before the markets opened
22 in Europe.

23 Q How about "Business Week"; do you recall
24 if a representative from that organization was
25 invited to the press conference?

0058

1 SIMON HENRY, October 16th, 2006

2 A I never came across a "Business Week"
3 representative based in Europe, sir. Let's be
4 clear. Journalists don't get up at 2:30 in the
5 morning. It's simple as that.

6 Q How about "Forbes"?

7 A "Forbes," no.

8 Q "Fortune"?

9 A No.

10 Q Now, with regard to the representatives
11 from organizations based in the United States,
12 such as the "Wall Street Journal" and "New York
13 Times" and Bloomberg, why were such
14 representatives invited to participate in the

15 teleconference and/or press conference? 23873

16 MR. SMITH: Objection to form and
17 foundation.

18 THE WITNESS: My understanding, bearing
19 in mind I always had Investor Relations, not Media
20 Relations, was that the "Wall Street Journal" in
21 particular has a European version and has a
22 reporting responsibility into Europe, impacting
23 the European media. The financial media impacts
24 ultimately European investors. It was also a more
25 efficient way of communicating back into the U.S.

0059

1 SIMON HENRY, October 16th, 2006
2 market on the assumption that the journalists
3 would file copy that was available to the "Wall
4 Street Journal" when it came online in the U.S.

5 BY MR. MACFALL:

6 Q What about the "New York Times"?

7 A The "New York Times" was a less
8 important publication for us, to be honest, as far
9 as we were concerned, so I don't remember -- it
10 didn't have a European edition. The "New York
11 Times," one of the reasons it was less important
12 for us is it doesn't or, as far as I was aware,
13 didn't have a European edition.

14 Q Do you know why a representative of the
15 "New York Times" was invited to participate or to
16 attend the press conference?

17 A No.

18 Q Who was it who made the decision --
19 withdrawn. Who was it who drew up the list of
20 invitees to the press conference?

21 MR. SMITH: Objection to form and
22 foundation.

23 THE WITNESS: It would have been drawn
24 up by a member of the team, Mary Jo Jacobi's team.

25

0060

1 SIMON HENRY, October 16th, 2006

2 BY MR. MACFALL:

3 Q With respect to Ms. Jacobi's team, I
4 believe you indicated that they were responsible
5 for Media Relations; is that correct?

6 A Correct.

7 Q Do you know if that team was organized
8 in the same way Investor Relations was? And by
9 that I mean by geographic regional market.

10 A In my time in Investor Relations, the
11 organization changed more than once, and at one
12 point we had a U.S. media representative sharing
13 the New York office with David Sexton, but by and
14 large the U.S. media activity was considerably
15 less than the Europe.

16 Q Do you recall the name of the individual
17 who shared the office with Mr. Sexton?

18 A Michael McGary.

19 Q Now, with respect to the teleconferences
20 that were conducted after the final of the QRA but
21 before the press conference, who was
22 responsible -- withdrawn. Were representatives of
23 various financial media invited to participate?

24 A Sorry. Were representatives --

25 Q Yes.

0061

1 SIMON HENRY, October 16th, 2006

2 A Yes.

3 Q Who determined who was invited to
4 participate in the teleconferences?

5 MR. SMITH: Objection to form and
6 foundation.

7 THE WITNESS: The ultimate
8 responsibility would be Mary Jo Jacobi.

9 BY MR. MACFALL:

10 Q Did investor relations have any input
11 into the list of invitees or participants?

12 A Not that I can recall.

13 Q I know you identified Bloomberg as one
14 wire service that normally participated in the
15 teleconference. Can you identify any other
16 specific wire services that participated during
17 those teleconferences during your tenure at IR?

18 A Reuters and AFP were two -- I'm not sure
19 if it's a wire service, but it's a London-based
20 information service called "Breaking Views." And
21 I don't recall other what I would see as wire
22 services.

23 Q Did you participate in those 23875
24 teleconferences?

25 A Yes.

0062

1 SIMON HENRY, October 16th, 2006

2 Q What was your role in those conferences?

3 A My initial role was in preparing any
4 briefing for the executives who would actually
5 host the conference, including they usually began
6 with a two-, three-minute description of the
7 highlights of the results, so I would be part of
8 drafting those highlights. Then I would be
9 present in the call only if one of the presenters
10 needed support and typically on facts and numbers
11 for the questions that were coming in, and more
12 often than not I did not actually speak in the
13 call. It was only by exception that I would
14 speak.

15 Q I know you -- excuse me. Withdrawn.
16 You previously indicated that certain of the press
17 conferences conducted out of The Hague were
18 conducted in Dutch. Were the teleconferences
19 conducted in English or Dutch?

20 A In London, in English. In the
21 Netherlands it would be a mix, essentially,
22 because sometimes you have English-speaking
23 journalists or not Dutch-speaking. German
24 journalists, for example, may not speak Dutch, so
25 they tended to be a combination. I have to say

0063

1 SIMON HENRY, October 16th, 2006

2 I'm not familiar with what went on in those press
3 conferences, because I was usually attending the
4 London-based conference.

5 Q And just so I'm clear, the
6 teleconferences that preceded the actual press
7 conference, were those normally conducted out of
8 London?

9 A Always conducted out of London.

10 Q I believe you stated earlier that
11 Mr. Watts and Ms. Boynton spoke during these
12 conferences on various occasions; is that correct?

13 A Yeah, typically one of them would do

14 their three-minute introduction, and if both were
15 present -- sometimes only one was present -- they
16 would choose between themselves who would answer a
17 particular question.

18 Q Besides telephonically, was the
19 teleconference broadcast or disseminated in any
20 other way?

21 A The teleconference was not broadcast.

22 Q How about the press conference?

23 A The press conference was typically
24 broadcast on the website, but not always. I
25 forget how the strategy evolved. During the
0064

1 SIMON HENRY, October 16th, 2006
2 period when I arrived, it was not. During the
3 period we started to webcast some of the press
4 conferences. This is partly as technology
5 evolved.

6 Q In or about 2003, 2004, were the press
7 conferences ordinarily webcast?

8 A I don't recall exactly, but I would
9 think, based on the way things developed, most of
10 them would have been webcast in that period.

11 Q I believe you indicated that the
12 prepared statements -- withdrawn. I believe you
13 indicated that Mr. Watts and Ms. Boynton during
14 the teleconferences utilized prepared statements,
15 correct?

16 A That's correct.

17 Q And those prepared statements were
18 extrapolated or distilled from the narrative
19 portion of the QRAs; is that correct?

20 A Distilled from the narrative in the QRA,
21 but they would typically repeat the key figures,
22 such as the income production.

23 Q Now, during the preparation of the
24 narrative portions of the QRA, was it necessary
25 for Investor Relations to obtain data from the
0065

1 SIMON HENRY, October 16th, 2006
2 operating Businesses?

3 A Yes, it was.

4 Q Were there specific focal points or

5 representatives or individuals -- let me try that 23877

6 again. Withdrawn. Were there specific
7 representatives designated at each of those
8 Businesses to act as a conduit of information for
9 Investor Relations?

10 A Yes, there were.

11 Q Could you please identify with respect
12 to each of the Businesses, to the best of your
13 recollection, who each of those individuals were.

14 A In the Exploration & Production Business
15 for most of my time in Investor Relations it was a
16 lady called Rhea Hamilton. That's Rhea, R-H-E-A.
17 In the Downstream or Oil Products Business it was
18 an individual called Malcolm Spratt. In the Gas
19 and Power Business it was a variety of
20 individuals. It changed during the period, and
21 similarly in Chemicals, but most of our
22 communication was with E&P and Oil Products, as
23 they are the largest, uh, largest Businesses and
24 the ones of most interest.

25 Q And when you say "the ones of most
0066

1 SIMON HENRY, October 16th, 2006
2 interest," are you referring to interest by the
3 financial community?

4 A They had the most material impact on the
5 financial results, so if we were looking to
6 explain the financial results, that is where we
7 would start.

8 Q Do you recall what position Ms. Hamilton
9 held at EP?

10 A Apart from being the focal point of
11 Investor Relations, which was one of her roles,
12 she was part of the Finance Team that was
13 responsible for preparing various information
14 reports, planning within the EP Business.

15 Q How about Mr. Spratt?

16 A He was in a similar unit in the Oil
17 Products Business.

18 Q Just a moment ago I believe you used the
19 term "Upstream." Just to backtrack for purposes
20 of clarification, could you please describe for me
21 the difference between "Upstream" and

22 "Downstream."

23 A The Upstream Businesses are essentially
24 a resource and extraction and production Business
25 and include Oil and Gas up to the point at which
0067

1 SIMON HENRY, October 16th, 2006
2 that oil or gas is placed on a ship for transport
3 to market. The Downstream Business is typically
4 receipt of the ship into a distribution
5 infrastructure, maybe on with manufacturing
6 processing and sale to final customer.

7 Different oil companies might draw the
8 specific line between Upstream and Downstream
9 differently. Shell includes two Businesses in its
10 Upstream: The Exploration & Production and what
11 we call Gas and Power. Gas and Power is
12 responsible for the Liquefied Natural Gas or LNG
13 Supply Business, which includes liquefaction and
14 transport and ultimate sale into gas markets.
15 Some companies do not have that distinction. They
16 just have an Upstream Business. Depends on the
17 way they actually manage their own business.

18 Q I'd like to go back and just follow up
19 with something we discussed a little bit earlier.
20 You indicated you could recall specifically during
21 the QRA process or final approval process at least
22 one instance where the Board Conference commented
23 on the draft QRA. Do you recall who it was who
24 provided you with that comment?

25 A I recall how the comment reached me,
0068

1 SIMON HENRY, October 16th, 2006
2 which was obviously from my Line Manager who would
3 have been present in the meeting, which was Judy
4 Boynton.

5 Q I believe you also indicated that the
6 Board wanted to quantify production targets; is
7 that correct?

8 A What the Board was asking specifically
9 was that the targets that they had effectively
10 just been approving in the Business Plan were
11 communicated to the outside world. As proposed by
12 the business for internal management and appraisal

13 purposes, they wished to share the specific number
14 with the outside world.

15 Q Do you know why they wanted to share
16 that number with the outside world?

17 A No, I don't.

18 Q Did you have any discussion with
19 Ms. Boynton concerning her participation in the
20 CMD meeting at which that was discussed -- I'm
21 sorry -- at the conference meeting at which that
22 was discussed?

23 A No, I didn't, not really.

24 Q Now, going back again to the approximate
25 breakdown of investors in the United States versus
0069

1 SIMON HENRY, October 16th, 2006
2 Europe and the U.K., I believe you stated that
3 prior to the exclusion of Shell from the S&P 500,
4 that U.S. investors made up approximately
5 25 percent of the investors in Shell; is that
6 correct?

7 MR. SMITH: Objection to form.

8 THE WITNESS: What I said was that was
9 our understanding in Investor Relations at the
10 time, based on somewhat incomplete information,
11 incomplete because we hadn't at that stage started
12 the regular monthly information that we
13 subsequently gathered from Thompson's, and
14 incomplete because bearer shares we could not
15 identify, and so -- however we did it, so it was
16 based on our estimate at the time, not so much
17 where the shares were traded, but where the
18 holders might sit, but it was exactly that: Only
19 an estimate.

20 BY MR. MACFALL:

21 Q Do you recall if that estimate included
22 U.S. purchasers or U.S. holders who purchased on
23 foreign markets?

24 MR. SMITH: Objection to form and
25 foundation.

0070

1 SIMON HENRY, October 16th, 2006

2 THE WITNESS: I don't recall specific
3 numbers, but it would have potentially included

4 investors of the kind that you mentioned. 23880

5 BY MR. MACFALL:

6 Q I believe you indicated that Shell
7 instituted a more formalized process to gauge the
8 number of U.S. holders vis-a-vis European holders
9 and U.K. holders; is that correct?

10 MR. SMITH: Objection to form.

11 THE WITNESS: It's correct that we
12 initiated a process during my tenure.

13 BY MR. MACFALL:

14 Q Was that in connection with the Standard
15 & Poore 500 exclusion of Shell?

16 A Not exclusively. I don't know the exact
17 timing, but it was around about the same time.

18 Q Could you explain to me why it was that
19 a process was put in place to identify the number
20 of U.S. holders versus European holders.

21 MR. SMITH: Objection to form.

22 THE WITNESS: The process wasn't put in
23 place, in the first place, just to know U.S.

24 versus European. I was head of what was
25 effectively a marketing activity, and it helped in

0071

1 SIMON HENRY, October 16th, 2006
2 any marketing activity to know where your
3 customers were, so it was basically market
4 intelligence for me to develop a communication
5 strategy around, particularly bearing in mind, of
6 course, we knew the size of the market through a
7 daily web and how much potential capital there
8 was.

9 BY MR. MACFALL:

10 Q Now, prior to the time that that process
11 was instituted going back to the initial estimate
12 concerning U.S. holders, do you recall what
13 information that was based upon?

14 A Not entirely, but it was partly what
15 shares were traded on which exchange, so we knew
16 which ones were held and the ADRs were held, ST&T,
17 for example, or the New York ordinary shares of
18 our overall Dutch. And it was partly based on
19 what I believe had been previous one-off surveys
20 that had been done by my predecessor in Investor

21 Relations. Michael Harrop, for example, was 28881
22 the role I mentioned for five years in total, so I
23 think he began in 1997, so he had quite some
24 experience in the role.

25 Q I'm sorry. I believe you used the term
0072

1 SIMON HENRY, October 16th, 2006
2 "one-off survey"; is that correct? Could you
3 please describe for me what that is.

4 A With Thompson's we asked them to do
5 every month a survey of where the holders were and
6 who were the big buyers and sellers, so I'd say
7 that was an ongoing survey. A one-off survey is
8 just a point in time snapshot where we were
9 asking -- the one we did in my tenure was with
10 Taylor Rafferty, a snapshot at that time of the
11 Royal Dutch shareholders, who was a holder at any
12 given date, and we didn't institute a monthly
13 process afterwards.

14 Q Now, the Taylor Rafferty survey, was
15 that commissioned for the same reason that you
16 described; basically market surveillance and
17 intelligence?

18 A Yes.

19 MR. SMITH: Objection to the form.

20 BY MR. MACFALL:

21 Q Do you recall approximately when that
22 was done?

23 A I think that was in 2001, but I could be
24 wrong. Could have been later, in 2002.

25 Q Was that survey something that you
0073

1 SIMON HENRY, October 16th, 2006
2 requested?

3 A It was something that I requested.

4 Q Now, the Thompson surveys; were they
5 done on a monthly basis?

6 A Yes, they are, once we had initiated the
7 contract.

8 Q Were the Thompson surveys something that
9 you requested that they be done?

10 A Yes, they were.

11 Q Was the data from either the Taylor

12 Rafferty survey or the various Thompson surveys
13 ever provided to members of senior management at
14 Shell?

15 A Yes, it was.

16 Q Now, with respect to the Taylor Rafferty
17 survey specifically, do you recall if that data
18 was provided to Shell senior management?

19 A I don't recall if the specific data was
20 provided, but some of the conclusions that we drew
21 from it about particularly European investors were
22 provided to management.

23 Q Do you recall what those conclusions
24 were?

25 A That our European -- this is Continental

0074

1 SIMON HENRY, October 16th, 2006
2 European, excluding the U.K. -- that our
3 shareholders were much more broadly spread amongst
4 European countries than had previously been
5 thought, and that the Netherlands itself was just
6 one of four countries with roughly equal
7 shareholders.

8 Q Who specifically in senior management
9 was provided with that information?

10 A Would have been Judy.

11 Q Do you recall how that was provided to
12 Ms. Boynton? Was that an oral presentation or a
13 written report?

14 A Most likely an oral presentation, maybe
15 with one or two extracts from the report, but
16 that's typically how we communicated, so I can't
17 say specifically for that information.

18 Q As a general matter, did you normally
19 communicate with Ms. Boynton on a face-to-face
20 basis versus telephonically, for example?

21 MR. SMITH: Objection to form.

22 THE WITNESS: Mostly face to face.

23 BY MR. MACFALL:

24 Q Was Ms. Boynton's office physically
25 located near your office?

0075

1 SIMON HENRY, October 16th, 2006

2 A Yes, it was.

3 Q With respect to the information from the
4 Thompson surveys, was data from those surveys
5 provided to senior management at Shell?

6 A Yes, it was.

7 Q Okay. Do you recall the subject matter
8 of the data that was provided to the Shell senior
9 management from those surveys?

10 MR. SMITH: Objection to form.

11 THE WITNESS: I recall two different
12 ways in which we used to share the data. One was,
13 if we took the senior executive on a road trip to
14 meet with investors, we would typically give a
15 listing of the key investors in that market and
16 highlight where the investors were that the
17 executive was meeting, where they were on that
18 list, and what their recent activity would have
19 been, whether they were a buyer or a seller.
20 Separate to that, we did a Quarterly Report
21 showing trends in terms of buyers and sellers and
22 movements, and that utilized the Thompson data.
23 And that report was sent, if I recall correctly,
24 to the CMD, so all of the Managing Directors and
25 to one or two other key contacts, which would have
0076

1 SIMON HENRY, October 16th, 2006
2 included Mary Jo Jacobi and I think would have
3 included the head of Planning, Planning &
4 Strategy.

5 BY MR. MACFALL:

6 Q Who was the head of Planning & Strategy
7 at that time?

8 A A variety when I began.

9 MR. SMITH: Maybe we could be clearer
10 about what the time frame is. Do you mean at the
11 time he started getting the Thompson data?

12 BY MR. MACFALL:

13 Q Yes, specifically.

14 A The Thompson data I think by then was a
15 lady called Lynn Elsenhaus.

16 Q Do you recall Ms. Elsenhaus' title at
17 the time?

18 A "Director of Group Strategy and Planning
19 and External Affairs," or something similar.

20 Q Separate and apart from providing data²³⁸⁸⁴
21 from the Thompson surveys, did Investor Relations
22 have interaction with Ms. Elsenhaus -- I'm
23 sorry -- with the Director of Group Strategy &
24 Planning?

25 A I myself had interaction with whoever
0077

1 SIMON HENRY, October 16th, 2006
2 was in that position throughout the three plus
3 years I was in the role. Not really -- the rest
4 of my team didn't, really.

5 Q What was the nature of your interaction?

6 A During a given year we follow a typical
7 process for planning whereby early in the year we
8 would conduct a strategy review of competitive
9 positioning, a look at whether the appraisal of
10 the performance of the Business as to whether it
11 was delivering against the stated strategy. That
12 would then feed into the guidelines for the
13 current year planning process, which would then
14 feed into the preparation of the plan, which was
15 signed off by the end of the year.

16 Lynn or whoever was in that role was
17 responsible for that whole process, but from an
18 Investor Relations perspective I would contribute
19 to the competitive positioning to the changes in
20 the industry environment. And as the plan was
21 being prepared in the latter part of the year, I
22 would have a role in terms of commenting on the
23 quality of the -- again from a competitive
24 positioning against both what we expected from
25 competitors, like BP and Exxon, and what we
0078

1 SIMON HENRY, October 16th, 2006
2 believed the market expected from Shell, so I was
3 giving feedback from market expectations.

4 Q What was the purpose of that report?

5 MR. SMITH: Objection to form.

6 THE WITNESS: There wouldn't necessarily
7 be a particular report. I could be included in a
8 discussion. I might sometimes do a written
9 comment or an e-mail. And the first phase, the
10 competitive positioning, we would typically

11 provide something from Investor Relations about,
12 again as I mentioned I think some time ago, how
13 our performance was perceived in the market both
14 against expectations for Shell and how were the
15 companies performing. Quite often we would put
16 that in writing.

17 BY MR. MACFALL:

18 Q Was this for ultimate use in a Planning
19 & Strategy review? Was that a formalized report?

20 MR. SMITH: Objection to form.

21 THE WITNESS: This was a CMD-managed
22 process. I wasn't party to all the CMD
23 discussions. I was a contributor to the
24 documents, but typically -- I am aware that the
25 early part of the year there was a review of the

0079

1 SIMON HENRY, October 16th, 2006
2 competitive positioning industry developments that
3 would be considered by the CMD, which is the
4 Committee of Managing Directors, as they set
5 guidelines for the planning process of that year,
6 which may include, for example, investment levels,
7 and then beginning September, late September,
8 there would be a series of reviews at the CMD of
9 the plan as it was evolving against those
10 guidelines, and quite often I may comment on that
11 process as it evolved, usually with Judy more so
12 than with the Planning Director.

13 BY MR. MACFALL:

14 Q How were your comments communicated to
15 Ms. Boynton?

16 A Either by e-mail or verbally or, as was
17 previously mentioned, usually just by calling
18 around.

19 Q Now, with regard to the market
20 expectation issues in connection with that
21 planning process, what were your sources of
22 information?

23 MR. SMITH: Objection to form.

24 THE WITNESS: I had multiple sources of
25 information in putting that together. It included

0080

1 SIMON HENRY, October 16th, 2006

2 statements made by the competitors, presentations
3 they had made to the investors. It included
4 reports done by research analysts and typically
5 associated with an investment bank, and it
6 included just about every source of -- every
7 source of information we could access who may have
8 a view or opinion on the facts pertaining to the
9 performance of other companies, and this included
10 Shell staff who worked with them or in a similar
11 Business area; it included potentially suppliers
12 or customers; and it would include the media. We
13 built up our sources of information as well as
14 possible as any company would do about their
15 competitors, but we had, uh, we had a particular
16 perspective. We were one of several contributors
17 to that competitive positioning review. Our
18 perspective was primarily what did the market
19 think of each company's strengths and weaknesses.

20 BY MR. MACFALL:

21 Q Do you recall if ROACE was ever
22 discussed in connection with Shell's competitive
23 position in connection with this Planning &
24 Strategy review process?

25 A In which period?

0081

1 SIMON HENRY, October 16th, 2006

2 Q During your tenure at Investor
3 Relations.

4 A In the earlier years of the tenure, yes.

5 Q And by that do you mean 2001, 2002?

6 A Yes.

7 Q Did that change at some point?

8 A The relative emphasis changed.

9 Q Was there some other metric --
10 withdrawn. Was Shell's Reserve Replacement Ratio
11 discussed during this process?

12 MR. SMITH: Can we have a time frame?

13 BY MR. MACFALL:

14 Q Sure. During your tenure at IR.

15 A When I first joined IR, the key issues
16 the market was interested in were two things,
17 really: Return On Average Capital Employed and
18 production growth. The issue of Reserve

19 Replacement Ratio was never mentioned by any
20 investor to me for about I would say the first 16
21 months, because it just was not in the mindset of
22 any investor at that point in time. So I don't
23 recall specifically if Reserve Replacement Ratio
24 was included in the strategy and planning
25 discussions earlier in the process, but if it was,
0082

1 SIMON HENRY, October 16th, 2006
2 it would have been as more of an aside or a minor
3 issue. Key issues were production growth and
4 return on capital.

5 Q Did there come a time when reserve
6 replacement became more prominent in the Planning
7 & Strategy review process?

8 MR. SMITH: Objection to form.

9 THE WITNESS: From my perspective, it
10 would have become more important in the market
11 from around 2002 onwards, driven -- I mentioned
12 earlier the BP/Shell thing in the market. BP
13 fundamentally had a different reputation for
14 communicating into the market than Shell, one,
15 based on a much greater resource in time and
16 effort given to communications than Shell, and a
17 reputation for, if you like, setting the
18 communication agenda.

19 BP had set the production growth agenda
20 in 2002. I think you'll find from the record that
21 they issued four statements reducing the
22 production expectation for the year, thereby
23 meaning that they had to shift the agenda that the
24 market talked about, because they were also
25 falling behind on return on capital, particularly
0083

1 SIMON HENRY, October 16th, 2006
2 compared to Shell and Exxon, so the two things
3 that they had put into the public domain as being
4 the key metrics that the market should focus on,
5 they were losing out on. They were not delivering
6 the production.

7 Therefore, sometime earlier in 2002,
8 just as an indication, they fired the head of
9 Investor Relations and brought in a new guy from

10 the City, effectively, to readjust their 23888
11 communications agenda while they were developing
12 their Russian deal. Clearly -- which was not
13 known in the market at the time, the Russian deal.
14 Clearly, they were not going to be successful
15 in -- production growth and ROACE were the key
16 parameters, so BP moved the conversation away from
17 production growth and toward reserves, because
18 they saw that as a competitive strength for them
19 relative to the other players in the market, and
20 from that point in time, the U.K. market, because
21 of the very strong influence of BP, had moved to a
22 consideration of reserves as being the more
23 important parameter than it previously had been.

24 BY MR. MACFALL:

25 Q Was the Reserves Replacement Ratio

0084

1 SIMON HENRY, October 16th, 2006

2 discussed in the U.S. markets?

3 MR. SMITH: Objection to form. Time
4 frame?

5 BY MR. MACFALL:

6 Q Early 2002 onward to the end of your
7 tenure at IR.

8 A To be clear, not in the first 15 months,
9 I don't recall really any discussion on Reserve
10 Replacement Ratio with any investors until 2002
11 time frame. Of note, shall I say. I talked to
12 investors about hundreds of things, but it was
13 never a major issue. From 2002 onwards, it became
14 more of an issue with investors around the world,
15 but it was initially the U.K. because of BP
16 driving the agenda, and I would say the U.S.
17 caught up as the 2002 -- because it was not
18 something we reported quarterly. It was reported
19 only once per year, so once the 2002 figures were
20 reported in January/February 2003, the U.S. market
21 was taking an interest as well.

22 MR. MACFALL: Why don't we go off the
23 record.

24 THE VIDEOGRAPHER: This marks the end of
25 Tape 1 in the deposition of Mr. Henry. We are

0085

1 SIMON HENRY, October 16th, 2006 23889
2 going off the record. The time is 12:21 p.m.
3 (Whereupon, the lunch recess was taken.)
4 THE VIDEOGRAPHER: This marks the
5 beginning of Tape 2 in the deposition of
6 Mr. Henry. We are back on the record. The time
7 is 1:24 p.m.

8 BY MR. MACFALL:

9 Q Good afternoon, Mr. Henry.

10 A Good afternoon.

11 Q I'd like to now go back to the press
12 conferences that were conducted in conjunction
13 with the QRAs. I believe you indicated that
14 certain of those press conferences were webcast;
15 is that correct?

16 A Yes, I did.

17 Q Are you aware if that webcast or if
18 those webcasts were available worldwide?

19 A As far as I'm aware, they were available
20 worldwide.

21 Q Do you know if those webcasts were made
22 available for a specific period of time? In other
23 words, were they available for a certain amount of
24 time versus just being covered live and then no
25 longer available?

0086

1 SIMON HENRY, October 16th, 2006

2 A I don't recall for the press
3 conferences. It wasn't my area. Remember?

4 Q Just to go back and follow up on some of
5 the issues we discussed this morning, I believe
6 you indicated that as a result of some of the work
7 done by Thompson's, Shell discerned that there
8 were four countries in Continental Europe with
9 approximately equal ownership interest in Shell;
10 is that correct?

11 A That's correct.

12 MR. SMITH: Objection to form.

13 BY MR. MACFALL:

14 Q In addition to -- withdrawn. Was the
15 Netherlands one of those countries?

16 A The Netherlands was one of those
17 countries.

18 Q Could you identify the other three for 23890
19 me, please.

20 A Switzerland, France and Germany.

21 Q Do you recall if the proportion of
22 ownership in Shell was approximately the same for
23 each of those four countries?

24 MR. SMITH: Objection to form.

25 THE WITNESS: To the best of my

0087

1 SIMON HENRY, October 16th, 2006
2 knowledge, as I remember it, for each country the
3 proportion varied between five and ten percent
4 over time, so sometimes one country would be
5 larger; another time a different country would be
6 larger.

7 BY MR. MACFALL:

8 Q Now, you previously testified concerning
9 the approximate level of ownership in the United
10 States. Do you recall -- and again the time
11 period is 2001 through 2004 -- the approximate
12 level of ownership in the U.K.?

13 MR. SMITH: Objection to form and
14 foundation. That's not his testimony.

15 MR. MACFALL: Withdrawn. I'll rephrase.

16 MR. FERRARA: If you're rephrasing, when
17 you're talking about "ownership," if we could get
18 some sense of what you mean by that.

19 MR. MACFALL: Sure.

20 BY MR. MACFALL:

21 Q Were any studies conducted or
22 commissioned by Investor Relations on behalf of
23 Shell which concluded that there was an equity --
24 withdrawn. Did the Thompson studies commissioned
25 by Shell analyze whether Shell shares or Royal

0088

1 SIMON HENRY, October 16th, 2006
2 Dutch/Shell shares were held by investors in the
3 United Kingdom?

4 MR. SMITH: Objection to form. Both
5 companies? "Royal Dutch/Shell" is a little bit
6 ambiguous.

7 BY MR. MACFALL:

8 Q Let's start with Shell and then come to

9 Royal Dutch.

10 A The data provided by Thompson's for the
11 U.K. market, unlike the U.S. market, would often
12 identify nominee shareholders, not the ultimate
13 beneficial owner. Thompson's is used to -- aimed
14 to look behind the nominee, and they would
15 identify the holder to the best of their ability.
16 When we looked at the holder from an Investor
17 Relations perspective, we were aware that some
18 people from outside the U.K. may well be holding
19 Shell Transport and Trading shares in the U.K.

20 There were no Royal Dutch shares held in
21 the U.K. of substance. It was a very small
22 number. They were not typically traded in the
23 U.K, so our focus was U.K. holders holding the
24 Shell Transport and Trading share on the London
25 market, we realized some U.K.-based shareholders

0089

1 SIMON HENRY, October 16th, 2006
2 would hold Royal Dutch shares on the Amsterdam
3 market as well, so it was a relatively complex
4 picture, and when we were -- our mindset was where
5 is the ultimate beneficiary, if not necessarily
6 the ultimate shareholder, uh, decision-maker. So
7 we were looking for where is the economic benefit,
8 the dividend flow, and where is the
9 decision-maker.

10 THE REPORTER: Where is the economic
11 benefit and what?

12 THE WITNESS: Dividend, the dividends or
13 the ultimate sale of the share. So it's overall
14 an inexact science, and we had many issues where
15 we would see a shareholder and -- to take an
16 example, Merrill Lynch would own some shares
17 potentially in the U.S. through the New York Stock
18 Exchange, and Merrill Lynch Investment Management
19 would own Shell Transport and Trading shares
20 through the U.K. Exchange through their U.K.-based
21 subsidiary. So when we were looking from our
22 perspective, how much is held in U.S., we would --
23 when I say "estimate," it generally is an estimate
24 of whether ultimately, say, a Merrill Lynch
25 subsidiary in the U.K., whether that would camp

0090

1 SIMON HENRY, October 16th, 2006
2 for us under, broadly speaking, U.S. or, broadly
3 speaking, U.K. When I was talking the 25 number
4 from our perspective, we were including that
5 particular example in the U.S. Even though it was
6 a U.K.-based subsidiary holding, the U.K. share's
7 on the London Exchange. It's a fairly complex
8 situation, but our aim ultimately was to find out
9 who the decision-makers were. Simple as that. I
10 imagine it matters where they were held.

11 BY MR. MACFALL:

12 Q Were you able to quantify the estimate
13 with regard to the decision-makers of the Shell
14 Transport shares held in the U.K.?

15 A It was always a significant percentage,
16 not which we could quantify. It would always be
17 over 50 percent.

18 Q I believe you previously stated that at
19 some point during your tenure at IR there was
20 efforts concerning ownership of Shell by investors
21 in Japan; is that correct?

22 MR. SMITH: Objection to form.

23 THE WITNESS: It's correct that I said
24 we did from time to time talk to Japanese
25 investors, including two visits to Tokyo.

0091

1 SIMON HENRY, October 16th, 2006

2

3 BY MR. MACFALL:

4 Q Who was responsible for speaking to
5 Japanese investors on behalf of Shell?

6 A I was ultimately responsible, and I did
7 one of the trips to Tokyo. In terms of my three
8 direct reports, Gerard Paulides, the London-based
9 individual, was most directly involved, because we
10 used Japanese brokers who were based in London, so
11 the contact was all through London.

12 Q After the Thompson reports were
13 commissioned by Shell, was Shell able to ascertain
14 the percentage, the approximate percentage of
15 ownership by U.S. investors who purchased on
16 foreign markets?

17 MR. SMITH: When you say "Shell," are
18 you focusing still on Shell Transport and Trading?
19 MR. MACFALL: I am.
20 MR. SMITH: Thank you.
21 THE WITNESS: The only market that would
22 have purchased them would have been London,
23 because that was the only market in which any
24 significant number of Shell Transport and Trading
25 shares were actually traded. We could tell --
0092

1 SIMON HENRY, October 16th, 2006
2 inasmuch as you can look through the nominee to
3 the beneficial holder, we could tell which holders
4 might be U.S.-based, such as Merrill Lynch, such
5 as say Capital Group or Fidelity, and of those
6 names, the ultimate holder, probably, the ultimate
7 holder of the company that was investing would be
8 in the U.S. The company that was investing was
9 typically a U.K.-based subsidiary, Fidelity U.K.,
10 Merrill Lynch U.K., Goldman Sachs U.K., Goldman
11 Sachs Asset Management U.K. Quite a few of these
12 institutions that you would see as being U.S.-
13 domiciled but acting in the London or European
14 market and in the world's multinational, so they
15 were not American citizens typically we were
16 dealing with.

17 BY MR. MACFALL:
18 Q Do you recall if the level of ownership
19 by U.S. investors who purchased in foreign markets
20 was quantified during your tenure at IR?

21 MR. SMITH: Objection to form.

22 THE WITNESS: I don't -- I don't recall.
23 Looking at it specifically, a lot of the data was
24 available to make an estimate based on being able
25 to look through the nominees, but it's not

0093

1 SIMON HENRY, October 16th, 2006
2 something we looked at and said, "That's the
3 number we want to aggregate and track."

4 BY MR. MACFALL:

5 Q Specifically with respect to the
6 Thompson reports, in addition to that particular
7 metric or measurement, do you recall what other

8 measures or metrics were reported? 23894
9 MR. SMITH: Objection to form.
10 THE WITNESS: We were interested in the
11 major buyers and sellers. We were interested in
12 the level of concentration in terms of the big
13 shareholders, how many were there, the top ten
14 holding in each market, Europe, U.K., the U.S.
15 But primarily this was, for us, a driver of to
16 whom should we talk. It's about marketing. Which
17 of your customers should you target the next time
18 you did a road trip to, say, Geneva or to Boston.
19 We would use this information to identify both
20 recent market actions of the big players who we
21 would see anyway, and also to potentially identify
22 people who had not been active in the stock but
23 who might be, and aim to visit with the investors
24 like that. If that was our focus, we were not
25 particularly concerned with overall metrics of the
0094

1 SIMON HENRY, October 16th, 2006
2 kind that you are probing about. That wasn't the
3 purpose.

4 BY MR. MACFALL:

5 Q Do you recall -- withdrawn. Did the
6 Thompson reports indicate who were the largest
7 shareholders in Shell during your tenure at IR?

8 A Yes, they did, or at least inasmuch as
9 they could be identified. Bearer shares, for
10 example, we could not identify.

11 MR. SMITH: I think his question was
12 still Shell.

13 THE WITNESS: Oh, Shell Transport and
14 Trading, yes, I believe they did, because the
15 largest shareholders wouldn't necessarily use a
16 nominee.

17 BY MR. MACFALL:

18 Q Can you identify any of those
19 shareholders?

20 A I can mention some, but it varied over
21 time, of course. Barclays Global, which is an
22 index fund, would be typically there. We would
23 have seen Merrill Lynch Investment, Newton Asset
24 Management, Morley, Deutscher Asset Management.

25 I'm trying to think of The Big Scot. Scottish 23895
0095

1 SIMON HENRY, October 16th, 2006
2 Widows, Standard Life, Ewell, Pioneer Investments.

3 Q Thank you. Did those reports identify
4 the largest shareholders with respect to Royal
5 Dutch?

6 A Yes, inasmuch as we could identify them
7 because of the bearer share issue.

8 Q Can you identify any of those
9 shareholders for me.

10 A Some in Europe and some in the U.S. In
11 the U.S. they would typically include Capital
12 Group, Fidelity, Putnam, State Street, Lazard and
13 Northern Trust. In Europe they would include ABN
14 Asset Management, a variety of Swiss banks, UBS
15 Asset Management, Credit Suisse Asset Management,
16 Lombard Odier, Daria Hench. Some of the French
17 investors; Axa, for example. The big German
18 investors: Deag and Deutscher Asset, of course.
19 It varied over time. Schroeder's was another U.K.
20 one that springs to mind.

21 Q With respect to Royal Dutch as opposed
22 to Shell, do you recall the approximate --
23 withdrawn. With respect to Royal Dutch, do you
24 recall the proportion of U.S. investors versus
25 Continental European investors versus investors

0096

1 SIMON HENRY, October 16th, 2006
2 from the United Kingdom during the period 2002 to
3 2004?

4 MR. FERRARA: Let me ask a point of
5 clarification. When you're saying U.S. investors,
6 this witness, as I hear him, is distinguishing
7 between a U.S. person who bought in a non-U.S.
8 account overseas from a U.S. investor who
9 purchases in a U.S. account but happens to execute
10 overseas. You keep talking about a U.S. investor
11 without making the distinction that this witness
12 has made.

13 MR. MACFALL: That's a fair distinction,
14 so why don't I break it down.

15 BY MR. MACFALL:

16 Q Were you able to ascertain from the 23896
17 Thompson report -- withdrawn. Did the Thompson
18 reports provide data concerning the number of U.S.
19 investors who purchased shares of Royal Dutch on
20 U.S. exchanges during your tenure at IR?

21 A Yes, it identified the U.S.-based
22 investors who were trading on New York Stock
23 Exchange in the holdings that they had in Royal
24 Dutch Petroleum. It would also identify the much
25 smaller number and much less liquid number of ADRs
0097

1 SIMON HENRY, October 16th, 2006
2 of Shell Transport and Trading that were also
3 available on the New York Exchange.

4 Q Can you provide a range with respect
5 to -- of ownership with respect to U.S. investors
6 who purchased shares of Royal Dutch by U.S.
7 exchanges?

8 MR. SMITH: Objection to form.

9 THE WITNESS: I had spoken earlier of
10 the 25 plus. That was our overall estimate of
11 U.S. investors on both exchanges, so the U.S. on
12 the New York Stock Exchange alone, just in Royal
13 Dutch, not Shell Transport and Trading, which was
14 only 60 percent of the Group, we could identify
15 the total number of shares trading in the U.S.,
16 and because of those, Royal Dutch was split
17 between Amsterdam and New York. And if my memory
18 serves me right, that was 30, 40 percent of the
19 total, dependent on the time. That's of total
20 Royal Dutch, not of the Shell Group, and that's
21 one that was reducing over time during my period
22 in IR that I think would have fallen maybe as low
23 as 25 percent towards the end of the period, so
24 25 percent of Royal Dutch, which was 60 percent of
25 the Group.

0098

1 SIMON HENRY, October 16th, 2006

2
3 BY MR. MACFALL:
4 Q Now, with respect to U.S. investors
5 purchasing shares of Royal Dutch on foreign
6 exchanges, was that data reported in the Thompson

7 reports?

8 MR. SMITH: Objection to form.

9 THE WITNESS: What we could see was
10 that, for example, Merrill Lynch Investment
11 Management had bought and sold on the London
12 Exchange. That we could see. And what we
13 believed, because of our ongoing relationship with
14 Merrill Lynch Investment Management in the City of
15 London, was that those decisions were being made
16 in London.

17 What I don't know, nor could ever know,
18 was the relationship between Merrill Lynch in
19 London and Merrill Lynch in New York and what was
20 the overall decision-making process, but for
21 London-based shares we talked to the London
22 office. Same with Goldman Sachs and Fidelity and
23 Lehman Asset Management, almost anybody, any of
24 the U.S.-based big investors would have a London
25 office, and that's who we spoke to about trades in
0099

1 SIMON HENRY, October 16th, 2006
2 the London market, and then we would see the U.S.
3 arm when we came over.

4 So I don't know where the ultimate
5 investment decision was made, and I'm sure it was
6 different for each organization. Capital Group we
7 knew were trading in London. They were our
8 largest shareholder for quite a period, and
9 Capital Group's decision-making structure and
10 shareholding structure was opaque to us. We could
11 not necessarily identify which part of Capital was
12 making which decision and which -- but we knew,
13 broadly speaking, which of their investment
14 vehicles had made the purchase.

15 BY MR. MACFALL:

16 Q Based on that answer, were you unaware
17 of the estimate of -- withdrawn. Did Thompson's
18 provide any estimate of U.S. investors purchasing
19 shares of Royal Dutch on foreign exchanges based
20 on the decision-making criteria you just
21 described?

22 MR. SMITH: Objection to form.

23 THE WITNESS: Based on the

24 decision-making criteria of who was making the
25 call, no, Thompson's could not. Thompson's could
0100

1 SIMON HENRY, October 16th, 2006
2 only tell us which physical entity had made the
3 transaction, buying, selling, holding, so it was
4 up to my team to identify, to the best of our
5 extent, the best of our ability, to identify who
6 were the real decision-makers in any given
7 investment house.

8 BY MR. MACFALL:

9 Q Was your team able to quantify the
10 number of U.S. investors exercising
11 decision-making authority with respect to Royal
12 Dutch shares who purchased such shares on foreign
13 exchanges during your tenure?

14 MR. SMITH: Objection to form.

15 THE WITNESS: No, we were not, and to be
16 honest, we wouldn't care, because that's not how
17 we did things. We looked at major customers, who
18 makes the decision there. That's who we talked
19 to. We did not quantify it in the way that you
20 suggest. It was not a relevant issue for us.

21 BY MR. MACFALL:

22 Q We've discussed at some length the
23 dissemination of information surrounding the
24 issuance of the QRAs by Shell. Were there other
25 regular presentations made by Shell to the
0101

1 SIMON HENRY, October 16th, 2006
2 financial markets during your tenure at IR?

3 A Yes, there were other regular
4 presentations. They were what I would -- several
5 different times. Firstly, from time to time we
6 would hold what we would call a Strategy
7 Presentation at a Group level, and that was,
8 before my time, always held in the December of
9 each year, and in 2001 we repeated that, so that
10 presentation included all members of the CMD and
11 was to discuss the whole of the Group's financial
12 strategy and business strategy and performance.
13 That was regular. I discontinued those in 2002.
14 We moved to a less regular but still frequent

15 update of Group strategy. 23899
16 In addition, we held what we called
17 Business Strategy Presentations, which was to take
18 effectively one of the Operating Divisions -- EP,
19 Gas and Power, Oil Products -- and hold
20 presentations that were specific to that
21 Business's strategy and performance. Typically we
22 would do the large Businesses once every two
23 years, the small Businesses less frequently, or we
24 would include with the larger Business.

25 We would then accept invitations to

0102

1 SIMON HENRY, October 16th, 2006
2 speak at conferences held by usually the equity
3 analysts at investment banks, banks such as
4 Merrill's, UBS, and Lehman's. Those conferences
5 would be held -- each bank would typically hold
6 one conference each year. Sometimes they held
7 two, one in Europe, one in the U.S., and we would
8 be invited to speak, and we would ask one of our
9 executives, senior executives, to present. And so
10 some of the conferences came to our annual --
11 Credit Suisse was always in July, Goldman Sachs
12 was always in January, so there was a regularity
13 around those presentations to groups of investors,
14 somewhere between sometimes 30, sometimes 300.
15 Depended on the host.

16 And we also had a running program of
17 what we would term "One-on-one Meetings,"
18 roadshows in different locations, such as Boston
19 or Geneva that I mentioned earlier, and we would
20 build -- we would visit every location at least
21 once per year, big locations twice, typically, and
22 we would build in some level of presentation,
23 maybe a lunch or a dinner or an event with analyst
24 societies in those towns or cities that we
25 visited. So there was a rolling program of

0103

1 SIMON HENRY, October 16th, 2006
2 communication. Those are the basic components.

3 Q Now, with regard to the Group Strategy
4 Presentations, were you involved in those
5 presentations?

6 A Yes, I was.

7 Q And could you describe your role in that
8 process for me.

9 A It would be -- I was the focal point for
10 the presentation, and everything to be presented
11 came through me, but clearly I was working on
12 behalf of the Executive Team. So for a Group
13 Strategy Presentation, the main driver behind this
14 would be usually Sir Philip. The presentation
15 would be -- the aim or the purpose was to
16 communicate group strategy and performance in a
17 competitive light and clearly to help investors
18 understand better some of the strengths of the
19 Business.

20 So I would get a general steer from Phil
21 as to what elements he wanted to cover and what he
22 wanted to talk about. I discussed with Judy, I
23 discussed with the other Managing Directors, and I
24 would draft the presentation, the messages to go
25 with the presentation. My team would start to
0104

1 SIMON HENRY, October 16th, 2006
2 work with the Businesses, and we'd put together
3 the whole of the presentation, the briefing
4 materials for the question-and-answer material.
5 We would do the logistics. We would arrange
6 invitations, arrange all the follow-up meetings,
7 the one-on-one's that would typically follow. We
8 would do all of the website communications and
9 basically handle everything as a complete service
10 to the CMD.

11 Q Who normally spoke at these Group
12 Strategy Presentations?

13 A Normally Phil would be the main speaker,
14 and at a Group Strategy Presentation usually all
15 the other Managing Directors would also speak.
16 They'd speak about their Business, and Judy would
17 speak about the financial framework.

18 Q Where were these Strategy Presentations
19 conducted?

20 A We used to do two versions. The first
21 one was always held in London, and usually we
22 followed up with a day later in New York.

23 Q Was that the practice during your tenure
24 at IR?

25 A Yes, it was the practice throughout my
0105

1 SIMON HENRY, October 16th, 2006
2 tenure.

3 Q Why did the group conduct two Strategy
4 Presentations?

5 A Just to be clear, the content was the
6 same. We didn't have two strategies. The content
7 was always the same, and they were only 24 hours
8 apart. The reason for doing two was that we would
9 talk first to the London market, because that's
10 where the price was set, and we could attract
11 somewhere between 150 and 300 investors in London,
12 because we were attracting from a Continental
13 European market, and there was a significant
14 interest in the stock.

15 The reason then for going to the U.S.
16 was to give face-to-face opportunity for usually
17 around a hundred, maybe 70 to a hundred U.S.-based
18 investors, both sell side analysts and the buy
19 side investors, to get a chance to go face to
20 face, to ask questions, to meet and see the
21 Leadership Team, the Executive Team, because a
22 large part of an investment decision, we were well
23 aware, is the confidence that the investor has in
24 the management -- credibility of the Management
25 Team, and that can only be enhanced through
0106

1 SIMON HENRY, October 16th, 2006
2 face-to-face contacts. So this was a chance once
3 a year or so for investors in -- the U.S. is a
4 very large investment market -- to get that
5 face-to-face contact.

6 Q With respect to the Group Strategy
7 Presentation that was conducted in the United
8 States, was it Shell's intent to increase
9 ownership in Shell by U.S. investors?

10 A It was always our intent to increase
11 demand for Shell's, either Shell Transport and
12 Trading or Royal Dutch shares, wherever that might
13 be, whether it be in the U.S. or Europe, and I

14 didn't really care whether they were from Europe
15 or the U.S., as long as there was demand. So an
16 increase in the U.S. percentage could also be
17 achieved by reducing the European percentage, so
18 that's not -- it wasn't just a matter of
19 increasing the U.S. percentage. I wanted overall
20 demand to increase, so obviously it was a
21 marketing attempt.

22 Q With regard to the format of the Group
23 Strategy Presentations, were prepared remarks
24 delivered by the Shell executives who addressed
25 the analysts and investors at those presentations?

0107

1 SIMON HENRY, October 16th, 2006

2 A Yes. They would usually do ten minutes
3 each of prepared remarks.

4 Q Did Mr. Watts typically deliver prepared
5 remarks at those Strategy Presentations?

6 A Yes, he did.

7 Q Were you involved in the preparation of
8 the prepared remarks delivered by Mr. Watts?

9 A Yes, I was.

10 Q Could you describe for me your role in
11 that process.

12 A Sometimes I would do a first draft,
13 sometimes it would be one of my team, for Sir
14 Philip, based on usually a briefing that Phil had
15 given, and to take that draft usually through Judy
16 back to Sir Phil for his views on whether it met
17 his needs, and it was a iterative process usually
18 whereby Phil would then take that to the rest of
19 the CMD, share it so that they had the context of
20 what Phil was saying to position what they were
21 then going to say, and ultimately it would be
22 approved by Phil and Judy.

23 Q Now, with regard to the preparation of
24 the first draft, I believe you indicated that it
25 would be predicated, in part, on the briefing

0108

1 SIMON HENRY, October 16th, 2006

2 provided by Mr. Watts; is that correct?

3 A Yes.

4 MR. MORSE: Objection to form.

5 BY MR. MACFALL:

6 Q Could you describe to me what you mean
7 by the briefing provided by Mr. Watts.

8 A It would be either a discussion with
9 Phil, or on one occasion he drafted some notes,
10 some handwritten notes and said this is how I
11 would like for you to set it out, the key
12 messages. Now go away and bring me back a
13 finished article.

14 Q The discussions that took place with
15 Mr. Watts; were they discussions that you had with
16 him?

17 A Yes, they were.

18 Q Was anyone else involved in those
19 discussions?

20 A Sometimes Judy was involved, sometimes
21 one of my team would be involved, but that was,
22 that was mainly Phil, Judy and my team. Oh, Mary
23 Jo Jacobi from time to time.

24 Q During those discussions did you ever
25 make suggestions to Mr. Watts concerning what
0109

1 SIMON HENRY, October 16th, 2006
2 topics should be addressed in the market?

3 A Regularly. That was my main
4 contribution.

5 Q What would you base those
6 recommendations or suggestions on?

7 A The analysts' reports on the industry,
8 on Shell, the questions we were receiving from
9 investors in the preceding few months, and what I
10 knew -- to the extent that I knew it -- about
11 Shell's future plans and performance expectations
12 and how they might compare competitively.

13 Q Now, with respect to that last
14 component, Shell's future plans, how is it that
15 you would ascertain that information?

16 A The Group Strategy Presentations were
17 usually in December or -- and when we moved it, we
18 moved it really to February or March, so this was
19 after the conclusion of the Group Business Plan.
20 At the end of the year, usually December, and
21 during the process leading up to the approval of

22 the Business Plan, I'd usually been involved in 23904
23 commenting on the Business Plan and its
24 competitive positioning, particular in the period
25 from September to December, so I wouldn't
0110

1 SIMON HENRY, October 16th, 2006
2 necessarily always have a full copy of the Plan,
3 but I was aware of the major -- particularly the
4 financial metrics, and -- that were included in
5 the Plan.

6 Q Did Mr. Watts normally adopt your
7 suggestions concerning the issues to be discussed
8 in the Strategy Presentations?

9 A We had what Sir Philip would have called
10 "robust discussions" from time to time, but we
11 usually came to some agreement on what was best.
12 Phil was good in listening to what the market was
13 saying.

14 Q Do you recall any instances when
15 Mr. Watts suggested that an issue be discussed
16 that you thought should not be discussed at a
17 Group Strategy Presentation?

18 A I don't remember a specific instance or
19 the content of the instance. I remember a lot of
20 discussions backwards and forwards, but they were
21 quite open, open-ended.

22 Q Approximately how far in advance of a
23 conduct of the Strategy Presentation would these
24 discussions occur?

25 A Usually start about three months. If it
0111

1 SIMON HENRY, October 16th, 2006
2 were a December meeting, less, but if it were in
3 February, it would be three months to cope with
4 the holiday period and the quarter end period as
5 well.

6 Q Did Ms. Boynton normally speak at these
7 Group Strategy Presentations?

8 A Yes, she did.

9 Q Did she deliver prepared remarks also?

10 A Yes, she did.

11 Q Do you know who was involved in the
12 preparation of those prepared remarks of

13 Ms. Boynton?

14 A Identical process to Sir Philip. There
15 would be discussion with Judy about general,
16 general guidance about what she wanted to say, and
17 I or my team would draft it, and then we would
18 work with Judy to finalize it, then through
19 ultimately support from Sir Philip and the CMD.

20 Q Do you recall if you also raised market
21 concerns and questions with Ms. Boynton during
22 your discussions with her?

23 A Very much.

24 MR. SMITH: Objection to form.

25 THE WITNESS: Very much so. That was

0112

1 SIMON HENRY, October 16th, 2006
2 again the prime -- the prime purpose of my
3 contribution was to say this is where the market
4 is and this is where we're positioned and some of
5 the issues you need to address.

6 BY MR. MACFALL:

7 Q I believe you indicated that other
8 Managing Directors also spoke at these Group
9 Strategy Presentations; is that correct?

10 A I did indicate that, yes.

11 Q Were these the Managing Directors for
12 each of the Shell Businesses?

13 A Yes, basically. Not all the period were
14 they directly responsible for the Business, but
15 typically the Managing Director responsible for
16 Oil Products, the Managing Director responsible
17 for Chemicals, the Managing Director responsible
18 for Gas and Power, and the Managing Director
19 responsible for Exploration & Production.

20 Q Now, with respect to each of those
21 Businesses, do you recall the specific individuals
22 who were the Managing Directors during your tenure
23 at IR?

24 A Just about -- which particular year,
25 though? Because it did change.

0113

1 SIMON HENRY, October 16th, 2006

2 Q Okay, with regard to 2001.

3 A 2001, I believe Walter van der Vijver

4 was running EP, Paul Skinner for Oil Products,²³⁹⁰⁶
5 Jeron Vandaveer for Chemicals, and Harry Roels --
6 that's R-O-E-L-S -- for Gas and Power.

7 Q Now, with respect to EP, was Mr. van der
8 Vijver Managing Director throughout your tenure at
9 IR?

10 A Only from June 2001 until March 2004.

11 Q Did each of the -- withdrawn. Did the
12 Managing Directors who spoke at the Group Strategy
13 Presentations also deliver prepared statements?

14 A Yes, they did.

15 Q Could you describe the process by which
16 those prepared statements were prepared.

17 A For the Business Managing Directors, it
18 was slightly different, in that those speeches
19 were originated in the Businesses themselves. We
20 would have, from IR, have given guidance on "these
21 are the specific issues for the market or your
22 competitor position that we feel you should
23 address or talk about," but the actual origination
24 of the speech was in the Businesses themselves,
25 and we would perform a review or an editing
0114

1 SIMON HENRY, October 16th, 2006
2 process rather than being the controller of the
3 content.

4 Q When you say that IR would apprise the
5 Business Managing Directors of market issues, who
6 was it that that was communicated to? Withdrawn.
7 Was there a particular person who was responsible
8 for acting as a liaison between Investor Relations
9 and the specific Business organizations?

10 A Yes. It varied from event to event, but
11 no, usually two or three levels. I would talk
12 directly to the Managing Director if appropriate.
13 A relatively senior individual in each Business
14 would be given the role of coordinating all the
15 activity in the Business, and we would have a more
16 junior individual who would deal with numbers and
17 facts and chasing information, so we had some
18 clear coordination points, and the senior
19 individual might be the head of Planning or it
20 might be the CFO or -- it just varied between

21 Businesses.

22 Q Now, with respect to market concerns and
23 issues, did you communicate those to the Managing
24 Directors of the Businesses directly?

25 MR. SMITH: Objection to form.

0115

1 SIMON HENRY, October 16th, 2006

2 THE WITNESS: It was my role to do that
3 regularly, not just for the Group Strategy
4 Presentations, but yes, for Group Strategy
5 Presentations I would do that explicitly.

6 BY MR. MACFALL:

7 Q Were you actually involved in the review
8 of the drafts of the prepared statements that were
9 drafted for each of the Managing Directors for the
10 Businesses?

11 MR. SMITH: Is your question about each
12 Strategy Presentation?

13 MR. MACFALL: Let me rephrase that.

14 BY MR. MACFALL:

15 Q Did you actually review the prepared
16 statements that were delivered by the Managing
17 Directors of each of the Businesses?

18 A Yes, I did.

19 MR. SMITH: Objection to form.

20 BY MR. MACFALL:

21 Q Why did you review those prepared
22 statements?

23 A Several reasons. One was for
24 consistency of message across the different
25 speakers. Then there was consistency of message

0116

1 SIMON HENRY, October 16th, 2006

2 across time for that given Business. And the
3 market has a long memory, so it was important that
4 there was some consistency from year to year in
5 what was talked about. I would review them for
6 whether I felt it was effective communication of
7 the right kind of messages. And lastly, I would
8 review them from a regulatory perspective as to
9 whether there were potentially any items or issues
10 that were to be of a material enough nature to --
11 and whatever disclosure regulation was

12 appropriate, as we were working in three different
13 markets -- as to whether there would be an issue.
14 When we had confirmed, that's what we wanted to
15 say, whether it would be a discloseable item and
16 therefore precipitate a Stock Exchange Release.

17 Q I believe that you said one of the
18 things you would review them for was to determine
19 whether or not it gave the right kind of message.
20 What is it that you mean by that?

21 A The group strategy would be -- for
22 example, when I came in, the communications was
23 around delivery of a road map which was a set of
24 targets or a strategy designed to deliver a set of
25 targets around return on capital, production

0117

1 SIMON HENRY, October 16th, 2006
2 growth, cost reductions. If one of the Businesses
3 were -- was following a strategy or was giving a
4 message that was inconsistent with those being
5 high level important metrics for the Group, then I
6 would be helping people to align. There were also
7 issues around competitors as well. Quite often,
8 people were looking to communicate their
9 competitive position on a particular metric,
10 whether it be production or cost or sales volumes,
11 and we would have a role in terms of is that
12 really the message you want to give, can you
13 sustain that over a period of time. It's not just
14 enough for this presentation; it's got to last for
15 the next two or three years. So we had a wide
16 range of discussion basically.

17 Q With regard to the alignment of messages
18 with concern to return on capital and cost
19 reductions, do you have a recollection of any
20 specific instances where a Managing Business
21 Director's statement needed to be corrected
22 because it gave an inconsistent message?

23 MR. SMITH: Objection to form.

24 THE WITNESS: Not specific instance
25 necessarily around a Strategy Presentation, but

0118

1 SIMON HENRY, October 16th, 2006
2 ultimately there were times when we were talking

3 about return on capital being associated with a23909
4 given oil price, and if the oil price that was
5 being assumed were to change based on a different
6 view of the world, what impact would that have on
7 return on capital at a given oil price, and I
8 recall having various discussions around does that
9 mean return on capital should go up or does it
10 stay the same, genuine discussions about the
11 linkage to the strategy of the company at the
12 investment levels, whether they should change and
13 whether -- and how that should be presented into
14 the market.

15 BY MR. MACFALL:

16 Q Do you remember who you had those
17 conversations with?

18 A That was the sort of conversation that
19 would typically be had with -- I remember talking
20 with Steven Hodge on the subject, and Judy Boynton
21 and obviously Sir Philip.

22 Q Now, with respect to regulatory
23 disclosure requirements, did those differ from
24 country to country?

25 MR. SMITH: Objection to form and

0119

1 SIMON HENRY, October 16th, 2006
2 foundation.

3 THE WITNESS: Yes, they did differ.

4 BY MR. MACFALL:

5 Q Was, was it part of IR's function to
6 ensure compliance with those various regulatory
7 requirements?

8 A It was part of our function, but we were
9 not solely responsible within the organization for
10 that.

11 Q Who else was responsible?

12 A Ultimately the CMD were responsible for
13 disclosure, but we worked closely with the Company
14 Secretaries for each company, both Royal Dutch and
15 Shell Transport and Trading, for advice, and we
16 saw them as the -- as ultimately accountable for
17 public statements. So they gave the advice; we
18 had the content.

19 Q Were drafts of the various prepared

20 statements utilized by Mr. Watts, Ms. Boynton and

21 various Managing Directors at Group Strategy
22 Presentations run by the Company Secretaries?

23 A Do you mean did we share those drafts
24 with the Company Secretaries?

25 Q Yes.

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1 SIMON HENRY, October 16th, 2006

2 A Not really in draft form. A final
3 version may be shared with them, but ultimately
4 what was, was shared with the Company Secretaries
5 was any text or information that would actually be
6 put out on a formal regulatory release, initially
7 through the London Stock Exchange and subsequently
8 filed as a 6-K in the U.S., typically, so any
9 regulatory release would need the support or
10 approval of the Company Secretary. Our role was
11 to highlight to the Company Secretaries when we
12 thought a release was required. So the whole of
13 the draft presentation was not part of the
14 regulatory release, and therefore it didn't
15 usually go to the Company Secretary. It would be
16 copied for information at a relatively late stage.

17 Q You stated previously that the address
18 by the Managing Directors of the various
19 Businesses were viewed in part to determine
20 whether or not a regulatory disclosure requirement
21 had been impacted. Were those prepared remarks --
22 specifically the Business Managing Directors'
23 prepared remarks -- forwarded for review to the
24 Company Secretaries?

25 A Not that I recall.

0121

1 SIMON HENRY, October 16th, 2006

2 Q Do you recall any specific instance
3 where IR determined that a proposed statement in a
4 Managing Director's draft of a prepared statement
5 triggered a regulatory disclosure requirement?

6 MR. SMITH: Where IR determined that?

7 MR. MACFALL: Yeah.

8 MR. SMITH: Just to be careful, I'd like
9 to admonish the witness that because the Company
10 Secretaries are both legal counsel to the

11 companies, that if responding to that question²³⁹¹¹
12 would cause you to reveal advice you received from
13 company counsel, we should discuss that before you
14 respond to the question.

15 THE WITNESS: Then we probably should
16 discuss.

17 THE VIDEOGRAPHER: We are going off the
18 record. The time is 2:19 p.m.

19 (Whereupon, a short recess was held.)

20 THE VIDEOGRAPHER: We are back on the
21 record. The time is 2:29 p.m.

22 THE WITNESS: I believe the request was
23 made, the specific instance, in which IR had
24 identified the Stock Exchange Release may be
25 required. The example that comes to mind was from
0122

1 SIMON HENRY, October 16th, 2006
2 late July, early August 2001, around the event of
3 the Second Quarter Results Announcement where we
4 were in pretty early stages of the Business Plan
5 that year, and from what we could see in terms of
6 the early numbers we were getting out to the
7 Business Plan, the production growth target that
8 the company had in the market in the time, which
9 was for a five percent per year growth, was
10 looking challenging.

11 It was too soon for us to be able to say
12 what level of production growth the company could
13 deliver, but it was likely that the company would
14 not be able to deliver the five percent that they
15 had previously talked about. This was one issue
16 identified through IR as a possible disclosure
17 issue. We did take some advice, but what we
18 actually then did was make a Stock Exchange
19 Release on the morning of the Quarterly Results
20 Announcement with basically the words I've just
21 used, that meeting our production growth target
22 would be a challenge.

23 BY MR. MACFALL:

24 Q Now, when you say Shell made a Stock
25 Exchange Release, could you please explain to me
0123

1 SIMON HENRY, October 16th, 2006

2 what it is you mean by that. 23912

3 A It is a regulatory release onto the
4 London Stock Exchange done usually before the
5 market opened, that it was done through -- be on
6 Newswire and direct onto the London Stock Exchange
7 R&S system. And the reason for using this medium
8 of disclosure was then instant communication to
9 the whole of the investor base so that disclosure
10 to all investors with access to that system would
11 be equal and fair. We also simultaneously would
12 make a release on the Amsterdam Stock Exchange.
13 As these were usually made in a period when the
14 New York Stock Exchange was closed, I'm not sure
15 we made a separate announcement on the New York
16 Exchange, because the information was already in
17 the market from the London Exchange.

18 Q Do you recall if Shell made any other
19 efforts to disseminate that information in the
20 United States?

21 A That particular piece of information
22 would have been part of the presentation later
23 that day made by Philip Watts as the Chairman of
24 CMD, and that presentation was webcast globally,
25 so it would have been accessible by U.S.-based
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1 SIMON HENRY, October 16th, 2006
2 investors. And the presentation material and the
3 Quarterly Results Announcement, which included the
4 statement, were all made available on the Shell
5 website, so . . .

6 Q Do you know how long it was made
7 available on the Shell website?

8 A For Investor Relations presentations
9 it's probably still there. Certainly for several,
10 several years. I'm not sure if it goes back that
11 far.

12 Q Thank you.

13 Besides what you just described, did you
14 have any other responsibility concerning
15 compliance with regulatory requirements during
16 your tenure at IR?

17 A For -- I mentioned the QRA, which was a
18 regulatory document. For any announcement on a

19 major event or transaction -- for example, during
20 my time we acquired Pennzoil in the United States
21 and Enterprise Oil in the U.K., and they were
22 publicly quoted companies, so the acquisition was
23 a public transaction. So that clearly was
24 accompanied by a variety of regulatory releases,
25 usually in conjunction with the investment banks
0125

1 SIMON HENRY, October 16th, 2006
2 acting for us in that circumstance, but
3 coordinated with, uh, with my team.

4 We would on say, for example, a major
5 investment decision, I think, if I remember
6 rightly, for Sakhalin and Qatar Gas to Liquids,
7 such large investment decisions, we would consider
8 a regulatory release. For the Group Strategy
9 Presentations we would typically do a regulatory
10 release. And then, of course, there are the
11 Annual Reports, in particular the U.K. Annual
12 Report, what was the Royal Dutch Annual Report,
13 and the 20-F filing in the United States.

14 For the 20-F filing, my team would
15 perform a role reviewing narrative, reviewing
16 numbers, again with this consistency check, but we
17 were not the prime source of that information.
18 That was provided by the Businesses or by the
19 Group Reporting Team, and the disclosure, the
20 overall disclosure on that document was not part
21 of my responsibility.

22 Q Did you have any responsibility for
23 disclosure requirements in the United States?

24 MR. SMITH: Objection to form.

25 THE WITNESS: Only for the content of
0126

1 SIMON HENRY, October 16th, 2006
2 the 6-Ks that accompanied the Quarterly Results
3 Announcement or the events I just talked about.

4 BY MR. MACFALL:

5 Q Are you familiar with certain
6 legislation enacted in the United States known as
7 Sarbanes Oxley?

8 A Yes, I am familiar with Sarbanes Oxley,
9 Sections 302 and 404 in particular.

10 Q Did you have any responsibility in 23914
11 connection with Shell's compliance with Sarbanes
12 Oxley?

13 MR. SMITH: Time frame? While he was in
14 IR?

15 MR. MACFALL: While he was in IR.

16 THE WITNESS: While I was in IR I had no
17 responsibility for Section 404. For Section 302
18 we moved to set up a Disclosure Committee for the
19 Royal Dutch/Shell Group, and I was a member of the
20 Disclosure Committee that followed the Sarbanes
21 Oxley Section 302 requirement on disclosure.

22 BY MR. MACFALL:

23 Q Do you recall when that committee was
24 created?

25 A I believe during 2003, but -- middle,
0127

1 SIMON HENRY, October 16th, 2006
2 middle of 2003.

3 Q Who were the other members of that
4 committee?

5 MR. SMITH: At that time?

6 BY MR. MACFALL:

7 Q At that time.

8 A At the time? The Group Controller.

9 Q Tim Morrison?

10 A Mary Jo Jacobi, the head of Media
11 Relations, and Jyoti Munsiff, the Company
12 Secretary for Shell Transport and Trading, and I
13 believe Michiel Brandjes, the Company Secretary
14 for Royal Dutch Petroleum, the latter two, of
15 course, who were both lawyers.

16 Q With respect to the individuals you just
17 identified as the Secretaries for Shell and Royal
18 Dutch respectively, were those same individuals --
19 well, did those same individuals hold those
20 positions back in 2001 in connection with the
21 disclosure issue you previously testified about?

22 A Jyoti Munsiff did, but the Company
23 Secretary for Royal Dutch Petroleum at that time
24 was Rob van der Vlist.

25 Q Thank you.

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1 SIMON HENRY, October 16th, 2006 23915

2 Could you please briefly describe for me
3 what the duties and responsibilities of the
4 Disclosure Committee were at that time.

5 A Two, three things. To define the
6 disclosure control framework that was appropriate
7 for the Royal Dutch/Shell Group, who should do
8 what when; to review possible items or events or
9 pieces of information for disclosure, as to
10 whether and how they should be disclosed; and
11 finally to follow up any disclosure incidents
12 where items of information that entered the public
13 domain in an uncontrolled fashion.

14 Q With respect to the last of those
15 responsibilities, can you recall any specific
16 instance when information entered the public
17 domain in an uncontrolled fashion?

18 A Talking about any point in time?
19 Because it's easier to remember more recent
20 information.

21 MR. SMITH: When you were head of IR?

22 THE WITNESS: When I was head of IR?

23 BY MR. MACFALL:

24 Q Yes, during your tenure at IR.

25 A It's difficult to remember a specific

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1 SIMON HENRY, October 16th, 2006

2 instance.

3 Q Let me reframe the question. It might
4 help a little bit. Do you remember any specific
5 instances that required action by the Disclosure
6 Committee?

7 A Not while I was a member of the
8 Disclosure Committee.

9 Q Do you recall any specific instances
10 that occurred subsequent to your tenure at IR?
11 Withdrawn. I'm sorry. Are you aware of any
12 specific instances that required action by the
13 Disclosure Committee after you left that
14 Committee?

15 A Yes.

16 Q Okay. And could you please briefly
17 describe for me the circumstances surrounding that

18 incident.

19 A A senior executive made a statement
20 about the intent to discuss a particular item with
21 the Securities and Exchange Commission. That
22 particular executive did not -- first of all, did
23 not know the facts, did not know what the intent
24 to discuss anything with the Securities and
25 Exchange Commission was, but he was a senior
0130

1 SIMON HENRY, October 16th, 2006
2 enough executive to be quoted in the newspapers as
3 a result.

4 Q When did that incident occur?

5 A In the last month.

6 Q Who was the individual involved?

7 THE WITNESS: Do I need to identify for
8 this purpose?

9 MR. FERRARA: Is it a privileged
10 discussion with an attorney?

11 THE WITNESS: I haven't had any
12 discussion with an attorney.

13 MR. SMITH: Could we go off the record
14 and understand what his concern is.

15 MR. MACFALL: Yeah, that's fine.

16 THE VIDEOGRAPHER: We are going off the
17 record. The time is 2:43 p.m.

18 (Whereupon, a short recess was taken.)

19 THE VIDEOGRAPHER: We are back on the
20 record. The time is 2:48 p.m.

21 BY MR. MACFALL:

22 Q Mr. Henry, after a brief conversation
23 off the record, I'd actually like to reframe my
24 question for you and I'll reask it. Do you recall
25 any instances where unauthorized statements were
0131

1 SIMON HENRY, October 16th, 2006
2 made that required Disclosure Committee action
3 that involved facts arising during the time period
4 1999 to 2004? Excuse me.

5 A No, I don't recall any.

6 Q How long were you a member of the
7 Sarbanes Oxley Disclosure Committee?

8 A From when it was constituted until

9 June 2004, give or take a week or two, when my
10 replacement as head of Group Investor Relations
11 replaced me.

12 Q And can you identify that individual for
13 me, please.

14 A The individual who replaced me was David
15 Lawrence.

16 Q During the tenure of your membership on
17 the Disclosure Committee, was there ever any
18 discussion in the Committee about the necessity of
19 disclosing information concerning proved reserves
20 at Shell?

21 A I don't actually recall discussing it at
22 the Disclosure Committee. Probably, if I did,
23 there were lawyers present in the Disclosure
24 Committee, so I'll probably need to take advice.
25 There was much discussion about disclosure that I
0132

1 SIMON HENRY, October 16th, 2006
2 was aware of, rather than necessarily party to,
3 around the period December 2003, January 2004,
4 which did not necessarily pass through the
5 Disclosure Committee, because the members of that
6 Disclosure Committee were involved in the
7 discussions anyway.

8 Q Did that Disclosure Committee meet
9 regularly?

10 A Not that regularly. Initially the
11 re-meet was to set up the framework, the policy,
12 the procedures.

13 Q Was that -- I'm sorry.

14 A It would meet regularly ahead of a
15 regular event, such as the Quarterly Results, and
16 I don't recall whether that began during 2003 in
17 terms of the Q2 and Q3 results, but that would be
18 the regular meeting where the Disclosure Committee
19 would consider disclosure around quarterly
20 results.

21 Q Now, with respect to the framework for
22 disclosure that you described, was that
23 memorialized in a document or documents?

24 A There was two documents: Investor
25 Relations Policy and the, um, Disclosure Policy

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1 SIMON HENRY, October 16th, 2006
2 and the Media Relations Protocol. It was then
3 called the Investor Relations Protocol which laid
4 out -- the Investor Relations Protocol laid out
5 what would constitute a discloseable event or
6 action and what should individuals do if they were
7 aware of such information, and how would it be
8 considered.

9 Q Is there a primary drafts person for the
10 Investor Relations Protocol?

11 A Gerard Paulides, who worked for me in
12 London.

13 Q I believe you stated earlier that Mr.
14 Paulides was Mr. Harrop's successor?

15 A That's correct, yes.

16 Q Did Mr. Paulides have any formal Shell
17 training in the requirements of Sarbanes Oxley, to
18 the best of your knowledge?

19 A Not at that point in time.

20 Q Did there come a point in time when he
21 did?

22 A He may well have had training in
23 Sarbanes Oxley 404 Section requirements. Since
24 then I don't know about Section 302.

25 Q Was a draft prepared by Mr. Paulides

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1 SIMON HENRY, October 16th, 2006
2 reviewed by the various members of the Disclosure
3 Committee?

4 A Yes, I believe it was.

5 Q Do you recall if you reviewed the
6 initial draft prepared by Mr. Paulides?

7 A I don't recall doing it, but it would
8 have had my name on it, so I believe I would have
9 reviewed it.

10 Q Do you have any recollection as to
11 whether or not the draft initially submitted by
12 Mr. Paulides was changed by the Disclosure
13 Committee and differed from the final version?

14 A No, I don't.

15 Q I'd like to just backtrack for a moment.
16 Something just triggered this. With respect to

17 the Thompson reports or surveys that were 23919
18 commissioned by IR, were those surveys retained by
19 IR?

20 MR. SMITH: Objection to foundation.

21 THE WITNESS: Do you mean the documents
22 were kept on record?

23 BY MR. MACFALL:

24 Q Yes.

25 A I believe so.

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1 SIMON HENRY, October 16th, 2006

2 Q Do you know if -- withdrawn. At the
3 time that you left Investor Relations, were those
4 documents still on file at Investor Relations?

5 MR. SMITH: Objection to form and lack
6 of foundation.

7 THE WITNESS: I'd have to admit I don't
8 know.

9 BY MR. MACFALL:

10 Q Did there come a time when Thompson's
11 stopped generating those reports during your
12 tenure at IR?

13 A Not during my IR.

14 MR. MACFALL: To the extent that
15 defendants have not already done so -- and I do
16 not believe that they have -- plaintiffs would
17 request that such reports that are still in the
18 possession, custody and control of defendants be
19 produced to plaintiffs.

20 MR. SMITH: I'll take your request under
21 advisement.

22 MR. MACFALL: Thank you.

23 BY MR. MACFALL:

24 Q Going back to the Group Strategy
25 Presentations, we have discussed the prepared

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1 SIMON HENRY, October 16th, 2006

2 statements. Were there also -- excuse me.
3 Withdrawn. Was there also a Q&A session that was
4 conducted as part of that Group Strategy
5 Presentation?

6 A There would always be an open Q&A
7 session in any of the presentations.

8 Q Were sample or likely questions drafted
9 or prepared by IR for review by the speakers at
10 that presentation, at those presentations?

11 A Yes, they were.

12 Q Were you involved in the drafting of
13 those questions?

14 A Frequently, yes.

15 Q What was the basis of -- withdrawn. Did
16 you formulate those questions based on concerns
17 expressed in the market at that time?

18 A In part, yes.

19 Q Were there other factors that
20 contributed to the formulation of those questions?

21 A Our competitive positioning and our
22 knowledge of where our concerns were with
23 investors may not actually have been a recent
24 question from them, but we'd be looking back over
25 six, 12 months, maybe, as to what were the key,
0137

1 SIMON HENRY, October 16th, 2006
2 the key things, the key areas that were of concern
3 and therefore most likely to be asked. We would
4 also be looking at recent events in the
5 industry -- oil price goes up, competitor has a
6 production issue, so -- government makes a
7 statement, so up-to-the-minute events as well, so
8 look back and also over the last 48 hours.

9 Q Were proposed answers to those questions
10 also prepared by IR?

11 A Yes, they were, although we did not
12 necessarily originate all of those. If they were
13 Business-specific, typically the answer would
14 originate in the Business, be reviewed and
15 commented on by IR in exactly the same way that
16 the prepared speech would be.

17 Q Were there rehearsal sessions with the
18 speakers at the Group Strategy Presentations in
19 connection with the Q&A sessions?

20 A For a Group Strategy Presentation,
21 usually, yes.

22 Q Did Mr. Watts participate in those
23 rehearsals?

24 A If there was a rehearsal, Sir Philip

25 would always participate. 23921

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1 SIMON HENRY, October 16th, 2006

2 Q Did Ms. Boynton participate?

3 A Similarly for Judy. Judy would always
4 participate if there were a rehearsal.

5 Q How about Mr. van der Vijver; did he
6 normally participate in rehearsals?

7 A Sometimes Mr. van der Vijver would joint
8 rehearsal.

9 Q Were there occasions when he did not
10 join the rehearsals?

11 A Yes, there were.

12 Q Was it more common for Mr. van der
13 Vijver to not participate in such rehearsals than
14 it was for him to participate?

15 A Difficult to say. Probably joined more
16 than he did not join.

17 Q Did Mr. van der Vijver ever indicate any
18 reason for his not participating?

19 A Not to me.

20 Q Are you aware if he ever communicated
21 his reasons to anyone else?

22 A No.

23 Q Mr. Henry, I'd just again like to
24 backtrack a moment. I apologize for this. With
25 respect to the Taylor Rafferty survey about which

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1 SIMON HENRY, October 16th, 2006

2 you testified earlier today, do you recall if that
3 was maintained in the IR Department during your
4 tenure there?

5 A It would have been retained for a period
6 of time. Given that was a snapshot of a point in
7 time, I'm not sure how long it would have been
8 retained, and the survey was commissioned out of
9 the Netherlands, not out of London.

10 Q Do you know who it was that commissioned
11 that survey?

12 A I now remember the name of Bart van der
13 Steenstraten's predecessor. His name was Jan van
14 den Plas, and Jan dealt with Taylor Rafferty, but
15 at my request.

16 Q Even though that survey was commissioned
17 out of the Netherlands, do you recall if a copy of
18 it was maintained in London?

19 A We certainly had access to a copy, yes.
20 I don't recall how long it would have been
21 retained.

22 MR. MACFALL: Plaintiffs would also
23 request that the Taylor Rafferty survey be
24 produced. It's my understanding that it has not
25 been part of the production.

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2 MR. SMITH: We'll take your request
3 under advisement.

4 MR. MACFALL: Thank you.

5 BY MR. MACFALL:

6 Q With regard to the Group Strategy
7 Presentation that was conducted in London, who was
8 responsible for determining who to invite as to
9 that presentation?

10 A Ultimately I was, but it was a
11 combination of either Mike or Gerard and Bart,
12 because it was the European and U.K. investor
13 community, so it was their invitation list, their
14 customer list, and I would -- it went out with my
15 name, but I didn't actually go through the list.
16 It was just our standard contact list.

17 Q Did you review the list before it was
18 disseminated?

19 A Not in any detail.

20 Q I believe you indicated that the
21 invitees would include analysts and investors; is
22 that correct?

23 A Correct, there were equity analysts and
24 investors, and there was no journalists or media.

25 Q Do you recall if anyone else attended

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1 SIMON HENRY, October 16th, 2006

2 those London presentations?

3 A The only other people that I'm aware
4 attended were -- usually Shell executives who were
5 not part of the CMD would also attend, and it
6 would give an opportunity for mixing between

7 investors and Shell executives.

8 Q Do you recall if any analysts based in
9 the United States ever attended a Group Strategy
10 Presentation in London?

11 A I don't recall ever seeing one. There
12 was little point in them doing so, because they
13 were webcast from London, and they had an
14 opportunity the following day in New York to
15 follow up face to face. I can't think of one
16 actually attending in London.

17 Q I believe you indicated that the Group
18 Strategy Presentations were conducted in New York
19 the following day, typically; is that correct?

20 A The Group Strategy Presentation, yes,
21 and some, if not all, of the Business Strategy
22 Presentations were also followed up in New York.

23 Q Were the prepared statements that were
24 delivered at the New York presentations the same
25 as those that were given in the London

0142

1 SIMON HENRY, October 16th, 2006
2 presentations?

3 A Usually exactly the same.

4 Q Am I correct that the Shell executives
5 who spoke at the London presentation would be the
6 same executives to speak at the New York
7 presentation?

8 A Usually, exactly. There's always a
9 possibility that maybe somebody couldn't make it,
10 but that was the intent. There may be one
11 instance where we had fewer people in New York and
12 somebody covered for them.

13 Q With respect to the individuals who were
14 invited to those presentations, who was
15 responsible for deciding who it was that Shell
16 invited?

17 A To the New York?

18 Q To the New York.

19 A David Sexton would use his contact list
20 for the North American market.

21 Q Did you review Mr. Sexton's list?

22 A The same way I reviewed the European,
23 which is not very closely, and I think the

24 invitations would have gone out with David's ~~name~~
25 on them in North America.

0143

1 SIMON HENRY, October 16th, 2006

2 Q Were analysts and investors also invited
3 to the New York presentation?

4 A Yes, they were.

5 Q Do you recall if members of the
6 financial media attended the New York
7 presentations?

8 A No, I don't.

9 Q No, you don't recall, or --

10 A I don't recall members of the financial
11 media. We tended to keep the two audiences
12 separate in principal.

13 Q Was the format for the presentation in
14 New York the same as the format for the
15 presentation in London?

16 A Yes, it was.

17 Q Approximately how long did those
18 presentations last? And I realize it varied.

19 A A Group Strategy Presentation would
20 typically be up to three hours, so two and a half
21 or three hours, with around an hour for the Q&A.

22 Q Were the same potential questions
23 utilized in connection with the London
24 presentations utilized in connection with the New
25 York presentations?

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1 SIMON HENRY, October 16th, 2006

2 A Yes. There was only one briefing pack
3 of questions and answers. However, with the
4 benefit of 24 hours between presentations, on the
5 journey from Europe to the U.S. we would usually
6 brief the executives on how -- first of all, how
7 the market had received the presentation, how they
8 performed in Q&As, whether there were things that
9 were clearly not properly clarified to the market,
10 which you can tell if an investor asked the same
11 question twice. And we would do briefings and
12 updates to help them and say if you get an
13 opportunity, this is something you should clarify
14 this tomorrow. So we would also, with the help of

15 David Sexton, he would have told us what was the
16 U.S. market response and therefore are there any
17 questions in the U.S. market that were not present
18 in the European market. So they would have at
19 least a verbal briefing and also be provided with
20 reports and other things.

21 Q Now, with regard to the briefing that
22 occurred during the time between the London
23 presentation and the U.S. presentation, you stated
24 that Mr. Sexton would apprise the executives of
25 what the U.S. market reaction was?

0145

1 SIMON HENRY, October 16th, 2006

2 A Yes.

3 Q Okay. Could you please explain for me
4 what you mean by "the U.S. market reaction"; is
5 that in connection with the presentation that was
6 conducted in London?

7 A The presentation we conducted in London,
8 we always made it user friendly for U.S.
9 investors, so unlike a press conference which was
10 conducted in the morning, which was 2:00,
11 3:00 a.m. there, maybe 4:00 a.m. U.S. time, the
12 analyst conferences would usually start 8:00 a.m.
13 to 9:00 a.m. New York time, so investors or
14 analysts based on the East Coast would be able to
15 listen direct to the first presentation, which
16 would give them an opportunity to listen, to
17 understand, to prepare any questions they might
18 have the following day in New York. They were --
19 over teleconference facilities, they were able to
20 ask questions in the first meeting also, although
21 we tended to give preference to U.K. and European
22 investors on the first day.

23 Sorry. I didn't answer your question.
24 U.S. investors would then, during the U.S. working
25 day, typically call David Sexton and say can you

0146

1 SIMON HENRY, October 16th, 2006

2 help me understand or ask David the question on
3 the working day while we were still traveling
4 over, and usually David would join us for
5 breakfast before the meeting in New York, and

6 David would give a verbal briefing to the 23926
7 executives of any issues that were "hot" in the
8 U.S. market, particularly if they had not been
9 discussed the previous day.

10 Q Do you specifically recall U.S. analysts
11 participating in the London presentations over or
12 by telephone?

13 A Yes, I do.

14 Q Do you recall which analysts
15 participated in any of those presentations?

16 A I could refer to some of the investment
17 hazards they represented. It would be equity
18 research. I'm struggling. I can't think of any
19 questions that were posed by U.S. investors
20 themselves. It was just the research analysts.
21 The most common were Merrill Lynch through Steve
22 Pfeiffer, Morgan Stanley through Doug Terrison,
23 and Paul Ting at UBS, and Mark Gilman at various
24 brokerages, and maybe one or two others. In
25 several instances, say for Merrill or for UBS,
0147

1 SIMON HENRY, October 16th, 2006
2 they also had a European-based analyst who would
3 get effectively preference in terms of questions
4 in the first conference, but the U.S.-based
5 analyst could come in at a later point.

6 Q With regard to the presentations that
7 were conducted in New York, were European analysts
8 able to participate in that presentation
9 telephonically?

10 A I believe we webcast, but we didn't
11 offer an opportunity for them to take -- to place
12 questions, on the rationale that they had had an
13 opportunity the previous day.

14 Q Is it your understanding that the
15 webcast of the New York presentation was
16 disseminated worldwide?

17 MR. SMITH: We're talking still about
18 the Group Strategy Presentation?

19 MR. MACFALL: I am. Thank you.

20 MR. FERRARA: Disseminated worldwide
21 from London or from New York?

22 MR. MACFALL: From New York.

23 THE WITNESS: The presentations were
24 made in New York. The web site is run from
25 London, so the feed, the logistics was back into
0148

1 SIMON HENRY, October 16th, 2006
2 London and then run out through London.

3 BY MR. MACFALL:

4 Q Just for purposes of clarification, I'm
5 not sure that's really responsive. Was -- the
6 webcast itself of the presentation conducted in
7 New York; are you aware if that was available on a
8 worldwide basis?

9 A It was available on the Shell.com
10 website, so it was available to anybody who had
11 access to it.

12 MR. FERRARA: Sorry. Were you asking a
13 clarifying question as well about where the
14 website was sited?

15 MR. MACFALL: I was not.

16 BY MR. MACFALL:

17 Q Now, one of the analysts that you
18 identified as participating from time to time
19 telephonically in connection with the London
20 presentations was a gentleman named Mark Gilman,
21 correct?

22 A Correct.

23 Q And I believe you indicated that he
24 worked for various investment banks. Was that
25 during your tenure at IR?

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1 SIMON HENRY, October 16th, 2006

2 A Two or three when I was in IR, two or
3 three different investment or brokerage houses
4 when I was in IR.

5 Q Can you identify those brokerage houses
6 for me.

7 A I only remember one, which was First
8 Albany.

9 Q Do you recall if First Albany had any
10 other analysts following Shell during Mr. Gilman's
11 tenure there?

12 A No, they didn't.

13 Q Do you know if First Albany disseminates

14 analyst reports?

15 A It disseminated them, I believe, to
16 their U.S. customers, which were their only
17 customers. They have no presence in Europe.

18 Q Are you familiar with an analyst named
19 Arjun Murti?

20 A Yes, I am.

21 Q During your tenure at IR, do you know
22 what brokerage house Mr. Murti worked for?

23 A Goldman Sachs in New York.

24 Q Did Goldman Sachs -- withdrawn. Did
25 Mr. Murti follow Shell as an analyst for Goldman
0150

1 SIMON HENRY, October 16th, 2006

2 Sachs; do you know?

3 A He followed the activities of Shell.

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

7 A Yes. The prime coverage of Shell was in
8 London through a gentleman called Mark Fletcher.

9 Q Was that throughout the entire period of
10 2001 through 2004?

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

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

17 A The large brokerage houses typically
18 have two, with the prime always being in London
19 for the Shell coverage, maybe not prime in terms
20 of the Oil and Gas sector for that brokerage
21 house, but the -- if I look at Goldman's, Merrill
22 Lynch, UBS, and Lehman Brothers, they all had a
23 New York-based Oil and Gas team and they all had a
24 London-based Oil and Gas team. The New York team
25 brought research and sold it and brokered into the
0151

1 SIMON HENRY, October 16th, 2006

2 U.S. market, and the European Teams did the same
3 for the European Team. Research written in the
4 U.S. rarely crossed the ocean, because U.S.-based

5 research, as I mentioned earlier, is entirely 23929
6 enumerate, and it's based on the last three months
7 and the next three months. Europeans rarely use
8 American analyst reports, so -- that's what they
9 told us anyway. They use European research if
10 they use research at all.

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

15 A U.S.-based or Europe or anywhere?

16 Q Anywhere.

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

24 Q How about with respect to Royal Dutch?

25 A There was -- nobody had separate

0152

1 SIMON HENRY, October 16th, 2006
2 coverage for Royal Dutch and Shell Transport.
3 They all covered the Royal Dutch/Shell Group.

4 Q Now, I believe you previously had
5 indicated that Mark Gilman was an analyst or, at
6 least while an analyst at First Albany, was the
7 only analyst covering Royal Dutch/Shell for First
8 Albany.

9 A That's correct.

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

12 A That's correct.

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

19 A There were others in addition to Mark,
20 such as Karl Forsheimer, I think A.G. Edwards,
21 and -- U.S., not Canada. Memory is beginning to

22 fade now. Sorry. But there are -- there were 23930
23 other more boutique-style brokerage houses rather
24 than those affiliated with an investment bank.

25 Q Are you aware if A.G. Edwards
0153

1 SIMON HENRY, October 16th, 2006
2 disseminated analyst reports regarding Royal
3 Dutch/Shell during your tenure at IR?

4 A Yes, they did.

5 Q Do you know if those analyst reports
6 were disseminated in Europe?

7 A No, I don't.

8 Q In addition to the Group Strategy
9 Presentation, I believe you indicated that there
10 were also Business Strategy Presentations,
11 correct?

12 A That's correct.

13 Q How often were those presentations
14 conducted?

15 A For the Major Businesses, roughly every
16 two years. For the Minor Businesses, less often.

17 Q Was EP one of Royal Dutch/Shell's Major
18 Businesses?

19 A Yes, it was.

20 Q What role, if any, did you have in the
21 conduct of the Business Strategy Presentations?

22 A First of all, including in the overall
23 communication strategy, when was an appropriate
24 time to hold such a Business Strategy
25 Presentation; and secondly, discussions with the
0154

1 SIMON HENRY, October 16th, 2006
2 respective Managing Directors, including Phil and
3 Judy, because they had an overall responsibility,
4 about their role, content and messages that I
5 would, uh, I would recommend in that presentation
6 at that point in time, and again always based on
7 what were the issues in the market or the
8 competitive positioning. So I would set it up.

9 I would then have a role in review, or I
10 and my team would have a role in reviewing the
11 material as it was developed, both the
12 presentation and the speech and the questions and

13 answers. We'd also usually set up the follow-up
14 meetings, whether they be one-on-one or lunches or
15 other investor events that gave more face time
16 between investors and executives.

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

22 A Yes.

23 Q Where were those follow-up meetings
24 conducted?

25 A In a variety of locations, but London,
0155

1 SIMON HENRY, October 16th, 2006
2 Edinburgh, Frankfurt, New York, Boston were nearly
3 always on the list.

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

7 A Yes.

8 Q And by "after" I mean immediately after.

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

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

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

25 Q And by "open forum" are you referring to
0156

1 SIMON HENRY, October 16th, 2006
2 the Q&A session?

3 A Yes, that everybody could hear.

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

6 MR. SMITH: Objection to form.

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

9 BY MR. MACFALL:

10 Q Was more than one meeting conducted
11 following a Group Strategy Presentation?

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

14 Q Limiting my inquiry to the United
15 States, were those meetings, the 50 or so
16 meetings, conducted --

17 A Fifteen to 20 in the U.S.

18 Q Were those meetings all conducted in New
19 York?

20 A No.

21 Q Where else?

22 A Boston.

23 Q Were they ever conducted in any other
24 location?

25 A In the United States?

0157

1 SIMON HENRY, October 16th, 2006

2 Q In the United States.

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

7 Q Were certain investors invited to the
8 follow-up meetings?

9 A Yes.

10 Q Who determined who to invite to the
11 follow-up meetings?

12 A I did.

13 Q Did you have a specific criteria that
14 you used to formulate that list?

15 A Yes.

16 Q And could you please explain for me what
17 that was.

18 A Current holding, current holding as a
19 proportion of the total funds under management,
20 and whether we knew that investor to be

21 influential in a broader group, in the broader 23933
22 investment community.

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

25 A We had the three criteria, but the
0158

1 SIMON HENRY, October 16th, 2006
2 reason for using the three were the senior
3 executive time is limited; therefore, we could
4 only do so many meetings. Therefore, we should
5 leverage that, get the best return. We should
6 focus on people with large funds under management,
7 and we should focus on your current shareholders,
8 because it's easier to keep a shareholder than
9 gain a new one. And you should selectively target
10 a small proportion of large funds with a low
11 holding.

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

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

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

21 A Our aim was to clarify any questions or
22 understanding or interest that the investors had.
23 We could never, obviously, recommend purchase of
24 Shell shares. That was up to the investor, based
25 on the discussion they had and the facts available
0159

1 SIMON HENRY, October 16th, 2006
2 to them.

3 Q Separate and apart from recommending the
4 purchase of Shell, was that one of your goals?

5 A I would like to think we helped increase
6 demand for the Shell shares.

7 Q In connection with these follow-up
8 meetings, were multiple investors invited, or were
9 they meetings with individual investors?

10 MR. SMITH: Objection to form.

11 THE WITNESS: It was mainly individual,

12 as a single investment house, but when we visited
13 the investment house would have an oil and gas
14 analyst who is a specialist in Oil and Gas and
15 would know the company very well, and he would
16 invite portfolio managers from that company. So
17 although we would be visiting one investment
18 organization or asset management company, we may
19 have up to 20 people involved in the meeting,
20 different fund managers within that organization
21 who might wish to purchase or be interested in
22 Shell shares.

23 BY MR. MACFALL:

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

0160

1 SIMON HENRY, October 16th, 2006
2 delivered by the Shell executives?

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

10 Q Who appeared at the follow-up meetings
11 on behalf of Shell?

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

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

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

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1 SIMON HENRY, October 16th, 2006

2 MR. MACFALL: Why don't we go off the

3 record, please.

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

7 (Whereupon, a short recess was taken.)

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

12 BY MR. MACFALL:

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

18 A That is correct.

19 Q Do you recall approximately how many
20 such meetings were conducted in Europe and the
21 U.K.?

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

24 Q Now, directing your attention again
25 specifically to the follow-up meetings conducted
0162

1 SIMON HENRY, October 16th, 2006
2 in the United States, in preparation for meeting
3 with specific investors, were briefing notes
4 provided to Shell senior management?

5 A Yes, they were.

6 Q Who prepared those materials?

7 A My team.

8 Q Would that have included Mr. Sexton?

9 A Yes, it would.

10 Q Were you involved in the preparation of
11 those materials?

12 A Not really.

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

16 A Gerard Paulides and Bart van der
17 Steenstraten.

18 Q Was Mr. Paulides and Mr. Van der
19 Steenstraten involved in the preparation of

20 briefing materials used in connection with the 23936
21 follow-up meetings conducted in the United States?

22 A Yes, they would prepare some of the
23 information.

24 Q Conversely, was Mr. Sexton involved in
25 the preparation of briefing materials utilized for
0163

1 SIMON HENRY, October 16th, 2006
2 the follow-up meetings conducted in Europe?

3 A Not really.

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

8 A During the meetings, yes.

9 Q Was that discussed during the
10 presentations?

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

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

16 MR. SMITH: Objection to form.

17 MR. MACFALL: I'll rephrase the
18 question.

19 BY MR. MACFALL:

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

22 MR. SMITH: Objection to lack of
23 foundation.

24 THE WITNESS: The depreciation,
25 depletion, amortization, DD&A charge is included
0164

1 SIMON HENRY, October 16th, 2006
2 in the calculation of net income, which is then
3 included in the calculation of ROACE.

4 BY MR. MACFALL:

5 Q You previously stated that proved
6 reserves were utilized to calculate DD&A for
7 Shell; is that correct?

8 A That's correct.

9 Q Do you recall if during 2001/2002 any
10 analysts asked questions concerning proved

11 reserves in connection with ROACE? 23937

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

14 MR. MACFALL: I am. Thank you.

15 THE WITNESS: No, I don't.

16 BY MR. MACFALL:

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

19 A Do you mean by that the standardized
20 measure?

21 Q Yes, I do.

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

0165

1 SIMON HENRY, October 16th, 2006
2 the usefulness of that measure, as is included in
3 the notes by all major oil companies about the
4 fact that the measure is not useful.

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

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

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

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

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

17 BY MR. MACFALL:

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

20 A Yes, there is.

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

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

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1 SIMON HENRY, October 16th, 2006

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

13 Q When you say the only consistent measure
14 to anybody looking at the industry is proved
15 reserves, do you mean that the only meaningful
16 basis of comparison or consistent basis of
17 comparison between companies is proved reserves?

18 MR. SMITH: Objection to form.

19 BY MR. MACFALL:

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

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

0167

1 SIMON HENRY, October 16th, 2006
2 Each company has their own way, and there is no
3 industry standard or guideline for that, and there
4 is no requirement to report that number under any
5 regulatory regime. Therefore, there is no
6 consistent set of information about volumes
7 discovered available to the industry.

8 Q Are you aware of how Shell calculated
9 UFC?

10 A Yes, I am.

11 Q Explain it to me.

12 A Was I aware now or was I aware during
13 the class period?

14 Q During the class period, 2001 to 2004
15 specifically.

16 A Just to be clear, my knowledge now is
17 considerably more detailed than it was during that
18 period; however, my understanding then was

19 exploration expenditure as reported in the 20-~~E3939~~
20 divided by what we term, in Shell, "Additions to
21 Discovered Scope for Recovery." That is a
22 classification of hydrogen resource, which
23 means -- I'm sorry -- of hydrocarbon resource,
24 which means we have observed hydrocarbons, and
25 based on the test of the well and the seismic data

0168

1 SIMON HENRY, October 16th, 2006
2 available, the amount of hydrocarbon that that
3 particular well has demonstrated is in the
4 reservoir, it is in addition to what we in generic
5 terms call our Resource Base. It is not in
6 addition to proved reserves until a much later
7 stage.

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

11 A It was my understanding at the time.

12 Q How does that differ, if at all, from
13 your current understanding of the term?

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

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

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

0169

1 SIMON HENRY, October 16th, 2006
2 investment total, including exploration
3 expenditure, in a given period, divided by the
4 number of barrels, added to proved reserves in
5 that period. Now, there are different versions
6 including or excluding barrels acquired or
7 divested, but that's the basis of the calculation.

8 Q Do you recall if Unit Finding and
9 Development Costs were discussed during any of the

10 Group Strategy Presentations during your tenure at

11 IR?

12 A I can't recall specifically when, but I
13 believe they were addressed.

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

17 MR. SMITH: Objection to form.

18 BY MR. MACFALL:

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

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1 SIMON HENRY, October 16th, 2006

2 A I don't recall a specific instance in a
3 Group Strategy Presentation, but more generically
4 your question I would have discussed with analysts
5 myself.

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

8 THE WITNESS: Would have been before
9 2002.

10 BY MR. MACFALL:

11 Q Now, you said not in the context of the
12 Group Strategy Presentation, but in discussions
13 with analysts, correct?

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

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

25 A Yes, I did.

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1 SIMON HENRY, October 16th, 2006 23941

2 Q Was that a common occurrence during your
3 tenure at IR?

4 A Almost every day.

5 Q Do you recall if there were particular
6 analysts who you had more contact with than
7 others?

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

13 Q Could you identify those individuals for
14 me, please.

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

25 The ones that I would retain contact

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1 SIMON HENRY, October 16th, 2006
2 with would be Doug Terrison at Morgan Stanley;
3 Arjun Murti, Goldman Sachs; Steve Pfeiffer,
4 Merrill Lynch; Mark Flannery, Credit Suisse. And
5 they were the primary contacts that I can recall.

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

13 MR. SMITH: Objection to form.

14 THE WITNESS: I don't know their
15 corporate structure, but their corporate head
16 office, of the ones you just mentioned, were I
17 assume in New York. The lead analyst coverage in

18 all those cases was either clearly in London or
19 was clearly disputed within the organization in
20 question, but we tended to focus on those that
21 made a difference where our share price was set,
22 which was London.

23 BY MR. MACFALL:

24 Q Now, with respect to the analysts that
25 you identified in the United States, do you recall
0173

1 SIMON HENRY, October 16th, 2006
2 approximately how frequently you spoke with those
3 individuals?

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

15 Q Did you speak to various analysts every
16 day during your tenure at IR?

17 MR. SMITH: Objection to form.

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

21 BY MR. MACFALL:

22 Q I believe you stated that Unit Finding
23 and Development Cost was something that arose
24 during the course of certain of your conversations
25 with analysts prior to 2002; is that correct?
0174

1 SIMON HENRY, October 16th, 2006

2 A Indeed.

3 Q Okay. Do you remember how frequently
4 that issue arose?

5 A The main way in which it would have
6 arisen was I was new to the whole concept of
7 equity research and marketing when I took over as
8 head of Investor Relations, so I spent time with

9 some of the analysts, understanding how they look
10 at a company, how they value it, and what it is
11 that is important to them, so -- to understand the
12 metrics, so it was one of the metrics that we
13 would have discussed in that period. So I was
14 pretty aware of how an analyst looked at the
15 company. It was not separately one of the key
16 up-front metrics that was included in a
17 presentation or discussion, but it could lead to a
18 question. You could get questions on it.

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

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

25 THE WITNESS: The analysts would
0175

1 SIMON HENRY, October 16th, 2006
2 describe to me how they individually looked at a
3 company and how they built a model and how they
4 then apprised different metrics. UFDC was one of
5 them that they talked about.

6 BY MR. MACFALL:

7 Q How about ROACE; was that one of the
8 metrics that they talked about?

9 A Yes, it was.

10 Q Do you recall discussing ROACE with
11 various analysts during one-on-one communications
12 with them?

13 MR. SMITH: Objection to form.

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

17 BY MR. MACFALL:

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

21 MR. SMITH: Objection to form.

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

25

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1 SIMON HENRY, October 16th, 2006

2 BY MR. MACFALL:

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

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

14 Q How about with respect to ExxonMobil?

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

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

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

24 Q Thank you.

25 Now, in connection with the follow-up

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1 SIMON HENRY, October 16th, 2006

2 meetings that occurred after the Group Strategy
3 Presentations, do you recall if you received
4 telephone calls from investors concerning those
5 meetings?

6 A At what point; before or after the
7 meetings were held?

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

12 MR. SMITH: Objection to form.

13 THE WITNESS: I personally don't recall
14 any specific calls to me, but we used to make
15 calls to them to ask them if there were any
16 specific issues or concerns that they wanted to

17 raise. That was part of our briefing process for
18 the executives.

19 BY MR. MACFALL:

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

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

25 THE WITNESS: In those follow-up

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1 SIMON HENRY, October 16th, 2006
2 meetings it's quite likely from time to time that
3 UFDC was discussed, because many subjects were
4 discussed. For some investors it was something
5 they were interested in; for others it wasn't.

6 BY MR. MACFALL:

7 Q Do you recall if ROACE was discussed
8 typically at those follow-up meetings?

9 A More regularly than UFDC, it was a more
10 common subject of questions and discussion.

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

16 MR. SMITH: Objection to form. That
17 wasn't his testimony.

18 THE WITNESS: I said --

19 BY MR. MACFALL:

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

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

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1 SIMON HENRY, October 16th, 2006

2 THE WITNESS: I think I mentioned
3 earlier that 2002, during the year, the issue of
4 reserves replacement became a more common subject
5 of discussion. It would initially be kicked off
6 by a round of reported reserves additions for the
7 year of 2001, which were reported between February

8 and May 2002, but also informed, as I mentioned
9 earlier, by the BP's impending knowledge of their
10 production problems several months before they
11 actually admitted them, and the way they were
12 moving the market ahead of the ultimate Russian
13 deal towards thinking about access to resource
14 base being a key competitor differentiator rather
15 than ability to generate growth.

16 BY MR. MACFALL:

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

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

23 Q Do you recall what Royal Dutch/Shell's
24 Reserves Replacement Ratio was during that same
25 period?

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1 SIMON HENRY, October 16th, 2006

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

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

12 A I'm sorry. I don't -- I don't,
13 actually.

14 Q With regard to 2002, excluding the
15 Enterprise acquisition, do you recall what Shell's
16 organic Reserves Replacement Ratio was?

17 A I believe it was around 50 percent.

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

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

25 included in that number at the time, but that 23947

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1 SIMON HENRY, October 16th, 2006

2 overshadowed the numbers at the time.

3 Q Do you recall what Exxon's Reserves

4 Replacement Ratio was during 2002?

5 A It would have been between 100 and

6 120 percent, because that's what they manage it to

7 every year.

8 Q At the time that investors and analysts

9 began to inquire with respect to Shell's Reserves

10 Replacement Ratio, do you recall if anyone asked

11 why Shell's RRR was lower than its peers?

12 A I don't recall a specific instance, but

13 I'm sure I was asked that question.

14 Q Do you recall if that topic was

15 addressed in any prepared statements that were

16 drafted during that period?

17 A We began to ensure that that question

18 and answer was prepared for each of the type of

19 events that I was talking about earlier, the

20 quarterly results or mid-year or press conference.

21 I would expect Q&A to be prepared around the issue

22 of reserve replacement.

23 Q Was the inclusion of that topic based on

24 inquiries that you were receiving in IR?

25 A In part, yes. It was one topic amongst

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1 SIMON HENRY, October 16th, 2006

2 many.

3 Q Specifically with regard to that "one

4 topic amongst many," do you recall what kinds of

5 inquiries you were receiving during that period?

6 A Very similar to the question that you've

7 just posed: Why was Shell's performance less good

8 than the competitors?

9 Q Did you have an understanding as to why

10 Shell's performance concerning RRR was less good

11 than its peers?

12 A My understanding improved over that

13 period, from that period on. It's difficult to

14 reconstruct exactly what I would have seen as

15 being an understanding, but primarily it was about

16 investment levels in the company which lead to new
17 projects, which lead to proved reserves, and how
18 successful that new investment would be or how
19 successful the company had been at generating new
20 opportunities in which to invest, whether it be
21 through exploration or through negotiation with
22 governments.

23 Q Now, with regard to Reserves Replacement
24 Ratio -- withdrawn. Are you aware of company-wide
25 efforts to reduce costs at Shell during the late
0183

1 SIMON HENRY, October 16th, 2006
2 nineties and early 2000s?

3 A Yes, I am.

4 Q As part of that effort did Shell reduce
5 its capital expenditure in its Upstream
6 activities?

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

13 Q Are you aware if that reduction in
14 capital expenditure in Shell's Upstream activities
15 adversely impacted Shell's Reserves Replacement
16 Ratio?

17 A Am I or was I then?

18 Q Are you now?

19 A Am I now? Yes, I do believe that to be
20 the case now.

21 Q Were you aware of that then?

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

25 Q Do you recall if there was pressure from
0184

1 SIMON HENRY, October 16th, 2006
2 Shell's management to increase the company's RRR
3 to improve its competitive position relative to
4 its peers relative to the period of 2001 through
5 2004?

6 MR. SMITH: Objection to form.

7 THE WITNESS: I'd probably look for a²³⁹⁴⁹

8 definition of "pressure" there. The management
9 was aware, as we go through the period, of a
10 competitive disadvantage as perceived in the
11 market, and any management, in that situation,
12 will look to drive the organization to perform
13 better in that area, so if that equals pressure,
14 that's pressure that leaders would place on the
15 organization to perform better in a given area.

16 BY MR. MACFALL:

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

20 A 2001 to 2004?

21 Q Yes.

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

0185

1 SIMON HENRY, October 16th, 2006
2 investment levels over that period, because it's
3 investments in projects that ultimately lead to
4 the recognition of proved reserves.

5 Q Did management also drive the various
6 Businesses to improve ROACE during the period of
7 2001 to 2004?

8 A Not to improve; to sustain.

9 Q Do you recall what the ROACE level for
10 Shell was, approximately, during that period?

11 MR. SMITH: Objection to form.

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

24 with the Group level targets. 23950

25

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1 SIMON HENRY, October 16th, 2006

2 BY MR. MACFALL:

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

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

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

17 BY MR. MACFALL:

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

22 A The general steps taken were cost
23 management, the operating cost management with an
24 expectation that these would be reduced steadily
25 over time. Investment levels were budgeted below

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1 SIMON HENRY, October 16th, 2006

2 what the company could possibly spend to force
3 choices in investment and discipline and ensure
4 that only the best projects were selected.
5 Various divestments were made. During the period
6 two public acquisitions were made that I mentioned
7 earlier, plus two major acquisitions of assets,
8 one in Germany and one in the United States,
9 Downstream assets, from Chevron/Texaco in the U.S.
10 and from DEA in Germany. And the combination of
11 the change in the portfolio, the acquisitions, the
12 divestments, limiting the capital investment and
13 the reduction of cost was an overall package that
14 management was using to -- with the intent of

15 keeping the return on capital at a competitive 23951
16 level.

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

21 A I remember various conversations. I
22 couldn't place them at a particular time.

23 Q Were the various actions that you just
24 enumerated ever discussed between yourself and
25 Mr. Watts?

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1 SIMON HENRY, October 16th, 2006

2 A Yes, they were.

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

7 A Again yes, I had several discussions.
8 Can't place any specific in time.

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

13 A Yes, they were.

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

17 A Yes.

18 Q Concerning management's efforts with
19 regard to ROACE?

20 A Yes, I did.

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

25 A Yes, they did.

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1 SIMON HENRY, October 16th, 2006

2 Q And just sort of backtracking, with
3 respect to Reserves Replacement Ratio do you
4 recall having any conversations with Mr. Watts --
5 withdrawn. Did you ever discuss Shell's Reserves

6 Replacement Ratio with Mr. Watts? 23952

7 A Yes, I did.

8 Q Do you recall approximately the first
9 time you discussed that issue with him?

10 A It would have been in 2002, I believe,
11 but more likely the latter part of the year.

12 Q Do you recall the substance of your
13 conversation with Mr. Watts concerning Reserves
14 Replacement Ratio in the latter part of 2002?

15 A Yes. The substance of my discussions
16 with Phil were almost always looking forward at
17 expectations, how are we going to perform against
18 what the market would either like to see us do or
19 expect us to do, so my discussions with Sir Philip
20 or Judy and/or Walter would have been about the
21 future and what would our expectations be and what
22 would then triggers be, such as major investment
23 decisions or investment levels, are they
24 appropriate.

25 Q Do you recall any occasions when
0190

1 SIMON HENRY, October 16th, 2006
2 conversations regarding expectations about
3 reserves replacement were impacted by past actions
4 or past decisions to book reserves?

5 MR. SMITH: Objection to form.

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

12 BY MR. MACFALL:

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

15 A I remember or recall discussing in early
16 2003, Block 18 in Angola, Ormen Lange, Ehra, and
17 I'm not sure if it was then or at a later stage,
18 Gorgon in Australia.

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

23 MR. SMITH: Objection to form. 23953

24 THE WITNESS: There was only four
25 projects. I recall discussing three of them at
0191

1 SIMON HENRY, October 16th, 2006
2 the same time.

3 BY MR. MACFALL:

4 Q And which three were those?

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

8 Q How did the issue of prior bookings of
9 reserves in connection with those projects come up
10 with Mr. van der Vijver?

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

25 Q Now, specifically with respect to Block
0192

1 SIMON HENRY, October 16th, 2006
2 18 in Angola, at the time you discussed --
3 withdrawn. Did you specifically discuss that
4 project with Mr. van der Vijver?

5 A I recall it being mentioned.

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

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

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

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

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

25 A I had been advised by staff in EP on I
0193

1 SIMON HENRY, October 16th, 2006
2 believe Ehra and Block 18. I don't recall Ormen
3 Lange I was aware of.

4 Q Do you recall when you were so advised?

5 A On Ormen Lange?

6 Q I'm sorry. With regard to Block 18 and
7 Ehra.

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

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

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

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

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1 SIMON HENRY, October 16th, 2006

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

4 Q Do you recall how the issue first came

5 up?

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

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

13 A The interest in any project would be
14 around the metrics, the investment, the production
15 level and the reserves that would be booked.

16 Q And by "reserves" are you specifically
17 referencing proved --

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

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

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

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1 SIMON HENRY, October 16th, 2006

2 BY MR. MACFALL:

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

8 MR. SMITH: Objection to form.

9 THE WITNESS: No, I don't.

10 BY MR. MACFALL:

11 Q Do you recall what you were told with
12 regard to the booking of reserves at -- proved
13 reserves at Block 18 upon reaching FID?

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

22 Q Was Block 18 a joint venture? 23956

23 A Yes, it was.

24 Q Do you know who Shell's joint venture

25 partners were at Block 18?

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1 SIMON HENRY, October 16th, 2006

2 A It was BP. It was a 50/50 joint

3 venture.

4 Q Were you aware if BP was to book proved

5 reserves upon Block 18 reaching FID?

6 A No, I was not aware.

7 Q Was that a concern at IR, that BP might

8 book proved reserves upon FID of Block 18 and that

9 Shell could not book a concomitant amount of

10 proved reserves because of prior booking?

11 A A general concern at IR would be

12 competitors disadvantage, which was partly our

13 reason for the questions in the first place, to

14 understand where we were likely to be positioned

15 before it happened, and so building up those

16 sources of information could create a general

17 concern. On one relatively small project, it was

18 not the end of the world for IR.

19 Q Were you concerned that investors would

20 want to know why Shell was booking less proved

21 reserves than BP at FID with regard to Block 18?

22 MR. MORSE: Objection to form.

23 THE WITNESS: Not really, because if I

24 remember rightly, we're talking less than point

25 two percent of the total proved reserves. That is

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1 SIMON HENRY, October 16th, 2006

2 not material for investors in and of itself.

3 BY MR. MACFALL:

4 Q And that .2 percent that you're

5 referring to, that was what had been booked prior

6 to FID?

7 A No, that .2 percent was approximately

8 what had been booked prior to FID, as I understood

9 at the time.

10 Q How about with respect to Ehra; do you

11 have any understanding of the volume of proved

12 reserves that were booked prior to FID in

13 connection with that project? 23957

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

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

21 A No, I don't, or I don't recall anyway,
22 no.

23 Q Do you recall the volume of proved
24 reserves that were booked prior to FID in
25 connection with Ehra?

0198

1 SIMON HENRY, October 16th, 2006

2 A If I recall correctly, it was around
3 160 million barrels.

4 Q Are you aware of the proportion of total
5 proved reserves at Ehra that that 160 million
6 barrels represented?

7 A About 0.7 percent.

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

12 A It is a project I did ultimately learn,
13 yes.

14 Q When did you first become aware or first
15 learn that reserves were booked at Gorgon prior to
16 FID?

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

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

23 A Yes, I do.

24 Q And what is that volume, sir?

25 A I believe 557 million barrels.

0199

1 SIMON HENRY, October 16th, 2006

2 Q Do you recall if you discussed the
3 booking of those proved reserves at Gorgon with

4 Mr. van der Vijver?

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

8 Q Do you recall approximately --
9 withdrawn. Do you recall approximately when it
10 was that you learned from Mr. Pay that
11 557 million barrels had been booked in connection
12 with Gorgon prior to FID?

13 MR. SMITH: Objection to form.

14 THE WITNESS: Second half 2002.

15 BY MR. MACFALL:

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

18 A Yes, I did.

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

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

23 Q Would that be in connection with Project
24 Rockford?

25 A Yes, it would.

0200

1 SIMON HENRY, October 16th, 2006

2 Q Do you recall if you ever discussed the
3 premature -- withdrawn. Excluding Project
4 Rockford, do you recall if you ever discussed the
5 booking of proved reserves at Block 18 prior to
6 FID with Ms. Boynton?

7 A I don't recall discussing it with Judy
8 Boynton.

9 Q With regard to Ehra, do you recall
10 discussing the booking of proved reserves prior to
11 FID with Mr. Watts, excluding Project Rockford?

12 A No.

13 Q Do you recall having any such
14 conversations with Ms. Boynton, excluding Project
15 Rockford?

16 A No.

17 Q Do you recall discussing the booking of
18 proved reserves at Gorgon prior to FID with
19 Mr. Watts, excluding Project Rockford?

20 A I was aware at some point that one of

21 the reasons that reserves had been booked at 23959
22 Gorgon at that time was the existence of
23 negotiations and a Letter of Intent for LNG sales,
24 and I do not recall what my source of that
25 information was. It may have been Mr. Watts.
0201

1 SIMON HENRY, October 16th, 2006

2 Q Do you recall approximately when that
3 was, when that conversation that may have been
4 with Mr. Watts occurred?

5 MR. SMITH: Objection to form.

6 THE WITNESS: I'm not sure I do. I was
7 aware broadly during 2003 of that, and it's
8 possible that Sir Philip was one of my sources.
9 It's also possible it could have been somebody
10 else. It would not have been Judy.

11 BY MR. MACFALL:

12 Q Do you know who was head of EP at the
13 time the reserves were booked at Gorgon?

14 A 1997?

15 Q Yes, that's correct.

16 A The straight answer is: Nobody. There
17 was no accountable Chief Executive of the EP
18 Business.

19 Q Was there a member -- withdrawn. Did
20 Mr. Watts have a role with regard to the operation
21 of EP during that period?

22 A Yes, he did. That was a Business
23 Committee that was responsible for running the EP
24 Business, and Mr. Watts was a member of that
25 committee. He was actually technically the most

0202

1 SIMON HENRY, October 16th, 2006

2 senior member of that committee, because he was a
3 Managing Director whose sphere of responsibility
4 included EP, but he was not the Chief Executive
5 running EP. He had no executive authority over
6 the activities of the EP Business in 1997.

7 Q How is it that you know he had no
8 executive authority during that period in
9 connection with EP?

10 A Because the same -- I was working in
11 Downstream at the time, and the same Business

12 Committee construct was being used to manage the
13 Downstream. We had the same structure with Steve
14 Miller as the Managing Director with
15 responsibility for Oil Products, and it drove us
16 all nuts, because he had no executive authority.

17 Q How is it that you know that the same
18 organization was in place with regard to EP?

19 A The Governance Guide in the Group at the
20 time indicated that the same governance structure
21 applied to each of the Businesses.

22 Q Are you familiar with the ARPR process?

23 A Yes, I am.

24 MR. FERRARA: I notice that you're now
25 moving into a new area, and since we're going to

0203

1 SIMON HENRY, October 16th, 2006

2 be here tomorrow, is there a chance we might want
3 to wrap up around 5:00 to give the witness a rest
4 and be fresher for tomorrow?

5 MR. MACFALL: Why don't we go off the
6 record and let's discuss that.

7 MR. FERRARA: Okay.

8 THE VIDEOGRAPHER: We are going off the
9 record. The time is 4:53 p.m.

10 (Whereupon, a short recess was taken.)

11 THE VIDEOGRAPHER: We are back on the
12 record. The time is 5:10 p.m.

13 BY MR. MACFALL:

14 Q Mr. Henry, prior to the break I was
15 asking if you were familiar with the ARPR process
16 at Shell.

17 A Yes, I am familiar.

18 Q And could you please describe that
19 process for me.

20 A It stands for the Annual Review of
21 Petroleum Resources, and it's an annual exercise
22 collecting all information on the petroleum
23 resource and resource base throughout the company,
24 including proved reserves but not limited to
25 proved reserves. And data is collected from a

0204

1 SIMON HENRY, October 16th, 2006

2 field or an asset level upwards aggregated in

3 countries, aggregated in geographical regions, and
4 eventually aggregated at the global level. It
5 takes place at the end of the year with returns at
6 the global level in mid January, and the data and
7 information that is provided in that process is
8 used, amongst other things, as the basis for the
9 reserves related reporting in the 20-F, the
10 supplementary oil and gas information reporting.

11 Q The 20-F is a form that's filed with the
12 SEC in the United States, correct?

13 A That is correct.

14 Q Are proved reserves specifically
15 reported in the 20-F?

16 A They are.

17 Q During the time period that Mr. Watts
18 was a member of the committee overseeing EP,
19 specifically 1996, '97, do you have any
20 understanding of how the ARPR process was
21 conducted at EP?

22 A Not in '96 and '97, no, I don't.

23 Q And I believe you stated that you had --
24 withdrawn. I'm sorry. Could you please tell me
25 again where it was that -- what position you held
0205

1 SIMON HENRY, October 16th, 2006
2 at Shell in 1997.

3 A I was the Shareholder Finance Advisor in
4 the Downstream Business for Asia Pacific, working
5 in London.

6 Q I believe you previously stated that
7 organizationally that Business was similar
8 structured to EP at that time; is that correct?

9 A I believe it was, yes.

10 Q Could you please tell me how the ARPR
11 process, if you know, was handled in the
12 Downstream Business in the Asia Pacific market in
13 which you were employed during that period.

14 A The Downstream Business has no
15 equivalent of proved reserves, although it was
16 entirely an EP process.

17 Q Do you know if Mr. Watts in 1997 was
18 informed of the proved reserves that had been
19 booked at EP?

20 A No, I don't know. 23962
21 Q Going back now to the follow-up meetings
22 that were conducted following the Group Strategy
23 Presentations, were those different than the
24 periodic roadshows that were conducted by Shell?
25 A Not in any material aspect.

0206

1 SIMON HENRY, October 16th, 2006
2 Q Were the roadshows separate
3 presentations or separate meetings with investors?
4 Were they different than the follow-up meetings?
5 A The follow-up meetings to the Group
6 Strategy meeting would typically build on the
7 presentation that had just taken place. Roadshows
8 that took place at different times of the year
9 would either follow another presentation, such as
10 the Business Strategy Presentation or, for
11 example, one of the presentations at a Merrill
12 Lynch conference or a Credit Suisse conference,
13 and or they would just be scheduled in in a period
14 when we could talk to the market, and we would use
15 material based on whatever the last public
16 statement had been, which was quite often the
17 previous Quarterly Results Announcement, but the
18 meetings themselves were basically the same format
19 wherever we went.

20 Q Were there -- withdrawn. Who
21 represented senior management, if anyone, at those
22 roadshows?

23 A In any given year we would try to give
24 all of the Managing Directors an opportunity to
25 talk to the market for two reasons. One, it was

0207

1 SIMON HENRY, October 16th, 2006
2 good that the market had some face-to-face time
3 with each of them, which is about building
4 credibility, but also so that each of those senior
5 executives came face to face with the owners of
6 the company and heard their concerns directly, so
7 we would aim for at least one day of meetings for
8 each of them. We would -- we aimed to do maybe
9 150, 200 meetings a year typically five meetings a
10 day, so we need 40 days. We would be given

11 probably half of those days by Sir Philip and Lucy
12 Boynton in their schedule, so they would give us
13 that time, so they would do maybe half of the
14 meetings. The Managing Directors would do some,
15 and occasionally we would use other senior
16 executives or myself from IR, depending on the
17 size and materiality of the investors we were
18 visiting.

19 Q Now, 150 days of meetings, was that
20 exclusive of the follow-up meetings that were
21 conducted after the Group Strategy Presentation?

22 MR. SMITH: Objection to form. He
23 didn't say 150 days.

24 BY MR. MACFALL:

25 Q I'm sorry. 150 meetings.

0208

1 SIMON HENRY, October 16th, 2006

2 A Around 40 days was our planning basis.
3 That would include the follow-up meetings to the
4 Group Strategy Presentation, which may be eight to
5 ten days.

6 Q I believe we discussed some of the
7 metrics that were discussed at various meetings
8 with analysts investors, such as ROACE and UFDC.
9 Do you recall -- and RRR. Do you recall if there
10 were others that were discussed throughout your
11 tenure at Investor Relations?

12 A High on the agenda for most of the
13 period was production growth and production and
14 all subsidiary contributors to production, such as
15 decline rates and new projects. Capital
16 investment levels, how much do we invest, was
17 discussed all through the period. The potential
18 earnings or cash flow per barrel that could be
19 generated from a given project or part of the
20 portfolio would be discussed. The LNG --
21 Liquefied Natural Gas -- sales volumes and the
22 corresponding growth would be discussed.
23 Refining, uh, refining margins. Sales volumes in
24 the Oil Products Business. Refinery reliability.
25 Dividend levels. Levels of share buy-backs.

0209

1 SIMON HENRY, October 16th, 2006

2 Gearing on the balance sheet and levels of 23964
3 operating expenditure for the individual
4 Businesses, usually in terms of a unit of op-ex,
5 operating expenditure per barrel. I think that's
6 the broad set. There were from time to time other
7 underlying indicators, but that's probably the
8 totality.

9 I didn't mention Debt Adjusted Cash
10 Flow.

11 Q With respect to Debt Adjusted Cash Flow,
12 could you please explain for me your understanding
13 of that metric.

14 A That metric is a measure of the cash
15 that can be generated by the Business before
16 reinvestment, adjusted for any debt in the
17 Business, so deducts any interest payments that
18 are included in the earnings of the Business. It
19 is used by analysts to ascertain the quality of
20 the current business and the amount of cash that
21 is likely to be available either for reinvestment
22 or for payout to the shareholders as dividend.

23 Q Is there a relationship between DACF and
24 Discounted Cash Flow as reported in the Group's
25 20-F?

0210

1 SIMON HENRY, October 16th, 2006

2 MR. SMITH: Objection to form.

3 THE WITNESS: The simple answer is no.

4 BY MR. MACFALL:

5 Q During your tenure at Investor Relations
6 were there periodic meetings conducted for Shell
7 executives in Houston, Texas? Let me rephrase
8 that. Were there periodic meetings conducted for
9 Shell executives which were held in Houston,
10 Texas?

11 MR. SMITH: Objection to the form. You
12 mean IR meetings or just any meetings of any kind?

13 MR. MACFALL: Any meetings of any kind.

14 MR. SMITH: Shell executives in Houston.

15 BY MR. MACFALL:

16 Q Were you aware of something called
17 "Shell Days"?

18 A "Shell Days"? You mean Group Days in

19 Shell Business Week?

20 Q Yes. I'm sorry. Yes. And could you
21 please describe what that is.

22 A I'll make this easy for you.

23 Q Thank you.

24 A At the end of May, roughly, each year,
25 there is a meeting held, a series of meetings held
0211

1 SIMON HENRY, October 16th, 2006
2 called collectively "Business Week." One day in
3 that week is known as the Group Day, where about
4 350 executives meet, hear from the senior
5 executives, state of the nation concerns,
6 challenges, what keeps them awake at night at that
7 point in time. Most years -- in fact, all years
8 that I'm aware of -- another day would be taken
9 up, at least one day, by what are called the
10 Business Days, where people from the EP Business
11 have a meeting with the Leadership Team, and
12 that's around 120 people. The Downstream people
13 will meet with their Leadership Team, and around
14 those big meetings there are many other smaller
15 meetings that take place as well, and that's been
16 happening now for around ten years.

17 Q Were these meetings typically conducted
18 in Houston?

19 A Recently they have been conducted in
20 Houston.

21 Q What do you mean by "recently"?

22 A Since about 2000. I've only been going
23 to them since 2001. All the ones that I've
24 attended may have been in Houston. There is a
25 smaller more exclusive event in December, which is
0212

1 SIMON HENRY, October 16th, 2006
2 the more senior subset of people of that group
3 that is held in the Netherlands in December, so
4 I've attended all of those in December, and I've
5 attended in Houston in May. Prior to 2000 I am
6 certainly aware that some years they were held
7 elsewhere.

8 Q Mr. Henry, I'd like to backtrack for one
9 moment. I'm sorry. With respect to the metrics

10 that you described that were discussed during your
11 tenure at IR, one I believe is Cash Flow Per
12 Barrel, correct? Cash Flow Per Barrel?

13 A That's correct.

14 Q Can you tell me if Cash Flow Per Barrel
15 is related to Discounted Cash Flow.

16 MR. SMITH: Objection to form.

17 THE WITNESS: No, it's not.

18 BY MR. MACFALL:

19 Q Could you describe for me what Cash Flow
20 Per Barrel -- or your understanding of that
21 metric.

22 A The Cash Flow Per Barrel is essentially
23 the Debt Adjusted Cash Flow per barrel of
24 production, sometimes adjusted for working capital
25 movements, but it depends who's, who's doing the

0213

1 SIMON HENRY, October 16th, 2006

2 analysis.

3 Q Thank you.

4 In addition to the roadshows and the
5 formal presentations that you have previously
6 described, did Shell ever conduct field trips for
7 analysts and investors?

8 A Yes, we did.

9 Q Do you recall if any of those field
10 trips occurred in Houston and Canada?

11 A Yes. One did.

12 Q Do you recall approximately when that
13 was?

14 A October 2002.

15 Q Did you participate in that field trip?

16 A I did.

17 Q Could you describe for me briefly your
18 participation or your role with regard to that
19 field trip.

20 A My main role was deciding to hold the
21 field trip in the first place as part of the
22 communication strategy. We had not held a field
23 trip since I think 1999, and field trips were
24 typically a good way to improve relationships with
25 investors and analysts and give them an

0214

1 SIMON HENRY, October 16th, 2006 23967
2 opportunity to see some of the hardware.
3 We had had a mini field trip in Malaysia
4 in 2001, early 2001, that I was involved in, but
5 that was only a relatively small event, so 2002
6 was an opportunity to take analysts to the Oil
7 Sands activity in Canada, which was a major
8 strategic place for Shell. The assets were nearly
9 complete, expected to start up in early 2003, and
10 it was particularly for the European analysts who
11 knew little or nothing about the Oil Sands
12 activity in Canada, and a great opportunity to let
13 them see what the business was about, where a lot
14 of our money was being invested. So the prime
15 reason for deciding on the trip was Oil Sands and
16 its major contribution to strategy in the future.
17 Having decided that it would be a good
18 idea to take the analysts to Canada -- which, by
19 the way, was second choice to Nigeria, but we had
20 an issue around security. Having decided to take
21 them to Canada, we felt North America -- this was
22 the year, a year or so after we had done the
23 Chevron/Texaco deal and increased our Downstream
24 presence, and about six, seven months after we had
25 done the Pennzoil/Lubricants acquisition in the
0215

1 SIMON HENRY, October 16th, 2006
2 Downstream North America, it was clear from our
3 reported performance that the Downstream
4 performance in North America was an
5 underperforming business for Shell relative to
6 competitors, so we felt it would be worthwhile
7 doubling up the locations and going to Houston to
8 let the Downstream guys talk about the Downstream
9 Business.
10 They had set themselves a target of a
11 billion dollars of earnings after the U.S.
12 Downstream Business, and there was skepticism
13 about whether that could be delivered, and we felt
14 taking the analysts down to Houston and giving
15 them a chance to talk to the senior executives in
16 the Downstream Business would be a good way of
17 helping to address some of that concern.

18 That was the strategy that was agreed or
19 developed by me, agreed with Sir Philip and Judy,
20 and then having got that agreement, we passed over
21 the party-planning to David Sexton, given that he
22 was North America-based, and David put together
23 the logistics and the program, and we worked as an
24 IR team across the different Businesses that would
25 actually present.

0216

1 SIMON HENRY, October 16th, 2006

2 Having gotten the analysts in Houston,
3 we did also feel it was worth sharing the state of
4 the U.S. EP Business as well, so we actually did a
5 presentation on the EP and technology during the
6 visit. So my role was driver strategy overall,
7 get the messages, the consistent messages right,
8 make sure we invited the right people, and
9 effectively the host of the whole field trip.

10 Q Do you recall approximately how many
11 analysts and investors attended that field trip?

12 A It varied during the -- it went up to 60
13 in total around Houston, but they didn't all get
14 to Canada. It was around 45 went to Canada, I
15 believe.

16 Q Now, you reference the attendance of
17 European analysts at this field trip. Do you
18 recall approximately how many analysts from Europe
19 attended this field trip?

20 A Probably around 35. 35, 40.

21 Q Generally do you recall if all of the
22 European analysts attended both in Houston and in
23 Canada?

24 A Most of the Europeans did.

25 Q Did you have a role in deciding who to

0217

1 SIMON HENRY, October 16th, 2006

2 invite to attend the field trip?

3 A Yes, I did.

4 Q How is it that you decided who to
5 invite?

6 A It was a combination of the sell side
7 equity analysts and the buy side investors. We
8 invited all of the major sell side analysts who

9 were prime coverage on Shell for any material, an
10 material investment bank or research house. That
11 would have been the majority, but we also tried to
12 limit it to one person per brokerage rather than
13 two or three.

14 We also wanted to invite around 30 of
15 the representatives from up to 30 of the major
16 investors, um, split between Europe and the U.S.,
17 and it was an iterative process, having been
18 through the top 30 investors and which sell side
19 analysts would come to the final invitation, but
20 we wanted a good balance between the three markets
21 that we work in and between sell side and buy
22 side.

23 Q Were formal presentations made to the
24 analysts and investors during this field trip?

25 A Yes, they were.

0218

1 SIMON HENRY, October 16th, 2006

2 Q Who were those presentations made by?

3 A I have to stretch my memory here, but
4 the first day was Downstream, so Paul Skinner, the
5 Managing Director who was responsible for Oil
6 Products, would have kicked off. I believe
7 Russell Kaplan presented on retail. I believe
8 David Parrot (phonetic) presented on Lubricants.
9 And we visited Deer Park Refinery where Tim Hake,
10 the refinery manager, talked about the Refining
11 Business.

12 On the second day I believe we had two
13 presentations from the EP sector, Raoul Restucci,
14 who ran the U.S. EP Business, and John Darley, who
15 ran the Global Technology Division within EP. And
16 then we flew to Canada where, before we visited
17 the mine site, we had presentations from the Chief
18 Executive in Canada, Clive Mayner (phonetic). No,
19 it wasn't Clive Mayner. I think it was Tim
20 Faithful. And from the head of the Oil Sands
21 Project, Neal Camata. So probably six, seven,
22 eight, eight presentations.

23 Q How long did the investors and analysts
24 stay in Houston during that field trip?

25 A Before we started the field trip it was

0219

1 SIMON HENRY, October 16th, 2006
2 a day and a half in Houston.
3 Q And how long in Canada?
4 A A day and a half.
5 Q Do you recall, separate and apart from
6 any formal presentations, having discussions with
7 any analysts concerning Shell's operations during
8 the course of that field trip?
9 A On any subject?
10 Q Yes.
11 A Many. That was the purpose for me.
12 Q Did Mr. Watts attend that field trip?
13 A No, he did not.
14 Q Did Ms. Boynton?
15 A I don't remember. She may have been
16 present at a lunch or a dinner, but she did not
17 take formal part in that presentation.
18 Q Did Mr. van der Vijver attend that field
19 trip?
20 A I believe he did attend one of the
21 lunches or the dinners.
22 Q Do you recall if Mr. van der Vijver
23 participated in a formal presentation?
24 A I don't believe he did, not in the
25 formal presentation.

0220

1 SIMON HENRY, October 16th, 2006
2 Q Do you recall him making any informal
3 presentations?
4 A No, I don't.
5 Q During the course of your various
6 conversations with analysts during that field
7 trip, do you recall discussing Shell's Reserves
8 Replacement Ratio?
9 A I don't recall specifically, but given
10 the timing, it's quite possible that that subject
11 was discussed.
12 Q I take it from your answer you don't
13 recall specifically what was said.
14 A There were 60 odd of my customers there.
15 It was my aim to do all of them and communicate
16 with all of them in a three-day period. I really

17 don't remember who said what. 23971
18 Q During that time period do you recall if
19 Shell had a communication plan or strategy in
20 place specifically with regard to the Reserves
21 Replacement Ratio issue?
22 MR. SMITH: Objection to form and
23 foundation.
24 THE WITNESS: The permanent strategy was
25 at a much higher level than any given indicator.
0221

1 SIMON HENRY, October 16th, 2006
2 Within the plan and the strategy there would be
3 either a Position Statement or a Q&A on any
4 particular issue, and reserves and Reserves
5 Replacement Ratio was one of the issues that
6 formed part of the overall pack. The overall
7 strategy and plan was at a higher level than any
8 one indicator.

9 BY MR. MACFALL:

10 Q Do you recall if there was a Position
11 Statement with respect to Shell's Reserves
12 Replacement Ratio?

13 A Yes, there would have been.

14 Q Okay. Do you recall what that Position
15 Statement was?

16 MR. SMITH: You're talking about
17 October 2002 time frame?

18 BY MR. MACFALL:

19 Q I am.

20 A I believe it would be along the lines of
21 we replace, we aim to replace every barrel that we
22 produce, or words to that effect, over time.

23 Q That Position Statement, was that
24 something that was communicated to senior
25 executives at Shell in terms of what they should
0222

1 SIMON HENRY, October 16th, 2006
2 say to analysts or investors concerning the
3 Reserves Replacement Ratio?

4 MR. SMITH: Same time frame?

5 BY MR. MACFALL:

6 Q During the same time frame. I'm sorry.
7 Thank you.

8 A Yes, it was.

9 Q As distinct from the Reserves
10 Replacement Ratio, do you recall if the issue of
11 proved reserves came up during the course of any
12 of your conversations with analysts or investors
13 during that field trip?

14 A Do you mean proved reserves as already
15 reported rather than the dynamic ratio of what you
16 add in a given period?

17 Q I meant at all, but we can break it down
18 that way. First as reported, do you recall if
19 that was discussed?

20 A I don't recall, but it's unlikely.

21 Q Do you recall if proved reserves was
22 discussed on a forward-looking basis?

23 A Likely it would have been in particular,
24 because the Oil Sands project we took them to
25 visit, despite spending lots of money and

0223

1 SIMON HENRY, October 16th, 2006

2 producing lots of oil, did not actually enable us
3 to book any proved reserves at all, because they
4 did not qualify under SEC guidelines. So one of
5 our objectives was to take them to a major
6 investment that would produce oil, but not
7 actually add any reserves at all.

8 Q Separate and apart from that project, do
9 you recall if proved reserves was discussed with
10 any of the analysts or investors on a
11 forward-looking base?

12 A Not specifically, but it's almost
13 certain that it was discussed then that the
14 general statement -- if you understand Business,
15 that you need to replace every barrel that you
16 produce would have been discussed. It's also
17 likely that the exploration activity in the Gulf
18 of Mexico would have been discussed as a possible
19 source of future reserve additions.

20 Q Do you recall if Nigeria was discussed
21 in connection with potential proved reserves for
22 Shell during that field trip?

23 A During that field trip? I don't recall,
24 and it's relatively unlikely that it was

25 discussed.

0224

1 SIMON HENRY, October 16th, 2006

2 Q Do you recall having conversations with
3 analysts or investors at any time concerning the
4 booking of proved reserves at Nigeria or in
5 Nigeria?

6 A Not before Project Rockford.

7 Q Prior to or excluding Project Rockford,
8 were you aware that there was a moratorium on the
9 booking of proved reserves in Nigeria?

10 A For on-shore Nigeria, not the off-shore
11 project.

12 Q Correct.

13 A I can't remember when I became aware of
14 that, honestly.

15 Q Do you recall if it was prior to Project
16 Rockford or during Project Rockford that you first
17 became aware of that?

18 A I was certainly aware during Project
19 Rockford. I honestly don't remember being aware
20 of that prior to Project Rockford itself. The
21 issues that did discuss were about production and
22 production growth from Nigeria and our capability
23 to deliver that production growth.

24 Q Was there a concern about Shell's
25 ability to deliver production growth in connection

0225

1 SIMON HENRY, October 16th, 2006

2 with Nigeria?

3 A Amongst Investor Relations, yes, because
4 we were aware of the growth projections for
5 Nigeria. In fact, we had shown them to the
6 outside world and they were in the public domain,
7 and what growth do you expect from Nigeria, and it
8 was quite significant. It was a significant part
9 of our future growth profile, and our concern was
10 that will we actually deliver it, because it's
11 such a significant piece.

12 Q During your tenure at IR do you recall
13 if Nigeria was delivering the level of production
14 as established in those targets that were shared
15 with the outside world?

16 A By and large, no, it wasn't; hence the 23974
17 concern from IR as to whether it would continue to
18 do so in future.

19 Q Did investors or analysts express any
20 concern with regard to that issue?

21 A Production growth generally, yes. It
22 wasn't always apparent to them that Nigeria was a
23 major cause of a shortfall, although we did, at
24 least in the 20-F report, by country production,
25 so from time to time we did get questions about
0226

1 SIMON HENRY, October 16th, 2006
2 Nigeria specifically, production-related
3 questions.

4 Q Did there come a time during your tenure
5 at IR that Shell engaged in the acquisition of an
6 entity known as Enterprise?

7 A Yes.

8 Q Do you recall approximately when that --
9 well, do you recall when that occurred?

10 A The actual deal was announced publicly
11 in 2002. We had been working on and off on that
12 acquisition and other possibles for about three to
13 four months, I personally being involved.

14 Q Could you please describe for me your
15 role.

16 A My role was primarily to give advice on
17 market positioning and acceptance of the deal that
18 we might do, depending on the price and what deal
19 we were able to achieve, whether that would be
20 perceived as a good deal or a bad deal by the
21 market, what it would do for our competitive
22 positioning, and as we approached the deal, the
23 conclusion of the deal, to develop a communication
24 program around the deal to our own shareholders.

25 Q I believe you stated that Enterprise was
0227

1 SIMON HENRY, October 16th, 2006
2 one of several acquisition candidates; is that
3 correct?

4 A That is correct.

5 Q Who were the other acquisition
6 candidates?

7 A Might I have to say? Do I need to say?23975

8 MR. FERRARA: Sorry. Are these things
9 that have been publicly announced previously by
10 Shell?

11 THE WITNESS: Not publicly by Shell.

12 MR. FERRARA: Then I'm not sure that
13 that's an appropriate thing to get into in this
14 record. I'm not sure what the relevance is to
15 this.

16 MR. MACFALL: I'm not sure that that's
17 an appropriate reason to withhold the information.
18 The deposition is under seal, but to accommodate
19 Mr. Ferrara, I won't pursue it.

20 BY MR. MACFALL:

21 Q With regard to the Enterprise
22 acquisition, did you monitor market reaction to
23 that transaction?

24 A Yes, we did.

25 Q Were you able to characterize the
0228

1 SIMON HENRY, October 16th, 2006
2 market's reaction to that acquisition as favorable
3 or unfavorable?

4 A My characterization to people inside the
5 company at the time was that it was in general
6 unfavorable. Over time it became more favorable.

7 Q Was the market's reaction consistent
8 with -- withdrawn. Had you provided senior
9 management at Shell with advice with regard to the
10 potential market reaction concerning an
11 acquisition of Enterprise?

12 A Yes.

13 MR. SMITH: Objection to form.

14 BY MR. MACFALL:

15 Q Was the actual market reaction,
16 subsequent to that acquisition, consistent with
17 the advice that you had given to senior
18 management?

19 MR. SMITH: Objection to form.

20 THE WITNESS: By and large, yes. It was
21 consistent with the advice we had given, yes.

22 BY MR. MACFALL:

23 Q Were you told why Shell acquired

24 Enterprise?

25 A Yes.

0229

1 SIMON HENRY, October 16th, 2006

2 Q What were you told?

3 A I was told several reasons. One, it was
4 pure and simply a good price for an asset in an
5 area of activity that we knew well with good
6 synergy. It was mainly a North Sea operation
7 where we are already a well-established player,
8 and it helped to prolong the life of our North Sea
9 infrastructure and the North Sea capabilities that
10 we had. And we bought it at a price at a time the
11 oil price was \$18 to \$20. I agonized over what
12 price we should be valuing it at. As it turns
13 out, the price has averaged about \$45 to \$50 since
14 then, so that's why the market sees it as a better
15 deal over time, but it was explained as being a
16 good asset to have with exposure to high oil
17 prices relative to our average portfolio, because
18 there was some assets in our portfolio that don't
19 have exposure to high oil prices, so Enterprise
20 helped address that balance. It also helped
21 address production growth and added reserves.

22 Q Do you recall approximately how much in
23 reserves it added to Shell?

24 A Enterprise themselves were booking over
25 a billion barrels of proved reserves. When we

0230

1 SIMON HENRY, October 16th, 2006

2 took it on and brought it through our reserves
3 guidelines, it was around 700 million. So they
4 had been more aggressively booking reserves than
5 Shell did.

6 Q Did Mr. Watts ever comment to you that
7 the acquisition of Enterprise served as a gap
8 filler with respect to Shell's proved reserves?

9 MR. MORSE: Objection to form.

10 THE WITNESS: We had discussions, and I
11 don't recall whether it would be Mr. Watts or
12 Walter or others, about strategically Shell's
13 portfolio having a lot of assets three, four, five
14 years away from production and the Enterprise

15 filled the gap in that in terms of production and
16 reserves, yes, but I don't recall if it was Sir
17 Philip or others, but it was certainly part of the
18 discussion.

19 BY MR. MACFALL:

20 Q Do you recall if the market perceived --
21 withdrawn. Did you receive feedback from the
22 market indicating that analysts believed that
23 Enterprise was acquired in order to improve
24 Shell's proved reserves position?

25 MR. SMITH: Objection to form.

0231

1 SIMON HENRY, October 16th, 2006

2 THE WITNESS: We had a lot of feedback
3 from the market, some of it good, some of it not
4 so good. One of the things that would have been
5 said is this was done to help address a low Proved
6 Reserve Replacement Ratio, because by then we --
7 this was two months after we had given figures for
8 2001, and this was -- that was the year I think we
9 already discussed with a relatively low
10 replacement ratio. So analysts would observe,
11 it's added production, helps growth, it's added
12 reserves, helped replacement ratio, and questions
13 were mainly about had Shell paid too much for
14 something that had, in their view, limited
15 long-term strategic growth opportunities. That
16 was their main concern.

17 BY MR. MACFALL:

18 Q Do you recall if there was any
19 discussion with analysts or investors concerning
20 the UFDC for Enterprise versus the UFDC for Shell?

21 A No, I don't recall explicitly.

22 MR. MACFALL: Why don't we go off the
23 record for a minute, please.

24 THE VIDEOGRAPHER: We are going off the
25 record. The time is 5:53 p.m.

0232

1 SIMON HENRY, October 16th, 2006

2 (Whereupon, a short recess was taken.)

3 THE VIDEOGRAPHER: We are back on the
4 record. The time is 5:57 p.m.

5 MR. MACFALL: I will note for the record

6 that discussion having been had by and between
7 counsel off the record, that we have decided to
8 adjourn the deposition for today, to recommence
9 tomorrow at 9:45 a.m.

10 THE VIDEOGRAPHER: This marks the end of
11 Volume I in the deposition of Mr. Henry. The
12 total number of tapes used today is three. We are
13 going off the record. The time is 5:57 p.m.

14 (Signature having not been waived,
15 Volume I of the videotaped deposition of SIMON
16 HENRY was recessed at 5:57 p.m., to recommence at
17 9:45 a.m. the following day.)

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0233

1 SIMON HENRY, October 16th, 2006

4 ACKNOWLEDGEMENT OF WITNESS

6 I, SIMON HENRY, do hereby acknowledge
7 that I have read and examined the foregoing
8 testimony, and the same is a true, correct and
9 complete transcription of the testimony given by
10 me, and any corrections appear on the attached
11 Errata sheet signed by me.

12
13
14 _____
15 (DATE) (SIGNATURE)

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0234

1 SIMON HENRY, October 16th, 2006
2 E R R A T A S H E E T
3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

4 RETURN BY:

5 PAGE LINE CORRECTION AND REASON

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25 (DATE) (SIGNATURE)

0235

1 SIMON HENRY, October 16th, 2006
2 E R R A T A S H E E T
3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

4 RETURN BY:

5 PAGE LINE CORRECTION AND REASON

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25 (DATE) (SIGNATURE)

0236

1 SIMON HENRY, October 16th, 2006

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4 CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

5 I, Laurie Bangart-Smith, Registered
 Professional Reporter, the officer before whom the
 6 foregoing deposition was taken, do hereby certify
 that the foregoing transcript is a true and
 7 correct record of the testimony given; that said
 testimony was taken by me stenographically and
 8 thereafter reduced to typewriting under my
 supervision; and that I am neither counsel for,
 9 related to, nor employed by any of the parties to
 this case and have no interest, financial or
 10 otherwise, in its outcome.

11 IN WITNESS WHEREOF, I have hereunto set
 my hand and affixed my notarial seal this 17th
 12 day of October, 2006.

13

14

15 My commission expires: March 14th, 2011

16

17

18 _____

19 LAURIE BANGART-SMITH
 20 NOTARY PUBLIC IN AND FOR
 21 THE DISTRICT OF COLUMBIA

22

23

24

1 IN THE UNITED STATES DISTRICT COURT
2 DISTRICT OF NEW JERSEY
3 CIV. NO. 04-3749 (JAP)
4 (Consolidated Cases)
5 Hon. Joel A. Pisano
6

7 -----X
8 IN RE ROYAL DUTCH/SHELL :
9 TRANSPORT SECURITIES :
10 LITIGATION :
11 -----X

12
13 Videotaped Deposition of
14 SIMON HENRY
15 Volume II
16 Washington, D.C.
17 Tuesday, October 17, 2006
18 9:45 a.m.

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20
21
22 Job No.: 22-84926
23 Pages 237 - 392
24 Reported by: Ellen L. Ford, RPR
25

1 Videodeposition Deposition of SIMON HENRY, held at the
2 offices of:

3

4

5 LeBoeuf, Lamb, Greene & Macrae, LLP

6 1875 Connecticut Avenue, Northwest

7 Suite 1200

8 Washington, D.C. 20009

9

10

11

12 Pursuant to agreement, before Ellen L. Ford,

13 Registered Professional Reporter and Notary Public in

14 and for the District of Columbia.

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1 A P P E A R A N C E S

2 ON BEHALF OF PLAINTIFFS IN THE CLASS:

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1 A P P E A R A N C E S (continued)

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1 A P P E A R A N C E S (continued)

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14 (414) 297-5681

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20 1909 K Street, Northwest

21 Washington, D.C. 20006-1101

22 (202) 263-3387

23

24 ALSO PRESENT: CALI DAY, Videographer

25

1 P R O C E E D I N G S

2 VIDEOGRAPHER: Here begins Tape No. 1,
3 Volume II in the deposition of Simon Henry in the
4 matter of Royal Dutch Shell Transport Securities
5 Litigation in the United States District Court,
6 District of New Jersey. Case Number 04-374.

7 Today's date is October 17, 2006. The
8 time is 9:52 a.m. The Video Operator today is Cali
9 Day.

10 This deposition is taking place at 1875
11 Connecticut Avenue, Northwest, Washington, D.C.,
12 20009.

13 Would Counsel please identified
14 themselves and state whom they represent?

15 MR. MacFALL: Timothy MacFall,
16 Bernstein, Liebhard & Lifshitz for Plaintiffs and the
17 Class.

18 MS. LAURENT: Christine Laurent,
19 Bernstein, Liebhard & Lifshitz on behalf of the
20 Plaintiffs and the Class.

21 MR. HABER: Jeffrey Haber, Bernstein,
22 Liebhard & Lifshitz on behalf of the Lead Plaintiff,
23 Peter M. Wood and the Class.

24 MR. WARE: David Ware, DeBevoise &
25 Plimpton on behalf of the Corporate Defendants, Royal

1 Dutch Petroleum Company and Shell Transport and
2 Trading Company.

3 MR. SMITH: Colby Smith, DeBevoise &
4 Plimpton on behalf of the two Corporate Defendants and
5 also for the witness.

6 MR. PLATT: Charles Platt from Shell
7 International on behalf of the two Shell Corporate
8 Defendants.

9 MS. TISKA: Tracy Tiska from Hogan &
10 Hartson for Defendant KPMG Accountants N.V.

11 MR. FOUKAS: Savvas Foukas, Hughes
12 Hubbard & Reed for Pricewaterhousecoopers, LLP.

13 MR. MORSE: Adriaen Morse, Mayer,
14 Brown, Rowe -- Mayer, Brown, Rowe & Maw, LLP for Sir
15 Philip Watts.

16 MS. WICKHEM: Rebecca Wickhem, Foley &
17 Lardner for Judith Boynton.

18 MR. FERRARA: Ralph Ferrara, LeBoeuf,
19 Lamb for two Corporate Defendants, Shell Transport and
20 Royal Dutch Shell, and for Simon Henry who is our
21 witness here today.

22 VIDEOGRAPHER: The Court Reporter today
23 is Ellen Ford of Legalink New York. Would the
24 Reporter please swear in the witness.

25 MR. MacFALL: Excuse me. Before we go

1 on the record, one Counsel has just joined us and I
2 would like her to note her appearance for the record.

3 MS. MACKINTOSH: Christine Mackintosh
4 from Grant & Eisenhofer for the Opt Out Plaintiffs.

5 BY MR. MacFALL:

6 Q Good morning, Mr. Henry.

7 A Good morning.

8 Q Mr. Henry, I just want to follow up on some
9 of the issues we discussed yesterday and hopefully
10 move on to some new areas.

11 One of the things we were discussing yesterday
12 were the various metrics considered by the market with
13 respect to Royal Dutch/Shell. One of those that we
14 discussed was ROACE, return on average capital
15 employed.

16 I believe you indicated that there was a
17 relationship between ROACE and proved reserves,
18 correct?

19 MR. SMITH: Objection to form.

20 A What I indicated was that proved reserves
21 impact depreciation, depletion, amortization which in
22 turn is one of the parameters that is used to
23 calculate ROACE.

24 Q Okay. Do you have an understanding as to
25 the effect on ROACE of an increase in proved reserves,

1 all other things being equal?

2 A All other things being equal, an increase in
3 proved reserves would lower the depreciation rate and
4 have -- and increase ROACE. The impact is fairly
5 minimal though at the end of the calculation given
6 that there are much bigger numbers in play.

7 Q In terms of market -- withdrawn.

8 Was a higher ROACE a positive factor for the
9 company in terms of the market?

10 MR. SMITH: Objection to form and
11 foundation.

12 A Higher ROACE that was materially higher
13 would be a positive impact. The impact of a change in
14 proved reserves would, in my opinion, never be
15 material enough to make any difference.

16 Q With respect to unit finding and development
17 costs, I believe you also indicated that there was an
18 impact on that metric based on proved reserve levels;
19 is that correct?

20 A Yes.

21 Q Would an increase in proved reserves, all
22 other things being equal, cause a decrease in unit
23 finding and development costs?

24 A All other things being equal, yes, it would.

25 Q Was a lower unit finding and development

1 cost viewed as a positive or favorable -- I'm sorry --
2 a positive or negative fact by the market?

3 MR. SMITH: Objection to form and
4 foundation.

5 A It was one of many factors considered by the
6 market and by some analysts may be considered a
7 positive factor. By many others it was not
8 necessarily a key element in the way they looked at
9 the company.

10 Q When you say "was viewed as a positive
11 factor by some analysts", are you referring to a low
12 UFDC?

13 A A lower UFDC.

14 Q Was UFDC one of the metrics that you
15 discussed with the market?

16 A Yes, it was.

17 Q Okay. Did you discuss that metric with the
18 market because you believe that it was deemed
19 significant or material by certain analysts?

20 MR. SMITH: Objection to form.

21 A I discussed it with the market because it
22 was one of the parameters that they would choose to
23 discuss with us. And I was aware that in the way that
24 analysts model their company, that was one of the
25 factors that some of them would use.

1 (Henry Exhibit No. 1 - e-mail string - marked for
2 identification.)

3 BY MR. MacFALL:

4 Q Mr. Henry, I've just handed you an exhibit
5 that has been marked as Henry Exhibit 1 for
6 identification. I would ask you to take a look at
7 that document, sir, and tell me if you recognize it.

8 A I vaguely recall the correspondence.

9 Q For the record, the document that I've just
10 handed you is an e-mail dated August 7, 2001 from you
11 to Graham G.S. Talbot which was CCed to various
12 individuals. The subject of the e-mail is, "Revised
13 IR Story Line."

14 Could you identify Mr. Talbot for me, sir?

15 A Mr. Talbot worked in the Finance Department
16 in the expiration and production business at the time
17 in the Central Unit that was responsible for
18 performance reporting, planning and appraisal, and had
19 been identified as a focal point to work with in
20 between the second quarter quarterly results
21 announcement in 2001, which I think was about five
22 days before this, and presentation that we were
23 planning to the market about the EP business in
24 September, 2001.

25 Q With regard to the subject, "Revised IR

1 Story Line," could you please explain for me what an
2 IR story -- or what you meant by "IR story line"?

3 MR. SMITH: Objection to the form.

4 A We had just had the presentation in the
5 second quarter where Mr. Philip Watts had talked about
6 previous production growth targets as being a
7 challenge to meet. We were in the early stages of
8 business plan for that year at the time, which is why
9 we had made that statement previously.

10 And what we were doing at this time was aiming to
11 develop a better understanding of the future business
12 projections for the company, and how that projection
13 of the performance of the company could be
14 communicated to the market.

15 The phrase story line is -- encompasses the whole
16 messages about that -- that process that we would
17 ultimately wish to talk to the market about. So it's
18 having a coherent set of messages to the market about
19 the future performance of the company.

20 Q Okay. I would like now to direct your
21 attention specifically to the last paragraph that
22 appears on the first page of that document that begins
23 with the words, "the link between." Do you have that,
24 sir?

25 A Yes, I do.

1 Q That paragraph reads, "The link between
2 capital investment and production growth needs to be
3 explicit and linked to our own historical performance
4 and the competitor group (Exxon, BP, TFE). There is
5 definitely a belief among some analysts that we are
6 projecting more bbls per dollar, and they would like
7 to know how we do this. UFDC and other relevant
8 indicators may be required to demonstrate this effect
9 actually works in practice."

10 With regard to the last sentence of that
11 paragraph, could you please explain for me what it was
12 that you were attempting to convey to Mr. Talbot?

13 A One important indicator for the market is
14 capital efficiency and what the return on every dollar
15 invested might prove to be.

16 Individual analysts use different measures. Some
17 go clearly, some are looking at ultimate return on
18 capital employed, some look at the margin per barrel,
19 some will look at UFDC, some will look at -- they
20 don't really have a name for it -- but current capital
21 per current barrel of current production.

22 But either way, they're looking to assess what is
23 the return on today's investment. UFDC is one of the
24 indicators as mentioned here.

25 What I was looking for in this particular

1 paragraph was for future projects, could we in IR
2 understand what future development costs or the other
3 relevant indicators might look like in a way that we
4 could communicate to the market to help address the
5 concern that I talk about that some analysts think
6 that the capital investment levels were too low for
7 the levels of future production.

8 Q Thank you.

9 (Henry Exhibit No. 2 - e-mail string - marked for
10 identification.)

11 BY MR. MacFALL:

12 Q Mr. Henry, I'm now handing a document that
13 has been marked as Henry Exhibit 2 for identification.
14 Again, sir, I would ask you to take a look at that and
15 tell me if you recognize it.

16 A Okay. Yes.

17 Q You recognize this document?

18 A I do recognize that.

19 Q Okay. For the record, the document is an
20 e-mail string, the most recent of which is from
21 Malcolm Brinded dated September 22nd, 2001 to Philip
22 Watts and Judy Blackmon. The subject is, "Oil Price
23 Note for CMD."

24 Could you identify Mr. Brinded for me, sir?

25 A Mr. Brinded at the time was Director of

1 Group Planning, Strategy and External Affairs.

2 Q I would note for the record that was in
3 Mr. Brinded's e-mail. He reproduces an e-mail from
4 you dated Thursday, September 27, 2001 to David Frowd
5 on which he was CCed along with several other
6 individuals.

7 Could you identify Mr. Frowd for me, please?

8 A Mr. Frowd worked in Mr. Brinded's unit. And
9 if I remember correctly was responsible for some of
10 the economics, the longer term thinking about oil
11 price environment and the industry environment.

12 MR. FERRARA: Tim, if we're going to
13 get into this e-mail, may I at least suggest that if
14 you're going to direct him to a paragraph in here, you
15 identify the paragraph, perhaps give him the first
16 couple of words of the sentence you want him to focus
17 on, then ask him your questions rather than read the
18 whole paragraph into the record? It may save us a bit
19 of time.

20 MR. MacFALL: That's fine.

21 Q Mr. Henry, I would like to direct your
22 attention to the second page of the document, the
23 third bullet point down, the third hyphen down there
24 is a sentence beginning with the words, "the ROACE
25 ranges." Do you see that, sir?

1 A I do.

2 Q If you could read that and the following
3 bullet point to yourself and then let me know when
4 you're finished.

5 A Okay. I read it.

6 Q Okay. You indicate in the second paragraph,
7 which I believe is related to the first, that, "A
8 change in reserves in PSCs affects by increase" --
9 well, withdrawn.

10 You discuss reserve changes impacting depletion
11 charges in certain countries. Do you see that, sir?

12 A Yes, I do.

13 Q First of all, could you please explain for
14 me what a PSC is?

15 A A PSC is a production sharing contract where
16 the oil company has the right to recover costs and a
17 certain amount of profit oil from production with the
18 remainder of the production typically reverting to the
19 Government. Because the oil company has the right to
20 recover a certain amount of money rather than a
21 certain amount of barrels associated with cost, as the
22 oil price changes, the oil company's share of barrels
23 that they're entitled to changes.

24 If the oil price goes up, the number of barrels
25 the oil company is entitled to goes down and vice

1 versa.

2 Q With respect to the reference in that
3 sentence to the "change for reserves in PSCs", what
4 were you referencing there?

5 A The whole correspondence is about a proposal
6 from David Frowd's group about, for our planning
7 purposes, what oil price should we be building our
8 plans and some of our decision-making around. And
9 David is recommending an increase from \$16 a barrel to
10 \$18 a barrel.

11 My concern at the time was that, understanding
12 how the mechanism of a production sharing contract
13 worked, as I just explained, was that that increase in
14 future oil prices could lead to a reduction of
15 reserves.

16 Also reflected in the paragraph is the fact that
17 in non-PSC environments it's quite possible of taking
18 a higher view of the oil price of the future might
19 extend the life of some fields, make them more
20 commercial, or it might make other opportunities that
21 were not commercial at 16 become commercial at an \$18.

22 So I was aware there were two possible affects;
23 one would lead to lower reserves, one could lead to
24 higher reserves. And at the time, I really did not
25 have any data that would help me understand which

1 direction the outcome would be. So I was raising the
2 issue that before we made a choice to move from 16 to
3 18, we should understand some of the -- basically the
4 data and the facts first.

5 Q How would that price change have impacted
6 depletion charges? You reference it in that
7 paragraph.

8 A The proposed price change was an increase;
9 therefore, it would have reduced our entitlement
10 according to the way we calculated reserves at the
11 time; therefore, it would have increased the
12 depreciation charge.

13 Q When you say "reserves", are you referring
14 to proved reserves?

15 A Yes, I was implicitly here.

16 Q The following sentence discusses possible
17 offset of -- well, possible offset of what you just
18 discussed by an upward revision of reserves. Do you
19 see that, sir?

20 A That's correct, yes.

21 Q Okay. Again, with regard to the reference
22 to reserves, were you talking about proved reserves?

23 A Yes, I was.

24 Q Okay. And the offset that you were talking
25 about was that the increase in depletion charges,

1 meaning that any increase in depletion charges might
2 be offset by an upward revision in reserves?

3 MR. SMITH: Objection to form.

4 Q Withdrawn. I'll withdraw the question.

5 What was it that you were talking about? What
6 were you specifically suggesting might be offset?

7 A The offset here specifically refers to
8 potential upward reserves revisions that would offset
9 potential downward revisions.

10 Downward in PSCs, upwards in non-PSCs in a normal
11 tax royalty regime.

12 And I -- it's clear here that I did not know what
13 would the balance of that that would be.

14 Q Thank you. Now, again, just going back a
15 moment to UFDC. Let me ask this. I believe you had
16 mentioned in your opinion that a decline or decrease
17 in proved reserves would not have a material impact on
18 ROACE.

19 Would a decline in proved reserves, all other
20 things being equal, have a material affect on UFDC?

21 MR. SMITH: Objection to form.

22 A It would depend on how material the decline
23 in reserves was.

24 Q If it were a material decline in reserves.

25 MR. SMITH: Objection to form.

1 A I can only speak to facts. There was a
2 material decline as we did reserve restatements at the
3 send of 2002, 2003 and the resulting impact on
4 depreciation was not material.

5 MR. SMITH: I'm sorry. You said 2002,
6 2003.

7 A If I go back to when we actually did
8 restate, we restated the 2002 20F in prior years and
9 we restated the 2000 -- we didn't restate 2003. But
10 anyway, we recalculated depreciation based on the
11 restatements of 25 percent of the reserves.

12 And the resultant impact on depreciation I
13 believe was in the order of a few hundred million
14 dollars pretax. Therefore, after tax was adjusted.
15 The resulting impact on an earnings in the \$10 billion
16 range was I believe not material, and I certainly
17 don't recall it being followed up by investors at the
18 time as being material impact on earnings.

19 So I cannot say what would have happened in 2001.
20 But based on what did happen when we made material
21 changes to proved reserves, the flow through to income
22 immediately is not that significant.

23 Q Okay. But you didn't answer my question
24 which was: What about the impact on UFDC?

25 You've discussed the impact on depreciation as a

1 result of a material decrease in reserves. What would
2 the effect of a material decrease in proved reserves
3 be upon the unit finding and development costs?

4 MR. SMITH: Objection to form.

5 A I did misunderstand the question. The
6 relationship between proved reserves and UFDC is more
7 direct. By definition, depending on what period you
8 were looking at, it would feed through proportionally.
9 10 percent reduction could impact 10 percent change in
10 the UFDC.

11 Q Thank you. Now, again, just going back to
12 an issue that we discussed somewhat yesterday. We
13 discussed at some length the percentage of Shell
14 shares owned by investors in the United States. And I
15 believe we touched on -- but I just want to clarify --
16 the percentage of Royal Dutch holders in the United
17 States.

18 Having said that, did you during your tenure at
19 IR track the number of US investors that held shares
20 of -- excuse me -- yes, held shares of Royal Dutch?

21 A We had information that would enable us to
22 track that. We tracked the total number of shares
23 that were being traded on New York for the flow back
24 across the Atlantic between New York and Amsterdam.

25 That was an indicator for us of at the time the

1 impact of the S&P 500. So we were tracking those
2 total shares.

3 Of course that's not I don't think answering your
4 question directly because we don't know necessarily
5 all of the beneficial owners of the shares as traded,
6 but we did know how many were actually traded on the
7 New York Stock Exchange.

8 So we tracked that in aggregate, and then
9 individually for individual investors we would track
10 buying and selling transactions for the big investors,
11 some of whom would be US based.

12 Q During your tenure at IR if it's possible --
13 withdrawn.

14 Do you recall for 2002 what the percentage of
15 Royal Dutch shares held by US investors was?

16 MR. SMITH: Objection to form,
17 foundation.

18 A I don't recall exactly. What I do recall is
19 when we started the exercise to add -- to obtain
20 information, I was under the impression that we were
21 25 percent or so was based -- of the group was based
22 in the US, or was in general terms a US investor.

23 I was not aware or building in all of the subtle
24 differences or nuances of US investors with US
25 overseas -- affected overseas subsidiaries, holdings

1 stock in Shell Trading rather than Royal Dutch, nor
2 the reverse.

3 So the over 25 percent was my perception based on
4 the information we had at the time available. And
5 then as we began to develop information streams, I had
6 a better understanding over time. As I just
7 explained, how many were traded on the New York Stock
8 Exchange and for individual investors and what they
9 actually held. And I was certainly believe that over
10 that time, at least triggered by the S&P decision, and
11 subsequent followthrough, that proportion of shares
12 held in the US declined fairly significantly for the
13 group.

14 Q Do you recall how much that decline was?

15 MR. SMITH: Objection to form and
16 foundation.

17 A Yesterday I talked about 5 percent drop
18 which is the immediate aftermath of the S&P 500 as to
19 the best of my recollection. And I believe the fall
20 beyond that was -- it continued, the reduction of the
21 shares traded or held in the US.

22 Q Do you recall what the percentage was by the
23 time you left IR?

24 MR. SMITH: Objection to form and
25 foundation.

1 A No, I don't.

2 Q As part of your duties and responsibilities
3 in investor relations, did you track the voting habits
4 and tendencies of various groups of shareholders with
5 respect to Royal Dutch?

6 MR. SMITH: Objection to foundation.

7 A In the first couple of years, no. Now
8 I'm -- there was a time when we did track voting
9 recommendations, and certainly in 2004 leading up to
10 the AGM we did work through proxies to assess the
11 likely voting intent.

12 I don't recall whether we had done that
13 previously in the 2003 AGM, but we certainly did not
14 do it in my first couple of years. It was not -- just
15 not an issue.

16 Q Do you recall why it was that you undertook
17 that activity with respect to the 2003 AGM?

18 MR. SMITH: Objection to form and
19 foundation.

20 A I don't think we did for 2003.

21 Q I'm sorry, for 2004.

22 A 2004. I don't easily recall specifically
23 what we were looking for.

24 Q Mr. Henry, as a result of your or IR's
25 activities in connection with tracking voting trends

1 in connection with the 2004 AGM, were you able to
2 discern whether investors in the United States, given
3 their -- the percentage of their holdings in Royal
4 Dutch exercised a disproportionately large -- or had a
5 disproportionately large impact on the outcome of any
6 Royal Dutch resolutions?

7 MR. SMITH: Objection to form and
8 foundation.

9 A To the best of my knowledge, one of the
10 reasons we were looking in 2004 was the presence of a
11 group called Knight Vink Asset Management on the
12 register who were making -- had become a
13 self-appointed shareholder activist for the company
14 and were seeking to develop consensus or earn certain
15 resolutions at the AGM, I just don't remember the
16 specific content.

17 We were then looking at the shareholder register
18 that would tell us both who held stock and who might
19 vote, and were looking back at previous voting records
20 in as much as we could define them for previous AGMs,
21 although I'm struggling to remember whether there was
22 a legitimate connect.

23 It was more whether they voted or not rather than
24 what they voted on. Because overall, a very low
25 percentage of shareholders actually voted,

1 particularly in the Royal Dutch meeting.

2 If I recall correctly, European shareholders have
3 a rather lower propensity to vote than US shareholders
4 who by and large are more activity.

5 The Shell Transport and Trading, the majority of
6 shareholders are based in the UK, so the UK was the
7 focus of that effort in terms of understanding both
8 who does vote and, if they vote, what they were likely
9 to vote.

10 (Henry Exhibit No. 3 - e-mail string - marked for
11 identification.)

12 BY MR. MacFALL:

13 Q This may help with respect to some of the
14 details you've just testified to. Mr. Henry, I'm
15 handing you a document that has been marked for
16 identification as Henry Exhibit 3.

17 I'm going to ask you to look at that and tell me
18 if you recognize it.

19 MR. MacFALL: While you are looking at
20 that, I would note for the record that the document
21 marked as Exhibit 3 for identification has been
22 produced -- or was produced to us on hard drive. It
23 is reproduced in native format. The document
24 identification number appears at the top.

25 MR. SMITH: While he's looking, I would

1 just note for the record, at least as printed out,
2 this looks somewhat unusual in that the first -- or
3 maybe I guess it's the last, it's hard to tell --
4 e-mail in this string, there is no name next to the
5 from line or the to line, nor is there a time stamp
6 next to the sent line which ordinarily one would find
7 in association with a document of this kind. I just
8 note that for the record.

9 MR. MacFALL: I see that, Mr. Smith. I
10 would just note it appears it is misaligned. I don't
11 know that for a fact, but the name Henry -- Simon
12 Henry appears in the from line.

13 MR. SMITH: I'm sorry. I'm looking at
14 Page 1 of 4, not 2 of 4.

15 MR. MacFALL: I'm sorry. I was looking
16 at Page 2. I see what you're saying.

17 Q Do you recognize the document, sir?

18 A Yes, I do.

19 Q Okay. And for the record, with the caveat
20 that Mr. Colby properly noted with respect to the
21 first page, the balance of the document appears to be
22 an e-mail string to and from various individuals
23 including yourself.

24 Before we get into the document, sir, I'm sorry.
25 You used the term AGM. Could you please define that

1 for me?

2 A And also thank you for reminding me that it
3 was 2003. The AGM is the Annual General Meeting of
4 the company typically held within six months of the
5 end of the previous year.

6 It's an annual general meeting of shareholders at
7 with various resolutions are proposed either by the
8 company or by shareholders, and the shareholders vote
9 on those, typically related to Government issues,
10 appointment of Directors, remuneration.

11 Q Thank you. Now, I would like, sir,
12 specifically to direct your attention to the third
13 page of the document. About halfway down the page
14 there appears an e-mail from you dated April 8th, 2003
15 to Philip Watts CCed to various individuals.

16 The subject line reads, "ST&T major shareholders:
17 Voting intentions." Do you see that, sir?

18 A Yes, sir.

19 Q Do you recall writing this e-mail to
20 Mr. Watts?

21 A I recall the content, yes.

22 Q Okay. I would like now to direct your
23 attention to the following page which is the
24 continuation of that e-mail.

25 And you'll see there appear two bullet points.

1 And I would like specifically to direct your attention
2 to the second bullet point appearing on that page
3 beginning with the words, "for Royal Dutch last year."
4 Do you see that, sir?

5 A I do.

6 Q If you could read that paragraph to yourself
7 and just let me know when you're finish, sir.

8 A Okay. I'm done.

9 Q Okay. That paragraph indicates that of the
10 potential votes cast at the AGM in the prior year,
11 24 percent were actually cast; is that correct?

12 A Of the total shareholder register that could
13 have voted, yes, only 24 percent actually were voted.

14 Q Okay. It continues that, "90 percent of
15 those votes cast were US based investors." Is that
16 consistent with your recollection, sir?

17 A If reflects my earlier comment, yes, that
18 the more active shareholders were in the US, not
19 Europe.

20 Q The next sentence references -- well,
21 states, "even with the now reduced US influence," and
22 then continues.

23 Was that a reference to the affect of the
24 exclusion of Royal Dutch/Shell from the S&P 500?

25 A Yes, it would.

1 MR. SMITH: Objection to form.

2 A Yes, at that time it would have been.
3 Recognizing our previous discussion that the
4 percentage held in the US had reduced over time.

5 Q That sentence then continues, "RD
6 resolutions are in effect decided in the US."

7 Is that consistent with your recollection of how
8 resolutions were decided with regard to Royal Dutch?

9 A At the time?

10 Q At the time.

11 A I think the facts are there in the
12 statement. That was what we learned in the process
13 of -- that we discussed earlier of ascertaining who
14 voted in previous AGMs.

15 Just make it clear, this was for Royal Dutch
16 Petroleum, not Shell Transport and Trading which was
17 different.

18 Q I understand. Notwithstanding the subject
19 line said Shell Transport. Thank you.

20 You can put that aside, sir.

21 Now, again, just to follow up on something that
22 we discussed yesterday. With regard to the group
23 strategy presentations, you had indicated that during
24 your tenure at IR, they were from time to time
25 conducted in London and then in New York on the

1 following day, correct?

2 A That is correct.

3 Q I believe you also indicated that following
4 the London presentation, that during the flight to New
5 York, you would discuss issues that arose at that
6 presentation in order to address such issues in New
7 York.

8 MR. SMITH: Objection to form.

9 A I think -- I don't remember exactly what I
10 said. But yes, we did on the flight over take the
11 opportunity of the face time with the Executives to
12 review both the performance and, for example, Q and As
13 and whether we, as I, all felt they had addressed an
14 issue correctly, and also the -- by then we would have
15 the first media and investor analyst reactions, as
16 well.

17 So we checked those and discussed how they may
18 react in New York, or maybe amend the way they
19 presented a particular issue.

20 Q Did Mr. Sexton have input into the
21 discussions that occurred between London and New York?

22 MR. SMITH: You mean on the airplane,
23 on the flight?

24 Q Yes.

25 A Usually, no, because he was in the US

1 answering the phone. I can't remember every time.

2 But the way it used to work is, before we got on
3 the flight, I would call David, or one of my team
4 would call David and say, "Are there any issues hot in
5 the US we should discuss?"

6 And then David the following day, having had more
7 time to consider it, would usually verbally brief the
8 leaders when they arrived in the US.

9 Q I believe you previously stated that certain
10 US analysts were able to participate in the London
11 presentation telephonically, correct?

12 MR. SMITH: Objection to form.

13 A They were able to. In the group strategy
14 presentation sometimes they did, sometimes they
15 didn't.

16 But yes, they were able to do so. They would
17 have the telephone details.

18 Q Do you recall any specific instance in which
19 Mr. Sexton provided comments in advance of the New
20 York presentation based on something that was said by
21 US based analysts over the telephone?

22 A I don't recall a specific instance, no.

23 Q Do you recall if, for any of the strategy
24 presentations, proved reserves was discussed as a
25 topic during the flight from London to New York?

1 A I recall one of the business strategy
2 presentations but not group strategy. But that
3 doesn't mean that it -- I just don't recall for a
4 group strategy.

5 Q Now, with respect to the business
6 presentation, was the format for the one that you
7 specifically recall the same as the group strategy
8 presentations that we've been discussing?

9 MR. SMITH: Objection to form.

10 A It was very similar if I recall.

11 Q Was -- specifically, was there a
12 presentation conducted in either the UK or Europe
13 followed by a presentation in the United States?

14 A Yes, there was.

15 Q Do you recall if -- withdrawn.

16 Do you recall approximately when it was that that
17 business presentation occurred?

18 A I think that was the one in March, 2003.

19 Q Okay. Do you recall what business that
20 presentation concerned?

21 A It was expiration of production.

22 Q Okay. Who were the Shell Executives who
23 presented at that business presentation?

24 A Walter Van de Vijver, and I believe Malcolm
25 Brinded, and Linda Cook, and I think Mathias Bixel

1 also presented.

2 Q Do you recall if proved reserves was
3 discussed as part of -- withdrawn.

4 Were prepared statements made during either the
5 London or New York portion of that business strategy
6 presentation?

7 A Yes, they were.

8 Q Do you recall with regard to the London
9 presentation if any of those prepared statements
10 involved proved reserves?

11 A Yes.

12 Q Do you recall generally what was said about
13 proved reserves during those prepared statements?

14 A This followed the 2002 year-end reporting of
15 financials and reserves.

16 So the end of 2002, the reserve replacement ratio
17 overall was 117, but excluding the acquisition of
18 Enterprise Oil was I think around 50 percent.

19 If I remember correctly, and I'm sure you will
20 remind me, there were discussions around, of the
21 50 percent or so organic, what is the explanation of
22 why it was 50 percent, and what are the future
23 prospects, and then what can we share or discuss with
24 the market?

25 And I -- again, if I remember correctly, there

1 was a difference between oil and gas, and gas reserve
2 replacement was -- in particular was low. So there
3 was quite some discussion about what it takes to
4 generate new reserves in gas.

5 And it all got fed into the statements, if my
6 memory serves me correctly.

7 Q When you say, "what it takes to generate new
8 reserves in gas," what is it you mean by that?

9 A Which projects were being progressed? And
10 what was the state of those projects? And how certain
11 milestones in the development of the project might
12 lead to the booking of reserves and over what
13 timeframe.

14 Q Now, were these issues -- withdrawn.

15 Were those topics discussed during the
16 preparation for the London strategy presentation?

17 A Yes, they were.

18 Q Did you discuss any of those topics with
19 Mr. Van de Vijver?

20 A Prior to the presentation?

21 Q Prior to the presentation. Thank you.

22 A I certainly discussed them with the EP team.
23 I would imagine I would have discussed it with
24 Mr. Van de Vijver, but I don't recall exactly how and
25 when. And I know there were some preparation meetings

1 where Mr. Van de Vijver did not join us.

2 Q During the preparations for the EP strategy
3 presentation that we're discussing, was there any
4 discussion about projects that had not reached FID for
5 which reserves had been booked?

6 MR. SMITH: Objection to form and
7 foundation.

8 A So 2003? It's -- it's possible. And it was
9 discussed in the context of future implications in
10 terms of, as we progressed, what would be the impact
11 on the future metrics that we would achieve and
12 report.

13 Q And by that, do you mean because reserves at
14 various projects had already been booked, what the
15 impact would be upon Shell's ability to impact future
16 reserves? Is that what was discussed?

17 MR. SMITH: Objection to form.

18 A I think broadly speaking, yes. Although
19 that was not necessarily the main topic of
20 conversation. But as we were looking forward, we knew
21 we were progressing business opportunities. And as
22 they progressed, we, particularly at IR, wanted to
23 understand what impact that had on reserves.

24 And I guess not mentioned it before, but none of
25 my IR team were from an EP background in terms of

1 being reservoir engineers or ever having really been
2 part of the reserves booking process.

3 Therefore, we were dependent on quite a lot of
4 correspondence with EP as to improving our
5 understanding of that process. So there would have
6 been quite a lot of correspondence between IR and EP
7 at that time.

8 Q Along those lines, do you recall if you had
9 read the Shell guidelines with respect to the booking
10 of proved reserves at or about that time?

11 A I don't believe I had.

12 Q Did there come a time when you reviewed the
13 Shell guidelines regarding booking of proved reserves?

14 A Yes, there did. But definitely much later I
15 recall. Project Rockford at the time.

16 Q Okay. Were you aware that there were SEC
17 requirements concerning the booking of proved reserves
18 back at the time of the 2003 EP strategy presentation?

19 A I was aware that there were SEC regulations,
20 clearly because they were reported in the 20F.

21 I was aware of the principle of reasonable
22 certainty.

23 I was not aware of a great deal more than that in
24 terms of the -- the overall framework.

25 What I would have been aware of was on specific

1 assets or projects, where over the previous -- as
2 reserves had become more of an issue in terms of my
3 job and the investors, and perceptions, I would have
4 asked questions of EP that would have built up my
5 knowledge over time. But I didn't look at the whole
6 of the guidelines, nor, to be honest, would I
7 necessarily have understood them if I had.

8 Q I take it by your answer, but I just want to
9 clarify then, that at that time you had not read, am I
10 correct, the SEC -- well, SEC Rule 410 relating to
11 proved reserves.

12 A I still have not read all of SEC 410.

13 Q Thank you. Now, going back to the prepared
14 statements that were delivered at the March, 2003
15 business EP strategy presentation, do you recall what
16 was said in connection with proved reserves in those
17 prepared statements?

18 A I think, if I recall correctly, the two
19 aspects; one was I think Walter termed education.
20 This is the life cycle of a project, approximate
21 timings, and how and when it was typical to recognize
22 reserves; and then secondly, some discussion about the
23 2002 figures in particular and how we expected to
24 improve our performance in that area going forward.

25 Q Thank you. Do you recall if

1 Mr. Van de Vijver distinguished between Shell's proved
2 reserves on an organic basis as opposed to the reserve
3 level including the Enterprise acquisition?

4 A Again, without the document in front of me,
5 I can't confirm that. But I think, again, if I recall
6 correctly, he should have done that at that time.

7 And I believe in previous quarterly -- the
8 results announcement when we announced the proved
9 reserve replacement ratio for 2002, I'm fairly certain
10 we made that distinction anyway, so it was already
11 known in the market. I don't know whether Walter
12 referred to it.

13 Q Was the format of the EP business
14 presentation such that there was a Q and A session
15 with analysts and investors following the prepared
16 remarks?

17 A Yes, that was the format.
18 (Henry Exhibit No. 4 - Strategy Presentation - marked
19 for identification.)

20 A I'm not going to read all that one.

21 Q Maybe we can direct your attention
22 specifically to certain portions of this.

23 Mr. Henry, I do apologize. While we were
24 discussing this, we were trying to locate the actual
25 document. I am now handing it to you. It is a

1 document marked for identification as Henry Exhibit 4.

2 And I would ask you to take a look at that, sir.

3 MR. SMITH: How could you misplace a
4 document this thick?

5 A I think you probably should direct me to
6 where you want me to go.

7 Q Certainly.

8 A This is the full transcript.

9 Q Mr. Henry, I believe I just heard you state
10 that this was the full transcript, and I would just
11 note for the record that this is in fact a document
12 that relates to the strategy presentation that was
13 made in New York on March 27, 2003 which would have
14 been the day after the actual presentation which you
15 were just discussing which I believe was the one in
16 London; is that correct?

17 A Well, I was discussing both of them really,
18 and I guess the preparation was the same for both.

19 Q Okay. And were the prepared remarks that
20 were delivered at each of those two presentations the
21 same to the best of your recollection?

22 A To the best of my recollection, yes, they
23 were, the prepared remarks.

24 Q Okay. The document that's in front of you,
25 sir, do you recognize this as a transcript of the

1 prepared remarks that were delivered and the Q and A
2 session that followed?

3 MR. SMITH: Objection to form and
4 foundation.

5 A I recognize it as the transcript. What I
6 guess I have to share with you is that the prepared
7 remarks were not always followed by one of the
8 speakers in particular in terms of what he said as a
9 prepared remark.

10 Q The particular speaker that you're referring
11 to, would that have been Mr. Van de Vijver?

12 A It was, yes.

13 Q Do you recall if Mr. Van de Vijver departed
14 from the prepared remarks during that March, 2003 EP
15 strategy presentation?

16 A I don't remember specifically. In general,
17 I think less so than sometimes at that particular
18 presentation.

19 Q Do you recall if the remarks delivered by
20 Mr. Van de Vijver at the London presentation differed
21 in any material way from the remarks that he delivered
22 at the New York presentation in March of 2003?

23 MR. SMITH: Objection to form.

24 A I don't recall anything differing in a
25 material way because we would have raised that issue

1 anyway. The material would have meant we had to maybe
2 say something either at the following day's
3 presentation or, depending how material, it would have
4 been needed to go through a Stock Exchange release.

5 Q Mr. Henry, I would like now specifically to
6 direct your attention to -- it's actually the fifth
7 page of the document, but it bears Page No. 4 at the
8 top. Do you have that, sir?

9 A I do.

10 Q Okay. And actually, I'm sorry. If you turn
11 to Page No. 2, there is a caption that says, "EP
12 portfolio and performance."

13 Beneath that appears Mr. Van de Vijver's name and
14 then a series of comments which run through and
15 including Page 4.

16 I take it by that -- do you understand that to
17 mean that this was Mr. Van de Vijver speaking?

18 MR. SMITH: Objection to form and
19 foundation.

20 A I do assume these are the words of Walter as
21 spoken at the time.

22 Q Okay. Now, on Page 4, directing your
23 attention to the third paragraph appearing at the
24 bottom of the page, beginning with the words, "if you
25 look at our proved reserves." Do you have that, sir?

1 A I do.

2 Q If you would, if you could just read
3 actually that paragraph and the following paragraph to
4 yourself, and then we can discuss it when you're done.

5 A How far down do you wish me to go?

6 Q Just to the -- that paragraph and the
7 following paragraph on Page 5. Do you have that, sir?

8 A Okay.

9 Q Okay. In the first sentence of the first
10 paragraph I asked to you look at, Mr. Van de Vijver is
11 discussing Shell's proved reserves, specifically the
12 trend relative to Shell's competition.

13 Do you remember generally what Shell's trend
14 relative to its competition was at about that time?

15 A The trend at that time was Shell was
16 becoming less good on a comparative basis with the
17 competitors.

18 Q Mr. Van de Vijver continues suggesting that
19 reserves -- proved reserves should be viewed on a
20 long-term as opposed to a short-term basis. Do you
21 see that, sir?

22 A Yes, I do.

23 Q Do you recall if that was one of the
24 communication points -- withdrawn.

25 Was that notion something that was discussed at

1 IR prior to the presentation?

2 MR. SMITH: Objection to form.

3 A Yes, the focus on longer term rather than
4 any given year was discussed.

5 Q Was that ever memorialized or suggested as a
6 theme for Shell's senior executive when addressing the
7 investing public?

8 MR. SMITH: Objection to form.

9 A I would expect that it was part of the
10 briefing notes that we would prepare for the
11 Executives. It would have been one of the points to
12 note when talking about proved reserves or reserve
13 replacement ratio.

14 Q Mr. Van de Vijver then continues and
15 discusses what he calls "struggling to replace
16 reserves on the gas side". And I believe you
17 mentioned that before.

18 The reserves he's discussing or is mentioning
19 here, were those proved reserves?

20 MR. SMITH: Objection to form and
21 foundation.

22 A The implication is that it was proved
23 reserves, yes.

24 Q He then continues indicating that, "Shell
25 has the strongest reserve base -- gas reserve base of

1 its competitors." Do you recall if that were true?

2 A That were true on the basis of proved
3 reserves reporting of Shell and competitors at that
4 time.

5 Q Do you know if those proved reserve numbers
6 on the gas side included proved reserves that were
7 recategorized as part of Project Rockford?

8 A In March, 2003 we would have been referring
9 back to the reserves as reported in the previous 20F
10 which actually would have been for 2001 so, yes, they
11 would.

12 Q Do you recall if that would have included
13 reserves booked as proved in connection with the
14 Gorgon Project?

15 A I believe it would.

16 Q Thank you. In the second paragraph that I
17 asked you to look at Mr. Van de Vijver discusses
18 Shell's ability to grow reserves while at the same
19 time growing production. Do you see that, sir?

20 A (Shakes head affirmatively.)

21 Q Do you recall if Shell in fact was able to
22 grow reserves while increasing production in or about
23 March of 2003?

24 MR. SMITH: Objection to form.

25 A If this is a statement about the future,

1 also talking about the growth over time, well, I don't
2 know. Maybe.

3 Matter of fact, this is a statement about the
4 past. So this would have been factually based on
5 production that had grown and reserves that had grown
6 over a previous period.

7 It's not clear which period Walter was referring
8 to here, but it's likely to be a five or a ten-year
9 period.

10 Q And again, that reserve growth mentioned by
11 Mr. Van de Vijver there would have -- excuse me --
12 would that have included Gorgon, for example?

13 A If it were a five-year period, probably not.
14 If it were a ten-year period, it would have then.

15 I also note here that the use of the word on this
16 one I think reserve base is loose. At least in the
17 thinking, it was not necessarily just proved reserves
18 here, this was the total resource base.

19 Q Okay. I would like now to direct your
20 attention to the following paragraph beginning with
21 the words, "allow me to give a little tutorial on
22 reserve replacements."

23 Could you read that to yourself, sir, and let me
24 know when you're done?

25 A Just the one paragraph?

1 Q Yes.

2 A Okay. Okay.

3 Q First, let me ask you. Do you recall if the
4 substance of this paragraph was included in the
5 prepared remarks that were submitted to
6 Mr. Van de Vijver for delivery at that presentation?

7 A I think the substance was if the actual
8 words used were not.

9 Q Do you recall if the prepared remarks
10 included a reference to the tutorial?

11 A To this?

12 Q To the tutorial.

13 A Yes, I believe they -- well, it was not so
14 much tutorial, it was about just taking people through
15 the life cycle of the project that would help
16 hopefully improve the understanding in the market as
17 to which actions led to booking of proved reserves and
18 essentially give them a feel for what might happen in
19 future that would lead to booking of reserves for
20 Shell.

21 Q Now, specifically directing your attention
22 in that paragraph to the last sentence,
23 Mr. Van de Vijver is discussing unit finding and
24 development costs.

25 Reading that sentence where Mr. Van de Vijver

1 indicates that, "If you don't look at that metric over
2 a long enough period, it results in a floored
3 perspective of the real strengths of the business."
4 Does that indicate to you that Shell's UFDC was higher
5 at this point in time relative to its peers or was
6 higher than its peers at this point in time?

7 MR. SMITH: Objection to form.

8 A The statement doesn't necessarily indicate
9 that, no.

10 Q Do you recall if Shell's UFDC was in fact
11 higher than its peers in or about March of 2003?

12 A It depended which time period you calculated
13 it over, and I think that's the point that Walter was
14 making. If you calculated it for one year, you would
15 get a different result if you calculated it for five
16 or for 10 years.

17 Q Now, with regard to Mr. Van de Vijver's
18 discussion of both proved reserves and then UFDC --
19 let's break it down.

20 With regard to proved reserves, do you know why
21 it was that Mr. Van de Vijver was discussing that
22 topic at that strategy presentation?

23 A UFDC or proved reserves?

24 Q I'm sorry. Proved reserves.

25 A Proved reserves. At the end of 2002, the

1 reported reserve replacement ratio for Shell
2 organically was -- I think I can probably find it in
3 here -- about 50 percent or so, and that was less than
4 the competitors.

5 This also followed the announced BP/TNK deal in
6 Russia which was a resource based deal and reserves
7 based deal, and the market was at the time very
8 sensitive to reserve resource, how many hydrocarbons
9 do you have in the portfolio to be developed, and on
10 the back of that, that BP deal.

11 Q When you said, "the market was sensitive
12 to," do you mean that the market was interested in
13 proved reserves levels?

14 MR. SMITH: Objection to form and
15 foundation.

16 A The market was very interested in access to
17 hydrocarbons in future. That was the big issue. Will
18 you have a deal in Russia? Will you have access to
19 hydrocarbons that you can develop? Proved reserves
20 was one of the indicators there.

21 It started -- around this time some companies
22 started talking about a much broader resource base
23 than just reserves -- just proved reserves.

24 Q Separate and apart from this presentation,
25 do you recall speaking with investors in an informal

1 context or analysts in or about March of 2003?

2 A Yes, I would have then.

3 Q During the course of those conversations, do
4 you recall the topic of proved reserves coming up?

5 MR. SMITH: Same timeframe?

6 Q Same timeframe. Thank you.

7 A Not specifically, but I had mentioned it
8 would have done, yes.

9 Q Now, you say "not specifically". Do you
10 generally recall if investors or analysts inquired as
11 to Shell's proved reserve levels in or about this time
12 period?

13 A In general, yes, they did inquire. What I
14 don't recall is a specific discussion with a specific
15 analyst.

16 Q Fair enough. Generally, was there a message
17 or theme that you attempted to convey to analysts and
18 investors during these conversations if you can
19 recall?

20 MR. SMITH: Objection to form.

21 A If I recall correctly, we would say the
22 strategic aim was to replace every barrel we produced
23 over time, not given a one-year short time period.
24 And that we had a strong reserve base and reserve life
25 on which to develop projects into production and,

1 therefore, we already had within our asset base good
2 resources that could be developed into future
3 production, future cash flows.

4 And I think we would have had as a general
5 message this unit finding and development cost issue.

6 If you look at it over a very short period, you
7 have a -- the words used were totally flawed
8 perspective. I think it's a misleading indicator of a
9 performance of a company because, quite simply, in any
10 given the aganting period, the shorter the aganting
11 period, the less relationship there is between what
12 you actually invest in that period and the trigger
13 points or milestones that enable you to book reserves
14 in that period.

15 The longer the period, the more likely you are to
16 include both all the investment and most of the
17 reserve bookings associated with the investment.

18 So that was quite an important message at the
19 time, that any short period unit finding and
20 development cost calculation was potentially
21 misleading.

22 Q Do you recall discussing that topic, unit
23 finding and development costs, in conversations with
24 various analysts and investors in or about March of
25 2003?

1 A Not specifically. But in general, I believe
2 that conversation would have taken place.

3 Q Given what you just stated regarding UFDC,
4 is that why that topic was addressed by
5 Mr. Van de Vijver at the March, 2003 EP strategy
6 presentation?

7 A Yes. Yes, it was. Because it reflected the
8 fact that some analysts were using one-year unit
9 finding development costs to create unfavorable
10 comparisons between Shell and competitors.

11 Q Do you recall if there came a time
12 subsequent to Project Rockford when Shell went back
13 and recalculated its UFDC for various years subsequent
14 to the recategorization of its proved reserves?

15 A I believe we did.

16 Q Generally, could you describe for me the
17 effect of the recategorization upon Shell's UFDC
18 through the year -- if you know, from the years 2003,
19 2004?

20 A Generally speaking, it would have increased
21 the unit finding development costs for that period.
22 There may have been one year where it was at a lower
23 end, but generally it was an increase.

24 Q I believe you stated earlier that, given the
25 relationship between UFDC and proved reserves, a

1 change in proved reserves results in proportional
2 change in UFDC; is that correct?

3 A That is correct.

4 Q Is that in fact what happened as a result of
5 the recategorization that occurred after Project
6 Rockford?

7 A Yes, it is.

8 Q Thank you. I would like now to direct your
9 attention to the last paragraph on that same page,
10 Page 5.

11 Could read that to yourself, sir, and let me know
12 when you're done?

13 A Okay.

14 Q In the first sentence of that paragraph,
15 Mr. Van de Vijver discusses in connection with unit
16 finding costs basic SEC discipline, specifically with
17 regard to discovered volumes.

18 Do you know what it was that Mr. Van de Vijver
19 was referencing there, or what he was attempting to
20 convey?

21 MR. SMITH: Objection to form.

22 MR. MORSE: Objection to form.

23 A I believe at the time I would not
24 necessarily have known. I do now.

25 Q With the benefit of hindsight, could you

1 please explain for me what your understanding of what
2 Mr. Van de Vijver was attempting to convey in that
3 sentence?

4 MR. SMITH: Objection to form and
5 foundation.

6 A With the benefit of hindsight, I believe
7 what Walter was conveying there was that -- and this
8 is me assuming what Walter was conveying there, not --
9 I'm not aware of it -- but that there are SEC rules
10 required, definitions -- very technical definitions
11 about proved area, the size of the reservoir that is
12 being tested by a particular expiration well, and the
13 likely recovery factors. You calculate proved area,
14 the proved volume of depth, recovery factor, and
15 multiply. With hindsight, that is what he would have
16 been thinking of.

17 Q Okay. Am I correct based on your testimony
18 then that -- withdrawn.

19 Was this portion, this paragraph specifically,
20 part of the prepared remarks that IR prepared for
21 Mr. Van de Vijver in connection with his presentation?

22 A I believe that we would have developed
23 prepared remarks about unit finding costs, but I would
24 consider it unlikely that we would have talked about
25 SEC discipline and SEC guidelines because we were

1 aware that the volume denominator in the calculation
2 of unit finding cost by definition is not an SEC
3 parameter -- an SEC defined parameter.

4 Q But to the extent that proved reserves is a
5 component of that calculation in UFDC.

6 A This paragraph is about unit finding cost,
7 not unit --

8 Q I'm sorry.

9 A -- not unit finding and development costs.

10 Q I appreciate that. Thank you for your
11 clarification, sir.

12 Do you recall if you had an opinion as to the
13 accuracy of that statement -- and by that, I mean the
14 first sentence of that paragraph, the final paragraph
15 on Page 5 -- at the time that Mr. Van de Vijver stated
16 it?

17 A I had no reason to doubt that. He was the
18 head of the business.

19 Q Did you ever come to learn any information
20 which -- from which you can opine on the accuracy of
21 that statement now?

22 MR. SMITH: Objection to form and
23 foundation.

24 A If I look back with the benefit of hindsight
25 and my additional knowledge, I have no reason to