

# Investor pressure pays off as Shell agrees to revamp

Embattled oil giant's controversial dual-board structure may be scrapped

By Sundeep Tucker and James Boxell in London

Royal Dutch/Shell yielded to shareholder pressure yesterday, signalling reform of its structure and committing itself to abandon one of the most controversial features of the way it is run.

Royal Dutch, the dominant partner in the embattled Anglo-Dutch oil company, surprised and pleased investors by announcing that it would scrap its much-criticised priority shares, which carry extra voting rights controlled by the company's management. It also revealed that, as part of a review into its governance, the company would consider simplifying its complex dual-board structure.

The proposal on priority shares, to be put to the Royal Dutch annual meeting next year, formed part of a wide-ranging statement issued in response to pressure from US and UK investors, who had demanded that Shell provide full details of the review into governance.

The review was set up after this year's multiple downgrades to its oil and gas reserves, which forced the departures of several senior executives, but Shell had refused to give details.

On Wednesday Calpers, the giant US pension fund, and Knight Vinke, a US-based asset

manager, urged Shell in a letter to the Financial Times to release the main details or expect hostile questioning at the company's dual AGMs on June 28.

Robert Talbut, chief investment officer of Isis Asset Management, said: "It is a welcome move, but regrettable that Shell only appears to have moved after

## PUTIN BOOSTS YUKOS

In a rare comment on the feuds coming to a head around Yukos, the embattled oil group, Russian president Vladimir Putin said he did not want to see the company go bankrupt, which fuelled talk that Yukos's crisis could soon be resolved. His remarks saw Yukos's shares rise 34 per cent and upped the ante in a dispute that is widely seen as a political attack on Mikhail Khodorkovskiy, Yukos's former chief, and has become a test case for investment in Russia.

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mounting press coverage." Shell insisted it had not been forced into making the move. The priority shares were established in 1968 to block any takeover or break-up.

Jim Stride, managing director of Axa Investment Management UK, said: "The abolition of the priority shares is really good

news for corporate governance."

Shell met another shareholder demand by naming the five executives in the steering group conducting the review, drawn from the boards of both companies.

The group is to be chaired by Sir John Kerr of Shell Transport & Trading, the UK arm, and includes one other Shell executive, Sir Peter Job. Jeroen van der Veer, chairman of the management committee, Maarten van den Bergh and Jonkheer Aarnout Loudon will represent Royal Dutch. The terms of reference include simplifying the board and management structures, improving decision-making processes and enhancing leadership.

Shell said changes being considered included "forms of a united board to which a CEO would report". Some investors believe the dual-board structure played a role in the reserves crisis.

Shell said the results of the review would be made public in November before further consultation with shareholders. The process would be concluded in the shareholders' meetings of 2005 and implemented immediately. The shares closed up 3p at 410p in London and up 38 cents at €43.10 in Amsterdam.

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