

Purchase Order Terms and Conditions (Short Form) Edition 2 December 2005

Special Conditions

A1 Definitions

Clause 1 DEFINITIONS

Definition of AFFILIATE is deleted in its entirety and replaced with

1.1 "AFFILIATE" (in respect of the COMPANY) shall mean:

- (a) (i) Royal Dutch Shell plc and (ii) any company (other than COMPANY), which is from time to time directly or indirectly controlled by Royal Dutch Shell plc

For this purpose:-

(1) a company is directly controlled by another company or companies if that latter company owns or those latter companies together own fifty per cent or more of the voting rights attached to the issued share capital of the first mentioned company; and

(2) a company is indirectly controlled by another company or companies if a series of companies can be specified, beginning with that latter company or companies and ending with the first mentioned company, so related that each company of the series (except the latter company or companies) is directly controlled by one or more of the companies earlier in the series

- (b) any company which is managed or operated by a company as defined in (a) above and/or has a service agreement with COMPANY and/or another company as defined under (a) above pursuant to which it pays on a cost sharing or recovery basis a proportion of certain of the costs of COMPANY or such other company.

"AFFILIATE" (in respect of CONTRACTOR) shall mean a company of which more than fifty percent (50%) of the outstanding voting stock is directly or indirectly owned by CONTRACTOR; or which directly or indirectly owns more than fifty percent (50%) of the outstanding voting stock of CONTRACTOR; or of which more than fifty percent (50%) of the outstanding stock is directly or indirectly owned by one and the same company which also directly or indirectly owns more than fifty percent (50%) of the outstanding voting stock of CONTRACTOR.

C8 Status of Company

Insert "; and" at the end of sub-clause (b).

Insert new sub clause (c):

“All losses, damages, costs (including legal costs) and expenses recoverable by the COMPANY pursuant to the PURCHASE ORDER or otherwise shall include the losses, damages, costs (including legal costs) and expenses of the COMPANY’s CO-VENTURERS and its and their respective AFFILIATES except that such losses, damages, costs (including legal costs) and expenses shall be subject to the same limitations or exclusions of liability as are applicable to the COMPANY or CONTRACTOR under the PURCHASE ORDER.

D1 Indemnity Arrangements

D1.2(a) Last paragraph in line 2 after the words “PURCHASE ORDER,” insert “located at the worksite”.

D1.3 Delete from “All exclusions ...” until “Clause D2” and replace with “All exclusions and indemnities, save for those under D1.1(c) and D1.2(c), given under this Clause D1 and D2 ...”.

D3 Insurance

Delete in entirety and replace with –

D3.1 The CONTRACTOR shall arrange as a minimum the insurances set out in this Clause D3 and ensure that they are in full force and effect throughout the life of the PURCHASE ORDER. All such insurances shall be placed with reputable and substantial insurers, satisfactory to the COMPANY, and shall for all insurances (including insurances provided by SUBCONTRACTORS) other than Employers’ Liability Insurance/Workmen’s Compensation to the extent of the liabilities assumed by the CONTRACTOR under the PURCHASE ORDER, include the COMPANY, CO-VENTURERS and its and their respective AFFILIATES as co-assureds. All insurances required under this Clause D3 shall be endorsed to provide that underwriters waive any rights of recourse, including in particular subrogation rights against the COMPANY, CO-VENTURERS and its and their respective AFFILIATES in relation to the PURCHASE ORDER to the extent of the liabilities assumed by the CONTRACTOR under the PURCHASE ORDER. Such insurances shall also where possible, provide that the COMPANY shall be given not less than thirty (30) days notice of cancellation of or material change to cover. The provisions of this Clause D3 shall in no way limit the liability of the CONTRACTOR under the PURCHASE ORDER.

D3.2 The insurances required to be effected under Clause D3.1 shall be as follows (to the extent that they are relevant to the PURCHASE ORDER):

(a) Employers’ Liability and/or (where the jurisdiction of where the PURCHASE ORDER is to be performed or under which the employees employed requires the same) Workmen’s Compensation insurance covering personal injury to or death of the employees of the CONTRACTOR engaged in the performance of the PURCHASE ORDER in an amount not less than ten million US Dollars (US\$10,000,000) (or the equivalent thereof in Euros or pounds sterling) for any claim or series of claims arising out of any one incident, unlimited in aggregate ;

(b) General Third Party Liability insurance for any incident or series of incidents covering the operations of the CONTRACTOR in the performance of the PURCHASE ORDER, in an amount not less than five million US Dollars (US\$5,000,000) (or the

equivalent thereof in Euros or pounds sterling) for any claim or series of claims arising out of any one incident, unlimited in aggregate

(c) Third Party and Passenger Liability insurance and other motor insurance as required by applicable jurisdiction in an amount of not less than five million US Dollars (US\$5,000,000) (or the equivalent thereof in Euros or pounds sterling) for any one occurrence for damage to property and death of or injury to persons, or such greater amount as required by applicable jurisdiction.

D3.3 All deductibles, exceptions and exclusions applicable to any insurance arranged by the CONTRACTOR or any SUBCONTRACTOR of any tier shall be for the account of, and be paid by the CONTRACTOR or SUBCONTRACTOR. Any loss arising from breach of conditions and/or warranties contained in such policies of insurance shall also be for the account of CONTRACTOR.

D3.4 Without limitation of the CONTRACTOR's obligations and responsibilities, if the CONTRACTOR subcontracts any part of the PURCHASE ORDER, the responsibility and insurance provisions of each SUBCONTRACT shall be consistent with the PURCHASE ORDER and the SUBCONTRACTORS need not carry any insurances which would duplicate any insurances provided by the CONTRACTOR or the COMPANY.

D3.5 Approval by the COMPANY of any insurer or terms of insurance proposed by the CONTRACTOR shall not relieve the CONTRACTOR of any obligation or liability under or arising from the PURCHASE ORDER or at law.

D3.6 The CONTRACTOR shall upon request furnish to the COMPANY certificates of insurance for those insurances required by Clause D3 giving evidence of the type and scope of each insurance.

D3.7 CONTRACTOR shall cause the insurance policy stipulated in Article D3.2(b) to contain a "Severability of Interests" (Cross Liability) clause which states that, in the event of one insured party incurring liability to any of the other insured parties, the insurance shall apply for the benefit of the party against whom the claim is or may be made in the same manner as if separate policies had been issued to each party.

D3.8 CONTRACTOR shall fully indemnify the COMPANY GROUP against loss or damage arising out of any failure to effect or maintain such insurances specified by this PURCHASE ORDER or out of any act or omission which invalidates the said insurances.

D3.9 CONTRACTOR shall notify COMPANY immediately upon receipt of any notice of claims, incidents or demands or of any situation which might give rise to such claims or demands being made under the insurance policies. Written notice shall be given not later than two (2) days after the occurrence of any accident. However, for serious accidents (including but not limited to death or serious injuries), notice shall be given immediately and then confirmed in writing.

D8 Dispute Resolution

Delete second paragraph in entirety.

D9 Cancellation

Delete D9(b) in entirety and replace with the following:

“the CONTRACTOR or the provider of any guarantee pursuant to this CONTRACT being unable to pay its debts or becoming bankrupt or making a composition arrangement with its creditors or having a winding-up order made or (except for the purposes of amalgamation or reconstruction) a resolution for voluntary winding-up passed or having a provisional Liquidator, Special Administrator, Receiver or Manager of its business or undertaking appointed, or having possession taken by or on behalf of the holders of any debenture, whether secured by a Floating Charge or otherwise.”

Add new clause

D13 Business Ethics

- 13.1 The Royal Dutch Shell Plc group of companies works under strict General Business Principles that govern how each of the Royal Dutch Shell Plc companies conducts its affairs. These business principles are contained in “Shell General Business Principles (SGBP) of Royal Dutch Shell Plc
- 13.2 The COMPANY insists on honesty, integrity and fairness in all aspects of their business and expects the same in their relationships with all those with whom they do business. The direct or indirect offer, payment, soliciting and acceptance of bribes in any form are unacceptable practices. If the CONTRACTOR becomes aware of any such practice, the CONTRACTOR shall bring such to the attention of the COMPANY as soon as possible.
- 13.3 The CONTRACTOR shall ensure that the CONTRACTOR GROUP in the performance of the work pursuant to the PURCHASE ORDER strictly complies with SGBP, a copy of which it acknowledges it has received (or alternatively taken notice of SGBP as published on <<http://www.shell.com>> and select “About Shell” followed by “How we work”; “Commitment, Policies and Standards” and “Shell General Business Principles”).
- 13.4 Notwithstanding the provisions of Clause D9, the COMPANY shall be entitled to terminate the PURCHASE ORDER and to recover from the CONTRACTOR the amount of any loss or damage resulting from such a termination if any member of the CONTRACTOR GROUP shall, in relation to the PURCHASE ORDER, have committed any act whether before, on or after the date of the PURCHASE ORDER, which is an offence under any relevant legislation relating to proper business practices, payment of inducements and the like from time to time in force in the countries where the work pursuant to the PURCHASE ORDER is to be carried out, or would have constituted such an offence if:
 - (a) such member of the CONTRACTOR GROUP, not being an agent hereunder, was deemed for this purpose to be an agent; or
 - (b) the CONTRACTOR, having been requested to do so by COMPANY, refuses to remove the member.

Add new clause

D14 Sustainable Development

- 14.1 The Royal Dutch Shell Plc group of companies have a commitment to contribute to Sustainable Development. Shell has accepted and is committed to the Brundtland Commission statement that “meeting the needs of the present without compromising the ability of future generations to meet their own needs”.
- 14.2 The COMPANY expects and requires the CONTRACTOR to contribute to sustainable development in the way it executes the work pursuant to the PURCHASE ORDER.

HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

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Attachment 1 COMPANY HSE POLICY

ARTICLE 1 - MANAGEMENT OF HEALTH, SAFETY AND ENVIRONMENT

1.1 Management of HSE

- 1.1.1 The CONTRACTOR confirms – and on request hands over to COMPANY – that it has a written and implemented Health, Safety and Environment (HSE) policy which is, as a minimum, of a standard comparable to COMPANY's policy (see Attachments for COMPANY HSE policy). The CONTRACTOR further affirms that its HSE policy has been brought to the notice of its employees and is implemented and maintained at all levels in its organisation.

HSE Management System

- 1.1.2 The CONTRACTOR shall have a HSE Management System, which complies with the principles outlined in OGP (The International Association of Oil & Gas Producers) guideline (latest version) or an equivalent local industrial or statutory system.

1.5 Action to Rectify Breaches

- 1.5.1 Any enforcement action taken against the CONTRACTOR shall be reported by the CONTRACTOR to the COMPANY without undue delay. Should a complaint be filed under HSE legislation against the CONTRACTOR while performing the WORK, this must also be reported to the COMPANY without undue delay.

- 1.5.2 If the CONTRACTOR is executing the WORK in a manner which, in the opinion of the COMPANY, constitutes a breach of any of the requirements of the CONTRACTOR HSE Management System, the COMPANY shall advise the CONTRACTOR accordingly by notice in writing and the CONTRACTOR shall correct the situation by the date specified in the notice. The notice shall include the COMPANY's reasons for issuing the notice and outline the steps required of the CONTRACTOR to rectify the said breach.

1.7 Knowledge and knowledge transfer

- 1.7.1 The CONTRACTOR shall, prior to commencement of the WORK, inform any member of PERSONNEL (including executive supervisory personnel), about HSE regulations, own HSE requirements, instructions, information, and the like, which are or could be related to the WORK in such a manner that any member of PERSONNEL can easily understand it.

- 1.7.3 The CONTRACTOR shall ensure that, during the performance of the WORK, efficient HSE communication and consultation shall take place within its own organisation.

1.8 Incident Notification, Reporting, Investigation, Follow-up and Statistics

Incident Notification

- 1.8.1 The CONTRACTOR shall have an structured and documented incident reporting system and shall notify the COMPANY immediately of any incident, near misses and potential incident being rated as 'high' or 'medium' arising from the CONTRACTOR's or his SUBCONTRACTOR's activities which has caused, had the potential to cause, or could in the future cause:

- Any WORK related injury or illness to a COMPANY, CONTRACTOR or SUBCONTRACTOR employee or Third Party,
- Harm to the environment,
- Any damage to, or loss of COMPANY, CONTRACTOR, SUBCONTRACTOR or Third Party assets.

Incident Investigation, Reporting and Follow-up

- 1.8.4 The COMPANY shall have the right to investigate any of the incidents described in Clause 1.8.1, wherever they occur, and shall have unrestricted access at all reasonable times to the facilities, equipment, materials and records of the CONTRACTOR and the SUBCONTRACTOR(S) for this purpose (subject only to any statutory or contractual obligation prohibiting the disclosure of any such records by the CONTRACTOR).

The CONTRACTOR shall include in all SUBCONTRACTS rights of access for the COMPANY as described herein.

- 1.8.5 The CONTRACTOR shall comply, and co-operate fully and participate as necessary with the COMPANY in any COMPANY investigation of incidents.

Nothing in this Clause shall prevent the CONTRACTOR investigating such an incident and, in such cases, they shall provide a copy of their completed incident report to the COMPANY on request.

- 1.8.6 The CONTRACTOR shall implement all applicable recommendations arising from incident investigations and shall ensure that the findings are fully communicated to service provider and/or SUBCONTRACTOR PERSONNEL.

ARTICLE 2 – COMPETENCE OF CONTRACTOR PERSONNEL

Competence

- 2.1 The CONTRACTOR shall ensure that only competent CONTRACTOR PERSONNEL shall be provided for the performance of the WORK.

Training

- 2.7 Unless specified otherwise herein, all training of CONTRACTOR PERSONNEL shall be at the CONTRACTOR's cost.

ARTICLE 5 – SUBCONTRACTS

- 5.1 The CONTRACTOR shall ensure that its SUBCONTRACTORS have a HSE management system, which fulfils the requirements, set out in Clause 1.1.1. to 1.1.2.

- 5.2 The CONTRACTOR shall – even if not mentioned specifically in the previous clauses – include suitable equivalent clauses in subcontracts to meet the requirements of Articles 1 to 4 above.

We care...

Royal Dutch/Shell Group Commitment to Health, Safety and the Environment

In the Group we are all committed to:

- **pursue the goal of no harm to people;**
- **protect the environment;**
- **use material and energy efficiently to provide our products and services;**
- **develop energy resources, products and services consistent with these aims;**
- **publicly report on our performance;**
- **play a leading role in promoting best practice in our industries;**
- **manage HSE matters as any other critical business activity;**
- **promote a culture in which all Shell employees share this commitment.**

In this way we aim to have an HSE performance we can be proud of, to earn the confidence of customers, shareholders and society at large, to be a good neighbour and to contribute to sustainable development.

Royal Dutch/Shell Group Health, Safety and Environment Policy

Every Shell company:

- **has a systematic approach to HSE management designed to ensure compliance with the law and to achieve continuous performance improvement;**
- **sets targets for improvement and measures, appraises and reports performance;**
- **requires contractors to manage HSE in line with this policy;**
- **requires joint ventures under its operational control to apply this policy and uses its influence to promote it in other ventures;**
- **includes HSE performance in the appraisal of all staff and rewards accordingly.**

Endorsed by the Committee of Managing Directors, March 1997

Reviewed 2000

...all of us have a role to play

"Each of us has a right and duty to intervene with unsafe acts and conditions or when activities are not in compliance with this HSE Policy and Commitment".

June 2004



Malcolm Brinded
Executive Director of Exploration & Production



Thomas M. Bolts
CEO - EP Europe



Andy Pyle
Managing Director, Shell E&P Ireland Ltd

