Pakistan Road Incident 25 June 2017
Investor Update

Royal Dutch Shell plc
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It has been 21 months since the tragic events of 25 June 2017 in Pakistan, when a road tanker operated by a sub-contractor of Shell Pakistan Limited (SPL) overturned while carrying gasoline from the Shell Pakistan Keamari Terminal to the Vehari depot. At least one of its two tanks was punctured, leaking fuel onto a rice field next to the road. A crowd, estimated in the media at more than 800 people, gathered to collect up the fuel as it pooled in the field’s irrigation ditches. When that spilt fuel ignited, followed by the tanker itself, more than 200 people were killed (and others seriously injured) in the subsequent fire.

It was a devastating loss of life. A shock for the community, the country, our industry, SPL (which is 76% Shell owned) and the Shell Group. Since that terrible day, much work has been done. Both to do the right thing and support the impacted community. And to learn from these events to be better able to help reduce the likelihood of tragedies like this happening in the future.

This additional disclosure aims to give an update to investors on those efforts. It provides:

a) A brief reminder of what happened, based on the knowledge currently available from the internal incident review (including industry context).

b) An overview of the support provided to the local community.

c) Lessons learnt from these events and changes being made to better manage this risk.

This disclosure is not intended to be exhaustive but to provide an updated overview, based on what is currently understood about the tragedy and changes made or underway.

It recognizes that some aspects of what happened will never be definitively known. It also respects the fact that the events discussed are subject to ongoing investigation in Pakistan.
Industry context in Pakistan

Approximately 70% of the gasoline used in Pakistan is imported through the port in Karachi in the south and then distributed by road to terminals across the country to meet demand in each region. Supplying some regions, like northern areas where demand has been growing particularly fast, can entail tanker journeys of 1,000 kms or more. This means multiday journeys. A plan to transport gasoline from Karachi further inland by pipeline instead has been subject to a series of delays.*

As in many other countries, oil marketing companies in Pakistan, including SPL, contract tankers that are operated by third party hauliers. At the time of these events, SPL had contracts with thirteen haulier companies, who in total operated a fleet of over 400 tankers for SPL. These tankers were Shell branded, worked only for SPL and, as well as national safety regulations (OGRA standards), were required to meet additional SPL requirements.

Particularly in times of increased demand, oil marketing companies in Pakistan, including SPL, supplemented their full-time contracted fleets with additional sub-contracted part-time vehicles from an industry pool – so-called ‘spot hires’ – to ensure transport fuel supplies across the country were not interrupted. These ‘spot hire’ tankers were subject to OGRA standards, though compliance was uneven. The sharp growth in demand for transport fuel in Pakistan (nearly doubling between 2012 and 2017) has seen the size and use of this ‘spot hire’ fleet increase.

In addition, some owners of retail station networks (‘dealers’) in Pakistan operate their own tankers, picking up fuel directly from terminals to supply their sites (a practice referred to in Shell companies as Customer Own Collection – COC).

* The plan envisions reconfiguring an existing diesel pipeline to transport gasoline as well. The pipeline is owned by Pak-Arab Pipeline Company Limited (in which SPL has a 26% shareholding).
Reminder of what happened

- Evening 23 June: Spot hire tanker checked and loaded with 50,000 l of gasoline at Keamari terminal for 972 km trip north to Vehari depot.

- Early morning 25 June:
  - Driver is believed to have turned the wheel sharply, causing the tanker to roll onto its side and come to rest on the road side embankment.
  - At least one of the two tank containers punctured, leaking fuel.
  - Crowd estimated by media at 800 (passing motorists, local villagers) began collecting up fuel for personal use.
  - 40-60 minutes after initial rollover, leaked fuel ignited. This fire then caused the tanker to ignite shortly after.

- Possible contributing factors included:
  - Driver fatigue, which may have played a role in the rollover (2 short night stops - possibly driven in part by need to reach depot before Eid holiday closure).
  - The design of the spot vehicle itself (high centre of gravity, heavy load for the axel base, underpowered engine).
  - Limited effectiveness of emergency response (one highway patrolman and the tanker driver were unable to cordone off leak zone).
SPL actions to support impacted communities

SPL has made a series of voluntary efforts in the communities impacted by this tragedy. These efforts are not an acceptance of liability but are being made to help those affected by these events.

Immediate relief efforts included:

- Monthly food supplies for 150 affected families for the first nine months after the fire.
- Medical supplies to hospitals, including the import of skin grafts and equipment.

SPL continues to work with the National Rural Support Programme (NRSP) to help restore the livelihood of people in the impacted communities. This includes vocational training and support with small business set-up.

It also continues to work in partnership with the CARE Foundation, ‘adopting’ two public schools within the impacted villages to improve infrastructure and education standards.
SPL actions to reduce the likelihood of tragedies like this happening again

SPL is committed to learning the lessons from this terrible tragedy and working with regulators, emergency services and the wider oil and gas industry in Pakistan to reduce the likelihood of events like this happening again.

In the immediate aftermath of the fire, SPL made a number of changes including:

• Ending the use of ‘spot hire’ vehicles by its contracted hauliers in Pakistan (due to lack of compliance with government regulations).

•Suspending Customer Own Collections (COCs). COCs, where SPL’s ability to influence is limited, were resumed in August 2017 after the Pakistani regulator clarified its short term requirements for such vehicles. SPL in turn tightened its checks on COC vehicles at SPL terminals, and added contractual requirements on emergency response and journey management plans and limits to journey distances for COC vehicles collecting fuel from SPL terminals*.

SPL subsequently launched a wide ranging effort – under the name PASBAAN – to work with regulators, contractor haulier partners, communities and the wider oil and gas industry to make a step change together in fuel transport safety in Pakistan.

This change effort, which will run until at least mid 2020, includes:

• Strengthened road transport resources and expertise in SPL to support this effort.

• Extensive engagement with contract haulier drivers (incl. training, support, recognition, incentives for safe behavior).

• Improvements in driver fatigue management (e.g. improving rest areas for drivers, identifying opportunities in the loading process, engaging drivers’ family members to enlist their help in ensuring quality rest for drivers).

• Help and encouragement for contract haulier management to strengthen safety leadership and behaviors in their companies.

• A programme of Emergency Response drills with contract hauliers, regulators and industry to build and test capability.

• A joint government/industry road-safety and gasoline spill response campaign (via media, local community and school engagements) to raise community awareness and understanding of the risks (including the risks of approaching damaged fuel transport vehicles).

• Advocacy for the introduction in country and requirement to effectively use and maintain advanced vehicle technologies (eg. Vehicle stabilization rollover prevention systems).

• Work with government to accelerate the development of the gasoline pipeline to the north that would significantly reduce the need for long tanker journeys in Pakistan.

• Ongoing co-operation with regulators to address any gaps between industry practice and regulatory standards.

*Note that SPL is currently further reviewing and tightening its controls on COCs at SPL terminals and contractual requirements, after a rollover of a COC vehicle in October 2018 in which a driver was killed, and product leaked but did not ignite.
Learning from this tragedy by Shell companies globally

Road tanker hauliers contracted by Shell companies make more than an estimated 2,800 trips every day (driving more than 300 million kilometers a year) to refill Shell branded service stations in countries around the world. Continuing to improve the safety of these activities is a critical and ongoing task that requires work on many fronts and with many partners.

The lessons learnt from these events in Pakistan – for example about fatigue management, emergency response plans, vehicle standards and design, engagement with contract hauliers and drivers - are being shared with Shell companies around the world and other business partners.

There have been more than 20 learning sessions done with staff and contractors of Shell companies, the leadership teams of Shell’s Businesses, as well as the Board of RDS plc.

Lessons learned from these events have also been shared with other companies via industry fora.

The lessons learnt from Pakistan are also being translated into improvements in how Shell companies assess and manage this risk.

A fuel transport road safety project, launched in Q4 2017, is developing and implementing a series of improvements. These include:

- Strengthened resourcing and support for road safety management (including emergency response preparation) in the countries with the highest risks on the road where Shell companies operate.
- More consistent and in depth scrutiny of road safety risks, plans and capacity to manage them before entering new markets or growing in existing ones.
- Improved training and competence requirements for road transport personnel.

Contractor assurance and related vehicle and driver requirements are also in the process of being upgraded.
Overview

Actions to improve fuel road transport safety

Investigation
- SPL and Shell Group internal investigations
- March - Internal review, reengineering deep learning workshops & industry sharing
- OGRA regulatory compliance reviews

Response in Pakistan
- First discussion sessions with haulier drivers
- First community engagement on tanker accident risks
- Additional HSSE expert resourced
- Extended Emergency Response scenarios, update plans & training
- First engagement with hauliers management
- Support the strengthening of Emergency Response capability in country (including assurance activities, spill response campaigns, country engagements on industry practices and regulatory standards)

Wider actions
- Road transport improvement projects – strategy
- Road transport improvement projects – implementation
- Road transport risk management model (bow-tie) being reviewed and updated
- Review and update of audit, risk management and assurance methodology
- Internal learning sessions
- Start of industry learning sharing
- Further updates to external stakeholders

Immediat and longer term relief efforts (longer-term support to burn victims and families, medical support, NSRP livelihood restoration, support through CARE foundation to improve education and infrastructure standards)

25/06/17
Spot Vehicle Road Tanker rollover, spill and fire