

ROYAL DUTCH SHELL PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

Purpose

The Royal Dutch Shell plc (the “**Company**”) Audit Committee (the “**Committee**”) assists the Board of the Company (the “**Board**”) in fulfilling its responsibilities in relation to risk management, internal control and financial reporting, and carries out certain oversight functions on behalf of the Board.

Limitations Inherent in the Committee’s Role

The Directors are responsible for preparing the annual report and accounts and the annual report on Form 20-F (the “**annual reports**”), including the financial statements, in accordance with applicable laws and regulations. The following provisions are not intended to override the fiduciary duties of the Directors.

The Committee oversees and monitors management’s and the External Auditors’ participation in the financial reporting process. It is not the responsibility of the Committee to prepare complete and accurate financial statements and disclosures in accordance with accounting standards and other regulations which is the responsibility of management. The Company’s financial statements are subject to audit by the External Auditors who are required to express an opinion on whether the financial statements (i) give a true and fair view (for UK reporting purposes); and (ii) present fairly, in all material respects, the consolidated financial position of the Company, the results of its operations and its cash flows (for US reporting purposes) and have been properly prepared in accordance with applicable standards and regulations.

Furthermore, while the Committee is responsible for reviewing the Company’s policies and practices with respect to risk assessment and management, it is not the responsibility of the Committee to establish the appropriate level of the Company’s exposure to risk.

Membership and Independence

The Committee shall be composed of at least three members, all of whom are Non-executive Directors designated by the Board as independent and all of whom meet the independence requirements of the US Securities and Exchange Commission Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). Members shall be appointed by the Board, at the recommendation of the Nomination and Succession Committee, and taking into account the views of the Chair of the Committee (the “**Committee Chair**”). The chair of the Board shall not be appointed to the Committee.

The Board shall also appoint one Committee member to be Committee Chair, at the recommendation of the Nomination and Succession Committee.

If a regular member is unable to act due to absence, illness or any other cause, the Committee Chair, or in their absence the Board, may appoint another independent Non-executive Director of the Company to serve as an alternate member. In the absence of the Committee Chair, the remaining members present shall elect one of the members present to chair the meeting.

Appointments of each Committee member shall be for a period of up to three years, which may be extended for up to two further three-year periods, provided the member remains independent. In accordance with applicable law, rules, and regulations, each Committee member shall be financially literate¹ and at least one member shall have recent and relevant financial experience and qualify as an “audit committee financial expert”², including competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates.

Authority

The Board has constituted the Committee with the authorities necessary to perform the duties set out in these Terms of Reference.

The Committee, within the scope of its assigned duties, is authorised to seek any information it requires from employees, company officers and external parties; and to investigate or commission the investigation of issues or concerns as it may deem appropriate. The Committee may engage advisers or otherwise obtain independent legal, accounting and other professional services it requires, at the expense of the Company.

The Board will provide the Committee with sufficient resources to undertake its duties, including access to the company secretariat.

Secretary

In consultation with the Committee Chair, the Company Secretary shall be responsible for the designation of a secretary to the Committee (the “**Committee Secretary**”).

Quorum

The quorum necessary for the transaction of business shall be a majority of Committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, duties and discretions vested in or exercisable by the Committee.

Meeting Frequency

The Committee shall meet as frequently as required, as determined by the Committee Chair, to perform the duties set out in these Terms of Reference, and at least four times a year.

Meeting Attendance

Only the Committee Chair and members shall be entitled to participate in Committee meetings. Any Non-executive Director who is not a member of the Committee shall be entitled to attend Committee meetings; at the invitation of the Committee, others including the Chief Executive Officer may also attend Committee meetings.

In the absence of the Committee Chair, the remaining members shall elect one of their number present to chair the meeting.

The Committee shall meet regularly with the audit firm or audit firms engaged to audit the

¹ Or, as interpreted by the Board, a member shall become financially literate within a reasonable period of time after his or her appointment to the Committee.

² As defined by the U.S. Securities and Exchange Commission.

Company's consolidated and parent company financial statements (the "**External Auditors**") and with the Chief Internal Auditor. At least once a year, and more often as required, the Committee shall also meet in separate sessions (without management, except for the Legal Director, being present) with the External Auditors and with the Chief Internal Auditor.

Notice of Meetings

Meetings of the Committee shall be arranged by the Committee Secretary at the request of the Committee Chair or any other member of the Committee.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting papers. The Committee Secretary shall ensure that agendas and supporting papers as required by the Committee are received in a timely manner to enable full and proper consideration.

Meeting Minutes

The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

The Committee Secretary shall promptly circulate draft meeting minutes to the Committee Chair for review and subsequently to all members of the Committee. Meeting minutes shall be confirmed prior to or at the next meeting of the Committee and tabled as soon as practicable thereafter at a meeting of the Board.

Engagement with Shareholders

The Committee Chair shall respond to any questions regarding the Committee's activities at the Annual General Meeting of the Company's Shareholders. The Committee Chair shall also seek engagement with the Company's Shareholders on significant matters related to the Committee's areas of responsibility.

Duties

1. Risk Management and Internal Control

The Committee shall:

- Review the policies and practices with respect to risk management and internal control.
- Monitor the effectiveness of the Group's risk management and internal control system, including in relation to material disputes, compliance, tax and information technology matters, make such recommendations as the Committee considers desirable and review the statements to be included in the annual reports concerning risk management and internal control. Among other things the Committee shall have access to all reports of the Chief Internal Auditor and the External Auditors and information relating to Group policy and management responsibilities with regard to risk management and internal control, the adequacy of disclosure controls and procedures (including related certification and attestation processes), the avoidance of illegal payments and improper accounting practices, and identified weaknesses in the effectiveness of risk and control management.
- Monitor compliance with applicable external legal and regulatory requirements and the

Code of Ethics for Executive Directors and Senior Financial Officers of the Shell Group. Among other things the Committee shall have access to information regarding Group Compliance Programme activities, operations and results.

2. Financial Reporting

The Committee shall:

- Discuss and review with the Chief Financial Officer, the Group Controller and the External Auditors issues regarding accounting policies and practices; the appropriateness and acceptability of judgements involving the application of accounting principles and interpretation of applicable disclosure rules; and compliance with accounting and reporting standards required by law or supported by appropriate professional or other authorities.
- Review and discuss the integrity of the Company's financial statements, including its annual reports, its half-yearly reports, its quarterly financial statements and any other formal statements relating to the Company's financial performance, with management and the External Auditors, including the financial contents of (and the notes to) the financial statements and management's commentary or discussion and analysis of the financial information; and recommend to the Board whether the audited financial statements should be included in the Company's annual and statutory reports.
- Review management's assessment of going concern and longer-term viability.
- Review, in conjunction with management, the Company's policies generally with respect to earnings releases; financial performance information and earnings guidance provided to investors and financial markets; reserves accounting and reporting³; and significant financial reporting issues. The Committee shall also review the overall outcome of the reserve bookings/debookings.
- Review the internal controls in relation to financial reporting, including related certification and attestation processes, monitor their effectiveness and make such recommendations as the Committee considers desirable.

3. Compliance and Complaints/Whistleblowing investigations

The Committee shall:

- Establish and monitor the implementation of procedures for the receipt, retention, proportionate and independent investigation and follow-up actions of complaints regarding accounting, internal accounting controls, auditing or other matters, including reviewing: the functioning of the Shell Global Helpline⁴ and the reports arising from its operation; and any other mechanisms for the confidential or anonymous submission of related concerns by employees.
- Review with the Chief Ethics and Compliance Officer the implementation and effectiveness of the Ethics and Compliance programme and function.

³ The Committee and the Board may, in addition to engaging its own advisers, consult with any outside independent consultants hired by the Company including, for example, any consultants retained by the Company to assist with auditing reported levels of proved hydrocarbon reserves.

⁴ The Company has adopted procedures to enable employees and third parties (who wish to raise a concern about the conduct of a Shell employee, contractor, or business partner) to raise issues anonymously through the Shell Global Helpline.

- Monitor and review compliance matters, as set out in these Terms of Reference, including in relation to: policies, practices and effectiveness of the Group's risk management and internal control system; financial reporting; and compliance with applicable external legal and regulatory requirements.

4. Internal Audit

The Committee shall:

- Discuss the adequacy of the Company's risk management and internal control system and any significant matters arising from the internal audit with the Chief Internal Auditor, the Company's management and the External Auditors.
- The Committee shall review and assess management's response to significant internal audit findings and notable control weaknesses including potential improvements and agreed actions.
- Monitor the execution and results of the audit plan, material communications between the Chief Internal Auditor and the Company's management and any issues arising therefrom.
- Annually consider the result of the internal audit function's internal audit quality assurance and improvement programme including the standards employed by the internal audit function, the efficiency and effectiveness of the internal audit function and the internal audit function's competence, qualifications, expertise, compensation and budget.
- Review, assess and approve the internal audit function's remit, the internal audit charter and the annual internal audit plan to ensure alignment with the key risks of the business.
- Annually assess the performance of the Chief Internal Auditor, including the role and effectiveness of internal audit in the overall context of the Group's risk management and internal control system.
- The Committee Chair will approve, in consultation with the Chief Financial Officer, all decisions regarding the performance evaluation, appointment or removal of the Chief Internal Auditor.
- Ensure the internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate.
- The Chief Internal Auditor shall have direct access to the Chief Executive Officer, the chair of the Board, Committee Chair and to the Committee as a whole, and any member of the Committee shall also have direct access to the Chief Internal Auditor.

5. External Audit

The Committee shall:

- Conduct the tender process for the appointment of an audit firm or audit firms as the External

Auditors, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.

- Make recommendations to the Board, for it to put to the Company's Shareholders for approval in the General Meeting, in relation to the appointment, re-appointment and removal of the External Auditors. The External Auditors shall report directly to the Committee. If the External Auditors resign, the Committee shall investigate the issues giving rise to such resignation and consider whether any action is required.
- Review and approve the engagement letter for the External Auditors' annual audit of the Company's consolidated and parent company financial statements; consider the annual external audit plan; and approve related remuneration, including both fees for audit and non-audit services, to ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted.
- Monitor the execution and results of the audit including the External Auditors' explanation of how the risks to audit quality were addressed; key accounting and audit judgements; and material communications between the External Auditors and management and any issues arising therefrom. The Committee shall review and assess management's response to significant audit findings and recommendations and seek to resolve any disagreements between management and the External Auditors.
- Review and monitor the qualifications, expertise, resources and independence and objectivity of the External Auditors within the context of the standards required by applicable law, regulation and listing requirements. The Committee shall consider, at least annually, the standards employed by the External Auditors, quality assurance procedures and auditor competence.
- Review any Royal Dutch Shell plc representation letter(s) requested by the External Auditors before they are signed by management.
- Annually assess the performance and effectiveness of the External Auditors and the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.
- Establish and monitor the implementation of policies for, and any external disclosures in relation to:
 - (i) the pre-approval of all audit and audit related services (including those performed for purposes of providing comfort letters and statutory audits) and permissible non-audit services to be provided by the External Auditors, considering the impact this may have on independence, to the extent permitted by law, regulation or ethical guidance; and
 - (ii) the hiring of employees or former employees of the External Auditors.
- Annually obtain and review a report from the External Auditors describing (i) all relationships between the External Auditors and the Company; (ii) the firm's internal quality-control procedures; and (iii) material issues, if any, raised by their most recent internal quality-control review in respect of the Company or by any inquiry or investigation by governmental authorities in the last five years relating to any audits carried out by the External Auditors, and any steps taken to deal with any such issues. The Committee shall

confirm with the External Auditors that they are not aware of any matters that fall under Section 10A(b) of the Exchange Act.

6. Reporting

The Committee shall:

- Update the Board about Committee activities after each Committee meeting, identifying matters in respect of which it considers that action or improvement is needed, including where the Committee is not satisfied with any aspect of risk management and internal control, financial reporting or audit related activities; including the independence and performance of the External Auditors, the performance of the internal audit function and any other matters the Committee deems appropriate; and making recommendations as to the steps to be taken. The minutes of each Committee meeting shall be received by the Board.
- Bring to the attention of the Board material and/or significant issues, as well as complaints or concerns regarding accounting, internal accounting controls, auditing or other matters, and, at least annually, share with the Board the reports it receives from the Company on compliance with internal controls (including with respect to insider trading compliance).
- At least annually, evaluate its Terms of Reference, how the Committee has discharged its responsibilities and the overall performance of the Committee; and report the results of such evaluation to the Board.
- Having reviewed the content of the annual reports, advise the Board of the Committee's (i) view on whether taken as a whole, the content of the annual report and accounts is fair, balanced and understandable and provides the information necessary for the Company's Shareholders to assess the Company's position and performance, business model and strategy; (ii) view on the inclusion of the viability statement and going concern basis of accounting in the annual report and accounts; (iii) view on whether taken as a whole, the content of the annual report on Form 20-F provides the information necessary for shareholders to assess Shell's position and performance, business model and strategy and the inclusion of the audited financial statements in the annual report on Form 20-F is appropriate; and (iv) support and recommendation that the annual reports be filed.
- Describe to the Company's Shareholders in the annual reports how it has discharged its responsibilities including how the Committee has addressed the objectivity, independence and effectiveness of the external audit process; the significant issues that the Committee considered and how these issues were addressed; the approach taken to the appointment or reappointment of the External Auditors; information on the length of tenure of the current audit firm; when a tender was last conducted; and advance notice of any retendering plans.
- Exercise judgement (in satisfying the reporting obligations referred to in this section 6) in deciding which of the issues it considers significant (in relation to the financial statements) but in particular the issues to be considered by the Committee for reporting should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement.

7. Other

The Committee shall also:

- Annually review the absence of any conflicts or related party transactions with respect to the Chief Financial Officer and his or her significant business and investment transactions. The Chief Financial Officer shall be prohibited from any profit-making business activities outside the Company that relate to activities of the Company and shall not have been employed by the External Auditors during the prior two years or, if involved in the firm's audit of the Company, during the prior five years.
- Annually assess the Chief Financial Officer's performance with respect to those matters relevant to the Committee's role and thereafter shall contribute such assessment of the Chief Financial Officer's performance to the Chief Executive Officer.
- Review with legal counsel legal matters that could have significant impact on the annual reports.
- Perform such further functions related or incidental to the foregoing as the Committee, at the request of the Board, may from time to time agree to undertake.