Remuneration
November 2019
Shareholder Engagement

Royal Dutch Shell plc
Gerard Kleisterlee
Chair of the Remuneration Committee

#MakeTheFuture
For UTP purposes, ROACE (Return on Average Capital Employed) is defined as net income for the current and previous three quarters, as a percentage of the average capital employed for the period. Capital employed consists of total equity, current debt and noncurrent debt.

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this presentation “Shell”, “Shell group” and “Royal Dutch Shell” are sometimes used for convenience where references are made to Royal Dutch Shell plc and its subsidiaries in general. Likewise, the words “we”, “us” and “our” are also used to refer to Royal Dutch Shell plc and its subsidiaries in general or to those who work for them. These terms are also used where no useful purpose is served by identifying the particular entity or entities. “Subsidiaries”, “Shell subsidiaries” and “Shell companies” as used in this presentation refer to entities over which Royal Dutch Shell plc either directly or indirectly has control. Entities and unincorporated arrangements over which Shell has joint control are generally referred to as “joint ventures” and “joint operations”, respectively. Entities over which Shell has significant influence but neither control nor joint control are referred to as “associates”. The term “Shell interest” is used for convenience to indicate the direct and/or indirect ownership interest held by Shell in an entity or unincorporated joint arrangement, after exclusion of all third-party interest.

Also, in this presentation we may refer to “Shell’s Net Carbon Footprint”, which includes Shell’s carbon emissions from the production of our energy products, our suppliers’ carbon emissions in supplying energy for that production and our customers’ carbon emissions associated with their use of the energy products we sell. Shell only controls its own emissions but, to support society in achieving the Paris Agreement goals, we aim to help and influence such suppliers and consumers to likewise lower their emissions. The use of the terminology “Shell’s Net Carbon Footprint” is for convenience only and not intended to suggest these emissions are those of Shell or its subsidiaries.

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Themes for today

- Approach to remuneration and alignment to strategy
- Update on 2019 pay for performance
- The Energy Transition metric
- 2020 policy recommendation
Strategy and link to 2019 remuneration policy

How the strategy links to the CEO’s variable pay

ANNUAL BONUS

Measures to drive focus on the financial and operational performance critical to our success as a world class investment case and to maintain our strong licence to operate, underpinned by our commitment to safety and support for our journey to thrive in the energy transition.

LONG-TERM INCENTIVE PLAN

World class investment metrics such as cash generation, capital discipline and shareholder value creation included alongside a measure focussed on thriving in the energy transition and achieving our NCF ambitions.

2017 AGM - Remuneration policy support: 92.34%

2019 AGM Remuneration report support: 89.93%
2017 LTIP – vesting outcome

World class investment case: metrics above target at Q3 2019

- Total shareholder return [A]
  - Shell
  - BP
  - Total
  - Chevron
  - ExxonMobil
  - (20.0%) (10.0%) - 10.0% 20.0% 30.0%

- Cash flow from operations growth [B]
  - Shell
  - Chevron
  - BP
  - Total
  - ExxonMobil
  - 0.0% 50.0% 100.0% 150.0% 200.0%

- Free cash flow
  - Absolute metric measured against cumulative target of three years operating plans
  - FCF above target (163%) at Q3 2019

- ROACE growth [C]
  - Chevron
  - Shell
  - BP
  - ExxonMobil
  - Total
  - - 2.00% 4.00% 6.00% 8.00%

Three out of four LTIP measures are based on relative performance compared with the other oil majors. Growth for these is measured and ranked based on a rolling four quarter’s data points ending Q3 2019 compared with those at the beginning of the period (financial year 2016 for cash flow from operations growth and ROACE growth) using published financial information.

[A] TSR measured from 1 January 2017 to 1 November 2019 using a share price averaged over 90 days.

[B] Cash flow from operating activities measured over a rolling 4 quarters ending Q3 2019.

[C] Shell’s absolute ROACE measured over a rolling four quarter period ending Q3 2019 for LTIP purposes was 7.5%. ROACE for the LTIP calculation is based on disclosed net income and is not adjusted for the after tax interest expense therefore differs from disclosed ROACE (Net income basis).
Pay for performance – potential pay outcome

- Strong performance relative to oil majors
- Share price growth and dividend payment

Daily total shareholder return growth: 2017 LTIP

Estimated 2019 CEO single figure at Q3 2019 [B]

[A] BP, Chevron, ExxonMobil and Total. The graph shows daily TSR and not average TSR over 90 days.
[B] Fixed pay comprises 2019 base salary of €1,557,000 plus an estimate for benefits and pension based on 2018 actuals of €32,050 and €369,000 respectively. For indicative purposes, bonus shown is the target of 125% of base salary. LTIP performance is equal to the original 2017 LTIP grant of 198,900 A shares multiplied by the Q3 2019 vesting outcome of 178% with a spot share price of €27.02 from 5 November 2019 and added dividends.
Historical pay outcomes

- Base salary developed at consistent pace
- Scorecard on average above target
- LTIP vesting on average above target

### CEO base salary

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary (€’000)</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,500</td>
<td>0%</td>
</tr>
<tr>
<td>2011</td>
<td>1,550</td>
<td>+3.3%</td>
</tr>
<tr>
<td>2012</td>
<td>1,600</td>
<td>+3.2%</td>
</tr>
<tr>
<td>2013</td>
<td>1,640</td>
<td>+2.5%</td>
</tr>
<tr>
<td>2014</td>
<td>1,400</td>
<td>-10%</td>
</tr>
<tr>
<td>2015</td>
<td>1,430</td>
<td>+2.1%</td>
</tr>
<tr>
<td>2016</td>
<td>1,460</td>
<td>+2.1%</td>
</tr>
<tr>
<td>2017</td>
<td>1,490</td>
<td>+2.1%</td>
</tr>
<tr>
<td>2018</td>
<td>1,527</td>
<td>+2.5%</td>
</tr>
<tr>
<td>2019</td>
<td>1,557</td>
<td>+2.0%</td>
</tr>
</tbody>
</table>

Ben van Beurden appointed as CEO in 2013.

### Annual Bonus Scorecard outcome

- Discretion applied

### LTIP vesting outcome

- 10-year average: 107% of target

[A] Estimated vesting of the 2017 grant based on Q3 2019 positioning.
## Principal remuneration policy changes

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short term</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed remuneration</strong></td>
<td>• Benchmarked against 4 oil majors and 15 European companies</td>
<td>• No change</td>
</tr>
<tr>
<td></td>
<td>• Pensions in-line with wider employee population in home country</td>
<td>• No change</td>
</tr>
<tr>
<td><strong>Annual bonus</strong></td>
<td>• CEO target 150% max 250%</td>
<td>• CEO target reduced to 125% no change to max [A]</td>
</tr>
<tr>
<td></td>
<td>• CFO target 120% max 240%</td>
<td>• CFO target and max no change</td>
</tr>
<tr>
<td></td>
<td>• Bonus adjusted for individual performance 0 – 1.2</td>
<td>• Individual adjustment removed [A]</td>
</tr>
<tr>
<td><strong>Long term</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Incentive Plan</strong></td>
<td>• CEO target 340%</td>
<td>• Changes being considered in respect of quantum and variability</td>
</tr>
<tr>
<td></td>
<td>• CFO target 270%</td>
<td>• Energy transition performance metric [A]</td>
</tr>
<tr>
<td><strong>Shareholding &amp; holding periods</strong></td>
<td>• CEO 700%/CFO 400%</td>
<td>• Shareholding level for CFO increased to 500%</td>
</tr>
<tr>
<td></td>
<td>• 3 year holding for LTIP and 50% of bonus</td>
<td>• Shareholding requirement two years post-employment based on shareholding guideline (or actual shares held if lower)</td>
</tr>
<tr>
<td><strong>Malus + clawback</strong></td>
<td>• Malus and clawback provision apply to bonus and LTIP</td>
<td>• Malus and clawback provisions extended [B]</td>
</tr>
</tbody>
</table>

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Focus on simplification and transparency
Maintain pay for performance and strategic alignment

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[A] The Remuneration Committee implemented these changes in 2019 within the parameters of the current policy following strong shareholder support in engagements.
[B] Corporate failure added as a trigger for malus/clawback, and the clawback provisions extended to align with all malus provisions.
## Operation of energy transition measure in the LTIP

- 10% weighting – expect to increase over time
- Combination of leading and lagging measures
- Targets set as ranges
- Commercially sensitive targets so will be disclosed retrospectively. Annual updates on progress relating to the measures will be provided

### Energy transition vesting [A]

- 4/4 targets: 200%
- 3/4 targets: 150%
- 2/4 targets: 100%
- 1/4 targets: 40%

**Basis for REMCO decision**

### Thrive in the energy transition

<table>
<thead>
<tr>
<th>Lagging – NCF reduction target</th>
<th>2019 – 2021 performance period</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Measured against 2016 base year</td>
<td>• Target range 23% reduction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leading - Drive future NCF reduction</th>
<th>Target ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Growing our power business</td>
<td>• Commercially sensitive</td>
</tr>
<tr>
<td>• Advanced biofuels technology</td>
<td></td>
</tr>
<tr>
<td>• Systems to capture and absorb carbon</td>
<td></td>
</tr>
</tbody>
</table>

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[A] The vesting schedule for the energy transition metric will be based on how many of the four targets are met. 1/4 will equal 40% vesting, 2/4 100%, 3/4 150% and 4/4 200%. The Remuneration Committee may take into account other appropriate considerations, after taking advice from the Corporate and Social Responsibility Committee. For example, increasing the weighting of NCF relative to the other performance conditions in making its vesting decision.

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**Applies to around 150 senior managers from 2019 and to be extended to around 16,000 employees from 2020**
2020 Policy Review Deliberations

- For the 2020 policy review the Committee has been carefully considering matters regarding quantum.

- As part of our thinking, we have sought the input of a small number of major shareholders and voting advisory services, testing our diagnosis of what is required and alternatives to our current long-term incentive plan (LTIP) design.

- We understand that the quantum and variability of outcomes causes concern for some shareholders. We believe that the LTIP is strongly aligned with our strategy at this time and are therefore reaching the conclusion that a radical change in the LTIP structure at the expense of strategic alignment is not the best way to address quantum.

- So we have been looking at other ways to manage outcomes whilst preserving the tried and tested performance framework.

- The Committee is considering some form of reduction in quantum supported by discretionary management of outcomes. As the Committee moves forward in its deliberations, we value your input.
Mr van Beurden participates in the Dutch pension arrangements on the same terms as the majority (72%) of Dutch employees.

Standard accrual rates and contributions apply to Mr van Beurden as for all other employees in these pension arrangements.

Contributions are based on an age related contribution ladder, under which rates increase with age. This is a requirement of Dutch pension legislation.

The current Dutch age related ladder for Shell employees on the same terms as Mr. van Beurden is:

<table>
<thead>
<tr>
<th>Age</th>
<th>Employer contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 - 19:</td>
<td>6.30%</td>
</tr>
<tr>
<td>20 - 24:</td>
<td>7.54%</td>
</tr>
<tr>
<td>25 - 29:</td>
<td>8.99%</td>
</tr>
<tr>
<td>30 - 34:</td>
<td>10.44%</td>
</tr>
<tr>
<td>35 - 39:</td>
<td>12.31%</td>
</tr>
<tr>
<td>40 - 44:</td>
<td>14.38%</td>
</tr>
<tr>
<td>45 - 49:</td>
<td>17.07%</td>
</tr>
<tr>
<td>50 - 54:</td>
<td>19.77%</td>
</tr>
<tr>
<td>55 - 59:</td>
<td>23.29%</td>
</tr>
<tr>
<td>60 - 64:</td>
<td>27.02% (2019 rate for Mr. van Beurden)</td>
</tr>
<tr>
<td>65 - 67:</td>
<td>30.13%</td>
</tr>
</tbody>
</table>
Forward looking agenda

- 12-13 December: Chair of Board Roadshow
- December 2019 – March 2020:
  - Remuneration Committee determines
    - 2019 annual bonus
    - 2020 salaries and LTIP award
- February / March 2020: vesting of the conditional share awards made in 2017
- March 2020: Annual Report and Form 20-F
- April 2020: Shareholder engagement
- May 2020: AGM
Questions & Answers
Fixed remuneration

- Benchmarked against 4 oil majors and 15 European companies

Short term

Annual bonus

- 50% cash
- 50% shares

- Short-term operational delivery targets
- 50% bonus in shares, subject to 3-year holding period which remains in force post-leaving

- 30% CFFO
- 50% Operational excellence

- 20% Sustainable development
- 10% Safety
- 10% GHG

- Benchmarked against 4 oil majors and 15 European companies
- World-class investment financial metrics
- 3-year performance + 3-year holding period which remains in force post-leaving
- TSR underpin

- 22.5% TSR
- 22.5% FCF

- 22.5% ROACE growth
- 22.5% CFFO growth

- 10% Energy Transition

Long term

Shareholding & holding periods

- Shareholding requirement: CEO: 7 x base salary; CFO: 4 x base salary

Malus & clawback

- Malus and clawback provision apply to bonus and LTIP
Annual bonus
Rewards the delivery of short-term operational targets

<table>
<thead>
<tr>
<th>2019</th>
<th>10% GHG management</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upstream and Integrated Gas GHG intensity: tonne CO₂e/tonne production</td>
</tr>
<tr>
<td></td>
<td>Refining GHG intensity in tonne CO₂e per UEDC™ [A]</td>
</tr>
<tr>
<td></td>
<td>Chemicals GHG intensity in tonne CO₂ equivalent per tonne of steam cracker high value chemicals production</td>
</tr>
</tbody>
</table>

[A] Solomon’s utilised equivalent distillation capacity.
Shareholder alignment + longer time horizons

- 3 year bonus and LTIP holding periods

### Annual bonus
- 1 year performance period
- Net shares held for 3 years
- 50% delivered in cash
- 50% delivered in shares

### Long Term Incentive Plan
- 3 year performance period
- Net shares held for 3 years
- 100% delivered in shares [A]

Performance period followed by a 3-year holding period that remains in force post-leaving

### Executive Directors’ shareholding
- % of base salary
- Value of shares counting towards guideline at 1 October 2019
- Shareholding guideline

- CEO, Ben van Beurden
- CFO, Jessica Uhl

0% 200% 400% 600% 800% 1000%

[A] Vesting subject to performance conditions.
We have set a long-term ambition to reduce the Net Carbon Footprint of our energy products by around 20% by 2035 and by around 50% by 2050, in pace with society.
Pensions – 2019 (Jessica Uhl)

- Ms. Uhl’s base country is the US and she is seconded to work in the Netherlands.
- All US employees participate in both the Shell Pension Plan (SPP) and Shell Provident Fund (SPF).
- SPP provides two defined benefit pension formulas:
  - The **80-Point Formula** is a traditional pension benefit that provides a lifetime annuity.
  - The **Accumulated Percentage Formula (APF)** is a hybrid DB/DC pension arrangement that provides a portable benefit.

US employees hired before 2013 (approximately 6,000, including Ms. Uhl) can choose annually the formula under which they will accrue benefits in the following calendar year, and US employees hired or rehired after 2012 (approximately 11,000) accrue pension benefits under the APF (without choice as to pension formula).

- SPF provides a defined contribution benefit, employer contributions are based on service (1 year: 2.5%; 6 years: 5%; 10 years: 10%). Ms. Uhl is eligible for 10% contribution.
- One difference to all other employees is that bonus is not pensionable for Ms. Uhl.
REMCO has engaged with shareholders and proxy agencies as part of the policy renewal process.