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Dear Shareholder,

I am pleased to present an outline of Shell's proposed Directors' Remuneration Policy ahead of the 2017 AGM, when it will be put to a new binding shareholder vote.

We believe that shareholder engagement is critical in developing a robust and effective remuneration policy and we appreciate the time that shareholders devote to engaging with us. Our remuneration policy has evolved over time, to align with our strategy, market practice and corporate governance views. We have incorporated shareholder views expressed in consultation earlier this year, as well as input from two external advisers who we invited to assess the current remuneration policy in 2015.

Within this context, and in light of our refreshed strategy following the BG acquisition, we have reviewed and further simplified our remuneration policy to ensure that we have the right structure and performance measures to support the delivery of our operational and financial priorities and to ensure alignment with shareholders over longer term horizons. The key themes that emerged during the review, and the consequent proposed changes to remuneration policy, are summarised below.

At this point, we want to invite your feedback on our proposals so that we have the opportunity to reflect on your views prior to finalising our policies and presenting it to you next year.

Maintain and reinforce existing pay structure:

- Fixed Remuneration – updated benchmarking comparator group
- Annual bonus - based on short-term operational delivery targets
- Long Term Incentive Plan (LTIP) - based on world class investment financial metrics
- Shareholding - designed to align executive interests with those of shareholders over the longer term
- Bonus removed from termination payment policy for future directors

Changes proposed for alignment with new strategy:

- New emphasis on free cash flow – replaces EPS in LTIP
- Increased importance of LNG – weighting raised from 6% to 12.5% in annual bonus scorecard
- New metrics for Greenhouse Gas management - 10% of annual bonus scorecard



Changes proposed for simplification and long term horizons:

- Bonus and LTIP holding periods approach aligned and remain in force beyond tenure

The slides used during our shareholder engagements provide more background on the remuneration proposal and its rationale and will be accessible via <http://www.shell.com/investors/environmental-social-and-governance/corporate-governance.html>. For enquiries, contact: IR-Europe@shell.com.

2016 has been a year of review prior to putting the policy to a vote at the 2017 AGM. I thank shareholders for their time and views on our policy to date which have certainly provided useful challenge and perspective for REMCO to reflect on. I welcome your feedback in respect of our proposed changes to the remuneration policy and look forward to meeting with you in the coming months.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'G. Kleisterlee', is written over a horizontal line.

Dr. G. Kleisterlee

Chair of the Remuneration Committee

Royal Dutch Shell plc



Proposed directors' remuneration policy 2017

Short term	Fixed remuneration	<ul style="list-style-type: none"> Benchmarked against 4 oil majors and 15 European companies 		
	Annual bonus	<ul style="list-style-type: none"> Short-term operational delivery targets 50% bonus in shares and subject to 3 year holding period which remains in force post-leaving 	30% CFO 20% Sustainable development 10% Safety 10% GHG	50% Operational excellence 12.5% Project delivery 12.5% Production 12.5% LNG sales 12.5% DS availability
Long term	Long Term Incentive Plan	<ul style="list-style-type: none"> World class investment financial metrics 3 year performance + 2 year holding period which remains in force post-leaving 	25% TSR 25% ROACE	25% FCF 25% CFFO
	Shareholding & holding periods	<ul style="list-style-type: none"> Shareholding requirement: CEO: 7x base salary; CFO: 4x base salary 		
	Malus + clawback	<ul style="list-style-type: none"> Malus and clawback provision apply to bonus and LTIP 		