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# Remuneration

Q4 2017 Engagement

Royal Dutch Shell plc

**Gerard Kleisterlee**

Chairman of the Remuneration Committee

# Definitions & cautionary note

Reserves: Our use of the term “reserves” in this presentation means SEC proved oil and gas reserves.

Resources: Our use of the term “resources” in this presentation includes quantities of oil and gas not yet classified as SEC proved oil and gas reserves. Resources are consistent with the Society of Petroleum Engineers (SPE) 2P + 2C definitions.

Discovered and prospective resources: Our use of the term “discovered and prospective resources” are consistent with SPE 2P + 2C + 2U definitions.

Organic: Our use of the term Organic includes SEC proved oil and gas reserves excluding changes resulting from acquisitions, divestments and year-average pricing impact.

Shales: Our use of the term ‘shales’ refers to tight, shale and coal bed methane oil and gas acreage.

Underlying operating cost is defined as operating cost less identified items. A reconciliation can be found in the quarterly results announcement.

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this release “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 subsidiaries in general or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies. “Subsidiaries”, “Shell subsidiaries” and “Shell companies” as used in this release refer to companies 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 a venture, partnership or company, after exclusion of all third-party interest.

This release contains forward-looking statements concerning the financial condition, results of operations and businesses of Royal Dutch Shell. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Royal Dutch Shell to market risks and statements expressing management’s expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “goals”, “intend”, “may”, “objectives”, “outlook”, “plan”, “probably”, “project”, “risks”, “schedule”, “seek”, “should”, “target”, “will” and similar terms and phrases. There are a number of factors that could affect the future operations of Royal Dutch Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this release, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Shell’s products; (c) currency fluctuations; (d) drilling and production results; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. No assurance is provided that future dividend payments will match or exceed previous dividend payments. All forward-looking statements contained in this release are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Additional risk factors that may affect future results are contained in Royal Dutch Shell’s Form 20-F for the year ended December 31, 2016 (available at [www.shell.com/investor](http://www.shell.com/investor) and [www.sec.gov](http://www.sec.gov)). These risk factors also expressly qualify all forward-looking statements contained in this release and should be considered by the reader. Each forward-looking statement speaks only as of the date of this release, November 23, 2017. Neither Royal Dutch Shell plc nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this release.

This release contains references to Shell’s website. These references are for the readers’ convenience only. Shell is not incorporating by reference any information posted on [www.shell.com](http://www.shell.com)

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## Alignment with strategy

- 92.3% support for Policy and 93.2% for Report at the 2017 AGM
- Catherine J. Hughes and Sir Nigel Sheinwald have joined the Remuneration Committee
- No changes to Policy as approved by shareholders proposed in 2018

- **Strategic Alignment:** emphasis on free cash flow
- Inclusion of **Greenhouse Gas management** measures in bonus scorecard and progress on Energy Transition embedded in personal performance
- Shareholder alignment and longer term time horizons:
  - **3 year** holding period for bonus delivered in shares and LTIP
  - High **shareholding requirements**



## Energy transition and remuneration

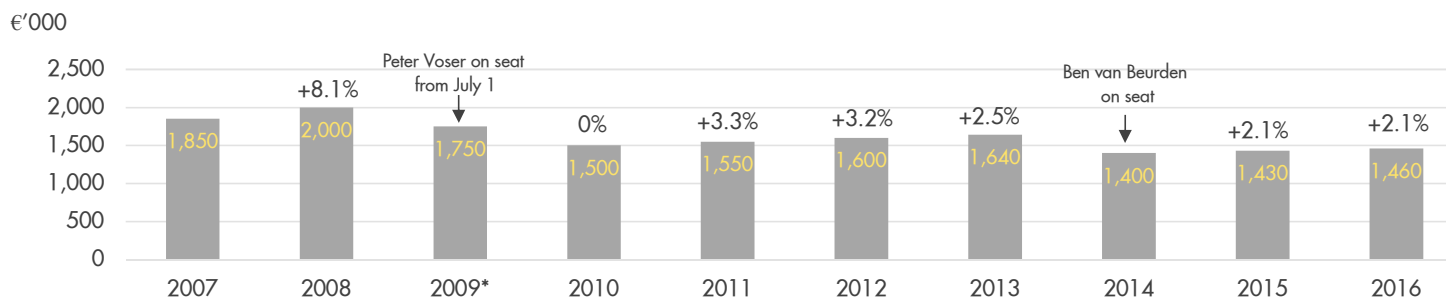
- Operational excellence and Greenhouse Gas management in 3 key areas (refineries, chemicals and upstream flaring) included in the 2017 bonus scorecard
- GHG measures for the 2018 bonus scorecard have evolved - refining and chemicals metrics retained and scope for Upstream and Integrated Gas emissions expanded, hence covering close to 90% of (operated) emissions
- Energy transition included in CEO personal performance goals
  - Evolve strategic intent for the New Energies business
  - Progress Shell's strategic aspirations on carbon-intensity

- Strategy drives change
- Remuneration follows and supports strategy

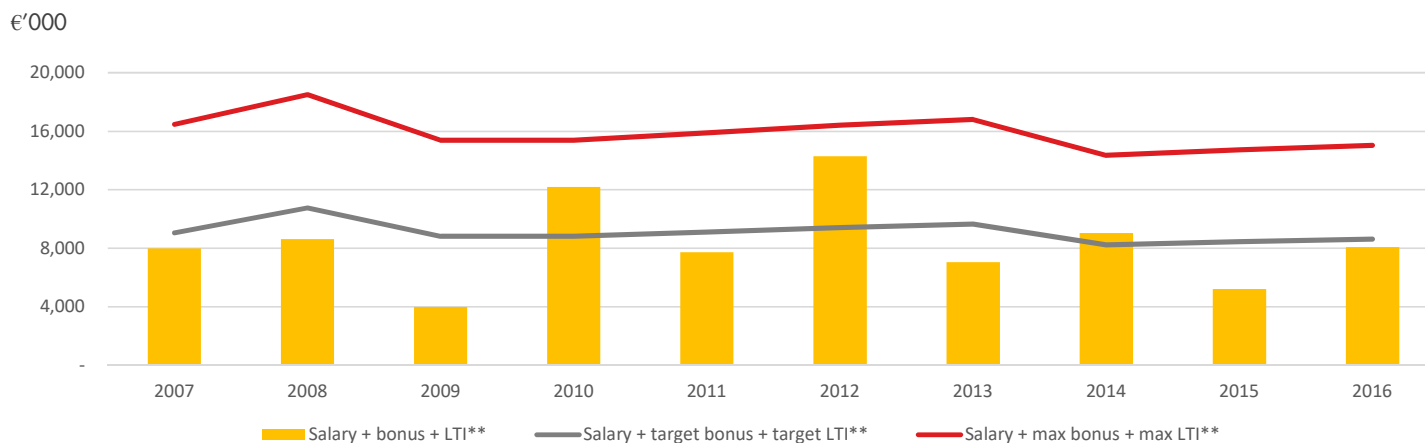


# Pay outcomes

## Base salary



## Pay outcomes



- Base salary developed at a consistent pace
- Overall pay levels at or below target in most years

\*Peter Voser on seat from July 1. Figure shown is the proration of salary for Jeroen van der Veer (€2 mln) and Peter Voser (€1.5 mln).

\*\*Illustrative outcomes based on base salary, plus the annual bonus payout and long-term incentive vesting rates (excluding the value of dividends payable on the vested shares) compared with the respective target and maximum opportunity as shown on page 94 in the 2016 Annual Report.

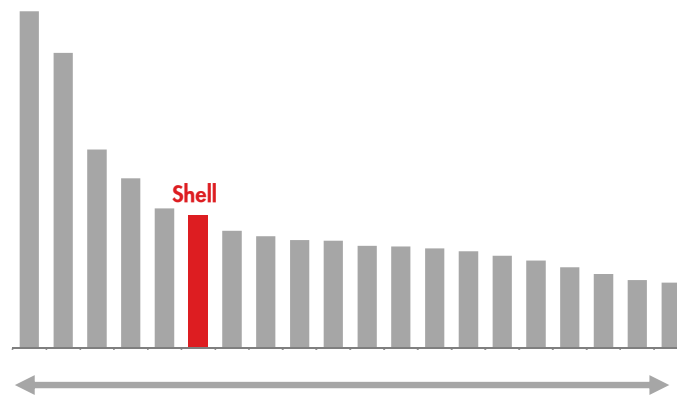


# Pay levels

- Alignment: various pay ratio approaches indicate that Shell is in line with peers and FTSE 30 companies
- Consistency: jobs at all levels in Shell are benchmarked externally
- Competitiveness: packages are set in the context of the relevant market to ensure we attract and retain talent

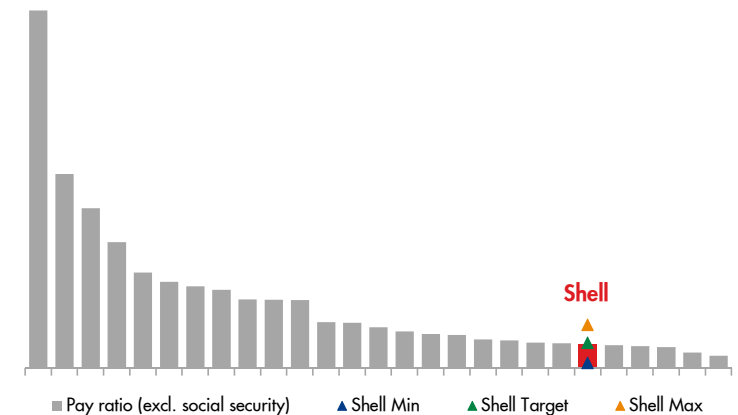
## CEO: externally competitive

Base salary, plus on-target bonus and LTIP, benchmarked against the other oil majors and European comparator group



## CEO: pay ratio

FTSE 30 CEO single total figure to average global employee pay ratio\*



- Competitive in market
- Proportionate + consistent internally

\* Based on average global employment cost using employee numbers and staff costs (excluding social security costs) as disclosed in the financial statements (n.b. not a UK specific CEO pay ratio).

## Upcoming REMCO milestones

- 28+29 November 2017: Management day
- December-March 2018: REMCO determines
  - 2018 salaries + LTIP
  - 2017 bonus
- March 2018: vesting of the conditional share awards made in 2015
- March 2018: Annual report and form 20-F
- April 2018: Shareholder consultations
- May 2018: AGM





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## Questions & Answers





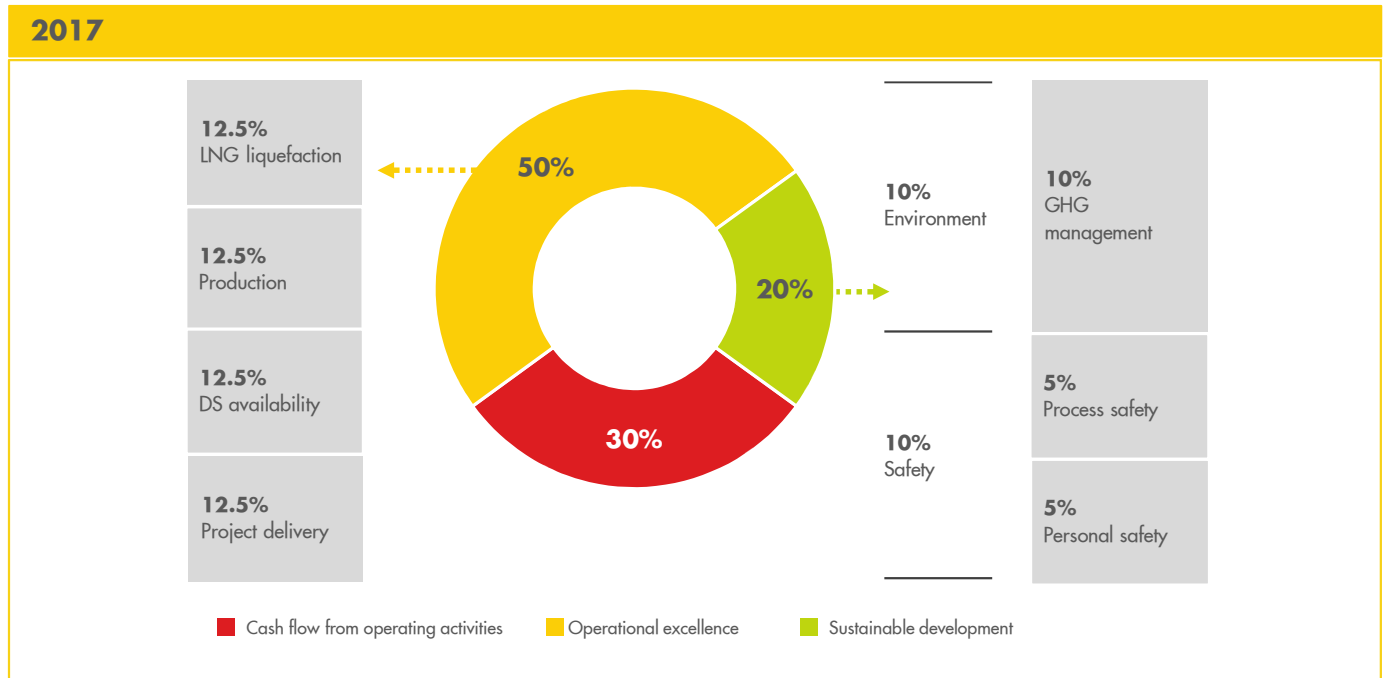
# Directors' remuneration policy

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



# Annual bonus

Rewards the delivery of short-term operational targets as well as individual contribution to Shell



<b>10%</b> GHG management	<ul style="list-style-type: none"> <li>■ Refining GHG intensity: measured in tonne CO<sub>2</sub>e per UEDC*</li> <li>■ Chemicals GHG Intensity measured in tonne CO<sub>2</sub>e per tonne of chemicals production</li> <li>■ Upstream flaring in million tonnes CO<sub>2</sub>e</li> </ul>
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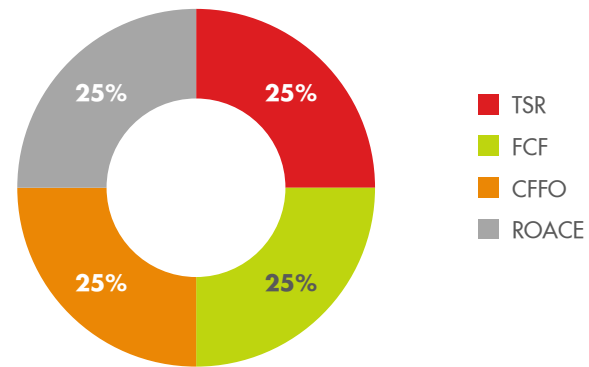
\* Solomon's utilised equivalent distillation capacity.

## Long term incentive plan

Rewards longer-term value creation linked to Shell's strategy

- ROACE + FCF emphasised in strategy
- Key drivers for TSR for world class investment case

2017



- FCF is an absolute metric, others are relative to performance of industry peers (Exxon, Chevron, Total, BP)



## Shareholder alignment + longer time horizons

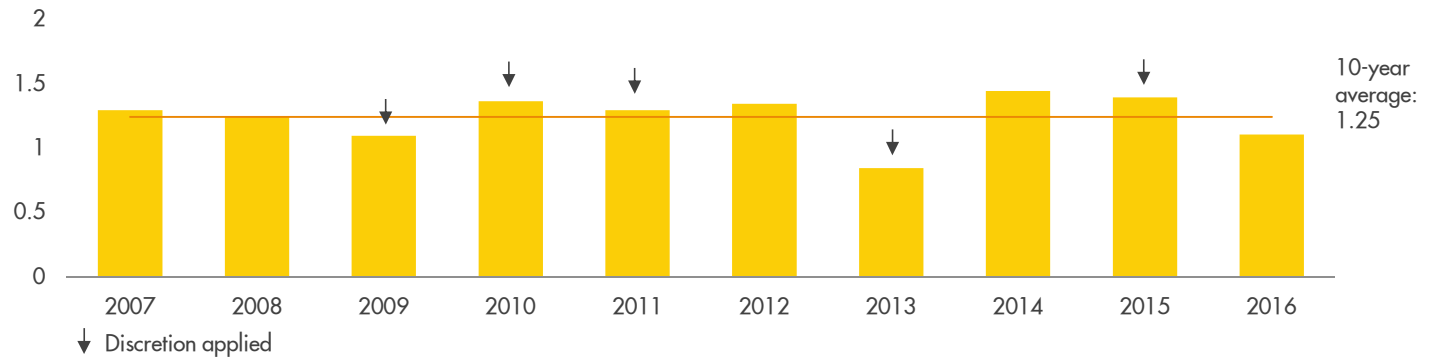


\*Vesting subject to performance conditions.

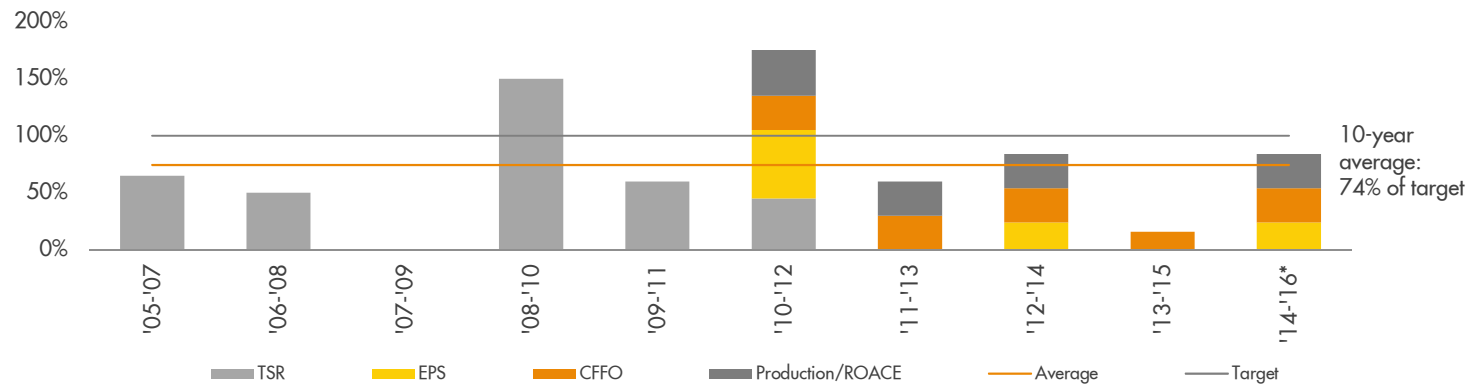


# Historical bonus and LTIP outcomes

Annual bonus scorecard outcome



LTIP Vesting



- Scorecard on average slightly above target
- LTIP vesting on average below target



