



# REMUNERATION

## 2015 REMUNERATION OUTCOME

ROYAL DUTCH SHELL  
April, 2016



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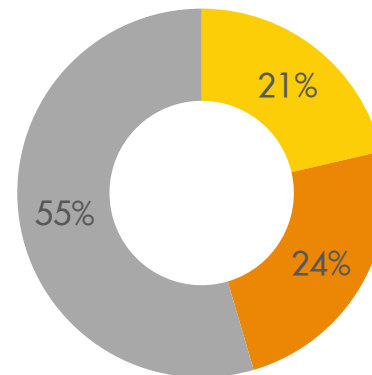
## Fixed remuneration

- Alignment with strategy and shareholders
- Consistent policies
- Competitive and performance linked

## Annual bonus

## Long term incentive plans

Target outcome: CEO





# DIRECTORS' REMUNERATION POLICY



SHORT TERM	<b>Fixed remuneration</b>	<ul style="list-style-type: none"> <li>■ Benchmarked against 4 oil majors and 20 European companies</li> <li>■ Drives pension</li> </ul>						
	<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>■ Short-term strategic targets</li> <li>■ Individual achievement</li> <li>■ 50% deferred in shares for 3 years</li> </ul>	<table border="1"> <tr> <td>30% weight CFFO</td> <td rowspan="2">50% weight Operational Excellence                             <ul style="list-style-type: none"> <li>• project delivery</li> <li>• production</li> <li>• LNG sales</li> <li>• plant availability</li> </ul> </td> </tr> <tr> <td>20% weight Sustainable development</td> </tr> </table>	30% weight CFFO	50% weight Operational Excellence <ul style="list-style-type: none"> <li>• project delivery</li> <li>• production</li> <li>• LNG sales</li> <li>• plant availability</li> </ul>	20% weight Sustainable development		
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20% weight Sustainable development								
LONG TERM	<b>Long term incentive plans</b>	<ul style="list-style-type: none"> <li>■ Long-term performance</li> <li>■ Relative to other oil majors</li> <li>■ 3 year performance + 2 year holding period</li> </ul>	<table border="1"> <tr> <td>30% weight TSR</td> <td>30% weight EPS growth</td> </tr> <tr> <td>20% weight ROACE growth</td> <td>20% weight CFFO growth</td> </tr> </table>	30% weight TSR	30% weight EPS growth	20% weight ROACE growth	20% weight CFFO growth	
	30% weight TSR	30% weight EPS growth						
	20% weight ROACE growth	20% weight CFFO growth						
<b>Shareholding</b>	<ul style="list-style-type: none"> <li>■ Shareholding requirement: CEO: 7x base salary; CFO: 4x base salary</li> </ul>							
<b>Malus /clawback</b>	<ul style="list-style-type: none"> <li>■ Malus and clawback provision apply to bonus and LTIP</li> </ul>							

# REMCO: PAY FOR PERFORMANCE

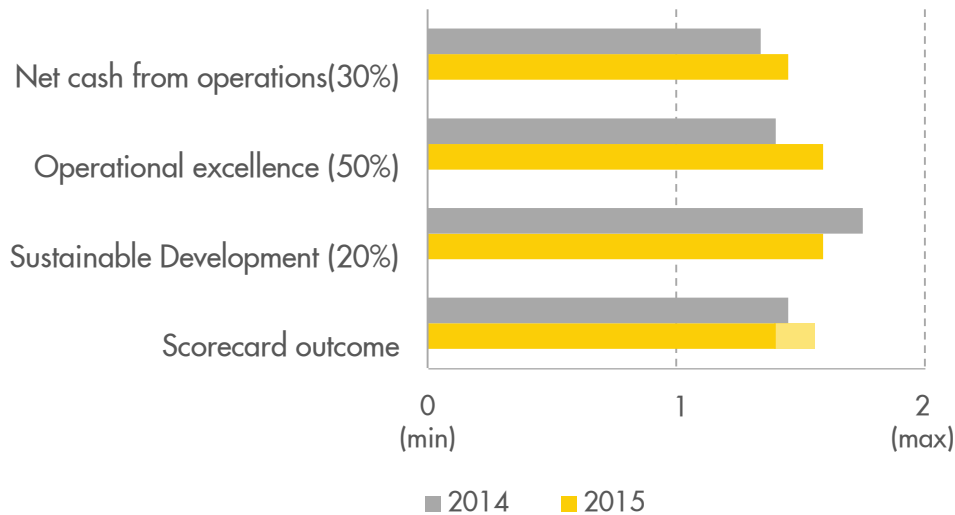


- **Performance measures + targets for annual bonus and LTIP**
  - REMCO has evolved measures + targets
    - Increased thresholds for safety measures + regular tightening of project delivery measure
    - Addition of ROACE in LTIP from 2014
    - Addition of process safety in bonus from 2015
  
- **REMCO ensures appropriate pay outcomes**
  - Rewarded strong operational outcomes
  - Applied downwards discretion to bonus

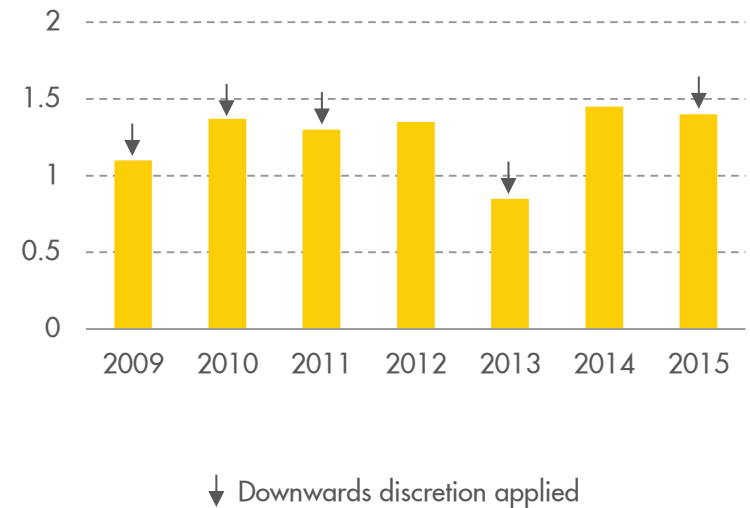
# 2015 ANNUAL BONUS



## Scorecard measures



## Annual scorecard outcome

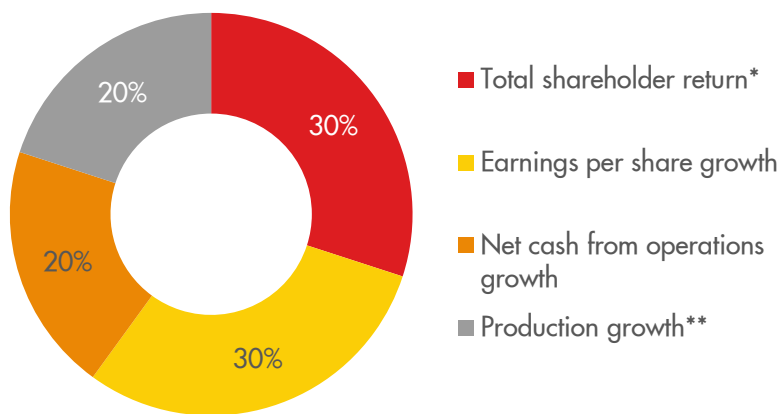


- 2015 scorecard: 1.55 mathematical outcome
- 2015 scorecard: 1.40 after REMCO discretion
- Individual performance factor of 1.2 in 2015

# 2015 LTIP + DBP OUTCOME



## Measures 2013- 2015



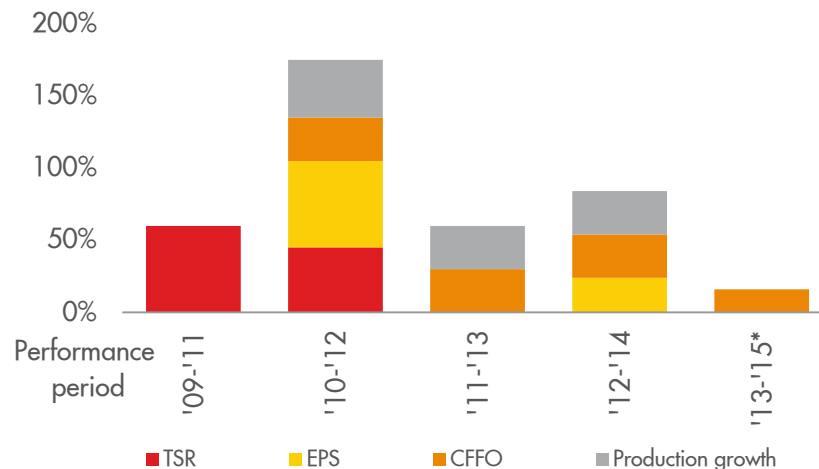
\* Vesting capped at 50% of max if no vesting on TSR element  
 \*\* Production has been replaced with ROACE from 2014 onwards

## Vesting based on relative ranking against peer group (BP, Chevron, ExxonMobil, Total)

- 1<sup>st</sup> 200% initial award
- 2<sup>nd</sup> 150% initial award
- 3<sup>rd</sup> 80% initial award
- 4<sup>th</sup> or 5<sup>th</sup> Nil

CEO Ben van Beurden was not Executive Director in 2013 and hence received DBP

## Vesting



\* Ranking 2015: TSR 5<sup>th</sup>, EPS 4<sup>th</sup>, Production 5<sup>th</sup>, Cash from operations 3<sup>rd</sup>

■ **LTIP + DBP vesting of 2013 awards over performance period '13- '15: 16% of target (100%) and 8% of maximum (200%)**

# SINGLE TOTAL FIGURE OF REMUNERATION



(€Thousands)	Ben van Beurden		Simon Henry	
	2014	2015	2014	2015
Salaries	1,400	1,430	1,010	1,030
Taxable benefits	35	42	32	24
<b>Total fixed remuneration</b>	<b>1,435</b>	<b>1,472</b>	<b>1,042</b>	<b>1,054</b>
Annual bonus	3,300	3,500	1,900	2,050
LTIP and DBP	-	163	2,857	427
PSP	863	-	-	-
<b>Total variable remuneration</b>	<b>4,163</b>	<b>3,663</b>	<b>4,757</b>	<b>2,477</b>
<b>Total direct remuneration</b>	<b>5,598</b>	<b>5,135</b>	<b>5,799</b>	<b>3,531</b>
Pension*	10,695	441	442	428
Tax equalisation**	7,905	-	244	408
<b>Total remuneration including pension</b>	<b>24,198</b>	<b>5,576</b>	<b>6,485</b>	<b>4,367</b>
<i>in dollars</i>	<i>\$32,158</i>	<i>\$6,190</i>	<i>\$8,619</i>	<i>\$4,848</i>
<i>in sterling</i>	<i>£19,510</i>	<i>£4,049</i>	<i>£5,229</i>	<i>£3,171</i>

\* The accrual for the period (net of inflation) multiplied by 20 in accordance with UK reporting regulations.

\*\* This arose in 2014 as a result of the impact of the promotion and relocation and is related to the increase in pension accrual. For Simon Henry, the amount is in respect of the length of time he has been resident in the Netherlands and contributing to a foreign pension plan.



# 2015 UPDATES TO REMUNERATION



No changes to Policy as approved by shareholders in 2014

AGM: 24 May 2016. Advisory vote on 2015 Annual Report on Remuneration

## Updates to remuneration, that took effect in 2015:

- Shareholding guideline for Executive Directors increased
- Deferred Bonus Plan (DBP) is simplified
- Process safety added to scorecard
- Increased thresholds for safety measures + regular tightening of project delivery measure



# OUTLOOK FOR 2016



- No changes to policy as approved by shareholders
- No changes to LTIP metrics
- 2016 bonus targets to be updated to include BG
- Engagement during 2016 on potential policy changes

- **Policy to be reviewed in 2016 prior to being put to a vote at the 2017 AGM (as required)**







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# 2015 ANNUAL BONUS



Measures	Weight (% of scorecard)	Target set	Result achieved	Score (0-2)	Bonus as % of base salary			
					Ben van Beurden		Simon Henry	
					Target	Achieved	Target	Achieved
<b>Operational cash flow (\$ billion) [A]</b>	<b>30%</b>	<b>28.0</b>	<b>30.7</b>	<b>1.45</b>	<b>45%</b>	<b>65%</b>	<b>36%</b>	<b>52%</b>
<b>Operational excellence</b>	<b>50%</b>			<b>1.59</b>	<b>75%</b>	<b>119%</b>	<b>60%</b>	<b>95%</b>
Project delivery: identified projects on time and budget (%)	20%	75%	82%	1.35				
Production (kboe/d)	12%	2,814	2,954	2.00				
LNG Sales (mtpa)	6%	21.9	22.6	2.00				
Refinery and chemical plant availability (%)	12%	88.5	89.3	1.39				
<b>Sustainable development</b>	<b>20%</b>			<b>1.75</b>	<b>30%</b>	<b>53%</b>	<b>24%</b>	<b>42%</b>
TRCF (incidents/million hours)	5%	1.13	0.94	1.63				
Operational Tier 1 process safety events (number)	5%	65	51	1.93				
Volume of operational spills (thousand tonnes)	4%	1.2	0.8	1.67				
Refining Energy Intensity Index (indexed to 2002)	4%	96.3	95.4	1.19				
Fresh water intensity (cubic metres per tonne of production)	2%	1.80	1.66	1.31				
	<b>100%</b>				<b>150%</b>		<b>120%</b>	
Mathematical scorecard outcome				1.55				
Scorecard outcome after REMCO adjustment				1.4				
Final bonus [C]					€(% of base salary)	3,500,000 (245%)		2,050,000 (199%)

[A] Excluding tax on divestments

[B] Annual bonus = (base salary x target bonus % x scorecard result), adjusted for individual performance by a factor of 1.2