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# Remuneration

Additional Information: 2017 Directors' Remuneration Report

Royal Dutch Shell plc

# Definitions & cautionary note

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.

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## **Additional information relating to Remuneration**

### Pakistan road tanker incident

The loss of lives in Pakistan was tragic and, to the best of our abilities, careful management attention has been given both to understanding the underlying causes and to doing the right thing for the impacted community. The events have been discussed at Board level, and we continue to assess the learnings we can draw from the incident. Meanwhile Shell Pakistan Limited has worked with aid organizations to provide rehabilitation, food and medical assistance as well as implementing a long-term relief plan for those impacted, in addition to having provided equipment to the treating hospital in the immediate aftermath of the incident. While Shell Pakistan Limited denied liability, it decided to pay a compensation order whose benefits are intended for the community, knowing how deeply the community has been affected and wanting to help.

REMCO has the responsibility of considering the CEO's overall safety leadership as it assesses his performance bonus. In doing so, it gives careful consideration to fatalities, alongside the overall scorecard outcome and other personal performance elements. For example, in 2015, the Committee applied downward discretion in respect of seven fatalities, six of whom were contractors. These contractors operated under the operational control of a Shell company, within our safety standards.



## Additional information relating to Remuneration

### Pakistan road tanker incident

The fatalities in Pakistan are no less tragic, but the context is different. The tanker which overturned was operated by a sub-contractor of Shell Pakistan Limited, outside of the operational control of Shell Pakistan Limited. Our safety reporting seeks to align accountability with control. The loss of the tanker driver's life in the incident that followed the vehicle overturning, is therefore considered to be outside of the Shell reporting scope. The scale of the separate and subsequent incident that occurred some time later, when people from a nearby village approached the accident site to collect fuel and more than 200 people died when the fuel ignited, with others seriously injured, is devastating.

In holding ourselves to account we apply consistent safety classifications that take operational control into account, as reported in the Shell Sustainability Report. In line with Shell's control framework, REMCO holds the CEO accountable for his overall safety leadership, including the fatalities of both employees and contractors that occur within the group's operational control. It distinguishes these from fatalities occurring under another company's control, even though our emotions do not. That is why the remuneration report does not refer to the Pakistan incident, while the CEO's review highlights it.

The public statements in relation to this incident are published at:

<https://www.shell.com.pk/media/news-and-media-releases-2017/road-tanker-fire-incident.html>



# Simon Henry 2017 bonus payment

Outgoing CFO remuneration as disclosed in 2016 and 2017 Annual Report, in accordance with policy

- Annual base salary of €1,040,000; unchanged from 2016
- CFO target bonus as a % of salary: 120%
- Bonus for 2017 pro-rated for all service
- 50% delivered in cash; 50% in shares - subject to 3 year holding period

## 2017 performance context and decision made

- During the period Simon Henry was CFO a number of key divestments were announced, amongst others:
  - Divestment of a package of UK North Sea assets (up to \$3.8 bln)
  - Separation of the Motiva Joint Venture (\$2.2 bln balancing payment)
  - Divestment of our interests in Canadian oil sands (\$7.25 bln)
- After standing down as CFO Simon Henry was available to the incoming CFO and the Board to assist with the transition, until he left employment on June 30, 2017

## 2017 bonus outcome calculation in line with 2017 directors' remuneration policy, approved by shareholders



