ROYAL DUTCH SHELL PLC
RESPONSIBLE INVESTMENT ANNUAL BRIEFING 2018

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RESPONSIBLE INVESTMENT ANNUAL BRIEFING 2018 TO ANALYSTS

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Ladies and gentlemen. Welcome to our new arrivals, and to our virtual attendees.

As I shared with the morning panel guests, 2017 was a transformational year for Shell, also in the the realm of responsible investment, with industry-leading transparency and disclosures including our NCF ambition. This event has also transformed; we hope you enjoy this new format which enables investors and analysts from across the globe to join virtually

As usual, let me highlight the disclaimer statement. We would like to start the afternoon session with an update from our Legal Director Donny Ching, who will update you on two important matters, OPL245 and OML42. Donny, over to you.

Thank you Ben. Ladies and gentlemen, I am here today to update you on OPL 245 and touch briefly on a separate matter, in a similar way. As these are live cases, I will not be able to share more than what I am telling you. However, at the end of Ben's presentation, during Q&A, I am happy to take one or two questions for clarification.

The first case I would like to update you on is OPL245. In light of the information available to us including the Milan Public Prosecutor's file, our response is based on the following:

First, this was a single settlement of longstanding litigation which started back in 2002 and was exacerbated in 2006 when the government revoked the block from us and awarded it back to Malabu. By this point, Shell had already invested more than $400 million in OPL 245, based on rights we had been awarded through a competitive tender and which we believed were then expropriated in an illegal manner. We weren't prepared to walk away from an investment of this magnitude, given our responsibility to our shareholders.
Second, the government had to be involved in any resolution. It had the sole authority to allocate and revoke rights to the block. Indeed it had created the

dispute by allocating the block to Shell in 2002 following the competitive tender and then to Malabu in 2006.

Third, the settlement was negotiated openly and transparently with the most senior officials of the democratically elected Nigerian Government. No bribes or illegal payments were made with Shell's knowledge, on our behalf or with our authorisation. We didn't pay any government official; there was no "quid pro quo" arrangement with any government official, either directly or indirectly; and Shell never engaged or paid any intermediaries to act on its behalf. We did later become aware that there were concerns related to this transaction.

So, to be certain that the right process and controls were followed, we commissioned our own investigation by international law firm, Debevoise & Plimpton LLP. Based on its conclusions, we believe there is no basis upon which to convict Shell or any of its current or former employees. Since then we have also reviewed the Milan public prosecutor's file, including additional information in the file since my update in 2017, and remain of the same view.

Finally, I would like to highlight that we have always been transparent in reporting on this matter, including in our Annual Reports. For all of these reasons, we still do not believe there is a basis to convict Shell or its four former employees.

Now I would like to update you on a separate matter which has recently been in the news. I can tell you we were stunned and outraged when we found out about this issue, and we completely understand how the many people who trust Shell will be deeply troubled by it. We, too, are struggling to comprehend why Peter Robinson may have taken the actions he did in relation to OML 42.

Our Code of Conduct, our Business Principles and core values of honesty, integrity and respect, govern the way we do business. The thought of even one employee apparently side-stepping clear Shell rules to engage in what the authorities may conclude was illegal activity is deeply distressing to us and we feel very much betrayed in this case. But, despite our efforts, no system or culture will prevent individuals who are determined to flout our Business Principles or break the law. Where we learn of such behaviour, we act: every year we dismiss a number of staff and contractors due to breaches of our Business Principles and Code of Conduct. For example, internal investigations confirmed 261 substantiated Code of Conduct violations in 2017 compared and we dismissed or terminated the contracts of 73 employees, contract staff or contractor employees.

I understand that some may see this matter as the same as the OPL 245 litigation settlement. I'd like to explain why they are unrelated. The OPL 245 settlement was a very different type of transaction to the divestment of OML 42. As I mentioned earlier, in the decade leading up to the OPL 245 settlement regarding a deep water offshore block, there was a protracted and complex set of legal disputes involving many individuals in Shell.

The settlement with the Federal Government of Nigeria and, by extension, with Malabu, reflected an open and transparent negotiated settlement with the highest levels of the Federal Government of Nigeria, and which numerous Shell staff reviewed and supported, of which Robinson was just one.

In contrast, the sale of our joint venture SPDC's interest in OML 42, was a divestment of a producing onshore block. In the divestment of OML 42, Robinson had a significant role in counterparty selection following confidential commercial bids for an equity interest in the block. When we were alerted by the Swiss rogatory request of the Milan prosecutors that Robinson might have had bank accounts in Switzerland, we launched an internal investigation. On the basis of the internal investigation's initial findings, we suspect Robinson may have committed a crime against Shell in connection with his role on OML 42, and his behavior was against the Shell General Business Principles and Code of Conduct. In this case, we are taking strong action to protect our interests, including filing a criminal complaint against Robinson in The Netherlands. Apart from the criminal complaint which will hopefully lead to an investigation by the Dutch Public Prosecutor into OML 42, we are also continuing our own internal investigations led by Debevoise & Plimpton into OML 42 and Robinson's activities in general and we are reserving our rights in connection with possible additional legal actions against Robinson.

Everything we have seen leads us to believe that the events involving Robinson in connection of the OML 42 transaction are wholly unrelated to the OPL 245 matter, including the fact that the parties were different and the buyer of the asset had no involvement in the settlement on OPL 245. As I said earlier, based on the information available to us, including the Milan public prosecutor's file, we don't believe there is a basis to convict Shell or any of our four former employees in relation to OPL 245 and we will vigorously defend our case.

Thank you for your attention, I will now hand back to Ben.

Thank you Donny, I felt it was prudent to start today with that important update.

I am delighted to be able to give you an update on the company's progress. And there has been progress on all three of Shell's strategic ambitions. In particular, 2017 was a transformative year in our drive to become a world-class investment case, with strong financial performance, the end of the scrip dividend, and repeating our commitment to a $25 billion share buy-back programme subject to debt reduction and oil prices from 2017-2020. Also, production volume from new projects have more than offset the impact of divestments in 2017. We have also had record LNG liquefaction and sales volumes. Downstream volumes, excluding divestments, continue to grow. All this has taken, and will continue to require, a relentless focus on value, achievement and competitiveness.

2017 was also a year in which Shell made some bold moves towards its second strategic ambition: our aim to thrive in the energy transition. We have just released our Energy Transition report in line with the commitments we set out during Management Day. It demonstrates how our portfolio is resilient to the energy transition. You may have seen our recently published Sky scenario, which details a possible pathway for the world to meet the aims of the Paris Agreement. We believe our portfolio is resilient to that pathway. In November 2017, we announced our industry-leading Net Carbon Footprint ambition. I will give you more detail on both these elements in a short while.

But it is worth noting that the Net Carbon Footprint ambition can make a contribution towards our third strategic ambition, maintaining a strong societal licence to operate. It is about Shell being valued for making a real contribution to people's lives. Part of the effort towards achieving it means dealing with the challenges that drag our reputation down, such as those connected to Nigeria - not just managing the impact on our reputation, but dealing with them in a way that brings them to resolution. I know many of you got a sense of what we are doing in Nigeria in this morning's panel discussion, but I will also touch on it later as well.

I have talked a lot about how we have improved operational and financial outcomes in absolute terms. So, much more detail to come, as you would expect from a day which forms the cornerstone of our engagement with the community of investors that have a special interest in environmental, social and governance issues. But, of course, today is not your only opportunity to hear from Shell on these matters. In 2016 we hosted our first Board engagement day. You told us you liked it, so we are going to hold another one in December. On Governance, we have ongoing Chairman and Remuneration engagement programmes, and we continue to engage with you, our investors, our analysts through roadshows and conferences.

Of course, a crucial part of our engagement with our investors is our regular reporting. A fundamental principle of this reporting is transparency, wherever the data we can supply is meaningful. Some of our reporting is to meet regulatory requirements, but we also make additional disclosures to build strength, understanding and governance, and to demonstrate leadership - like we have done with the announcement of our Net Carbon Footprint ambition, in which our thinking on reporting is evolving. Some of the bodies we report to, rate us based on our disclosures, like the CDP, for example.

But we also believe reporting is important to help shape meaningful disclosures for industry and society. We are, for example, a founding member of the Extractive Industries Transparency Initiative. We endorse, as another example, the responsible tax principles set out by the B Team, a not-for-profit initiative formed by a group of global business leaders. As a final example, we are a member of the Preparer Forum for the Taskforce for Climate-related Financial Disclosures. This exists to engage with the TCFD on efficient and feasible ways to implement their recommendations.

The publication of the Energy Transition report I mentioned earlier, together with disclosures in our Annual report, are in alignment with the TCFD recommendations.

To demonstrate how our Board is engaged to help shape the strategic thinking behind some of these important elements, I will now handover to Hans Wijers, who is the Chair of our Corporate and Social Responsibility Committee. Hans will step down at the AGM on 22 May, and I would like to thank Hans for his service over many years.

Thank you Ben. Sir Nigel, who is in the room with us today, will take over my position in the CSRC.

I would like to demonstrate to you today, how I believe our Board is actively involved in helping to shape Shell's agenda, and how engage with stakeholders, community members or third-party experts on a range of relevant topics. With the current composition of the CSRC I believe we have a diverse team, each contributing from different backgrounds and experiences.

In 2017, we discussed a range of topics in our meetings. But more importantly, we actively engage with others. For example site visits to Pernis, or engagement with experts on methane, and on Groningen.

The CSRC also informs and advises the Remuneration Committee on sustainability metrics. We continue to consider what metrics could be appropriate with the criteria of being simple and making sense to you, our shareholders, driving improvement over time and accommodating portfolio changes. Since 2017 Green House Gas management has been included as a metric in the bonus scorecard, and for 2018 we've agreed with REMCO that the metrics will evolve, and will continue to cover GHG intensity of refineries, chemical plants but that Upstream flaring is expanded to GHG intensity of our Upstream and Integrated Gas businesses. This means that close to 90% of our operated Scope 1 and 2 emissions will be now included in 2018, up from 60% in 2017. We will retrospectively disclose scorecard targets when they are no longer deemed to be commercially sensitive.

Ben has been very clear on this on many occasions: Shell fully supports the Paris agreement. Climate change risks are managed just like other risks to the company, as we use the same risk management approach with established standards, policies and controls. The Board committees play an important role in assisting the Board with regard to governance and management of climate change risks and opportunities. The responsibilities of the Corporate and Social Responsibility Committee (CSRC) include the review of the management of environmental and social impacts of projects and operations.

Like I shared before, in 2017, among the key topics were the energy transition, GHG emission targets, and other CO2 and methane-related developments, such as Shell's Net Carbon Footprint (which includes all types of GHGs). The Remuneration Committee (REMCO) is responsible for setting the Directors' Remuneration Policy in alignment with strategy. In 2017, activities for REMCO included setting annual bonus performance measures and targets, which I have just explained. The Audit Committee has key responsibilities in assisting the Board in fulfilling its oversight responsibilities in relation to areas such as the effectiveness of the system of risk management and internal control. Any concerns regarding improvement needed are promptly reported to the Board. We leverage industry experts on a variety of topics to inform the Board. I am confident these examples demonstrate how RDS' Board is actively engaged.

I will now hand back to Ben.

Thank you Hans.

Before I go any further I would like to focus on Shell's performance in Health, Safety, Security, and Environment, or HSSE, through 2017. Goal Zero was and is our goal: zero harm to either people or environment. This is critical for the responsible delivery of energy and it is what society expects of us. We will not be a world-class investment case, nor thrive through the energy transition or maintain a strong societal licence to operate, until we are known as a company that performs and behaves in the right way – one that does no harm.

You can see from this slide that progress continues to be made in many areas. In 2017, for example, we had our lowest injury rate ever at 0.8 injuries per million working hours. But I am not at all happy that, after five years of improvements, we saw an increase in process safety incidents. I should also acknowledge something that is not reflected in these indicators: the devastating road-tanker incident that happened in Pakistan in June 2017. A tanker, operated by a contractor, was transporting fuel from the Shell Pakistan Limited oil terminal in Karachi to Vehari when it overturned in the central Punjab province. Following the accident, people from a nearby village approached the site to collect fuel spilling from the tanker. Tragically, the fuel ignited and more than 200 people died and more were injured. Shell Pakistan Limited is implementing a long-term relief plan for those impacted.

Something that is included in these indicators is the fire we had on our Enchilada platform in November in the Gulf of Mexico. We are analysing what happened in that incident as we do will all safety incidents so that we can learn and continuously look for opportunities to improve.

One way in which we are seeking to improve is by rolling out our 'Process Safety Fundamentals' across the businesses. These are designed to deepen our culture of compliance, to ensure staff are empowered to intervene when they see something that can be better and, overall, to improve leadership on safety.

Those process safety fundamentals are very much aligned with Shell's Golden Rules. These are that all staff should comply with our standards, rules and regulations: intervene when they see an unsafe or unwanted situation, respect our neighbours, our suppliers, contractors and colleagues. It is by following these rules that we can fight the danger of risk-normalisation: the danger that we get so used to being around risk that we no longer treat it with the respect that it demands.

By following these rules we can also create an environment in which dilemmas on safety issues are aired openly. Ultimately, it comes down to embedding a culture of care that protects our reputation and drives competitive advantage.

It is something that every member of staff can contribute towards everybody must "walk the talk". A safer business is in all ways a better business, with better business outcomes. Of course, that effort does not stop with Shell staff. The culture of care has to extend from Shell into the companies we own or operate in. It has to extend through the full lifecycle of our projects. This is what it means to be a responsible company.

Taking responsibility applies in Nigeria too. We do what is needed and deal with the consequences of where we are and the environment we are in. If we want to continue to operate – and we do – this is what we have to do. Irrespective of the cause, the SPDC JV cleans up and remediates areas affected by spills originating from its facilities, regardless of the cause, including oil theft and sabotage. We will continue surveillance of the remaining onshore facilities and pipelines and seek to improve our techniques to quickly detect spills and clean them up.

The company is also fully transparent in its reporting on the oil spills website and I am glad to say that we have made further progress in reducing operational spills. We were able to agree and start a clean-up programme for historical spills in Bodo, with support of the community. We are also taking action to reduce our exposure to the risks associated with theft and sabotage.

We have consciously reduced our footprint onshore to focus instead on opportunities in deep water and LNG. With respect to flaring, this has reduced by 90% from 2002 to 2017, and since 2000, all new SPDC JV facilities have been designed to eliminate continuous flaring. In 2017, the SPDC JV-operated AFAM power plant, provided ~15% of the country's grid-connected electricity.

Being a responsible company also comes into play in relation to climate change. This slide sets out the very basics. The world needs more energy with demand expected to come close to doubling through to 2070. But it also needs cleaner energy if the planet is to avoid the worst effects of climate change. This means that the world must reduce the amount of greenhouse gas associated with each unit of energy it uses.

The Paris Agreement is now in place as a mechanism to tackle climate change. We believe that society can deliver on Paris. We released a new piece of scenario thinking a few weeks ago which laid out a technologically, industrially, and economically possible pathway that the world could follow in achieving this goal. We called it Sky. It joins the Mountains and Oceans scenarios in setting the context for our thinking. It is fair to say that society is not yet on track to meet the ambition of restricting global warming to well under 2C. But is also fair to say that this can change.

At the moment, and for the near future, the world is coming up against the reality that change in a large and complex energy system takes time and investment to gather speed. Over the longer term society will have to deal with the fact that some areas of the economy are very stubborn when it comes to emissions. There are no easy, zero-carbon, answers yet for areas such as steel and cement production or aviation. When also set alongside the growth in energy demand driven by a more numerous and prosperous world population, these are significant challenges. But, as I said, we believe society can meet Paris. Sky is realistic in that it acknowledges that the world will continue to need liquid and gaseous fuels as well as an increasing supply of electrons – which means oil and gas for the long-term until technology development delivers affordable biofuels and hydrogen – or equivalents – at global scale.

Even so, it remains optimistic – finding a route society can walk, even if it is not an easy one to follow. It is a route that requires unprecedented and sustained collaboration and it needs the Nationally Determined Contributions system, on which Paris is based, to work. Sky assumes the first five-year government commitments are met and it assumes the second five-year cycle is not just met, but is also significantly more demanding than what came before. From the third cycle there is recognition that a further step change is needed leading to a unity of purpose and action which drives change onwards. Sky requires some impressive advances. Global electricity generation reaching nearly five times today's levels, for example. The adoption of government-led carbon pricing mechanisms by most jurisdictions through the 2020s, as another. An approximate tripling of energy efficiency in many areas over the course of the century, as a third and much more besides. It effectively means re-wiring the global economy in just 50 years. As I said, it is not an easy path to folio, but it is technologically and macro-economically possible given enough societal will-power.

We believe Shell's portfolio is resilient even in the Sky scenario. In the short term, we are focusing on taking action to reduce emissions within our operations actions we have included in our business plans. We measure this in our company bonus scorecard. Hans has already covered this. Being resilient over the medium term requires us to make a solid assessment of the risks and opportunities that come along with the energy transition. We then have to compare our portfolio and plans against that assessment. We have done this in our Shell Energy Transition report released last week. This report, combined with additional disclosures in our Annual Report and Sustainability Report are aligned with the recommendations made by the TCFD.

In 2017, we were one of the earliest supporters of the TCFD and we continue to work with the task force to help develop more specific guidance on meaningful disclosures linked to climate change. To address the longer term, we have outlined our Net Carbon Footprint ambition which we announced in November. Before I give you a recap on that, however, I would like to give you a little more detail on our report and how we intend to thrive through the energy transition. Our Energy Transition report published last week is a follow up to our 2016 report on the same topic. In this year's report we highlight some of the insights from our Sky scenario, assess the resilience of our portfolio out to 2030, and identify some of the opportunities for our portfolio in the longer term – as well as the steps we are taking today. I invite you all to read the full report but I'd like to highlight some of the key points from the report on this slide.

Our strategy, portfolio and strong financial framework, we believe, give us the ability to thrive through potential changes in the energy system to 2030. For the resilience of our financial framework we focus on growing free cash flow, capital discipline and flexibility, and maintaining a strong balance sheet. We consider a range of between \$40 to \$100 per barrel of oil out to 2030 to be likely. Assuming we meet the conditions in our operational plans, as an indicative estimate out towards the end of next decade, a $10 per barrel change in oil prices would be expected to have roughly a $6 billion impact on our CFFO. Therefore compared to our Free Cash Flow outlook for 2020 of $25 to $30 billion at $65 per barrel money of the day… we could see an impact of up to $15 billion reduction in free cash flow. This reduction is before we take action to mitigate this impact by reducing our capital investment and operating costs, potential divestments and increasing debt.

You can see on this slide how the diversity of our portfolio gives us resilience. We are active throughout many parts of the energy system. The middle section highlights the geographic diversity of our marketing and chemicals businesses for example, which provides resilience to our portfolio. Especially as we recognise that transformation of the energy system will move at different paces and produce different outcomes in different countries. This strength is something we will continue to develop – for example by looking to grow our retail business with half of our new sites in fast-growing markets such as China, India, Indonesia and Mexico.

Our geographic diversity is not limited to downstream, a further example is that we supply LNG to 70 customers in 25 countries. And overall some 19 different countries account for 80% of our CFFO. I've mentioned some of our active portfolio management- such as focussed retail growth already, but other examples of how we see resilience through portfolio management are through cost reduction – something we are very focussed on, and improving the CO2 performance of our asset portfolio.

The Pennsylvania chemicals project is a great example with cogeneration producing both heat and electricity for the plant as well as supplying surplus electricity to the grid at a lower CO2 intensity than the regional average. As a result of these sources of resilience, we have assessed the risk of stranded assets in our portfolio as low. Having covered some of the highlights of our resilience in the medium term, now let me move to the longer term.

I also said I would give you a quick recap of Shell's Net Carbon Footprint ambition. I mentioned right at the start that if society is to meet the aims of Paris, it will need to bring down the amount of greenhouse gases produced for each unit of energy people use. This is exactly what Shell's Net Carbon Footprint ambition is designed to do. It is aimed at keeping the company in step with society's progress towards Paris. We have used our own unique Net Carbon Footprint methodology, scenario analysis, and the IEA's Energy Technology Perspectives 2017 to identify the reduction in the Net Carbon Footprint of the energy system needed to achieve a reasonable chance of limiting global warming to well below two degrees Celsius (2°C).

Based on this analysis, we believe society will have to achieve net zero additional CO2 emissions from energy by 2070. If the amount of greenhouse gas emissions per unit of energy in Shell's product mix is to match the ratio in broader society by 2050, the company will already have to move faster than society. That is because we have more oil and gas in our energy mix than society as a whole, with little wind and solar to date, and no hydro or nuclear. We will have to catch up. But what Shell will not do is move so fast that it becomes out of sync with society because that would make us out of sync with our customers and no business can do that. This means Shell will aim to bring down the Net Carbon Footprint of our energy products by around half by 2050. In other words, about 50% fewer greenhouse gases per unit of energy when used by our customers and around 20% less by 2035. To keep Shell in step with society, we will review and report on our progress every five years.

This Net Carbon Footprint covers the emissions from our own operations and the energy we use in them. But that is just the start. It also covers the emissions produced by our customers when they use the energy products we sell. That means the ambition covers the emissions associated with energy products that we buy from third parties before selling on ourselves.

Take oil for example, Shell produced 1.8 million barrels of oil per day in 2017. Our refinery processing intake was 2.6 million barrels per day. And we sold 6.6 million barrels per day of oil products. By extending our ambition to cover all the energy products we sell we cover the full range of emissions. That is why this ambition is truly industry-leading. Nobody else is doing this.

I hope you can see from all I have set out for you today, that Shell already shares the objective of the Follow This group. That is, Shell already wants to take leadership in the energy transition and it is. Shell goes even further. As I said, the Net Carbon Footprint ambition covers more than the emissions from our operations and the energy we use. It covers more than the emissions linked to use of the energy we produce ourselves. It includes all the emissions linked to all the energy we sell: whether we produce it ourselves or buy it in from third parties. We are developing additional business activities, such as growing our new energies business. I should just explain why we call it an ambition rather than a target. A target is static. The energy transition is the opposite of static, it is dynamic and ever-evolving ultimately determined by government policy, technology and consumer choices. Society is the same, and Shell cannot predict what society or governments will get to, nor can we bet our company on a single view of the future, no matter how much we may want that future

So to be in step with society, Shell has to be dynamic and evolving as well and the ambition, for Shell and for wider society, is that the world hits the goal of the Paris Agreement. What I am saying is this: The Net Carbon Footprint ambition already goes further than Follow This are asking us to go. We call it an ambition because it is ambitious. No other energy company is doing this. That is what I call leadership in the energy transition.

Before we go into Q&A, I want to briefly share two practical examples of what we are doing already to lead in the energy transition. After the Q&A, Maarten will discuss our Integrated Gas and New Energies business, and how they fit well into our strategic ambitions to becoming a world-class investment case and to thrive in the energy transition.

Firstly, IH Squared, we have started up a demonstration unit in Bangalore that can produce bio diesel, gasoline and jet fuel from a broad spectrum of agricultural and municipal city wastes. This is early stage technology, but one that we are watching with interest. Secondly, adapting our retail network. For those of you who attended our downstream open house in March, you will have heard that our current reach is some 30 million customers a day across our more than 44,000 retail stations.

At some of our stations in the UK and the Netherlands we have launched Shell Recharge electric charging. We are also partnered with IONITY to install EV charging points across major routes in Europe. At retail sites in California, Germany and in the UK you can buy Hydrogen at some of our retail stations. This shows our ability to deliver the end customer with the energy products they need.

Thank you for your attention. If there are any questions on the ongoing cases Donny spoke to, there is room for one or two questions on those now. If not, I'd like to invite Hans Wijers and Harry Brekelmans to join me for Q&A on any other topics. After the Q&D I'd like like to handover to Maarten.

Thanks Ben.

I am very pleased to be here to talk to you about the Integrated Gas and new energies businesses. Some of you might have already seen me talk about these parts of the company at our Management Day or at the presentation of Shell's LNG Outlook. Today, I would like to emphasise why our strategy emphasises gas and new energies, the resilience they bring to Shell's portfolio, and the opportunities we see ahead. I am convinced that the future of Integrated Gas and new energies looks bright.

One of the key reasons is the direction government policy is taking in important markets across the world. Here we see different signals that support both our Integrated Gas and new energies business. For example, policies that promote coal to gas switching. The G20 endorses natural gas as being central to the Energy

Transition to a lower-carbon future; we believe so too. According to the IEA natural gas emits between 45% and 55% lower greenhouse gas emissions than coal when used to generate electricity. In Europe, more than 10 countries have announced ambitions to phase out coal, and, where national governments sometimes hesitate, we see coal to gas switching policies at a local level. Take Berlin, for example. Berlin has simply decided as a city that it does not want coal fired power generation anymore and therefore its coal fired power plants are closing. Moreover, we see policies elsewhere that support renewables, often in combination with policies that support gas. South Korea's 8th Basic Plan for Energy, for example, prioritises renewables and gas, while not sanctioning new nuclear and coal. In China too, renewables and natural gas are favoured because they improve air-quality; and in Europe, a reform of the EU power market and a reformed Emissions Trading Scheme are designed to point consumers and companies in the direction of lower carbon alternatives. So, around the world, we see strong policy support for gas and new energies.

Now, let us have a closer look at both businesses, starting with Integrated Gas. Shell continues to be an industry leader in Integrated Gas, supplying nearly 70 customers in 25 countries. Shell is one of the largest independent producers, marketers and traders of liquefied natural gas and gas-to-liquids products. The acquisition of BG accelerated our growth strategy by a decade and has turned Integrated Gas into a cash engine for Shell much faster than anticipated. I think it is fair to say we have been doing very well over the last few years. And in our LNG Outlook, that was published in February, we outlined why we think the future of gas continues to look encouraging. Shell expects natural gas demand to grow at an average of 2% a year between 2018 and 2035. This is twice the growth rate of total worldwide energy demand. Demand for LNG is expected to grow even faster, with an average increase of 4% a year until 2035. Shell's Integrated Gas has a portfolio of attractive investment opportunities to grow with the market and importantly deliver cash and returns. By 2020 we now expect to deliver some $8 to 10 billion of organic free cash flow from Integrated Gas, at an oil price of $65 – or $60 real terms 2016 – per barrel. Over the same period, we want to increase our return on average capital employed to 10%. The future looks bright for gas, but we still have to deliver it.

We recognise that product stewardship is important, and that support for a long-term role of gas in the energy mix will depend on good measurement, management and transparency on methane emissions. We have to have an attitude of constant improvement. Because the success of gas in the future depends significantly on its environmental credibility. I have already mentioned that natural gas emits 45% to 55% lower greenhouse gas emissions than coal when used to generate electricity – also taking into account the estimated methane emissions in each case – according to the IEA. The industry must make sure gas keeps this edge. This is why Shell wants to reduce methane emissions throughout the entire gas supply system. We are part of the Oil and Gas Climate initiative, a group that has made the reduction of methane emissions one of its priorities, and last November, Shell joined seven other energy companies in signing guiding principles focused on continually reducing methane emissions. The principles were developed with a coalition of international institutions, non-governmental organisations, and academics – and we are encouraging other companies to join us in signing up to them. In recent months Gazprom, Qatar Petroleum and Woodside have all joined the initiative and I hope more companies will follow in the future. So, Integrated Gas has become a cash engine for our company and I hope I have shed some light on the favourable context for future gas growth and how reducing methane emissions can help keep it that way.

Now, I would like to tell you how we see our new energies business. Our new energies business is an emerging opportunity with two focus areas: new fuels and power. We intend to make investments averaging between $1 and $2 billion a year until 2020 that are disciplined and commercially driven. Let me first talk about new fuels, which consists of biofuels, hydrogen and electric vehicle charging. This area benefits from the reach we already have through our Downstream business and, specifically, our retail operations Because Shell already operates in more than 70 countries in the world with some 44,000 retail stations - with a strong brand that 30 million customers each day know and trust. This is one of the reasons why we expect downstream-like returns for new fuels, in the high teens.

Apart from new fuels, Shell's new energies business also focuses on power. Because we expect that over this century, the energy system will become increasingly electrified. Around 20% of energy is currently consumed as electricity, and with the transition towards a lower-carbon energy system, electricity's share could grow to more than 50% of the energy mix by 2060. Moreover, the energy system almost doubles in size during this period, meaning that the amount of electricity consumed worldwide could increase around five-fold. Shell is keen to participate in this growing segment. It will help us to thrive in the worldwide transition to a cleaner energy system. We want power to become the fourth pillar of our company, alongside oil, gas and chemicals. Let me explain how I see Shell's role.

With power, I think Shell can make returns across the value chain. From the moment when power is first generated to the moment when a customer flips a light switch at home or a company turns on a machine. This is not about trying to replicate the utility industry with utility returns – where there is stable demand, stable supply, and a utility margin. We see the industry changing – with more volatility, intermittent supply and intermittent demand. This gives Shell the opportunity to trade, integrate, and optimise. So much like new fuels can benefit from our strengths in downstream, power can benefit from our world-class experience and infrastructure in energy trading. We can match the different and increasingly volatile demands of customers in commercial, industrial and residential markets with power from different, often intermittent sources and heighten returns by trading it in between. This is well-known territory to us. We are already one of the top three power wholesalers in the US. This strategy means we will need to make investments in storage and different kinds of low carbon power generation, like wind, solar, and gas. The is key to being a credible player. It does not mean, however, that we plan to own all the plants that generate the power we sell. Instead, we will complement our supply by buying power from third-party suppliers to remain flexible. This is exactly the same as we do now with the products we sell at our retail sites where we do not produce all the oil we go on to sell, we buy much of it in from third parties.

If you look at this chart, you can see how our activities in the whole system fit together. We are, and will increasingly be, present across the value chain, from generation to customer. On the customer side, we are stepping up our efforts. For example, by offering to charge our consumers' car when it is cheapest, warm their house before they arrive, and offer clean energy. We have, for example, recently acquired New Motion that offers electric car charging to customers at home or at the office. And we bought the American electricity company MP2 supplying commercial and industrial customers and British company First Utility, which allows us to deliver power to people's homes and to more industrial customers. Now, let's move from the customer to the supply and generation side. Here we are also stretching the range of our portfolio. With onshore wind in the US and offshore wind in the Netherlands. But also with the recent acquisition of an interest in solar company Silicon Ranch in the US. This leaves the part in the middle. The part where we match our own and third-party supply with demand from retailers and consumers. Here also, we use the strengths we have today for the business of tomorrow. For example, by supplying retailers with energy through exclusive supply agreements, which provides us with indirect access to millions of additional customers and which can enhance returns. This is where we use our existing scale, infrastructure, brand and experience. We believe we can achieve equity returns between 8% and 12% from the power value chain.

I want to end my presentation by talking about the second part of our power strategy, which concerns energy access. Globally, more than 1.1 billion people do not have access to electricity. More and more solutions to energy poverty are emerging, with many technologies and business models starting to deliver affordable off-grid options. And Shell aims to combine those solutions with its core business skills to create a scalable and commercial solution for energy poverty, and deploy it in regions where the need is great. That is why we are investing in companies like SolarNow, which provides solar energy to parts of Uganda and Kenya where electricity until now was scarce or not available at all. Or in Husk Power Systems, a company that uses a hybrid of solar power and biomass gasification to offer reliable and affordable electricity to customers in India and Tanzania. And in Streamaco, a technology company that enables mini-grid companies like SolarNow and Husk to meter and bill customers' power usage, which is critical to rural utility business models. And I believe we can make a real difference in this area. And, since the International Energy Agency estimates the market for mini-grids will amount to $190 billion by 2030, I believe we can create shareholder value in the process.

Let me conclude by saying that we all know the energy system is changing. Shell seeks to thrive in this energy transition towards a low-carbon future. And with the investments in Integrated Gas and new energies I've talked to you about, I am confident I can keep saying the sentence I like saying most:our future looks bright. Thank you. I would now like to invite Mark Gainsborough, Executive Vice President new energies, to join me for Q&A.

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DEFINITIONS AND CAUTIONARY NOTE

This presentation contains data and analysis from Shell's new Sky Scenario. Unlike Shell's previously published Mountains and Oceans exploratory scenarios, the Sky Scenario is targeted through the assumption that society reaches the Paris Agreement's goal of holding global average temperatures to well below 2°C. Unlike Shell's Mountains and Oceans scenarios which unfolded in an open-ended way based upon plausible assumptions and quantifications, the Sky Scenario was specifically designed to reach the Paris Agreement's goal in a technically possible manner. These scenarios are a part of an ongoing process used in Shell for over 40 years to challenge executives' perspectives on the future business environment. They are designed to stretch management to consider even events that may only be remotely possible. Scenarios, therefore, are not intended to be predictions of likely future events or outcomes and investors should not rely on them when making a

n investment decision with regard to Royal Dutch Shell plc securities.

Additionally, it is important to note that Shell's existing portfolio has been decades in development. While we believe our portfolio is resilient under a wide range of outlooks, including the IEA's 450 scenario (World Energy Outlook 2016), it includes assets across a spectrum of energy intensities including some with above-average intensity. While we seek to enhance our operations' average energy intensity through both the development of new projects and divestments, we have no immediate plans to move to a net-zero emissions portfolio over our investment horizon of 10-20 years. Although we have no immediate plans to move to a net-zero emissions portfolio, in November of 2017, we announced our ambition to reduce our net carbon footprint in accordance with society's implementation of the Paris Agreement's goal of holding global average temperature to well below 2°C above pre-industrial levels. Accordingly, assuming society aligns itself with the Paris Agreement's goals, we aim to reduce our Net Carbon Footprint, which includes not only our direct and indirect carbon emissions, associated with producing the energy products which we sell, but also our customers' emissions from their use of the energy products that we sell, by around 20% in 2035 and by around 50% in 2050.

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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