2015 Royal Dutch Shell plc.
Annual General Meeting
The Hague, the Netherlands

JORMA OLLILA
Chairman, Royal Dutch Shell plc
May 19, 2015

BEN VAN BEURDEN
Chief Executive Officer, Royal Dutch Shell plc
May 19, 2015
Jorma Ollila is Chairman of Royal Dutch Shell plc. A Finnish national, he was appointed Chairman as from June 2006.

He started his career at Citibank in London and Helsinki, before moving in 1985 to Nokia, where he became Vice President of International Operations. In 1986 he was appointed Vice President Finance of Nokia. Between 1990 and 1992 he served as President of Nokia Mobile Phones. Between 1992 and 1999 he was President and Chief Executive Officer of Nokia and from 1999 to June 2006 he was Chief Executive Officer of Nokia.

Jorma was born August 15, 1950.

Ben van Beurden became Chief Executive Officer (CEO) of RDS with effect from January 1, 2014.

Ben joined Shell in 1983, after graduating with a Master’s Degree in Chemical Engineering from Delft University of Technology in the Netherlands.

In December 2006, he was appointed Executive Vice President, Chemicals, based in London, UK.

From January to September 2013, Ben was Downstream Director and had regional responsibility for Europe and Turkey. He has been a member of the Executive Committee since January 2013.
Royal Dutch Shell plc

Jorma Ollila

Ben and I will now give a short presentation about your company and its activities.

Before we start, let me highlight the disclaimer statement.

2014 was a year where we made continued progress in many areas, particularly with plans to improve financial performance and capital efficiency.

Ben, our Chief Executive Officer, will talk to you in more detail about our operational performance and his short to medium term priorities for Shell. But, let me first say a few words about the global scene.

The world’s population is growing rapidly; from some 7 billion today to what will be an estimated 9 billion by 2050.

But even more importantly, hundreds of millions of people are leaving poverty behind, which can only be a good thing.

This means that over the first half of the century, energy demand is expected to double, even when counting on a massive improvement in efficiency in what we do today.

This will put pressure on the climate, on water and food resources, and require tremendous investment and innovation in energy projects.

Shell will play its part here.

In 2014, Shell’s production was about 3.1 million barrels of oil equivalent per day. We produced some 2% of the world’s oil and some 3% of the world’s gas in 2014.

CCS earnings last year were $22.6 billion, we declared dividends and bought back shares worth some $15 billion combined.

We invested $37 billion on capital projects, spent some $1.2 billion on research and development, and some $160 million on the communities in which we operate.

All of this while paying some $18 billion of taxes and collecting another $73 billion for governments.

We employ over 94,000 people, and hired around 1,200 new graduates into the company last year. Skilled people in high quality jobs.

Shell plays a positive, and sometimes understated role in many countries around the world.

Turning to the nearer term, and the weak oil price environment since the end of 2014.

A year ago, when we had our AGM, oil prices were around $111. They are quite a bit lower than that today.

Volatility is a fact of life in our industry. It is what it is. And we have to manage through it.

Short-term movements in oil prices can be driven by perception, and prices tend to over-react on both the upside and the downside.

In the medium term, supply and demand fundamentals tend to reassert themselves around the marginal cost of supply.
We have not changed our long-term planning assumptions of $70-$90-$110 Brent. The long-term demand outlook remains robust, and industry under-investment today simply leads to more upside risk in oil prices in the future.

Today, your company is taking steps to preserve Shell's financial flexibility, this includes a freeze in dividends and a slowdown in capital spending in 2015, taking choices on Shell’s rich portfolio funnel, and opportunities to take out cost, where there are multi-billion dollar opportunities in our own cost base, and in the supply chain.

At the same time, we have to be careful not to over-react to spot prices.

We are continuing with a very attractive suite of new projects which are under construction, and are preserving, where we can, a competitive set of new options for medium-term shareholder value creation.

Shell's approach to sustainable development runs across all our activities.

The foundation of our approach is running a safe, efficient, responsible, and – of course – profitable business, even in low oil price environments.

This means having the processes in place to manage safety, environment and community involvement.

Secondly, we share wider benefits with the locations where we operate – the long term nature of our businesses means we can be a part of a community for decades.

Thirdly, we want to be part of shaping a more sustainable energy future.

The scale of the global challenges is immense, and effective collaboration is needed to shape a sustainable energy future.

Our goal is to have zero fatalities and no leaks or other incidents that harm our employees, contractors or neighbours.

In 2014, we achieved the lowest recorded injury rates, as well as our lowest ever recorded spill volume.

Sadly, we still had 5 fatalities in our operations. We cannot be complacent in this area.

We manage safety through rigorous processes and by embedding a safety culture in the daily activities of our workforce, and we continuously engage with staff on our commitment to our 12 life-saving rules and to reinforce their duty to intervene if they see any unsafe practices.

Shell has a strong track record of transparency, and this is something we remain committed to.

The sustainability report – published in April – is in its 19th year, and we were the first oil major to publish details of oil spills in Nigeria online.

We also voluntarily publish country-by-country tax payments, for significant countries where we are allowed to, in an easily accessible single location online.

As part of our commitment to transparency the Board also recommended that shareholders support the shareholder resolution on Climate Change, which you will have seen in the Notice of Meeting.

The Shareholder resolution asks for enhanced reporting in a number of areas, several of which already form part of our ongoing reporting. We have provided further information this year – in our Sustainability report and our greenhouse gas website, all ahead of the resolution’s requirement to build this into routine reporting from 2016.
All information on climate change, emissions management reporting and other topics related to the resolution, will also be put on the Shell greenhouse gas website, which will become the main point to get information on topics related to the special resolution.

Ben will go into further details around climate change in a moment.

Turning to competitive performance

This slide shows the four drivers of the long term incentive plans for the senior management in the company.

Our cash flow growth has been competitive in the last few years, and our cash flow, $45 billion in 2014, was strong in our peer group.

This performance was underpinned by growth projects, we are making progress, but there is a lot more we can do.

The remuneration policies in the company reflect this performance.

You will, I’m sure, have seen that we have made an offer to acquire BG, earlier this year, and that this offer has been recommended by the Board of BG.

This is an important transaction for Shell.

Shell and BG are a great fit.

The combination with BG will accelerate our financial growth strategy, particularly in deep water and liquefied natural gas, and both of these are growth priorities for Shell and areas where the company is already one of the industry leaders amongst the IOCs.

The combination would have a great complementary fit in a number of countries, and this, plus the efficiencies that would come from joining the two companies together, should lead to substantial value creation for shareholders.

All of this should be a springboard for a higher rate of portfolio change at Shell, with an increase in asset sales, a reduction in combined capital investment, and a reduction in the number of longer term portfolio themes.

This should enhance our future dividend potential, and enhance the potential for share buybacks.

I’m personally very pleased that your company has made this move, which I think will put us in a good place in the future.

And with that, let me hand you over to our CEO.

Ben.

**Ben van Beurden**

Ladies and gentlemen, I am very pleased to be here today at our 2015 AGM.

Let me start with our strategy.

Our strategy is to grow cash flow and deliver competitive returns for shareholders across the cycle.

I set three priorities for the company in 2014, to improve competitive financial performance, enhance capital efficiency, and deliver new projects, and these priorities have not changed.

We are allocating capital on a global, thematic basis, and you can see the main categories here, the “engines” businesses, in Downstream and Upstream, are mature, and they are there to provide free cash flow.

The “growth priorities”, deep water and integrated gas, are where Shell is one of the leaders in the industry amongst the IOCs, and the “longer term” category covers
potentially very exciting positions for Shell in the future, where we need to balance the growth opportunity and the non-technical risks.

The plans that we set out early 2014 are yielding results, as we balance growth and returns.

We’ve delivered a more robust financial performance, and we have made progress with restructuring in Oil Products and North America resources plays.

Our capital efficiency drive is starting to show up in the results, and our projects came on-line as planned, new deep-water startups, especially in the Gulf of Mexico, with around 150,000 boe per day of potential for Shell.

Last year saw the successful integration of the Repsol LNG acquisition, which delivered more than $1 billion of CFFO in 2014, ahead of the potential we had assumed when we bought the position.

We want to continue with this emphasis in 2015 and beyond.

We continue to review the appropriate spending levels in the company, and structurally we have been reducing spending levels, to $37 billion in 2014 and $33 billion or less for this year.

Again, we are allocating capital on a global, thematic basis, and you can see the main categories here.

This means investing in the projects that generate the best returns and cash flow, and getting out of plays where we can’t add value for our shareholders.

We are restructuring in three broad areas of the company, world-wide resources plays, Oil Products, and upstream engine.

This is impacting some $77 billion of capital employed.

We’re making good progress, for example Oil Products return on capital employed on a clean CCS basis was 13.9% in the last 12 months, but there is more to come here.

We have had a series of major project start-ups in 2014.

I want to highlight the Repsol LNG acquisition which we completed in 2014, and we had major deep water start-ups in Malaysia, Nigeria and Gulf of Mexico, such as Mars B, a tension leg platform with a capacity of more than 100,000 boe per day.

Now I want to focus on some details of the proposed combination of Shell and BG.

This chart shows the uplift to Shell’s production, which is some 600 thousand boe per day or an uplift of 20%.

In our Upstream engine, there will be a complementary fit, such as in the North Sea, and some new additions to our portfolio.

And at the top of the chart, in Shell’s longer term themes, BG brings new barrels in Kazakhstan and some potential in North America shales.

The combination will be a particularly good complementary fit with Shell’s two strategic growth priorities of integrated gas and deep water.

Here, we will be combining two world-class LNG supply and trading portfolios, in particular adding the Atlantic basin and Australia equity gas, plus some important off take contracts from third parties.

And in deep-water Brazil, BG will add growth production from non-operated fields in the Santos basin, including the giant Lula field, in the pre-salt.

Now, let me update you on some other areas of your company, and you may have follow up questions in some of these areas.
Starting with Nigeria. And there has been a lot of change there.

We have three main businesses in Nigeria, the SPDC joint venture onshore, Nigeria LNG and deep water, which are successful and perhaps lower profile businesses.

In 2013 we set out a strategic review of the Nigeria onshore portfolio, with an aim to refocus SPDC to gas value chains, and I am pleased with the progress there.

This has involved asset sales of some $4.8 billion in the last 5 years, which is in line with the Federal Government of Nigeria’s aim of developing Nigerian companies in the country’s upstream oil and gas business, and our aim to have a smaller onshore footprint.

These disposals are not a wholesale exit by Shell from Nigeria, but in the onshore the reality is that others are better placed to operate some of this acreage.

We continue to make selected growth investment onshore, particularly in gas and pipeline infrastructure.

However, some of our associated gas projects such as Southern swamp and Forcados Yokri to reduce flaring are facing delays due to a shortfall in funding for the joint venture.

The situation on the ground in Nigeria showed some signs of improvement in 2014 but does remain challenging.

The security situation remains difficult, and 19 staff, dependents and contractors were kidnapped during 2014.

Oil theft continued to impact our SPDC joint venture with, on average, some 37 thousand barrels per day stolen and additional production deferred.

Crude oil theft remains our largest challenge here – with 139 spills as a result of sabotage recorded in 2014. These accounted for 90% of the volume of oil spilled in Nigeria in 2014.

We continue to make improvements to how we approach illegal activity, with surveillance being built into agreements with local communities, and the identification and sealing of non-leaking theft points before their removal.

Moving to Alaska.

We are planning to drill in the Chukchi Sea in 2015 and 2016.

This is dependent, of course, on successful permitting, clearing any legal obstacles, and our own determination that we are prepared to explore safely and successfully.

We recently received encouraging support from the DOI with the Record of Decision reaffirming the 2008 lease sale 193.

And just last week, we received approvals from the authorities for our Exploration Plan, which is an important milestone. We will, of course, need further permits before we drill.

On the HSSE side, since 2012, we have upgraded our assets, successfully tested the Arctic containment system (ACS), and added additional Oil Spill Response equipment.

So as you can see lots of activity has taken place to prepare us as fully as possible for a 2015 drilling season.

Let me now update you on one of our activities in Canada.

Shell has a 60% stake in the Athabasca Oil Sands Project, or AOSP, which has production capacity of 255,000 barrels of oil per day.

The mine and upgrader produced 6.5 million tonnes of CO₂ in 2014.
To mitigate some of that, and to ensure that this facility remains competitive, we are installing Carbon Capture and Storage facilities there, in a project called Quest.

This is the world’s first commercial-scale CCS project to reduce carbon emissions in the oil sands, and is expected to start-up this year.

Quest will capture and store more than one million tonnes a year of CO$_2$ produced in bitumen processing, and this is an important step for the acceptability of our heavy oil activities there.

Turning to gas production here in the Netherlands.

The Groningen gas field, operated by the NAM joint venture with Exxon, and partnered with the Dutch government, has been producing gas for decades.

Following increased seismicity in the area, the Dutch government has proposed measures including reduced production, damage prevention, repair and reinforcement of buildings, as well as investments in the regional economy.

In February this year, the Dutch Safety Board published a report on how the safety of residents was taken into account in decisions, up to January 2013.

The report is critical of all key parties involved.

NAM will fully implement the recommendations, and has apologized for the unrest and nuisance caused by earthquakes due to gas production.

Shell supports NAM and respects the proposals outlined by the minister in this important area.

Now let me give you some comments on climate change.

Shell was one of the first oil companies to acknowledge the link between CO$_2$ emissions and climate change, we have a thought through and pragmatic strategy to position your company in the long-term energy transition that is underway.

Shell is taking action in four areas to manage our CO$_2$ emissions.

We are producing more natural gas, which is a low CO$_2$ fuel, we are producing low-carbon biofuels, helping to develop carbon capture and storage, and working to improve the energy efficiency of our operations, for example with co-generation at refining and chemicals plants.

We consider climate and price risk in our decision making. We invest in projects using a $40 per tonne of CO$_2$ emitted screening value and we use a $70-$110 dollar screening value for oil prices.

Let me make a comment on stranded assets, which has attracted a lot of attention in the media.

Our view is that the stranded assets theory ignores the realities of our industry and it risks distraction from the real issues around energy transition needs.

If there is no further investment in oil production, the gap between supply and demand could be 70 million barrels per day by 2040.

That’s the equivalent of six times Saudi Arabia’s 2013 production and 80 times the size of today’s UK North Sea production.

Sustained and substantial investment is required to meet this demand to fuel economic growth, especially in the developing world, at the same time as supporting the energy transitions that are underway.

Let me update you on emissions. This is CO$_2$ and flaring overall.
We report out on this in our sustainability report, through the CDP, which we’ve been in since 2003, and all of this comes together in our greenhouse gas website.

Total emissions have been stable in a 70-80 mtpa band for the last few years.

Within that there’s been a big improvement in energy efficiency in Downstream, our refineries and chemical plants account for some 45% of our emissions.

Overall flaring levels have been in a band of between 7 and 11 million tonnes CO₂ equivalent for some 7 years, in a growing company.

The uptick in 2014 in emission and continuous flaring is due to associated gas from production in our Majnoon operations in Iraq, and our Gumusut-Kakap deep-water platform, both of which are growth projects, with gas capture coming at a later stage.

In Nigeria, our flaring has decreased by 78% over the last ten years, which is a great achievement by SPDC.

I am pleased to announce we have signed up to the World Bank’s “Zero Routine Flaring by 2030” initiative.

This initiative brings together governments, oil companies, and development institutions who agree to cooperate to eliminate routine flaring no later than 2030.

At Shell we understand the benefit of research and development of new technologies. And we are spending around $150 million a year on R&D on this, from a total budget of around $1 billion a year.

Of course we see gas as a way of working towards a low carbon energy system, but we also look at technologies such as CCS, biofuels, wind and solar, and our Shell Technologies Ventures funds businesses across these renewables areas.

Let me close out with some words on our dividend and share price performance.

Shell has a strong track record on dividends, and dividends are the company’s main route to return cash to shareholders.

Over the last 5 years, we have declared more dividends than any of our sector peer group.

In 2014 we continued dividend growth with a rise of over 4% for the year. The dividend is expected to be maintained at $1.88 per share in 2015, despite today’s lower oil prices.

This is an annualised figure of around $12 billion of dividends declared. And in addition, last year we returned $3.3 billion of cash to shareholders as share buy backs.

All of this underlines your company’s dividend track record and our commitment to returns to shareholders.

With that, I hand you back to Jorma.
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Resources plays: Our use of the term “resources plays” refers to tight, shale and coal bed methane oil and gas acreage.

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