The Long Term Incentive Plan (LTIP) 2020
Introduction

The LTIP is operated for Executive Directors, Executive Committee members and Senior Executives.

An LTIP award is a conditional award of Shell shares (RDSA, RDSB or RDS.ADR) that is released to the participant after a three year performance period, subject to the satisfaction of certain conditions which include performance conditions that are measured over the three year period.

Eligibility

The purpose of the LTIP is to recognise those with the most long term value to the Shell Group and ensure they are invested in Shell’s success through any share price growth and payment of dividends.

If you have been made an award under the LTIP please read this summary document for details of how the plan works. However, you should note that this is simply a summary and does not override the terms and conditions in the rules of the Shell Share Plan 2014 (available here) which is the definitive document governing the LTIP.

Additional terms and conditions are also set out in the award certificate.

To be eligible to be considered for an LTIP award you must be employed by a Member company of the Shell Group on the date of award (although you should note that certain employing companies are excluded).

Nominations for awards are made on a selective basis during the performance assessment and calibration process.

No individual is entitled to a LTIP award: they are discretionary and assessed on an annual basis. Therefore an award in one year will not guarantee an award in a subsequent year (nor the level of any future award).

For US persons and residents in the US: This document constitutes part of a Section 10(a) prospectus covering securities that have been registered under the Securities Act of 1933.
How the plan works

Timeframe

The timeline on this page illustrates the key dates and events during the lifecycle of the award.

A nomination for an award is subject to approval by the relevant delegated authority of the Board of Royal Dutch Shell plc (RDS). Following approval, an award of conditional shares is made. This is usually in January/February each year.

Shares are delivered to you (subject to satisfying the conditions and other terms of the award) after the end of the 3 year performance period which:

> starts in the January of the year in which the award is made and
> ends in the December three years later

A compulsory holding period applies to Executive Directors and Executive Committee members.

Please check your award certificate for details.
### How the plan works

**Performance Conditions**
An LTIP award is a conditional award of a notional number of shares. It is notional because the number of shares that are ultimately delivered (vested) may be higher or lower, depending on the outcome of any conditions to which the award is subject.

The chart on the right shows the performance conditions applying to awards made from 2019. These measures support and reward our employees for the achievement of the strategic ambitions of the Shell Group.

The Energy Transition performance measure introduced in 2019 includes targets around Net Carbon Footprint, growing our power business, advanced biofuels technology and alternative fuels, and development of carbon capture systems. This measure supports our intent to reduce the carbon intensity of the energy products we sell in step with society as it moves towards the goal of the Paris Agreement. More information can be found [here](#).

Each of these measures has a proportional vesting % shown on the chart on the right.

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<th>Performance Conditions and Measurement</th>
<th>Proportion of Award</th>
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<td>Relative conditions: Performance is compared at the start and end of the performance period on a relative basis versus BP, Chevron, Exxon and Total</td>
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<tr>
<td><strong>Total Shareholder Return (TSR)</strong></td>
<td>22.5%</td>
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<tr>
<td>Change in share price and dividends paid</td>
<td></td>
</tr>
<tr>
<td><strong>Cash Flow from Operations (CFFO)</strong></td>
<td>22.5%</td>
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<tr>
<td>Cashflow from operating activities</td>
<td></td>
</tr>
<tr>
<td><strong>Return on Average Capital Employed (ROACE)</strong></td>
<td>22.5%</td>
</tr>
<tr>
<td>Indicator of capital discipline</td>
<td></td>
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<tr>
<td><strong>Absolute conditions</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Free Cash Flow (FCF)</strong></td>
<td>22.5%</td>
</tr>
<tr>
<td>The sum of cash flow from operating activities and cash flow from investing activities</td>
<td></td>
</tr>
<tr>
<td><strong>Energy Transition</strong></td>
<td>10.0%</td>
</tr>
<tr>
<td>A discretionary condition relating to energy transition as defined in your award certificate</td>
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There is one additional rule: should the TSR ranking outcome be fourth or fifth, the total vesting of the award will be capped at 100%.

Management discretion - the Company, acting reasonably and in good faith, has discretion to reduce (including, for the avoidance of doubt, a reduction to zero) the vesting percentage of the award, on the basis of the wider performance of the Company.
How the plan works

Examples of Vesting

The number of shares that may vest is calculated according to how Shell performs against each of the conditions. The table on this page is an example to illustrate how the outcome of each performance condition will determine the final number of shares which may vest.

So, in this example, if 100 conditional shares were awarded then, as a result of Shell’s performance, the final number of gross vested shares is 100 x 118% i.e. 118 shares

Bear in mind that whenever a dividend is declared on RDS shares during the 3 year performance period, notional dividends may accrue on your award which increases the number of shares that can vest.

The chart alongside demonstrates how performance conditions and dividends have impacted a notional award of 100 shares in the past. These are historical examples and are based on awards subject to different performance conditions to those used currently. They should not be taken as an indication of what might happen in relation to future awards.
There are three ways to track the performance of your award during the vesting period:

1. On notification of an award of shares having been made, you will receive a link to a personalised Initial Value Statement, indicating the value of the award at award (grant) date.

2. A personalised interim value statement is issued to you in June and December of each year during the performance period. The intention of this interim statement is to give you an idea of the number of shares you may receive and what those shares might be worth if the award vested on the statement date (based on the share price and exchange rate at that date).

3. You can follow the performance of any outstanding LTIP awards in the quarterly tracker found here in HIROL.
Vesting of your award

The Board of Directors of RDS is responsible for assessing the performance measures at the end of the three year performance period. As described above, the outcome of that process will determine the number of shares which are released (vest). Normally, none of the award will vest until all performance measures have been determined and confirmed.

The vesting decision typically takes place in the February following the end of the three year performance period, and is generally communicated at the beginning of March.

After vesting, your award will be delivered to you in shares or cash, as described in more detail on the next page “Receiving your shares”.

Please click here to find the Vesting Q&A guide.
Receiving your shares

Share-settled awards

In most cases, your LTIP award will be delivered in RDS shares. In that case, the vested shares will be delivered directly to your Computershare Vested Share Account (VSA) or, for US persons, your Fidelity account. The number of shares delivered will be reduced to reflect applicable withholding taxes and/or social security. See the section called “Taxation of your award” which describes how these deductions are treated for both local employees and those who have been on a long-term international assignment at any time from the start of the relevant performance period to the vesting date of the award.

Cash-settled awards

If we are required to settle your award in cash for regulatory, fiscal or other reasons, the cash (after deduction of taxes and/or social security where applicable) will be paid to the account specified on your Computershare record.

It is up to you to make sure this record remains up to date, so please ensure you have reviewed and updated your account and both your email and postal addresses.

For details of countries/populations where cash deliveries are required, please refer here to our Cash out populations guide.

Please also refer to the Shareholding guidelines, Malus & Clawback section.
Taxation of your award

Local employees
In most jurisdictions you will not be required to pay tax or social security when the award is made, and you may be liable to pay tax when the award vests or is distributed to you. Unless you have been on a Long Term International Assignment (LTIA) at any time since the start of the performance period you are legally responsible for your own personal tax and / or social security, (although your employing company may be legally required to withhold taxes and / or social security payable on your behalf). Please note that Local Non National assignments are, for these purposes, treated as local employees.

Expatriate employees
If you have been on a Long Term International Assignment (LTIA) at any point since the start of the performance period to the date of vesting, a deduction for hypothetical tax will be made from your award and your entitlement under the rules of the Plan is to the net amount of the Award (i.e. the amount after deduction of such hypothetical tax and social security or deduction of actual tax and social security, as applicable).

Further details can be found in our Tax Equalisation section of the International Mobility website.

Tax summary matrix
Please look here for the interactive tax map, giving an overview of country tax positions for LTIP. Detailed tax summaries can be found here.

Where to see your tax calculation
If you are a US local your tax calculation on your award is processed through your US payroll and can be seen in your payslip.

For all other awardees, you can find a detailed tax calculation on your Computershare account – please go to Transaction History and select Long Term Incentive Plan from the drop down menu.

Should you change your base country, the hypothetical deduction will be according to your base country at vest.

If the policy applies to you, hypothetical tax and social security will be deducted from your Award and your entitlement under the rules of the Plan is to the net amount of the Award (i.e. the amount after deduction of such hypothetical tax and social security or deduction of actual tax and social security, as applicable).

Please refer here to the Tax Q&A.

If you have any questions or are in any doubt in relation to your personal tax situation you should consult your personal tax advisor.

Please refer here to the Tax Q&A.
Holding your shares

Non US base country participants:

The Vested Share Account (VSA)

Your delivered shares will be held in the VSA (administered by Computershare) in a paperless and secure manner.

To view your vested shares please login to your Computershare account.

Details of the gross and net vested award will be available to view on your account by selecting Holding Information, and then clicking Long Term Incentive Plan from the drop down menu.

There is a facility to transact from the VSA, which means that you can sell either all or some of your shares and can also transfer your shares to a brokerage account of your choice. Shell will pay the annual VSA fee for you but please note that you will have to pay transaction fees to sell the shares.

If you transfer shares to another brokerage account/nominee, the transfer is free of charge, however the new broker/nominee may charge annual fees.

Further details can be found here:
www.shellshareplans.com/vsa/

US base country participants:

Fidelity Share Account (US shares)

Your delivered shares will be held in your Fidelity account. For further information regarding your Fidelity account, please contact Fidelity directly using one of the contact methods below:

- online at www.netbenefits.com/shell
- 1-800-30-SHELL
Being a shareholder

Being a shareholder in RDS means you own part of the company and you can continue to share in Shell’s success. The value of your holding will rise or fall depending on the number of shares you continue to hold and the RDS share price over time.

Dividends – grow your shareholding

If you continue to hold shares on a dividend record date, you will receive Dividend Re-Investment Shares in the VSA each time a dividend is declared by RDS. The reinvestment of dividends means that your shareholding will grow if and when a dividend is paid.

You cannot choose to take dividends earned on shares in the VSA as cash. However in certain jurisdictions, legislation requires that dividends are paid as cash. If this applies to you, you will be informed and asked to provide bank details to Computershare in order to receive payments.

If you are a US participant who has shares deposited into a Fidelity account, you can choose to take dividends as cash or choose dividend reinvestment. Please visit www.netbenefits.com/shell for more information.

For information on RDS dividends, please click here. Note that there can be no assurance that future dividend payments, if declared, will match or exceed previous dividend payments.

Voting at the Shareholder meetings – a chance to have your say as an owner of part of Shell

As a shareholder you will be invited to vote at shareholder meetings such as the Annual General Meeting (AGM) should you wish to do so. The AGM is usually held in May each year.

If you hold shares in a Computershare Vested Share Account you will receive an email from Computershare in advance of the meeting with instructions on how to view the resolutions to be voted on and how to record your votes online should you wish to do so.

If you hold shares in a Fidelity account, you will be notified in advance of the meeting based on the communication settings applicable to your account (e.g. regular mail or email delivery). You may visit the “Proxy Materials” page on www.fidelity.com under the “Statements” tab for more information. You can record your vote online or via regular mail.
Shareholding Guidelines

As an Executive Director, Executive Committee member or Senior Executive, you will be aware that you are subject to a shareholding guideline policy. You should ensure that you understand the policy and how it applies to any shares delivered to you through the LTIP.

You can find the policy in the correspondence section of your Computershare account. Additional shareholding requirements may apply from time to time and you will be notified of these to the extent they apply to you.

Malus and Clawback

The plan rules of the LTIP contain both malus (the adjustment of any unvested award) and clawback (the adjustment of any vested award) provisions. Any vested awards could be adjusted. This can for example involve a requirement for the employee or former employee to transfer back vested shares or repay the company if such shares are no longer held. Clawback provisions in relation to share awards are mandatory for individuals in certain positions. The inclusion of such provisions relating to share awards to individuals is also guided by corporate governance requirements and market practice developments.

- Acceptance of such conditions is a precondition to receiving LTIP awards, and you will be asked to confirm your agreement to these provisions when receiving a new award.

Adjustment events:

Your LTIP award may have been made subject to certain Adjustment Events described in your award certificate. This means that if an Adjustment Event occurs, RDS can:

(a) Demand a full or a partial return of any shares ultimately delivered to you under this award;
(b) Reduce the number of shares prior to delivery; and
(c) Impose any additional conditions.

Your award certificate lists the Adjustment Events to which your award has been made subject.
Leaving Shell

If you leave Shell before the end of the three year performance period then how your awards are treated will depend on your reason for leaving.

Full details may be found in the Leaver guide and transferring countries guide here, but are summarised below for your convenience.

Please note that if you are transferring countries your participation in the plan continues and your award will vest in the usual timeframe.

Retirement (as determined by RDS), redundancy, disability, injury, ill-health or completion of a fixed-term contract

- LTIP awards are subject to proration to reflect the length of your employment with Shell during the performance period.
  - For example, if you were made an award in February 2018 (for which the performance period commenced in January 2018) and you leave service in March 2020 then your award would be prorated for 27 months out of the 3 year performance period i.e. 27/36.
  - The vesting decision and any delivery of shares will be made as normal in early 2021 (for 2018 awards). The remainder of the award will lapse.

Resignation or dismissal

Awards that are still unvested when you leave Shell will lapse on the date you leave. However if your last day in employment is after the end of the 3-year Performance Period your award will not lapse and will be delivered subject to the performance conditions (and any other conditions).

Death

If you die before the end of the three year Performance Period, 100% of the award will vest and be delivered to your estate as soon as possible, subject to local legal requirements.

If you die after the end of the three year Performance Period, then the value of the award that vests will be determined to the extent that the performance conditions have been met.

For further information on how your share plans are affected by your departure from Shell including any actions you need to take and what communications you can expect to receive and when, please refer to the Leaver guide here.

You should note that any shareholding requirement may survive your departure from the Group.

Divestment

If you are leaving due to the fact that the company you are working for is being divested, please refer to the Divestment guide here for the details of treatment of your award(s).
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