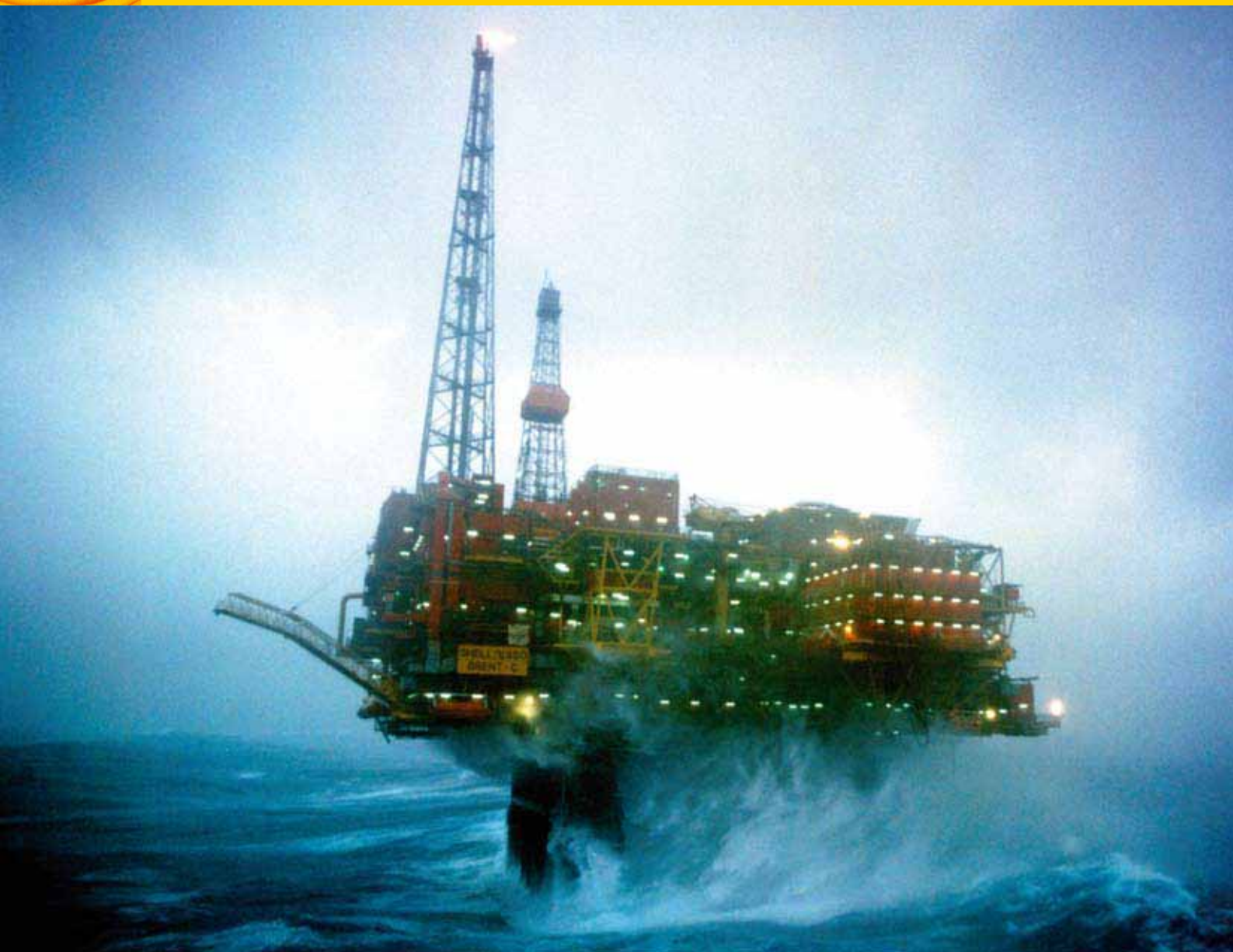


Stichting Shell Pensioenfonds

2008 in brief



A turbulent year



Contents

2008: a turbulent year	3
Credit crisis	4
Results	6
Investment policy	8
Activities of Members' Council	11
Communication	12
Indexation	13
Contributions	14
Structure of the Pension Fund	15
Historical overview 1999 – 2008	20
Glossary	22

ABOUT THIS BROCHURE

This "2008 in brief" brochure gives a summary of the course of events and key financial figures over the past year. Full details of the Pension Fund's financial position and operations are provided in the Annual Report for 2008. Electronic versions of this brochure and the Annual Report are also available on the Pension Fund's internet site (www.shell.nl/pensioenfonds). This site also contains electronic versions of the Pension Fund's Constitution, Regulations and other communications and publications.

If you have any comments on or questions about the content of this brochure, please send an e-mail to pensioenfond@shell.com or a letter to Stichting Shell Pensioenfond, P.O. Box 65, 2501 CB The Hague, The Netherlands. The companies in which Royal Dutch Shell plc participates directly or indirectly are individual legal entities with their own identity. In this brochure, "Shell" is used as a collective term to refer to the various Shell employers and joint ventures affiliated with the Shell Pension Fund.

2008: a turbulent year

This brochure gives an overview of the course of events at the Pension Fund over the past year. 2008 was a turbulent year that shook the financial world to its foundations. Especially the second half of the year was almost totally overshadowed by the global financial crisis or “credit crunch”.

Share prices plummeted while interest rates fell, which inevitably had an impact on the Pension Fund. The funding ratio fell steeply and the Pension Fund had to submit recovery plans to De Nederlandsche Bank (DNB). The Pension Fund’s investment policy was temporarily adjusted. The malaise on the financial markets and the highly negative returns on investments are reflected in the Pension Fund’s results for 2008.

Although the credit crisis dominated 2008, this brochure also deals with the Pension Fund’s normal course of business over the past year, including brief reports on the work of the Members’ Council and on the Pension Fund’s communications. Pension contributions and indexation are also dealt with.

As in previous years, the Pension Fund’s governance structure and its internal and external supervision are described, and all office holders are named. At the back of the brochure there are 10-year historical overviews of the key figures, and a glossary is given on the last page.



Credit crisis

Over the past year, the credit crisis that had started off in the USA in 2007 continued and subsequently spread worldwide. The mutual trust between financial institutions collapsed and banks were no longer willing to lend money to one another. From September onwards, this proceeded at a very fast pace. The Pension Fund was also hit hard in this process.

Assets down, liabilities up

The enormous falls in share prices meant that almost all the Pension Fund's portfolio investments fell sharply in value last year. Consequently the Pension Fund's assets fell to € 10,598 million at year end.

In addition to plummeting share prices, the Pension Fund was also confronted with falling interest rates; the average rate fell from 4.85% at the end of 2007 to 3.57% at the end of 2008. This fall in interest rates caused a substantial increase in the Pension Fund's pension liabilities (see box) to € 13,213 million.

The funding ratio – the ratio between the Pension Fund's assets and its pension liabilities – had fallen to 80% by the end of 2008.

Recovery plans

In early October 2008, the funding ratio fell below the Pension Fund's then required level. In mid-October it fell below the statutory minimum funding ratio of 105%. Pursuant to the Pensions Act, the Pension Fund had to draw up two recovery plans and submit them to De Nederlandsche Bank (DNB). On December 19 the first of these – the short-term recovery plan – was submitted, outlining the action that would be taken to restore the funding ratio to 105% within three years. The different levels of funding ratio and their implications are summarised in the table.

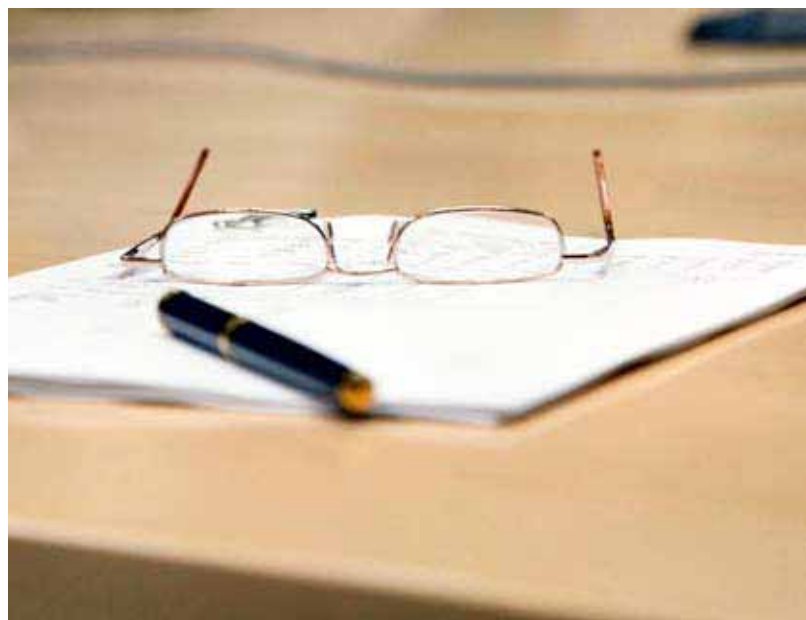
The second recovery plan was filed on March 31, 2009, containing specific measures for restoring the funding ratio to 105% within three years and to the Pension Fund's required level of 127% within fifteen years, i.e. a combination of short-term and long-term recovery measures. This plan is based on the premise that both the average return on investments and the level of exposure (risk) inherent in the Pension Fund's investment policy will be somewhat lower than in the past (see page 10).

INTEREST RATE AND PENSION LIABILITIES

The pension liabilities are equal to the sum of money deemed necessary to pay the Pension Fund's pensions now and in the future. The market rate of interest is a key factor in calculating this sum: if that rate falls, the Pension Fund's pension liabilities rise and vice versa. A simple example: if you are obliged to pay € 100 in a year's time, you need to deposit just over € 95 in a savings account paying 5% interest now in order to meet that obligation on the due date. If the interest rate is 3%, you need to deposit over € 97 now in order to pay that € 100 in a year's time. So at a lower interest rate, more money is needed now to meet future payment obligations. For the Pension Fund the future pension payments are spread over a long period of time and therefore the impact of a falling interest rate is even stronger. The rule of thumb is that if the interest rate falls by one percentage point (e.g. from 5% to 4%), its pension liabilities rise by 15%.



These recovery measures necessitated higher pension contributions. The employer's contribution was increased from 5% to 23.6% as of January 1, 2009 and again to 32.1% as of July 1, 2009 (see page 14). Participants' contributions were raised to the level laid down in Regulations V as of January 1, 2009 and were not changed again as of July 1, 2009. In the second quarter of 2009, the employer made additional payments of € 2 billion; if the funding ratio is lower than 105%, the employer will make further additional payments in up to ten instalments. In this way, a funding ratio of 105% will be achieved by October 1, 2011 at the latest. Finally, the Board may – under certain circumstances and after consulting Shell Petroleum N.V. – raise the employer's pension contributions further.



Funding ratio levels and their implications

100%	statutory minimum level for value transfer	no pension fund may engage in value transfers if its funding ratio is less than 100%	
105%	statutory minimum level	less than 105%: funding shortfall or underfunding	recovery plan for returning to 105% within 3 years is needed
	statutory minimum level for (optional) indexation	less than 105%: no indexation	
115%	statutory minimum level for (optional) catch-up indexation	above 115%: the Board may decide to grant catch-up indexation	
127%	Pension Fund's minimum required level for adjusted investment policy	less than this level: reserves shortfall	recovery plan for returning to this level within 15 years is needed
130%	Pension Fund's minimum required level for former investment policy	less than this level: reserves shortfall	
173%	if the funding ratio regularly exceeds 173% for one year, the Board may decide to temporarily reduce contributions (see "Contributions" section)		

Results

Financially, 2008 was a very bad year and the value of most investments fell significantly. After the U.S. investment bank Lehman Brothers went bankrupt in mid September 2008, the financial crisis rapidly spiralled. Share prices plunged sharply and many bonds also lost value. Hedge funds experienced the worst period since their inception. All in all, the total value of the Pension Fund's investment portfolio fell by 43% last year.

The net returns achieved in 2008 and the respective benchmarks are shown in the table below. Net returns are gross returns minus asset management costs.

Active investment

The Pension Fund pursues what is termed an active investment policy. Shell Asset Management Company (SAMCo) executes this policy on the Pension Fund's behalf, seeking to outperform the benchmark returns on investment over time. In the investments it makes, SAMCo may deviate from the strategic allocation subject to limits imposed by the Board (see page 8). In recent years, this pursuance of an active investment policy led to higher returns than the benchmark. But due to the nature and severity of the crisis, this conversely led to greater

Net returns (%) in 2008

after currency hedging

	Pension Fund	Benchmark
Equities	-56.7	-41.5
Alternative investments	-20.2	-31.1
Fixed-income investments	-9.1	6.8
Hedge funds	-21.1	4.4
Active currency management	-0.6	-
Total returns	-43.3	-26.8

BENCHMARK

In asset management, the actual returns on investments are compared with appropriate performance criteria termed benchmarks. In many cases, a stock exchange index is taken as a benchmark. The benchmarks applied by the Pension Fund are defined in line with its strategic investment policy. If the asset portfolio differs from the model portfolio, the actual return will likewise differ from the benchmark.



losses and a much greater disparity with the benchmark returns in 2008.

The actively managed equities portfolios suffered heavy losses. This was mainly due to the emphasis on “small cap” shares (in smaller companies) and “value” shares (shares with a relatively low valuation, including banks and insurance companies), and to certain strategies pursued by various asset managers.

The returns on fixed income assets was also negative. Many investors fled to the safer government bonds of rich Western countries. The Pension Fund, however, invests worldwide, also in emerging markets. The government bonds of the latter countries in particular dropped in value. The same applied to the various corporate

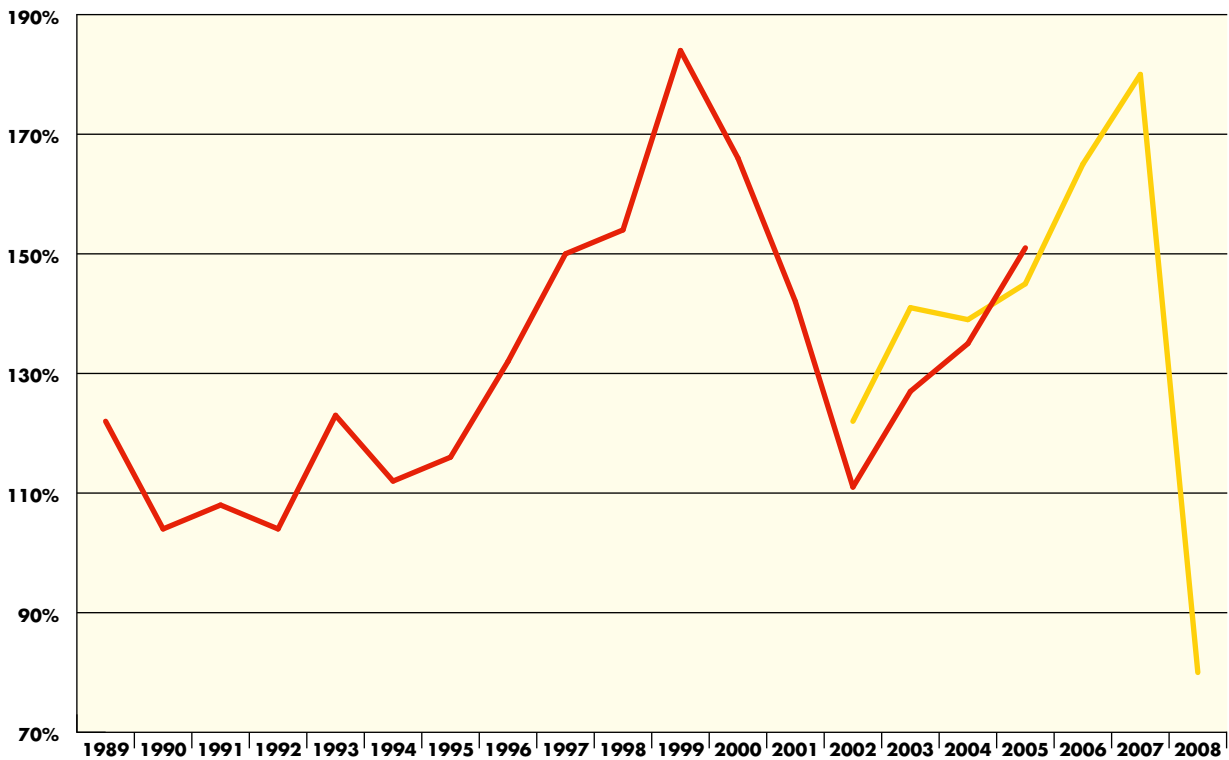
bonds the Pension Fund invested in.

The negative returns on hedge funds were better than the returns on equities, but compared very poorly with the benchmark. The benchmark for hedge funds is equal to the return on cash (interest rate) because these investments were financed by loans. But compared with the investment performance of hedge funds in general, the hedge funds in the Pension Fund’s portfolio did not do worse than the average for this sector.

Finally, extra cash was needed in the autumn to cope with rising exchange rates (of the U.S. dollar in particular) in line with the Pension Fund’s currency hedging policy. Since trading was difficult for most investments at that time, equity portfolios had to be sold off at low prices for that purpose.

Funding ratio

— based on 4% interest rate — based on market rate of interest



The graph showing the funding ratio over the past 20 years demonstrates that the investment policy up to the start of the credit crisis generated good results.

Investment policy

In principle, the Board defines the Pension Fund's investment policy in three-year cycles, examining how investments should be spread across the various asset classes. The aim is to achieve optimum investment results with due consideration of the associated financial returns and risks.

Strategic allocation

In order to define investment policy for the coming period, the Board assesses how the Pension Fund's assets and pension liabilities are expected to evolve in future. On that basis it defines the strategic allocation and the minimum and maximum percentage ranges within which the asset manager must remain.

Strategic allocation is the allocation of investments across the various asset classes such as equities (shares) or bonds. In the spring of 2008 the Board

defined the following investment policy for 2008 to 2010 (see table).

Shell Asset Management Company (SAMCo) executes the investment policy on the Pension Fund's behalf. In doing so, SAMCo also engages external asset managers. Investment policy is executed on the basis of the strategic allocation, with predefined lower and upper limits. SAMCo may deviate from the strategic allocation as long as it remains within the predefined minimum and maximum percentages.

Strategic allocation for 2008 to 2010¹⁾ (%)

Asset class	Minimum	Strategic allocation	Maximum
Listed equities ²⁾	48-65	55-63²⁾	60-75
Alternative investments ²⁾ (incl. private equity and real estate)	0	7-15²⁾	17
Fixed-income investments	25	30	35
Cash	-5	0	5
Hedge funds	0	8	10
Loans concerning hedge funds	-10	-8	0
Total		100	

¹⁾ allocation as laid down in the Pension Fund Plan 2008-2010 and applied from January to October 2008; as from late October 2008 a temporarily adjusted allocation was applied

²⁾ listed equities plus alternative investments jointly account for 70% of the strategic allocation





BOARD'S EVALUATION OF ITS OWN PERFORMANCE

The Board has evaluated its own performance in 2008, examining the Board as a whole and each individual member. In doing so, the Board has analysed several aspects. With regard to strategy and policy, the Board has concluded that although the financial crisis unfolded very rapidly, the Board could, in retrospect, have reacted faster to these developments. Risk management and information about this have also been extensively discussed and will remain high on the Board's agenda. The Board believes that risk management must be improved, and the process for achieving this has already been commenced. The organisation has been extended and set up differently. Processes and systems are being improved. The Board agreed on how to further develop their expertise. They will also continue to devote attention to good communication with Pension Fund stakeholders.

Temporary adjustment of investment policy

The Board may decide to adjust its strategic allocation of investments if, for instance, market conditions have changed. This was done in the fourth quarter of 2008: the turbulence on the financial markets and the steep drop in share prices made such adjustment necessary. In addition, cash was needed for executing the Pension Fund's currency hedging policy and for

loan repayments. Loan-financed investments had been included in the Pension Fund's investment policy in order to achieve extra returns. In October the Board therefore decided to temporarily depart from the strategic allocation it had decided upon and change over to an allocation scheme with a lower level of risk, with fewer equities and in particular more fixed-income investments (such as government bonds).

RESPONSIBLE INVESTMENT

The Pension Fund examines the business operations of the companies it invests in, and formulated its responsible investment policy for that purpose in March 2008. In October 2008 the Pension Fund also signed the United Nations Principles for Responsible Investment, which help investors to put responsible investment into practice.

In practice

The Pension Fund has the right to vote at the general shareholders' meetings of the companies in which it invests. It endeavours

to exercise these rights in as many companies as possible, and if necessary it also enters into discussion with company managers outside such meetings; the Pension Fund uses a specialised service provider for both channels of dialogue. Attention is paid to matters such as the business, social and environmental policies pursued by those companies. The Pension Fund no longer invests in several manufacturers of certain controversial weapons. The way in which this policy was practised over the period under review is described on the Pension Fund's website.

Longer-term risk limitation

The recovery plan includes an adjusted strategic allocation for the period from 2009 to 2011, and the Pension Fund will have changed over from the temporary allocation to this adjusted strategic allocation by end 2011 at the latest. The timing of this changeover will partly depend on financial market trends and the rate of general economic recovery.

The adjusted strategic allocation embodies a lower level of risk for the longer term. For instance, cash borrowings have been discontinued. Investments in hedge funds have now been taken up in the strategic asset allocation and are included under alternative investments (see table).

Adjusted strategic allocation 2009 to 2011¹⁾ (%)

	Minimum	Strategic allocation	Maximum
Listed equities	40	45	50
Alternative investments (incl. private equity, real estate and hedge funds)	15	20	25
Fixed-income investments	30	35	40
Cash	-5	0	5
Total		100	

¹⁾ this allocation has been laid down in the long-term recovery plan and will be achieved by end 2011 latest



Activities of the Members' Council

The Members' Council advises the Board, on request or otherwise, on key matters affecting the Pension Fund. Two formal consultative meetings were held with the Board in 2008.

There were four meetings between the Manager (Shell Pensioenbureau B.V., see page 18) and the Members' Council, and both parties kept one another informed of key developments in the course of the year.

Requests for Advice

In its discussions with the Manager, the Members' Council is given background information on requests for advice and the proposed decisions for which advice is requested. Any questions the Members' Council has are also discussed. After the Council has issued its advice, the Board takes a final decision on the proposals. Finally, the Board informs the Members' Council in writing on every final decision that is taken.

During the past year advice was requested on eight occasions (see box), and in all cases the Members' Council advised the Board to carry out the proposals. In some cases the advice of the Members' Council was accompanied by comments or observations. These were all discussed by the Manager with the Council.

Other activities

Over the past year there were also separate discussions between management and Members' Council representatives. These ensued from the advice given on the amendment of the Constitution, the amendment of Regulations V and the concluding of the Administration Agreement, all of which entered into effect on January 1, 2008. After the Board had taken its final decision on these matters, the Members' Council sought external legal advice. In early 2008 it was agreed that the Members' Council would be allowed more time

to issue further advice on certain matters, and the Council made use of this facility on June 30 with regard to conditional indexation. The discussion on this matter has been suspended in view of the circumstances in the past year. In 2009 this subject has been resumed. In addition, the Manager arranged a workshop for the Members' Council in April on the statutory requirements that the Pension Fund's financial structure has to satisfy and the way in which the Pension Fund is doing this.

The Board is grateful to the Members' Council for its critical but constructive attitude and assistance in what was a difficult period for the Pension Fund.



REQUESTS FOR ADVICE SUBMITTED TO THE MEMBERS' COUNCIL

- February - Pension Fund Plan 2008-2010
- April - 2007 Annual Report of Stichting Shell Pensioenfonds
- May - Indexation and other adjustments with effect from July 1, 2008
- Amendment of Regulations V
- September - Amendment of Actuarial and Operating Memorandum (ABTN)
- Amendment of Regulations V – transitional measure for Billiton (Netherlands) pension scheme participants
- December - Employer's contribution in 2009
- Short-term recovery plan

Communication

The Pension Fund informs all stakeholders on matters and developments of importance to them. Particular attention was given to the credit crisis and its implications for the Pension Fund.

In December 2008 all participants, former participants and pension beneficiaries received a personal letter dealing with the Pension Fund's financial situation. In March 2009 a newsletter was issued containing further information, and a second newsletter was issued in April after the Pension Fund had submitted its long-term recovery plan to De Nederlandsche Bank (DNB).

Every year in February all participants receive their Uniform Pension Statement (Uniform Pensioenoverzicht, UPO) showing their accrued and attainable pension entitlements. In July, all pension beneficiaries receive their annual notification of their pension rights and any changes made to them. Former Shell employees with

deferred pension entitlements and ex partners whose addresses are known to the Pension Fund are likewise informed about their pension entitlements in July. New participants are given an information pack explaining the pension scheme. The website is refreshed regularly and information is updated. The pension calculator attracted more than 15,000 hits and almost 79,000 calculations were performed.

NEW IN 2008

- Constitution as of January 1, 2008
- Regulations V as of July 1, 2008
- "The pension scheme in brief" brochure fully revised
- website section with information intended for the employer/HR
- certain forms that previously had to be retrieved from the employer's website are now available on the Pension Fund's website



Indexation

The Pension Fund has to ensure that the employer's pension commitments can be met. It endeavours to keep pensions inflation-proof, i.e. adjust them in line with the rise in the cost of living. To determine the rise in the cost of living, the Pension Fund takes the "derived price index for all households" published by Statistics Netherlands (Centraal Bureau voor de Statistiek, CBS).

Indexation is the adjustment of pensions with a cost-of-living increase. For some pension elements, indexation is unconditional and the adjustment is made automatically. Those pension elements are specified in Regulations V. Unconditional indexation forms part of the Pension Fund's pension liabilities. For all other pension elements, indexation is conditional on whether the Pension Fund's financial position permits such an increase. Every year the Board decides whether the pensions are to be increased in this way. No reserve is formed and no contribution is levied to cover this conditional indexation, which (if granted) is financed from the return on investments.

In addition to this conditional indexation, the Board may decide at its own discretion to award a supplement in view of other factors such as trends in social security, healthcare and salary levels at Shell in the Netherlands.

The full indexation policy is described in the Annual Report for 2008.

Indexation in 2008 and 2009

Lifelong pensions were increased by 2% with effect from July 1, 2008. The rise of the derived price index for all households was also 2%. Transitional pensions were increased by 3% as of July 1, based on the general salary increase at Shell in the Netherlands. The maximum levels for the under-65 allowance were also adjusted.

In March 2009 the Board decided, in view of the Pension Fund's funding shortfall, not to increase lifelong pensions as of July 1, 2009. Over the period from March 2008 to March 2009 the derived price index rose 1.5%. If the Pension Fund's financial situation so permits over the next five years, catch-up indexation may be granted.

INDEXATION LABEL

The Pensions Act states that a logo has to be created to indicate the indexation quality of pension schemes. This logo, called the Indexation Label (Toeslagenlabel), was supposed to have been introduced by July 1, 2008, but this has been repeatedly postponed. Due to the credit crisis this is not now a practical indicator. Instead of using the Indexation Label, pension funds can personally inform their participants about the implications of the credit crisis for their pensions. The Pension Fund has opted to do this by means of its newsletters, which also address the consequences for indexation.

Contributions

The Pension Fund strives to achieve its objective by means of low and stable contributions, where possible. It invests the contributions paid by the employer and participants. The employee's (or participant's) contribution is laid down in Regulations V. The Board determines the contribution payable by the employer in consultation with the external actuary. This contribution depends on the Pension Fund's funding ratio.

The participant's contribution amounts to 2% of salary up to and including the normal maximum of salary group 5, and a minimum of 2% and a maximum of 8% of salary above that limit. The contribution paid by the employer depends on the Pension Fund's financial situation. The funding policy correlates the participant's contribution with the employer's contribution (see table). The Board may deviate from this policy if there are good reasons for doing so.

In 2007 the Pension Fund's funding ratio was regularly higher than 173% in the course of one calendar year. The Board therefore decided to reduce the employer's contribution for 2008 to the minimum of 5% of the salary sum. The participant's contribution on that portion of salary in excess of the normal maximum

of salary group 5 was likewise reduced to the minimum, i.e. 2%.

In 2008 the employer paid € 50 million in contributions while the participants paid € 19 million.

Contributions as from January 1, 2009

The exceptional decline in the funding ratio prompted the Board to increase the employer's contribution to 23.6% of the salary sum as from January 1, 2009 and to 32.1% as from July 1. For the participants, the temporary reduction of the contribution on that portion of salary in excess of € 74,881, the normal maximum of salary group 5, was discontinued as of January 1, 2009. On that date their contribution on this portion of salary was restored to 8%, which is the normal level under the Regulations.

Level of participant's contribution relative to employer's contribution

At an employer's contribution of	the participant's contribution amounts to	
(% of total salary sum)	(% of salary* up to normal maximum of salary group 5)	% of portion of salary* above normal maximum of salary group 5)
16% or higher	2 %	8 %
higher than 5%, but lower than 16%	2 %	half of employer's contribution
5%	2 %	2 %

* salary = 12 months' salary plus April and/or December payments plus any pensionable supplements



Structure of the Pension Fund

The Pension Fund administers the pension schemes of those Shell Group companies that have joined the Pension Fund. The employees of those Shell companies accrue pension entitlements as Pension Fund participants. When they retire, the Pension Fund ensures they receive their pension. The Board, Members' Council and Accountability Council each play a role in this process, and there are also various forms of supervision.

Board

The Board formulates the Pension Fund's policy and is responsible for the way in which the Pension Fund executes its policy. It has eight members; the employer and employees each have four representatives.

The Board members are appointed by Shell Petroleum N.V. The Central Staff Council of Shell in the Netherlands nominates the employees' representatives.

Members of the Board:

Representatives of employer

C.A. Linse, *Chair*
B.P.T. de Wit, *Deputy Chair (until May 4, 2009)*
E.M. Robbe (*since January 22, 2008*)
P.R.R. Venhuizen

Representatives of employees

J. van Berkel
E.A. Breunesse
mw L. Boersma (*until January 1, 2009*)
G.J. Tap (*since April 17, 2009*)
L.R. Riedstra

Members' Council

The Members' Council advises the Board, on request or otherwise, on key matters affecting the Pension Fund. It has twelve members. Four of them represent the participants, i.e. the Shell employees accruing pension entitlements with the Pension Fund. The other eight members represent the pension beneficiaries: retirees receiving a pension from the Pension Fund, and those persons who have previously accrued pension entitlements with the Pension Fund but are no longer in Shell employment.

Shell Petroleum N.V. appoints the members of the Members' Council. The Central Staff Council of Shell in the Netherlands nominates the participants' representatives and VOEKS, the Association of Former Royal Dutch/Shell Employees, nominates the pension beneficiaries' representatives.

The term of office of the Members' Council is three years, running from March to March, as laid down in the Constitution. The current term expired on March 1, 2009, whereupon the Members' Council stepped down and a new one was appointed.



**Members of the Members' Council until
March 1, 2009:**

Representatives of participants

B.C. van der Leer, *Deputy Chair*
A.J.A. van Loon (*until June 24, 2008*)
mw J.M. van Egmond (*since June 24, 2008*)
R.H.J. van der Ouderaa
R. van Waardenberg (*until August 1, 2008*)
R. Bouwens (*since August 1, 2008*)

Representatives of pension beneficiaries

L.F.B. Goudsmit, *Chair*
J. van den Bosch (*until June 1, 2008*)
J.F. Leeuwerik (*since June 1, 2008*)
A.W.J. van der Hoeven
J.M.M. Holla, *secretaris*
W.J. Ouwerkerk
W.G. Reman
D. Swier
K.A. Thomas

**Members of the Members' Council since
March 1, 2009:**

Representatives of participants

R. Bouwens
mw J.M. van Egmond
S.P.R. van Heck, *Deputy Chair*
M. Keulers

Representatives of pension beneficiaries

L.F.B. Goudsmit, *Chair until April 22, 2009*
D. Swier, *Chair since April 22, 2009*
P.J. van Herk
A.W.J. van der Hoeven
K. Kooijman
J.F. Leeuwerik
W.J. Ouwerkerk
W.G. Reman, *secretary*



Accountability Council

The Accountability Council assesses the Pension Fund's policy and its execution by the Board. It also establishes whether the Board has applied the Principles for Pension Fund Governance and advises the Board on specific matters. The Accountability Council has six members. The employer, the participants and the beneficiaries each have two representatives.

The Board appoints the members of the Accountability Council. Shell Petroleum N.V. nominates the employer's representatives. The Central Staff Council of Shell in the Netherlands nominates the participants' representatives and VOEKS, the Association of Former Royal Dutch/Shell Employees, nominates the pension beneficiaries' representatives.

Members of the Accountability Council:

Representatives of employer

J. van der Veer, *Chair*
T.P.K. Huysinga, *Deputy Chair*

Representatives of participants

F.P.G. Paulides
J.P.B. Brand

Representatives of pension beneficiaries

R. van der Vlist
S. Wage

More information about the roles and responsibilities of the Board, Members' Council and Accountability Council is available on the Pension Fund website www.shell.nl/pensioenfondsv.



ASSESSMENT BY ACCOUNTABILITY COUNCIL

In 2008 the Accountability Council issued its first assessment, on the execution of the policy pursued by the Board in 2007. It also examined whether the Board had complied with the Principles for Pension Fund Governance. It concluded that the Board had attended to the interests of all stakeholders in a balanced manner and had complied with the Principles for Pension Fund Governance. The full assessment and the Board's response are given in the Annual Report for 2008.

Pension Fund management, administration and asset management

Shell Pensioenbureau Nederland B.V. (SPN) is the Pension Fund's Manager (day to day management company). SPN supports the Board and administers the pension scheme. It also advises the Board on pension policy.

Shell Asset Management Company B.V. (SAMCo) is a specialised organisation that manages the

Pension Fund's assets. It also advises the Board on investment policy.

SPN and SAMCo each have a Supervisory Board which supervises and advises on corporate policy, policy execution and the general course of business. SPN has two and SAMCo five Supervisory Board members who are appointed by the shareholders.

OPERATING COSTS

The Pension Fund does not employ any personnel and does not therefore pay any salaries or social security contributions. The Board of the Pension Fund is an unsalaried body. Last year total operating costs amounted to € 60 million. Asset management costs accounted for € 55 million of this sum, while pension administration costs and all other costs accounted for € 5 million (in 2007 those costs were € 63 million, € 58 million and € 5 million respectively).



External supervision

De Nederlandsche Bank (DNB) and the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten - AFM) supervise the Pension Fund's operations. DNB reviews aspects such as the Pension Fund's Regulations and Constitution and also assesses whether the Pension Fund's financial structure is sound. It also assesses the competence of the Board. The AFM supervises the way in which the Pension Fund provides information. The external supervisory activities of DNB and the AFM are laid down in the Pensions Act.

The certifying actuary (Towers Perrin) assesses the financial position of the Pension Fund. He establishes whether the provision for pension liabilities has been calculated correctly and whether the Pension Fund has sufficient assets. The actuary also checks that contributions have been calculated correctly.

The external auditor (PricewaterhouseCoopers Accountants N.V.) assesses whether the financial statements of the Pension Fund are correct.

Internal supervision

The Accountability Council issued its advice on the internal supervision arrangements in 2008 and the Pension Fund subsequently finalised its internal supervision policy. The Members' Council had already issued its own advice on this matter in 2007. Internal supervision is required by law and is effected by means of an inspection process: each year a specially appointed Inspection Committee will critically review how the Board performs its tasks. The Committee will consist of three independent external experts who will examine different tasks in turn so that all tasks are reviewed over a period of three years. This internal supervision will be commenced in 2009.



COMPLAINTS PROCEDURE

A brief description and the official text of the Complaints Procedure are published on the Pension Fund's internet site (www.shell.nl/pensioenfonds). If participants, former Shell employees with pension entitlements or pension beneficiaries do not accept the outcome of the Complaints Procedure, they can appeal to the Pensions Ombudsman. No one made use of this facility in 2008.

Historical overview 1999 – 2008

Numbers at year-end

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Participants	11,690	11,655	11,226	10,589	10,591	10,927	10,780	10,423	10,328	11,101
Pensions in payment	19,554	19,509	19,300	19,003	18,878	18,656	18,596	17,225	17,319	17,616
Deferred pension entitlements	6,701	6,639	7,010	7,458	7,605	7,789	8,125	7,225	7,660	7,052
Total	37,945	37,803	37,536	37,050	37,074	37,372	37,501	34,873	35,307	35,769

Provision for pension liabilities (EUR million)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Based on market rate of interest	13,213	10,679	11,256	11,120						
Based on 4% interest			11,658	10,682	10,197	9,573	9,363	8,630	8,109	7,821

Assets as at December 31 (EUR million)

	2008	2007	2006	2005 ²⁾	2004	2003	2002	2001 ¹⁾	2000	1999
Equities	2,962	12,278	12,004	11,056	9,171	8,258	6,339	8,240	8,154	9,946
Alternative investments	1,821	1,415	1,022	610	402	307	298	320	-	-
Fixed-income investments	5,950	5,559	4,881	4,089	3,736	3,507	3,590	2,347	3,533	3,451
Hedge funds	704	1,422	1,123	1,063	755	584	501	453	-	-
Real estate (net)	12	12	13	13	11	11	10	1,090	1,362	1,358
Other assets and liabilities (excl. short positions)	(138)	(25)	632	376	445	73	162	252	438	(330)
Loans concerning hedge funds	(713)	(1,404)	(1,105)	(1,054)	(750)	(582)	(496)	(449)	-	-
Total assets	10,598	19,257	18,570	16,153	13,770	12,158	10,404	12,253	13,487	14,425

1) on exposure basis since 2001

2) on IFRS (International Financial Reporting Standards) basis since 2005

Funding ratio (in %)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Based on market rate of interest	80	180	165	145						
Based on 4% interest			159	151	135	127	111	142	166	184



Contributions, pension payments, income and revaluations (EUR million)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Participants' and employer's contributions	69	181	197	179	276	133	8	7	9	10
Pension payments and net value transfers	597	575	552	536	529	495	488	479	416	413
Income from investments	529	516	545	561	439	382	416	452	442	507
Revaluation of investments	(8,496)	735	2,403	2,307	1,505	1,781	(2,138)	(1,160)	(909)	2,636

Net returns (in %)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Total returns (incl. results of foreign currency management)	-43.3	5.9	17.3	20.4	15.8	21.7	-14.4	-5.4	-4.1	27.8
Pension Fund return, 10 year average	1.7	8.8	10.2	10.6	9.5	7.5	8.0	10.1	12.0	11.6

Indexation and rise of consumer price index (in %)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Rise in derived price index for all households (March to March period) compiled by Statistics Netherlands	2,0	1,6	1,4	1,4	0,8	2,3 ¹⁾	3,7	3,5	1,7	1,6
Indexation of lifelong pensions	2,0	1,6	1,4	1,4	0,6	2,5	3,7	6,0 ²⁾	2,0	2,0

1) initially 2.5%; later adjusted to 2.3% by Statistics Netherlands

2) including 2.5% additional increase

Glossary

Currency hedging

Means of ensuring that fluctuations in the value of foreign currencies relative to the euro do not affect the value of investments

Deferred pensions

Pension entitlements of former Shell employees, which are not yet being paid out

Derived price index for all households

Index used to indicate the price movements of a specific package of goods and services, disregarding the influence of indirect taxes (such as VAT) or subsidies

(on) Exposure basis

The value of assets that are exposed to actual risk

Fixed-income investments

Investments with a fixed return, such as bonds

Hedge funds

Investment funds simultaneously holding long positions (securities bought with the expectation that they will rise in value) and short positions (borrowed securities sold with the expectation that they will fall in value), with the aim of generating stable returns that are independent of the general trend on financial markets

Pension entitlements (Pensioenaanspraken)

Pensions that are still being accrued, or are not yet being paid out (deferred pension entitlements)

Pension Fund Plan

Three-yearly study conducted by the Pension Fund to establish how assets and pension liabilities are expected to develop in the long term

Pension rights (Pensioenrechten)

Pensions that are being paid out. Pension entitlements become pension rights by law as soon as pension payments start

Private equity

Investments in funds or enterprises not listed on the stock exchange

(Provision for) pension liabilities

Value of accrued pension entitlements and pension rights

