

# CONCISE ANNUAL REPORT 2015: YEAR OF GROWTH

Welcome to this SNPS newsletter. We gathered the most important information of 2015 for you in this special edition: the concise annual report 2015.



## Foreword

As of January 1, 2015, the number of participants of Stichting Nederland Pensioenfonds Stichting (hereinafter: Pension Fund or SNPS) rose significantly. This is because SNPS as of this date administers the net retirement pension for employees with the Netherlands as their 'base country' who have a pensionable salary that exceeds the maximum limit. This therefore concerns both workers who build gross pension below the capping limit at SNPS as those who do so at the other Shell pension fund in the Netherlands: Stichting Shell Pensioenfonds (SSPF).

As of December 31, 2015, the number of participants in the gross pension scheme is 1,736 and the number of pension participants in the net pension scheme is 4,901. The number of retired participants is still very limited, as is the number of retirees (partner's pension or incapacity for work pension). Capital invested increased in 2015 from € 20.2 million at the start of the year to € 56.2 million at year-end 2015.

In 2015, the interest rate continued to fall, and there is little reason to assume that it will rise significantly in the short term. Long-term low interest rates will impact the amount of pension participants may purchase on his retirement date. For this reason, the impact of long-term low interest was high on the Board's agenda in 2015. In the middle of 2015 - earlier than originally envisaged - the Board started a new ALM study, which takes account of the long period of low interest. Based on the ALM study, the Life cycle structure of SNPS will be adjusted in the middle of 2016. Participants in SNPS will receive further information on this.

## Garmt Louw

*Independent Chairman, SNPS*

*The "Concise SNPS Annual Report" illustrates a few events and figures concerning the past year of Shell Nederland Pensioenfonds Stichting (SNPS). This publication has not been verified by an external auditor and no rights can be derived therefrom. The companies in which Royal Dutch Shell plc has direct or indirect participating interests are separate 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.*



## CONCISE ANNUAL REPORT 2015: YEAR OF GROWTH

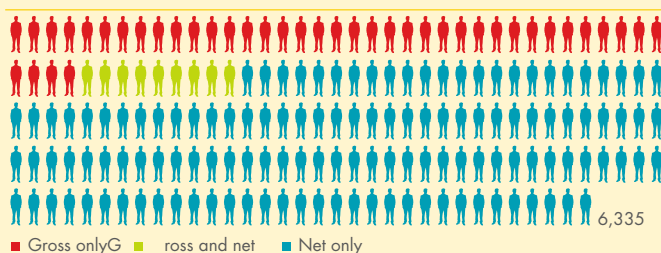
### Year in figures

This is a limited presentation of the figures, for more details please refer to the complete SNPS Annual Report 2015. The amounts below are in thousands of Euros.

#### What kind of participants does SNPS have?

##### Active participants

2015



2014



##### Former participants

2015	2014
65	26

##### IncapacitatedP

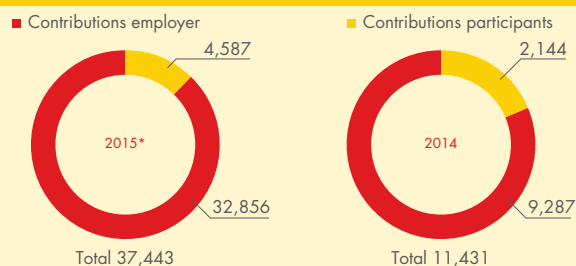
2015	2014
none	none

##### ensioners

2015	2014
8	none

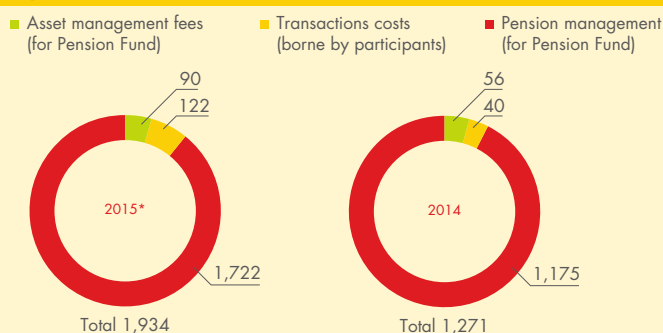
#### Balance of all contributions

being paid by participants + employer



\* including the net pension scheme

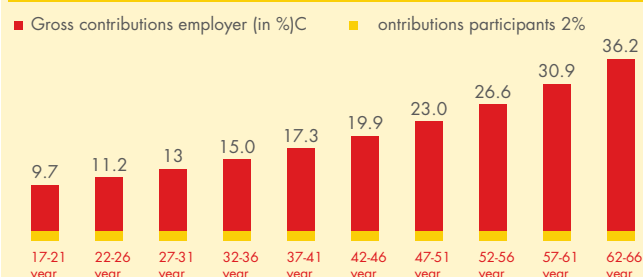
#### Implementation costs x 1,000 euro



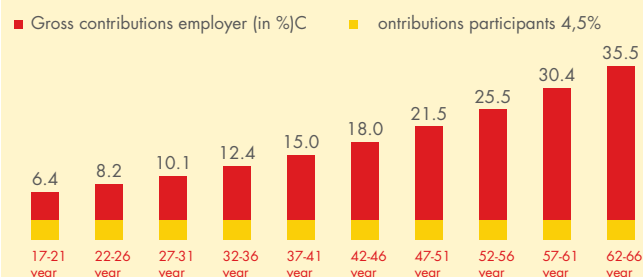
\* including the net pension scheme

#### Percentage of your pensionable salary (Available premium)

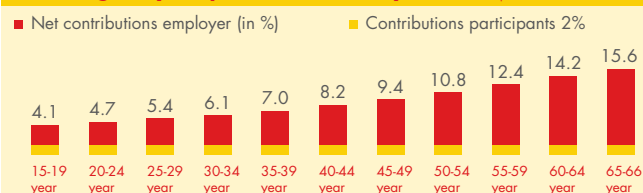
2015



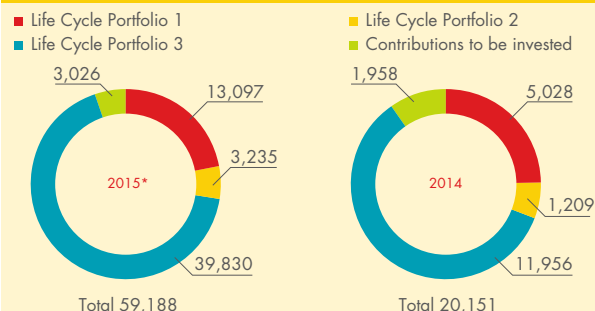
2014



#### Percentage of your pensionable salary (Available premium)

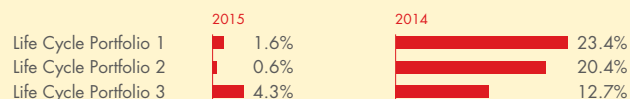


#### Invested assets of participants x 1,000 euro



\* including the net pension scheme

#### Return (before deducting management fees)



**CAPITAL**

## Focus on pension capital

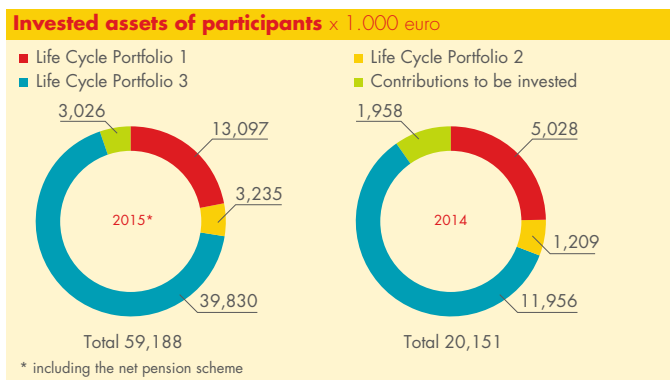
**Your SNPS pension is a defined contribution scheme: contributions are invested each month at your expense and risk. These contributions and the return on investments accrue your pension capital. You may choose a Defensive, Neutral or Aggressive investment profile. Your monthly investment (both employer and your own) is the fiscally permitted maximum; this means that the Tax Authority does not allow you to invest any more contributions in the SNPS gross pension scheme.**

### Complete

Your target retirement age is 67. When you retire, you use your accrued capital to purchase a retirement pension (and possibly also a Partner's pension) from the pension insurance company of your choice. You will receive this pension benefit for life. The scheme also comprises a number of risk coverages: In the event of your death, there is a surviving dependant's pension, and if you become (partially) unfit for work there is a disability pension and your pension accrual will be continued on a non-contributory basis.

### Purely individual contribution scheme

The amount of your pension benefit is not known in advance. This mainly depends on the level of the contribution, the investment results and the interest rates at the retirement date. Because the SNPS pension is a net contributory scheme, you are not allowed to withdraw or add extra money to your accrued pension capital. And because your capital is intended for a pension, you do not have to declare the value of these investments in your income tax return.





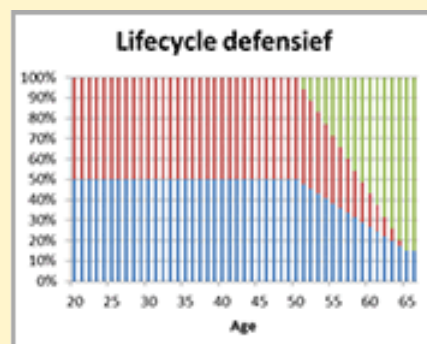
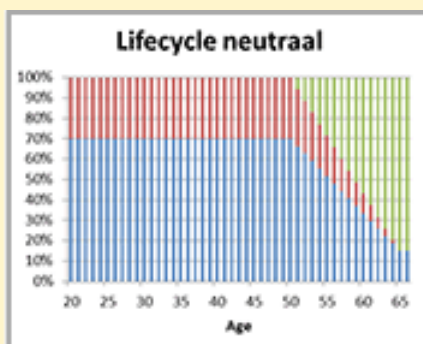
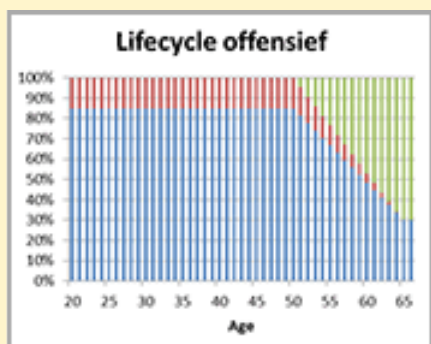
## Targeting yield and risks (1/2)

**Share prices, interest rates and exchange rates fluctuate constantly. Investing means taking risks. Therefore it is important to spread the investments over the various investment categories. This is taken into account in the composition of the Life Cycle profiles. The Life Cycle profiles have various characteristics. The Aggressive Life Cycle profile features more investment in equities than the Defensive Life Cycle profile.**

SNPS has established three Life Cycle profiles: Aggressive, Neutral and Defensive. You can choose in which of these three your contribution is invested. You can see in the graphs at the bottom of this page that in all profiles the investment mix is adjusted as the retirement date approaches. Each Life Cycle profile is composed of an investment mix of these three Life Cycle portfolios. These Life Cycle portfolios invest in institutional investment funds. Life cycle portfolio 3 primarily invests in marketable securities that are expected to yield a higher return (blue), Life Cycle portfolio 1 invests in fixed-income securities that combine return with a low exchange risk (red) and Life Cycle portfolio 2 invests in fixed-income securities that are primarily focused on mitigating rises and decreases in interest rates (green). Further information on the Life cycle portfolios can be found on the participants' portal on the website of SNPS and in the SNPS Annual Report 2015.

## Your risk profile

Before you select a Life cycle profile your risk profile is established on the basis of your answers to specific questions. You can use this risk profile to choose one of the three Life Cycle profiles. In addition, you have the opportunity, within certain limits, to adjust your 'notional investment age' (age styling). The Life cycle profiles are based on a number of principles, which are contained in the SNPS Statement of Investment Principles. One of the points of departure is that the income is for the future and not just for asset accrual. If you do not select a Life cycle profile your contributions will be invested in accordance with the Neutral Life Cycle profile. Submit your choice on the SNPS participants' portal.



## Targeting yield and risks (2/2)



### Investment result

The Pension Fund invests in institutional investment funds by means of three Life Cycle portfolios. This concerns fixed-income securities (LC portfolio 1 and 2) and marketable securities (LC portfolio 3). Each Life Cycle profile that participants can select is composed of an investment mix of these three Life Cycle portfolios.

2015 was a year of turmoil on the financial markets. The changing sentiment resulted in fluctuating price movements. Until the summer the picture was reasonably calm, but then the ongoing fall of the oil price, the turmoil around emerging countries and the uncertainty about a possible interest rate rise by the Federal Reserve Bank caused a sharp correction. The decline of the Chinese currency in August caused further unrest. At the end of the year the ECB disappointed the markets by extending the monetary measures less than was expected. On balance, for most asset classes modest and in some cases negative returns resulted. Varying acts of monetary policy also led to major currency movements. The American dollar in particular appreciated. For example, its rise against the euro was almost 11%.

### Fixed-income securities

European government bonds realised an annual return of 1.6%. In April, the capital market interest rate reached a historic low point. The long-term interest rate started to rise in the summer, but then fell back again. The measures of the central bank in particular caused ongoing pressure on interest rates. The German 10-year interest rate started the year on 0.54% and ended the year marginally up on 0.68%, but throughout the year it fluctuated wildly.

### Marketable securities

Global equities started the year well, supported by the generous monetary policy. In the course over the year, however, especially in August, the turmoil increased. In spite of this, the global equity markets on balance still realised 2.1% return. Shares in emerging countries lost ground and ended the year with a 5.8% loss in local currency.

## Return (before deducting management fees)

	2015	2014
Life Cycle Portfolio 1	1.6%	23.4%
Life Cycle Portfolio 2	0.6%	20.4%
Life Cycle Portfolio 3	4.3%	12.7%



## **Transparent about risks**

**Transparency is a characteristic of the SNPS pension scheme: In the participants' portal you can see how high your net pension is expected to be and how high it will be in an economic downturn. Furthermore, you can also see how much pension capital you have already accrued and how that capital develops over time. Your pension capital grows on the basis of monthly contributions and the investment results yielded in line with the chosen Life Cycle profile. The following three risks are linked with investing your pension capital:**

### **Interest-rate risk**

This risk has two sides: While interest rate rises result in a decrease of the accrued capital, a higher interest rate at the retirement date generates a relatively higher retirement pension. Then again, although a lower interest rate results in a considerably higher pension capital accrual, a lower interest rate on your retirement date will negatively impact the purchase of your retirement pension.

### **Investment risk**

The value of your investments may rise or fall.

### **Longevity risk**

By the time of your retirement, pension insurance company tariffs may have changed over the course of time. This also depends on life expectancy on your retirement date.



## Lower administration costs

The administration costs of pension funds continued to be a high-profile subject for politicians, supervising authorities, the media and the general public. The Pension Fund Code of Governance, which sets standards for pension fund governance, also contains a passage about administration costs. For example, the Board must report in the Annual Report on the costs of the administration of the pension scheme. In accordance with the recommendations of the Federation of Dutch Pension Funds, the Board provides insight into the administration costs, insofar as this data is available. The administration costs consist of pension management, asset management and transaction costs.

### Pension management costs

Pension management costs include the costs of pension administration, communication costs, the costs of the Board, the administrative office and the costs of external advisers and certifying actuaries. In 2015 pension management costs came to € 1,722,000 (2014: € 1,175,000).

€ 922,000 of these costs (2014: € 1,175,000) related to the gross pension scheme and € 800,000 to the net pension scheme (2014: nil, as the net pension scheme did not exist in 2014). The costs of pension management expressed over the average number of active participants were € 621 per participant in the gross pension scheme in 2015 (2014: € 1,175 per active participant) and € 326 per participant in the net pension scheme (2014: nil). These costs are borne by the Pension Fund (and thus are financed by the employer).

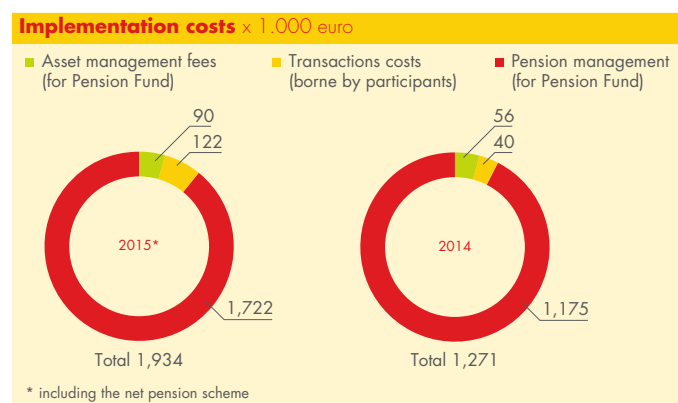
### Asset Management costs

The costs of asset management which are at the expense of the Pension Fund mainly consist of the fee paid in the context of the subcontracting agreement and the fixed fee for the custody of the securities. In 2015 the sum of these costs amounted to € 97,000 (2014: € 56,000). These costs, too, are borne by the Pension Fund (and thus are financed by the employer). The way in which the Life Cycle portfolios are composed, the mainly passive investment strategy chosen, the selection of institutional investment funds with a low cost structure and the fact that the purchasing power can be leveraged allow the

costs of asset management to be kept low for the participants. The Board is convinced, looking at the investment management costs charged in the market for comparable pension and annuity products, that SNPS's cost level is acceptable.

### Transaction costs

The costs being charged on the Life cycle portfolios contain transaction costs paid (custody fees and settlement costs) (€ 9,000 in 2015) and management fees paid (€ 83,000). There are also costs charged by the managers of the underlying investment funds. It is impossible to estimate these costs accurately for all underlying investment funds, and they therefore cannot be quantified exactly. The estimated entry and withdrawal fees and transaction costs within the investment funds were € 30,000 in 2015. As a result, the costs for participants are very low indeed.





## Board: on your case

**SNPS is managed by a single-tier Board of Executive board members and Non-executive board members (regulators). Furthermore, there is an Accountability Council where employer and participants are represented.**

### The Board comprises seven members:

Non-executive board members (supervisory)		
Independent chair	Employer's representatives	Employees' representatives
Garnt Louw	Peter Westgeest	Ewald Breunese
	Hein van den Wildenberg	Nicole van der Toorn
Executive board members		
Janwillem Bouma		
Stefan Tabak		

The Executive board members are employed by Shell Pension Bureau Nederland (SPN). They are responsible for policy-making and day-to-day management of the Pension Fund.

### Internal supervision

The Non-Executive Board Members are responsible for determining SNPS policy. They also supervise the General Managers' administration of the policy. More information about the tasks & responsibilities of all members of the Board of Administrators can be found on [www.snps.nl/uk](http://www.snps.nl/uk).

### Accountability

The Board of SNPS annually accounts to the Accountability Council on the policy, its administration and on policy choices for the future. In addition, the Accountability Council is entitled to give advice.

### External supervision

DNB and AFM supervise SNPS. All Board Members must comply with the statutory requirements of suitability and trustworthiness and are screened upon appointment by De Nederlandsche Bank (DNB). Comprehensive information about external supervision can be found here: [www.snps.nl/uk](http://www.snps.nl/uk). In addition, a statement is issued annually by a certifying actuary and the Annual Accounts are audited by an external auditor. .

### External service providers

Syntrus Achmea Pensioenbeheer NV carries out the pension administration. Achmea Investment Management B.V. manages SNPS's capital. SPN advises the Board in respect of pension policy. Furthermore, SPN supports the Board in the supervision of external service providers as well as in the field of risk management. SPN is a company that belongs to the Royal Dutch Shell Group.





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### CONTRIBUTION

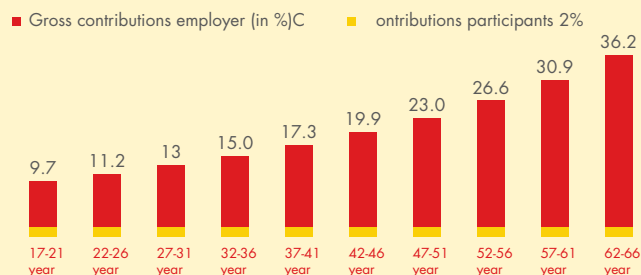
### Contribution payments

**Contributions and investment results combine to form the capital with which you eventually purchase a pension from a pension insurance company of your choice. It is not known in advance how much pension this capital will generate. The amount of pension you receive for your capital depends primarily on the market rate of interest and life expectancy at your retirement date.**

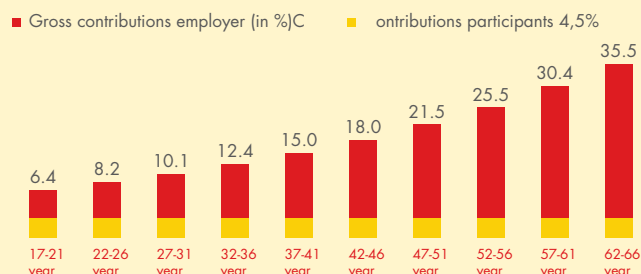
The maximum permitted contributions are invested for your SNPS pension, which are age-related according to the table below. In 2015, you paid 2% of the pension basis, regardless of your age, and your employer paid the rest. Premiums for risk insurances during employment (incapacity for work, death) are paid in full by Shell.

#### Percentage of your pensionable salary (Available premium)

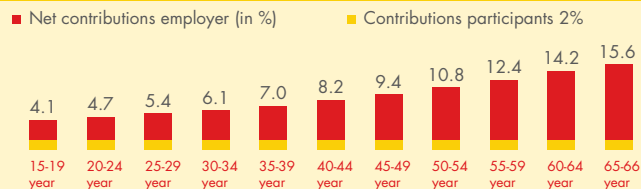
2015



2014

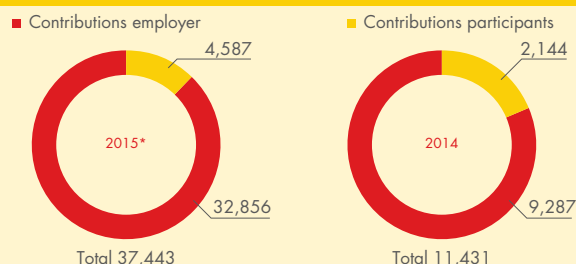


#### Percentage of your pensionable salary (Available premium)



#### Balance of all contributions

being paid by participants + employer



\* including the net pension scheme



## Communication

**In 2015, the communication process was carried out in line with the communication plan. SNPS makes use as much as it can of digital communication via the website and the personal online 'pension portal'. Digital communication is faster, cheaper and better for the environment. Where necessary or (legally) required, SNPS communicates on paper.**

It is important for the communication to be comprehensible. The duty of care in benefit agreements with investment freedom explicitly forms part of the communication policy. Communication with participants is offered in Dutch and English.

The website has been expanded with various documents, including newsletters, forms, the Annual Report, brochures and the Statement of Investment Principles. In 2016, the website will be adjusted to the Pension 1-2-3 requirements. Participants can log into the participants' portal, where in a secure environment they can inspect their (pension) data, determine their risk profile, and indicate their choice for a different Life Cycle profile. In 2015, the participants' portal was expanded and improved further.

In a number of joint sessions with Shell Nederland, the communication strategy and policy have been discussed along with any adjustments necessary. The needs of participants are changing, and communication should not just be digital but also increasingly interactive, personal and tailored (customer journey). Furthermore, the relevant

information must be easily, clearly and simply available, and at the same time comply with the requirements of the (new) pension legislation. In 2016 this will be developed further into specific plans and a start will be made on implementation.

Besides regular, recurring communication activities, such as digital newsletters, at the end of 2015 SNPS participated for the first time in the 'Benchmark Onderzoek Platform' (Benchmark Survey Platform, BOP). This survey was carried out online among active participants in SNPS by TNS NIPO. It provides a national comparison of the way in which pension funds communicate. With the results of this study, SNPS can improve its communication and service provision. Topics investigated in the BOP survey include satisfaction with communication and service, trust, image and forms of information used. The Pension Fund's scores were just above the national average. SNPS will participate in the survey again in 2016.

## Statutory changes in 2015

**The SNPS pension scheme was amended as of January 1, 2015 as a consequence of new pension legislation. Government has implemented fiscal measures to economise further on pension accrual in the Netherlands. Shell considers it important to provide a good pension scheme and is making optimum use of the opportunities offered under the tax legislation in force from January 1, 2015.**

The two most significant changes to the Pension Fund pension scheme as of January 1, 2015:

1. The maximum permitted gross contribution has been decreased. For this reason, Shell has decided to lower the employee contributions of the participants from 4.5% to 2% of the pension basis. Shell pays the rest of the maximum permissible contribution.
2. Participants accrue gross pension capital up to the maximum permissible tax threshold.

For participants with a pensionable salary that exceeds the permissible tax threshold, there is the voluntary Shell net pension scheme. The permissible tax threshold can be adjusted every year. In 2015, the threshold for gross pension accrual was € 88,500; in 2016 the threshold is € 89,844.



### Shell net pension scheme

**Since January 1, 2015 participants with a pension basis that exceeds the permissible tax threshold may only save for the pension from their net income (after deduction of wage tax). This is a measure introduced by the Government. For this reason, Shell offers a voluntary net pension scheme as of January 1, 2015. This net pension scheme is a so-called defined contribution scheme. Information about the net pension scheme is on [the SNPS website](#).**

## New in 2016:

### Life cycles adjustment

The Board of SNPS continually follows developments in the financial markets in order to ensure that it continues to offer a good pension. For this reason, the Strategic investment policy is reviewed every year. Using models, a number of investment scenarios are identified so that the Board can evaluate the financial consequences of various developments. One of these scenarios is an extended period of low market interest rates, which has now become an

economic reality. This assessment of the scenarios has given the Board cause to adjust SNPS's financing structure, resulting in a better ratio between risk and return. This change in the strategic investment mix continues to be based on the same prudent investment attitude which the Board considers responsible: participants can acquire a pension income which is expected to be adequate.



### Additional provisions for incapacity for work

As of January 1, 2016 SNPS's coverage for participants who become unfit for work has been expanded. Up to January 1, 2016 there was coverage only for participants who became fully and irreversibly unfit for work. Since January 1, 2016 the risk of partial incapacity for work of 35% or higher is also covered.

The level of this pension is dependent on factors including the degree of incapacity for work. Furthermore, for participants who become partially unfit for work, the contribution for the accrual of the gross pension capital with SNPS will continue to be paid on the basis of the degree of incapacity for work (premium waiver on incapacity for work). More details are available from the website and the SNPS Regulations.

**Do you have any questions about your pension at SNPS, after reading this newsletter? Please find the most important information and answers on frequently asked questions at [www.snps.nl/uk](http://www.snps.nl/uk). You may email your questions or call us on weekdays from 8.30 to 17.00 at phone number (013)4683592. We are happy to assist you!**