

Ready to continue investing

CONCISE ANNUAL REPORT 2016

Welcome to the SNPS newsletter. The most important matters from 2016 have been compiled for you in this special edition: the Concise Annual Report 2016. Later this year, another newsletter will follow, keeping you informed about SNPS issues that ask for your attention: enjoy reading!



Shell Nederland Pensioenfonds Stichting (hereinafter: the Pension Fund or SNPS) has shown steady growth since it was founded in 2013. As of December 31, 2016, the number of participants in the SNPS gross scheme stands at 2,050 and the number of participants in the Shell net pension scheme at SNPS amounts to 4,301. Invested capital grew from € 56.2 million at the start of 2016 to € 99.7 million as of December 31, 2016.

As of January 1, 2016, SNPS cover for members who become unfit for work has been increased. Until January 1, 2016, cover was only provided for full, long-term incapacity for work. As of January 1, 2016, the risk of partial incapacity for work of 35% or more is also covered. As of this date, contributions towards the accrual of pension capital at SNPS are also continued for participants who become partially unfit for work and whose employment has been terminated partially or otherwise. This happens on the basis of the occupational disability percentage.

SNPS has worked hard on expanding the present pension schemes by adding the additional option of a so-called Collective Variable Pension (CVP) in close consultation with Shell Nederland. Thanks to legislation in 2016, SNPS can offer the CVP product from 2017. This Act enables participants in a defined contribution scheme to continue investing after retirement, share risks with others and spread windfalls and shortfalls over a longer period. Therefore it is expected that a higher pension result can be achieved, and the CVP makes the pension less dependent on the market interest rate on the retirement date.

Garmt Louw

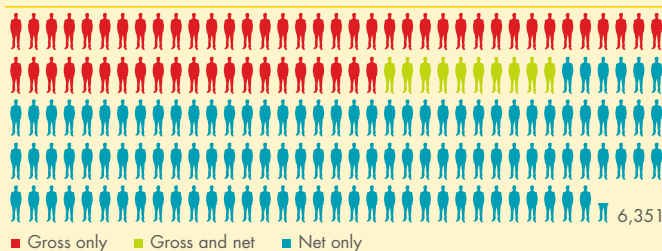
Independent Chairman, SNPS

Year in figures (1/2)

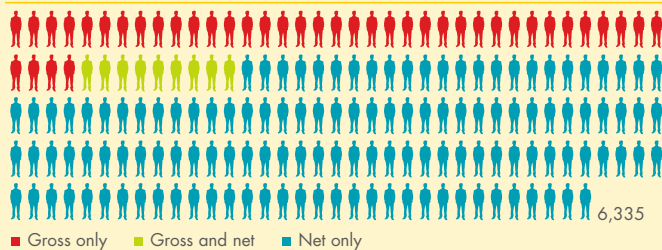
What kind of participants does SNPS have?

Active participants

2016



2015



Former participants

2016 2015

1293 65

Incapacitated

2016 2015

none none

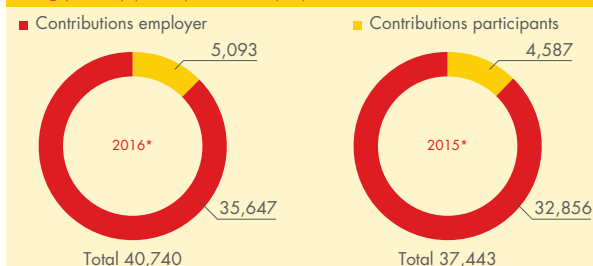
Pensioners

2016 2015

22 8

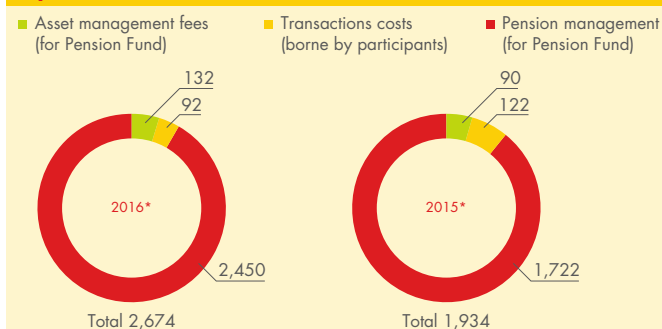
Balance of all contributions

being paid by participants + employer



* including the net pension scheme

Implementation costs × 1.000 euro

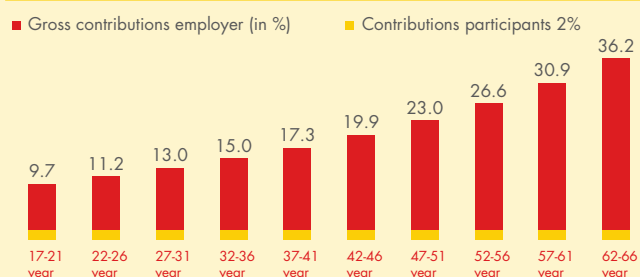


* including the net pension scheme

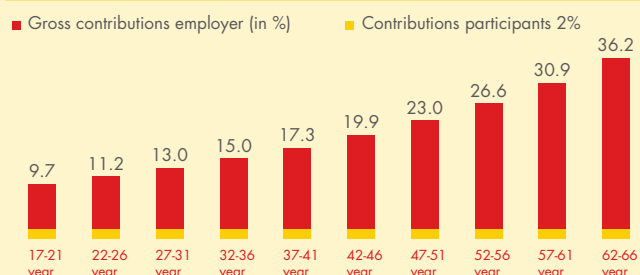
Year in figures (2/2)

Percentage of your pensionable salary (Available premium)

2016

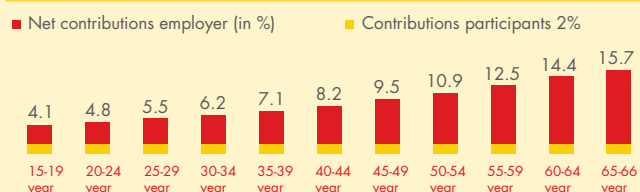


2015

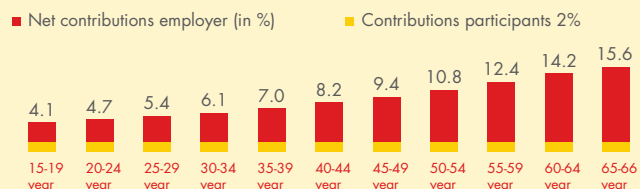


Percentage of your pensionable salary (Available premium)

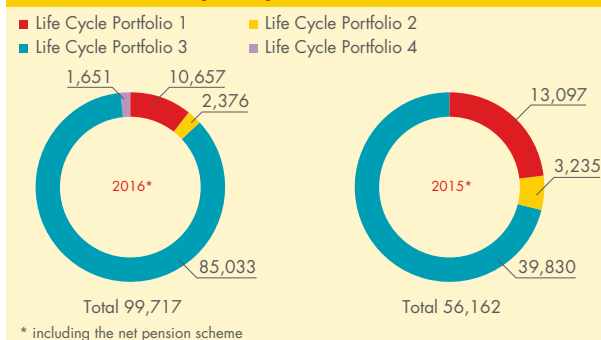
2016



2015



Invested assets of participants x 1.000 euro



Return (before deducting management fees)





Your pension in focus

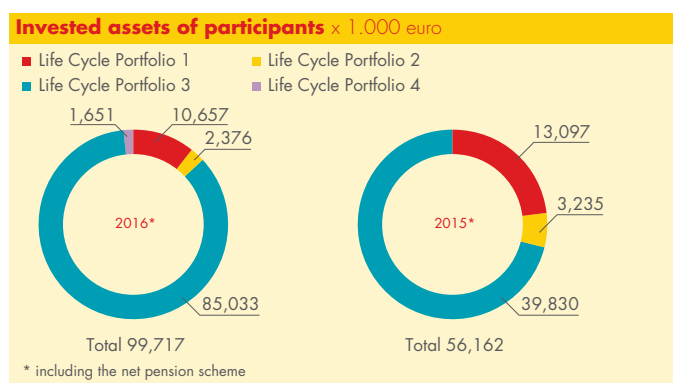
Your SNPS pension is a defined contribution scheme: the pension contributions are invested every month at your expense and risk. These contributions and the return on investments result in the accrual of your pension capital. You can select a Defensive, Neutral or Aggressive Life Cycle profile. Your monthly contribution (employer's as well as your own) is equal to the maximum permissible tax threshold, in other words the Tax Authority does not allow any more contributions to be invested in the SNPS pension scheme.

Complete

When you retire you will receive your retirement pension and in the event of your death your partner will receive a partner's pension. You have the option to abstain from a partner's pension. Your partner must agree to this choice. As of April 2017 you can make a preliminary choice between a fixed or variable pension at the age of 57. According to the regulations, your pension starts when you are 67, but you also have the option to take early retirement or defer it – within fiscal bandwidths. At retirement you can make a final choice between a fixed or variable pension. SNPS administers the Collective Variable Pension (CVP) as part of your pension scheme. When you retire you must purchase a fixed pension from another pension insurance company of your choice. More information about the CVP can be found at www.snps.nl/uk/cvp.

Additionally, the SNPS pension scheme covers several risks: if you die it will provide a surviving dependant's pension, if you become unfit for work (or partially unfit for work) it will provide a disability pension commensurate with the degree to which your employment is terminated (or partially terminated) and your pension accrual will continue on a non-contributory basis.

The amount of pension benefit is not known in advance, it depends primarily on the amount of contributions invested, investment results, and the interest rate on your retirement date.





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 investments over the various investment categories.

Three Life Cycle profiles

SNPS has established Life Cycle profiles: Aggressive, Neutral and Defensive. You may choose which of these three profiles your contributions are invested in. The Life Cycles have different characteristics. The Aggressive Life Cycle profile invests in equities more heavily than the Defensive Life Cycle profile.



Four investment portfolios

The Pension Fund invests in institutional investment funds via four investment portfolios. These relate to fixed-income securities and marketable securities.

Each Life Cycle profile that is available to participants comprises a mix of these four investment portfolios.

Investment portfolios Interest, Match I and Match II invest in fixed-income securities (such as bonds), the Return investment portfolio primarily invests in marketable securities (such as shares). The Aggressive Life Cycle profile invests the most in the Return investment portfolio (in relative terms), the Defensive Life Cycle profile invests the least in the Return investment portfolio (in relative terms). Furthermore, in the case of all Life Cycle profiles the weighting of the Return investment portfolio is reduced as your retirement date draws closer.

You can find more information about the composition of the Life Cycle profiles and underlying investment portfolios (Life Cycle portfolios) at www.snps.nl/uk/mypension and in the SNPS Annual Report 2016.

Selecting your risk profile

It is important to know how much risk you want to take before your contributions are invested. You determine your risk profile in your personal pension portal at www.snps.nl/uk/mypension. This risk profile determines the Life cycle profile according to which your contributions will be invested: Aggressive, Neutral or Defensive. The Life Cycle profiles are based on a number of principles that are set out in the Statement of Investment Principles. One of the principles is that the income is for later and not just asset accrual. If you do not select a Life Cycle profile your contributions will be invested in accordance with the Neutral Life Cycle profile. You can change your selection at any time at www.snps.nl/uk/mypension.

Investments in 2016

The various political events in 2016 had an impact on the financial markets. At the end of June, a majority of the British public surprisingly voted to leave the European Union (Brexit). The outcome of the Brexit referendum characterises the prevailing dissatisfaction among a large part of the population and the division in society. During the US presidential election it became apparent that dissatisfaction is not limited to Europe. Despite all the opinion polls, Donald Trump won the contest for the presidency. Then in early December 2016, a large majority of Italian voters voted against the proposed constitutional reforms. However, western economies still seem to be resistant to these political changes, which cause a great deal of uncertainty. Economic growth in both the United States and Europe was moderately positive and fairly stable.

Targeting yield and risks (2/2)

Improvements in the economic situation are visible in areas such as the labour market. Inflation is still low, but is rising slowly. The recovering oil price is the main cause of this. Due to the turbulence in the financial markets, and the fear of a global slowdown in the first months of the year, monetary policy remained broad.

Fixed-income securities

In the first half of 2016, the German 10-year interest rate fell to a low point. As in 2015, a major driver behind this was the policy of the central banks. Interest rates rose again in the second half of the year. One major event was the election of Donald Trump as president of the United States. Trump has promised to boost the economy. Among other things, an infrastructure investment programme will be launched and taxes will be reduced. The impact on the markets was huge. Higher growth and inflation expectations were factored in and that also caused interest rates to rise.

The American 10-year interest rate rose to 2.44% after having been at 1.36% earlier in the year. Trump's victory could also be felt in Europe, German interest rates rose from the low point of -0.19% to 0.21%.

Marketable securities

2016 was an exceptional year for equity investors, despite the volatility and slow start to the year. In the months prior to the start of 2016, the mood was mainly driven by the falling oil price and a slowdown in the Chinese economy.

The investment climate in the third and fourth quarters was characterised by "risk-on". The election of Trump and positive developments in US unemployment figures caused investors to move quickly away from bonds and towards equities. The cyclical sectors including energy, raw materials and industry benefited the most from this.

Return (before deducting management fees)

	2016	2015
Life Cycle Portfolio 1	11.0%	1.6%
Life Cycle Portfolio 2	6.8%	0.6%
Life Cycle Portfolio 3	11.6%	4.3%
Life Cycle Portfolio 4	0.3%	



Transparent about risks

One of the hallmarks of the SNPS pension scheme is transparency: your personal pension portal shows you how much pension you can expect to receive when you retire and how much pension you will receive in the event of an economic downturn. The way in which your capital is invested means that it is used fully to achieve the expected retirement income for later. Furthermore, you can see how much pension capital you have already accrued. Your pension capital grows on the basis of monthly contributions and on the basis of the investment result arising from the chosen Life Cycle profile. Risks were taken into account in the composition of the Life Cycle profiles. A comprehensive overview of risks is included in the SNPS Annual Report 2016. The three following main risks are associated with the investment of your pension capital:

Interest-rate risk

When you convert the accrued capital to a pension benefit on your retirement date you are reliant on the interest rate at that specific time.

Investment risk

The value of your investments may go down as well as up.

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. A higher average life expectancy means a longer benefit period. A longer benefit period means higher tariffs.



Summary of administration costs

The Board of SNPS constantly endeavours to give better insight into administration costs. This takes place insofar as this data is available and is in line with the recommendations of the Pension Federation. The Pension Fund Code of Governance, which sets standards for pension fund governance, also contains a passage about administration costs. For instance, the Board must report on the costs of administration of the pension scheme in the Annual Report. 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, the Board, the administrative office and the costs of external advisers and certifying actuaries. In 2016 pension management costs came to € 2,450,000 (2015: € 1,722,000). € 1,165,000 of these costs (2015: € 922,000) related to the gross pension scheme and € 1,284,000 to the net pension scheme (2015: € 800,000). The costs of pension management expressed over the average number of active participants were € 616 participant in the gross pension scheme in 2016 (2015: € 622) and € 279 per participant in the net pension scheme (2015: € 326). These costs are borne by the Pension Fund (and thus financed by the employer).

Asset Management costs

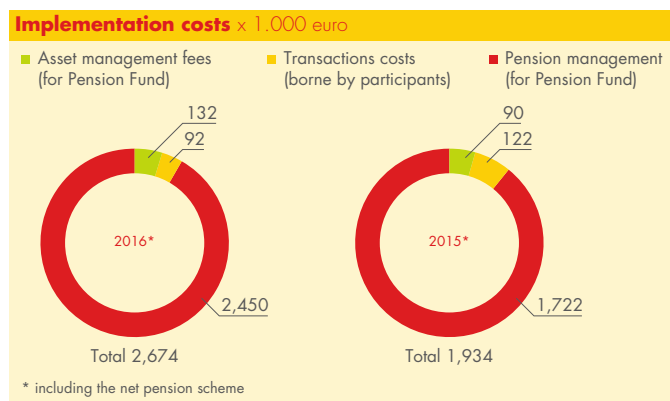
The costs of asset management, which are at the expense of the Pension Fund, primarily comprise the fee paid in the context of the subcontracting agreement and the fixed fee for the custody of the securities. In 2016 the sum of these costs was € 132,000 (2015: € 90,000) (as rounded figures). These costs are also borne by the Pension Fund (and thus are financed by the employer). The way in which the Life Cycle portfolios are composed, the chiefly passive investment strategy, the selection of institutional investment funds with a low cost structure and the fact that the purchasing power can be leveraged allows the cost 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 incurred for the Life Cycle portfolios comprise transaction costs (custody fees and settlement costs) (€ 18,000 in 2016) and management fees (€ 155,000 in 2016).

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 therefore they cannot be quantified exactly. The estimated entry and withdrawal fees and transaction costs within the investment funds were € 91,000 in 2016.



**Board: on your case**

SNPS is managed by a single-tier Board of General Managers and Non-Executive Managers (internal supervisors). 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
Garrit Louw	Peter Westgeest	Ewald Breunese
	Hein van den Wildenberg	Nicole van der Toorn
Executive board members		
Janwillem Bouma		
Stefan Tabak		

The executive members are employed by Shell Pension Bureau Nederland (SPN).

They are responsible for policymaking and day-to-day management of the Pension Funds.

Internal supervision

The Board is responsible for determining SNPS policy. The non-executive members supervise the executive members' administration of the policy. More information about the tasks and responsibilities of all members of the Board can be found on www.snps.nl/uk.

Accountability

The Board of SNPS accounts annually to the Accountability Council regarding the policy, its administration and policy choices for the future. Furthermore, the Accountability Council also has certain advisory powers.

External supervision

DNB and AFM supervise SNPS. All Board Members must comply with the statutory requirements of suitability and trustworthiness and are screened on appointment by De Nederlandsche Bank (DNB). Comprehensive information about external supervision can be found on the SNPS website. In addition, a statement is issued annually by a certifying actuary and the Annual Accounts are audited by an external auditor.

External service providers

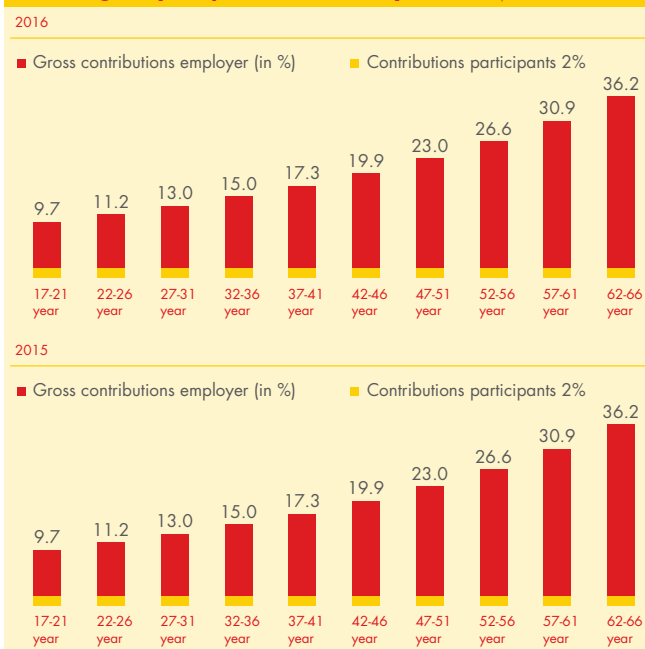
Syntus Achmea Pensioenbeheer NV carries out the pension administration. Achmea Investment Management B.V. manages SNPS's capital. SPN advises the Board in respect of pension policy. Furthermore, SPN supports the Board in the supervision of external service providers as well as in the field of risk management.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

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 on your retirement date.

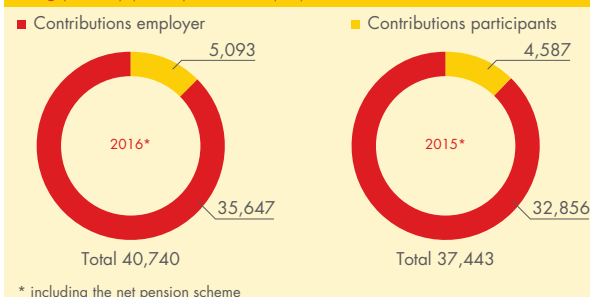
Percentage of your pensionable salary (Available premium)



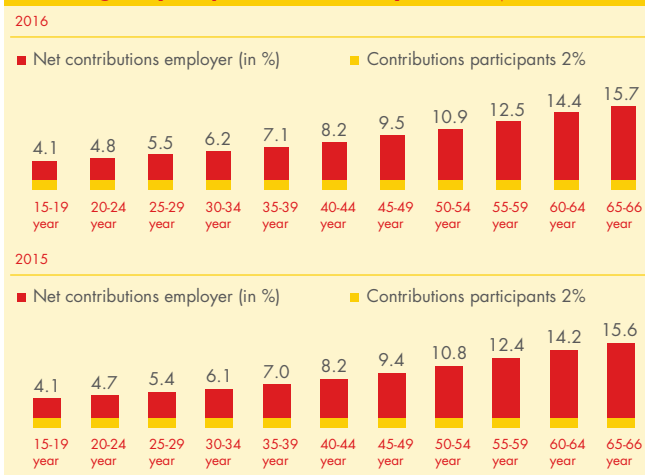
The maximum permitted contributions are invested for your SNPS pension, which are age-related according to the table below. In 2016, you paid 2% of the pension basis, regardless of your age, and your employer paid the rest. Premiums for work-related insurances (incapacity for work, death) are paid in full by Shell.

Balance of all contributions

being paid by participants + employer



Percentage of your pensionable salary (Available premium)





Communication

SNPS makes as much use 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.

It is important for communications to be comprehensible. The duty of care regarding defined contribution schemes explicitly forms part of the communication policy. Communication with participants is offered in Dutch and English.

The website was updated with icons and different layers of information, in 2016, in line with statutory 'Pension 1-2-3' requirements. In this context, the 'Pensions Comparator' was also made available, allowing participants to compare pension schemes from other pension companies. In 2016, a new, modern and user-friendly participant's portal was developed, which makes good use of videos and other facilities. An improved portal for gross and net SNPS pension schemes was launched at the start of 2017.

In addition to regular, recurring communication activities such as digital newsletters, SNPS participated in the 'BOP' survey for the second time in September 2016. BOP stands for: Benchmark Onderzoeksplatform Pensioenfondsen (Benchmark Survey Platform) an initiative of the pensions sector. It is conducted online among a random sample of active participants by TNS NIPO, and provides a national comparison of the way in which pension funds commu-

nicate. In this survey SNPS is assessed with respect to communication, services, trust, image and information channels used. The results of the BOP survey were satisfactory. Active participants gave SNPS an average mark of 6.9 out of 10 (2015: 7.0), which is slightly above the national average (6.7). The Board takes the survey results seriously and continuously endeavours to improve its communication with participants. SNPS will participate in the survey again in 2017.

Together with Shell Nederland, activities within the context of communication strategy and policy continued to be built on in 2016. The ultimate aim is for participants to be in the most optimal position possible to plan well financially for their retirement. Communication provides the building blocks for personal, responsible and well-informed pension choices. Participants in SNPS and also Stichting Shell Pensioenfonds (SSPF) can benefit from a single complete overview of their pension and the various sources from which it is composed.

From the second half of 2016 communication about Collective Variable Pension (CVP) was prepared, which was provided to participants after the Enhanced Premium Scheme Act was implemented on April 1, 2017. The CVP enables participants to continue to invest after their retirement date and share investment and longevity risks collectively at the same time.

Changes in 2016

Additional occupational disability provisions

As of January 1, 2016, SNPS increased cover for participants who are unfit for work. Until January 1, 2016, cover was only provided for full, long-term incapacity for work. As of January 1, 2016 the risk of partial incapacity for work of 35% or more is also covered.

Participants in the gross pension scheme who become unfit for work and whose employment contract is terminated in full, or partially, for that reason, receive a disability pension from SNPS. The amount of this pension depends on the occupational disability percentage and other factors.

In addition, participants in SNPS who become partially unfit for work benefit from non-contributory payment of pension contributions on the basis of their occupational disability percentage (premium waiver).

Adjustment to investment mix

In 2016, the Board completed the Asset Liability Study (ALM) that started in 2015. One of the reasons for this ALM study was the impact of prolonged low interest rates on the amount of pension benefit that participants will be able to purchase on their retirement date.

The ALM study model uses a large number of investment scenarios and gives an insight into the spread of expected pension results in a strong economy and in a downturn. One of these scenarios is a prolonged period of low market interest rates and low expected returns.

Based on the results of the ALM study, the Board decided to adjust the Life Cycle structure of SNPS as of April 1, 2016, resulting in a more suitable relationship between risk and return. The main difference is the addition of a fourth investment portfolio.

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, email your question, or call us weekdays from 8.30 a.m. to 5.00 p.m. CET at phone number +31 134 623592. We are happy to assist you!