QUESTIONS & ANSWERS ON OUR NEW PENSION

Everything you need to know about the new pension law and how this impacts your pension at Shell.

Versie 28 - 12 - 2023

A NEW PENSION AT SHELL

In 2019, the Pension Agreement was concluded between the Government, the trade unions and the employers' organisations. Part of the Pension Agreement has already entered into force. The bill 'Future Pensions Act' ('WTP') and the lower laws and regulations based on it regulates the changes that relate to the employer's pension. Recently the Senate approved of the new Future Pensions Act and it will enter into force on 1 July 2023. From that moment on, all pension schemes in the Netherlands, including those of Shell, will have to be adjusted. Companies have until January 1, 2028 to do so.

Adjusting the pension schemes is an extensive task in which many parties are involved. It depends on the type of pension offered, who is involved. At Shell, pension is arranged by Shell Nederland ('Shell NL') and the Central Staff Council ('COR'). The Central Staff Council has a right of consent. This means that Shell NL must submit the new pension scheme and the transitional measures for existing participants to the Central Staff Council for approval. In the consultation process, Shell NL and the Central Staff Council will discuss the possibilities together. The interests of all those involved (i.e. employees, pensioners, former colleagues (deferred members) and also the employer) must be taken into account. The pensioners and former colleagues can give their opinion on the changes in the pension via a hearing right and Shell NL and the Central Staff Council will have to take this into account in the discussions. At Shell NL, this hearing right is exercised through the hearing rights committee of VOEKS (the association of former Shell employees). In the end, there must be a balanced decision. Of course, consultations are also taking place with Shell's pension funds, who will have to implement the new scheme. The pension fund also assesses this, but also looks at the feasibility of the scheme.

ABOUT THIS DOCUMENT

More and more is becoming clear about the changes and how they may have consequences for Shell's pension schemes. This took a while and understandably also led to questions. Although the exact details are not yet known, in this Questions & Answers document you will find many answers to the questions we have already received. This document is regularly updated based on the information we have.

We have developed this document with the utmost care. However, you cannot derive any rights from it. You can only derive rights from the pension regulations applicable to you.

QUESTIONS?

Want to know more about your current pension? Visit the website of the Pension fund on www.shellpensioen.nl.

Do you have questions about the new pension law and the changes in our pension plans? Please visit the website www.nieuwpensioenbijshell.nl.

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TOP 10 FREQUENTLY ASKED QUESTIONS

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PENSIONS IN THE NETHERLANDS

PENSIONS IN THE NETHERLANDS

1. How does the Dutch pension system work?

The Dutch pension system consists of three pillars. The first pillar is the basic pension provided by the government, the state pension (AOW). The second pillar is the supplementary pension, which you accrue with an employer, such as the pension at Shell. You accrue this pension during your working life. The third pillar is the voluntary pension, which includes income provisions that you take out yourself, such as an annuity or a life insurance policy. In addition to these three pillars, there is also an unofficial fourth pillar, which involves saving via a non-fiscal route. For example, a savings account, shares or bonds.

2. What is the difference between the state pension and the Shell pension?

The state pension is the basic government pension (the first pillar) that you receive if you have lived or worked in the Netherlands. For every year that you have not lived or worked in the Netherlands, you receive 2% less state pension. You receive the state pension when you reach the state pension age. The state pension age depends on your date of birth and is therefore different for everyone (see also the question “What is happening to the state pension age?”). The state pension of current state pension beneficiaries is paid from the taxes and social security contributions paid by current workers. It is also known as a “pay-as-you-go system”. It is different from the supplementary pensions you accrue with your employer, such as Shell, whereby you save towards your own pension together with your employer. This pension forms the so-called “second pillar”.

3. Is it anticipated that the government will eventually adjust the state pension?

The Future Pensions Act covers, among other things, changes in the state pension age. This change means that the state pension age is rising less rapidly and has already entered into force. There are currently no known government plans to abolish or adjust the state pension in the future. Furthermore, the accrual of supplementary pensions with employers takes account of the fact that there is a basic state pension; you do not accrue any pension or you accrue less pension on the first portion of your income. However, the state pension system is under pressure because in the future there will be fewer and fewer working people paying premiums to pay for the state pensions of an ever-growing group of older people who are entitled to a state pension.

PENSIONS IN THE NETHERLANDS

4. What types of pension schemes are there in the second pillar?

There are various types of pension schemes:

- a benefits agreement;
- a premium agreement; and
- a capital agreement.

A benefits agreement is a pension scheme in which the amount of the pension benefit is key. These are career average and final pay schemes. In an average pay scheme, the pension depends on the number of years that you have been employed and the average salary during this period. In a final-pay scheme, the pension depends on the number of years that you have been employed and the last salary that you earned.
In a premium agreement you know how much premium will be invested for you. But because the premium is invested, its yield is uncertain. A pension benefit is purchased with the proceeds from the investments. When you retire, you can choose to purchase a fixed benefit or to let your investments continue. In the latter case, you are opting for a variable benefit.

A capital agreement is a pension scheme in which agreements are made about the amount of capital with which you purchase a pension benefit when you retire. This pension scheme is not very common.

5. Why does the second pillar (employers' pension schemes) need to be adjusted?

Many employees accrue pension in a benefit scheme: a scheme in which the amount of pension benefit is determined in advance, with an amount of certainty. In recent years, this certainty has been limited: pensions did not always rise with inflation and were sometimes even reduced. As a result the purchasing power of these pensions decreased.

Consequently, confidence in the pension system has crumbled. The system is also insufficiently in line with developments in the labour market: people are increasingly changing jobs and there are more flex workers and self-employed people without staff (self-employed). The current system means that older employees are more expensive than younger employees because the pension contributions for young people and older people differ considerably. This makes it less attractive from a cost point of view to hire older people. Finally, it is not clear to many people how they accrue pension. The reform envisaged by the government should lead to a more future-proof pension system that is more in line with developments in society and the labour market, makes pensions more transparent and personal and offers earlier prospects for a purchasing power pension for all generations.

6. Why does the government determine the agreements between employee and employer?

Pensions are one of the terms and conditions of employment and as such an agreement between the employer and the employee. However, the accrual of pensions with employers is subject to tax rules (and other statutory rules) in the Netherlands. By means of these tax rules, the government encourages people to save towards pensions and facilitates this in an attractive manner. As long as pension is accrued within the tax frameworks, you do not (yet) have to pay tax on the accrued pension capital. You only pay tax when the pension is paid out.

The tax rules under which this is possible are determined by the government. Employers, such as Shell, must abide by those rules.
The government wants as many people as possible to accrue pension with their employer; so that they still have sufficient income after retirement.

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7. What about shortfalls in pension accrual due to previous employers?

In the Netherlands, there is no obligation for employers to offer a pension scheme to their employees, but if an employer does, he must do so for all his employees. The government tries to encourage as many employers as possible to offer their employees a pension scheme. If you have previously worked for an employer who did not have a pension plan, it is possible that you have a pension deficit. After all, you have not accrued a pension for several years. It is important that you keep an eye on the state of your pension and, if necessary, take extra measures yourself. Ultimately, you are responsible for your own financial future. An employer can contribute to this through a pension scheme. The new pension law does not change that.

8. What is the impact of European regulations on the Dutch pension system?

The European Commission wants every EU citizen to be able to accrue an adequate pension in order to prevent many elderly people living in poverty. But there is no European pension system. Different countries in Europe have different pension systems. Despite the difference in type of pension system, all countries in Europe have similar challenges around pensions. The retirement age has already risen in all countries and will continue to rise in the coming years. The retirement age within Europe often fluctuates between 65 and 68 years. In many countries with a state pension, the level of pensions has been reduced. And in most countries, guaranteed occupational pensions have now been changed to defined contribution schemes. The rules are currently too different to be able to achieve a European pension system.

European rules do apply to pension funds, but they mainly relate to the provision of information to participants, the provision of transparency and supervision of pension funds. The idea is that this will help Member States to improve their pension systems. This is especially important for countries with less developed pension systems.

For the time being, Europe has little influence on the way in which pensions are designed in the Netherlands. Europe also played no role in the creation of the new pension law (WTP). In particular, the EU plays an advisory role in promoting the second pillar and in finding solutions to the ageing of the population and the flexibilisation of the labour market. At present, however, each country is responsible for its own pension system.

9. Several political parties have indicated in their election campaign that they want to get rid of the new pension law. Is the Shell project going to pause?

No. First, this new law is already in force from July 1, 2023. So we will have to comply with that and prepare for it. The law also does not provide for the possibility of a pause. Given the timelines, we can't afford to pause and choices have to be made in order to be able to implement on time.

Secondly, it is highly questionable whether what the political parties have indicated in the campaigns is really realistic. After more than 15 years of negotiations between trade unions, employers' organisations and politicians, this law for a future-proof pension system has been established, including a very extensive legislative process by the House of Representatives and the Senate.

Finally, there will continue to be a majority in the Senate that supports the current law. National pension specialists therefore consider the chance that this law will be completely set aside to be very small. This is also because a number of employers have already reached agreement on the necessary adjustments and are working on the implementation or will do so in the foreseeable future. This cannot be reversed. If there are (smaller) legal changes, we will of course act accordingly.

THE PENSION AGREEMENT & FUTURE PENSIONS ACT

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next questions

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THE PENSION AGREEMENT & FUTURE PENSIONS ACT

1. What exactly has been agreed in the Pension Agreement of June 2019?

The most important agreements from the Pension Agreement are as follows:

- less rapid increase of the state pension age;
- new opportunities in the field of sustainable employability; and
- reform of employers' pension schemes (such as at Shell).

The Pension Agreement has now been further elaborated and some of the agreements have already entered into force. For example, the slower increase in the state pension age applies from 2020 onwards. The possibilities in the field of sustainable employability are also in force.

Recently the Senate aproved the Future Pensions Act (that sees on the reform of employers' pension schemes). This new law will enter into force on July 1, 2023.

2. What is happening to the state pension age?

From this year (2023), the state pension age will be as follows:

2023	age 66 and 10 months
2024 until 2027	age 67
2028	age 67 and 3 months

Until the Pension Agreement, there was a 1-to-1 link between the state pension age and rising life expectancy. As a result of the Pension Agreement, the law has been amended. For every 4.5 months that the Dutch are expected to live longer, the state pension age automatically increases by 3 months. This is done on the basis of the annual CBS forecast for the remaining life expectancy of 65-year-olds. The Pension Agreement is limited to the increase in the state pension age and the adjustment of that age in the future in the event of an increase in life expectancy. The Pension Agreement does not change the amount of the AOW.

3. What agreements have been made concerning sustainable employability?

Early 2021, a new law was passed. It involves the option of a one-off lump sum pension payment, saved leave, and special schemes to allow staff to retire earlier. This law represents an important step in the further implementation of the Pension Agreement. With this new law, three measures set out in the Pension Agreement have been implemented. For Shell, the measures related to saved leave and the option for a one-off lump sum pension payment are the most relevant:

<u>Saved leave</u>
There is additional room to save leave. Previously, leave could be saved up to 2,000 hours, this has been extended to 4,000 hours. Saved leave can - amongst others - be used to retire earlier. This extension is possible as of 1 January 2021. Shell has already applied this extension in its policy; as from 1 January 2021 you can save 4,000 hours of leave.

<u>One-off lump sum pension payment</u>
In the future it will become possible to withdraw a one-off lump sum pension amount (up to 10%) from your accrued pension capital on - or around - your retirement date. Recently it has become known that this option will probably be implemented as per 1 January 2025.

<u>Early retirement schemes (RVU)</u>
The new law temporarily waives the fiscal penalty that was applicable so far to specific schemes that enabled early retirement, the so-called RVU arrangements. These arrangements apply until 31 December 2025. We do not have such schemes at Shell. There are other possibilities at Shell to

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stop working earlier, such as starting your pension earlier (from the age of 55) and using saved leave. This amendment is therefore not relevant for Shell.

4. What is the status of the Future Pensions Act (WTP)?

The WTP was recently passed by the Senate. The new legislation will enter into force on 1 July 2023.

5. For whom does the Future Pensions Act have consequences?

The new pension system will soon apply to everyone covered by a Dutch pension scheme: it is a national system change. Under the new law, all companies in the Netherlands must adjust their pension schemes. This has consequences for everyone who is now a participant in a pension scheme. These are current employees, but also those who have already retired or former colleagues who have not yet retired (the so-called deferred members).

For participants who are currently accruing a pension in a premium scheme (as with SNPS), the current scheme (with an age-related contribution scale) may be continued, but this is not mandatory. If this option is used, not much will change for these employees.

For participants in the SSPF pension scheme, there will be quite some changes. In principle the Future Pensions Act applies to everyone; also for pensioners and former colleagues. An important principle in the Future Pensions Act is that the accrued pensions are converted into the new pension system. That is being called 'invaren' (conversion). The accrued pensions then become part of your personal pension pot in the new scheme. The advantage of converting the accrued pension rights is that any buffers in the pension fund will also become available for distribution to the participants. This is expected to result in an improved pension and a higher upward potential of the envisaged pension outcome than is possible under the current pension scheme. When converting the accrued pensions the guarantee from Shell will no longer apply and your pension capital will be more susceptible to investment results.

The WTP offers an opportunity to deviate from the principle of conversion. This is possible if conversion is disproportionately unfavourable for (some of) the stakeholders. The stakeholders include current employees, pensioners, former colleagues (deferred members) and the employer. If the exception is used, the accrued pensions will remain in the existing pension scheme. Shell's guarantee and the annual indexation will also remain valid. The new pension scheme will then only apply to the future.

The exact extent of these consequences depends on many factors, including the structure of the new scheme and the transitional measures that will apply. Shell NL will discuss this with the Central Staff Council. We can't tell you much about that right now.

For each individual, the consequences will be mapped out. You will then receive a clear overview of what your pension would be under the current scheme and what your pension is expected to be in the new scheme. It will also make clear what is being done to limit any possible adverse consequences.

6. The low actuarial interest rate is often cited as the reason why the pension system in the Netherlands has to change. But the pension funds in the Netherlands are very rich and make good returns. How about that?

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Pension contributions are invested and the investment returns on them have indeed been good in recent years. But that can change too. You don't really know how much your pension costs until your pension has to be paid and that's many years away. Pension funds promise a pension to their members, but how do you know how much you need now to pay all pensions in 20, 30 or 40 years? Pension funds must use a statutory actuarial interest rate for this purpose. They look at the interest rate to determine how much money they need now to pay out the promised pension in the future. This interest rate has been very low in the last couple of years. The lower the interest rate, the more money pension funds must have in liquid assets. Also, under the current rules, pension funds must have certain buffers. Pension funds have therefore come under pressure. At the moment, interest rates are rising again.

7. Is it correct that the younger generation has to pay for an ageing population, while the pensions of the younger generation seem to become more uncertain?

In the current pension system, a pension is promised, while in practice this often cannot be fulfilled. The low interest rates of recent years were seen as a major problem. Many older people wanted that interest rate to be raised. Then pension funds would have to have less money reserved and suddenly have money left over. This "extra money" could then be used to increase pensions (indexation). Something older people want. But by increasing the interest rate, no money will be added. The assets of a pension fund – the investments – remain the same size. If a pension fund spends extra money now, there would be too little money left for future generations and the young would pay for the deficits of the elderly. At the moment, interest rates are rising again, and this problem is less important. But there are more problems with the current system.

Now every employee has the same pension accrual. That is strange, because the pension accrual of a young employee costs much less money than that of an older employee. The money of that younger employee can pay off much longer (about 30 – 40 years).

In the current pension system, there is a lot of solidarity between different generations. But this solidarity between the generations is under pressure, partly because the population structure has changed (there are increasingly more and more elderly people are joining) and because of low interest rates. The new pension system aims to solve that. By working with individual pension pots, the pension for employees becomes much more transparent and clearer. The new system still has certain elements of solidarity, but choices can also be made. Shell NL and the COR will discuss these elements in their consultation process.

8. What does the reform of employers' pension schemes (such as at Shell) entail?

The new pension system no longer promises a pension amount for employees. There will be a new system that has only one type of pension scheme: a contribution scheme. In such a scheme, each participant builds up a pension capital in their own pot. Only a premium is promised. That premium will be used to invest. The outcome of these investments moves with economic developments.

Each employee receives the same contribution percentage and receives his own pension capital. For a younger person, the contribution received will pay off longer and is therefore expected to lead to a higher pension capital than for an older person.

So, it's all going to be more faire and transparent. No more promises about a benefit, but everyone will soon have their own pension capital and linked to it an indication of the pension that you can purchase with it.

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This type of pension scheme is not new. At Shell we also have such a scheme for employees who joined Shell as from 1 July 2013. At the moment, in such a contribution scheme, the premium is not the same, but depends on your age. The older you get, the higher the premium percentage. That's going to change. In the new system, the premium rate will be the same for everyone, regardless of how old you are. The new law offers two options for the new contribution scheme:: the flexible premium scheme and the solidarity premium scheme. There are a lot of similarities between the two options, but the flexible premium scheme offers more individual choice and is more transparent, whereas the solidarity premium scheme has more mandatory elements of collectivity and has much less freedom of choice compared to the flexible premium scheme.

Because in the future pension must be accrued in a premium scheme, it is no longer possible to continue to promise pension accrual for the future as we do now at SSPF. Participation in the SSPF-scheme will therefore be terminated because of the new law. Everyone will participate in a premium scheme.

9. Why does the Government want everyone to accrue pension in the same way?

In future, the Government wants to make the rules the same for everyone, so that pensions are more in line with developments in society and the labour market. These new rules will in the future apply to everyone.

10. How does a personal pension pot work?

During your working life, a monthly contribution is paid into your "personal pension pot". The longer you work, the greater the amount of contributions invested. The Pension fund then invests these contributions collectively. The total of all contributions paid and the returns made on them ultimately form the pension capital. Pension capital is used to purchase a lifelong pension and that capital determines the amount of your pension. If you die before retirement, your pension pot will be allocated to the fund. However, if you have arranged for this, your dependants will be entitled to a dependents' pension.

11. What happens to the pension rights already accrued?

An important principle in the Future Pensions Act (WTP) is that the accrued pensions are converted into the new pension system. The accrued pensions then become part of your personal pension pot in the new scheme. In case of conversion, any guarantees from the employer will disappear.

In the new pension system, reserves (buffers) are no longer needed. That is why these buffers become available for distribution. This can be done by adding the buffers (whether or not spread out over several years) to the individual pension pots of the various participants or by reserving them to mitigate certain risks. The buffers can also be used to financially compensate for the consequences of the new system for the future pension accrual of employees. How the buffers will be distributed depend on the transitional measures that Shell NL will discuss with the COR. The pension fund is also involved in this.

Thus, the principle in the new pension law is conversion. But the WTP offers an opportunity to deviate from this principle. This is possible if conversion is disproportionately unfavourable for (some of) the stakeholders. The stakeholders include current employees, pensioners, former colleagues (deferred members) and the employer. Any guarantee from the employer and the annual indexation will also remain valid.

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12. What about the accrued pensions of pensioners and the accrued pension entitlements of former colleagues (deferred members)?

Also these pensions and pension entitlements will in principle be 'converted' to the new system. If the exception option is used (and therefore no conversion is required), the pension entitlements of the pensioners and the former colleagues will also remain in the pension fund. The decision to convert or not is taken collectively and applies to all employees, pensioners and former colleagues.

13. So the risk will shift to the employees?

That's correct. A premium scheme consists of an individual pension pot that keeps pace with investment results. This type of premium scheme will in the future apply to everyone. In a contribution scheme, only a pension contribution may be promised, and no promises are made about an outcome. In this respect, the risk shifts from the employer to the employee. That risk can be both positive and negative. When investment returns are good, these positive results fully benefit the employees. Currently, indexation is often no higher than price inflation. But, in such a premium scheme negative results will also have an impact on accrued pension capital. Various mechanisms can be built in by the pension fund to limit that risk.

14. Does the new law also apply to pensioners and former colleagues?

The risk will also shift for pensioners and former colleagues in case of conversion. In the new system, pensions will move more in line with investment results. If the economy is doing well, pensions can be increased more quickly. Now that increase is often capped at price indexation. But pensions can also go down if the economy is struggling. Various mechanisms can be built in by the pension fund to limit that risk.

15. Does a premium scheme involve you running the risk of losing all the money and not having a pension?

The new scheme does not require you to be an investment expert; many things will be arranged for you. The assets in the Pension Fund are invested collectively. Furthermore, all kinds of measures are taken to mitigate the "risks". Statutory rules also apply. As a participant, you will receive a quarterly overview of how your pension capital is developing, which allows you to take additional measures, if you think they are necessary.

Exactly what measures are taken to mitigate the risk depends on the specific premium scheme. In a flexible premium scheme such as Shell's current SNPS scheme, participants have the option to choose a certain investment profile, dependent on their risk appetite. You can e.g. choose a profile with more risk (offensive), or little risk (defensive) or a neutral profile. If you do not want to make a choice, there is a good default, where the investment risks move with your age. The risks in the investment portfolio are already reduced ten years before retirement. Furthermore, there is the possibility of a collective variable pension, as a result of which the benefits of collective investment are also available to participants after retirement. Therefore, all kinds of measures are taken to mitigate the risk as much as possible and to handle this as flexible as possible. Although there are no guarantees, you really won't lose all your money.

16. As a pensioner or former colleague, can you also reduce any risks in the new system?

Yes, there are several ways of reducing risks in the new system. Exactly what measures are taken to mitigate the risk depends on the specific premium scheme:

In a flexible premium scheme, such as Shell's current SNPS scheme, if the pension is converted, the pensioners then have a one-off choice between a variable pension with the pension fund (which will then move with the investment results) or a fixed pensi on with an external insurer. If a fixed pension is chosen, the amount of the pension is certain, but there may be no indexation and no prospect of a higher pension. In case of a variable pension, the pension continues to be invested which also means that the pension benefits can fluctuate in amount. To prevent large fluctuations in the pension, the investment returns can be spread over several years.

- Pensions of pensioners can be invested more defensively by the pension fund. As a result, less risk is taken with these pensions.

- In the new pension system, reserves (buffers) are no longer needed. That is why these buffers become available for distribution. This can be done by adding the buffers (whether or not spread out over several years) to the individual pension pots of the various participants or by reserving them to mitigate certain risks. The buffers can also be used to financially compensate for the consequences of the new system for the future pension accrual of employees

17. Will the risks still be borne jointly and collectively in the future?

Two types of premium schemes will be possible in the new system: the solidarity premium scheme and the flexible premium scheme. These names can be confusing; In both arrangements, a certain degree of solidarity and collectivity is possible. In the new solidarity premium scheme, pensions are still invested collectively. In addition, all kinds of risks can be shared collectively. But also in the flexible premium scheme investments are invested collectively and is it possible to share risks collectively to a certain extent. In both arrangements, this solidarity must be paid for. This can be done through part of the premium or through part of the returns.

18. If the pension fluctuates more with the market, will I notice it every month?

As long as you work, a monthly premium will be invested for you. That premium will generate a return and in that way you will accrue your own pension capital, which will evolve with the markets. The pension fund will inform you about the amount of capital you have accrued. Furthermore, you will be informed about the level of your anticipated pension benefit. Once you retire you can choose for a fixed or a variable pension. If you choose for a variable pension, your pension will continue to evolve with the financial markets, be it that the investment risk will be reduced. Your pension benefit may then vary in amount per year. The Pension fund will take measures to limited fluctuations as much as possible.

19. In the past, the rule of thumb was that you received 70% of your income as a pension; is there a simple rule of thumb for the future?

This rule of thumb is often heard, but there are some comments to be

made about it. In the case of a final pay scheme, reference was made to a percentage of the final salary. In the case of an average pay scheme, this relates to the average income. That is much more difficult to calculate.

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Pension results will no longer be promised in the future. A premium is paid that yields a return and accrues pension capital, which ultimately determines the amount of pension.

20. In the context of greater personal responsibility, can I withdraw my accrued pension in one go and spend/invest them as I see fit when the new pension scheme is introduced?

No, that's not possible. The only way to do something with your accrued pension entitlements is to transfer them, under certain conditions, to a new pension administrator when you change jobs. In the context of greater flexibility, in the future there will be a one-off opportunity to take up to 10% of your accrued pension entitlements on your retirement date as a lump sum payment. You will then be able to spend that money as you see fit. This option will become available as from 1 January 2024.

21. What happens to my pension if I change jobs in the future?

Should you decide to switch employers in the future, your new employer's new pension scheme will apply to you. You may then opt to transfer your accrued pension capital to the your new employer's pension scheme;

that pension will then be transferred on a one-to-one basis and will not be recalculated on the basis of the exchange rate or interest applicable at that time. So, 1000 euros accrued pension in the premium scheme with us is therefore 1000 euros pension in the premium scheme with your new employer. The pension scheme of your new employer then determines the rules for your pension pot.

22. Would it be an option to move the pension fund to another country in order to circumvent the impact of the new pension law?

If the pension fund were moved to another country, e.g. Belgium, Dutch tax rules would remain applicable. The changes resulting from the new pension law are primarily changes to the tax framework, which cannot be circumvented by moving the pension fund to another country. In addition, the supervisory rules of the country where you have placed the pension will then apply. This can create more complexity.

23. What role does the pension fund play in the discussion about the changes to the pension schemes as a result of the new pension law?

In the first instance, it is now up to the social partners (at Shell this is Shell NL and the Central Staff Council) to further develop the new pension scheme. At Shell, VOEKS (the association of former colleagues) is also involved in this given they have a hearing right. If the COR has given its consent and a formal decision has been taken, the pension fund must then assess whether it can implement the new scheme and the transitional measures. In doing so, the pension fund has a legal obligation to balance the interests of all parties involved (employer, employees, but also pensioners and former employees). Within the pension fund, there is also a right of advice for the accountability body. That is the consultation body at the fund. If the pension fund can implement the new scheme, an implementation plan will be drawn up in which it will be determined which steps will be taken to introduce the new pension scheme and how all participants will be informed about the changes.

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24. How will the impact that the transition to a new pension scheme will have on current employees be dealt with?

The exact consequences will differ per pension scheme and per age category and are not yet clear. Rules will be drawn up to identify the impact in greater detail. This will involve comparing pension projections under the current scheme with pension projections under the new scheme. Everyone will be informed about this individually.

The new pension law aims to prevent participants from being disproportionately affected. There must be “adequate” compensation. On the other hand, it is not the intention that costs for the employer will increase substantially as a result of the new pension law. This will require careful balancing of interests. This is the subject of discussion between Shell NL and the COR.

25. Is it certain that the Future Pensions Act is legally sustainable?

The Government commissioned a detailed analysis of the legal risks in order to ensure that the new pension system, just like the current pension system, is legally tenable. Among other things, ownership aspects and equal treatment aspects were considered. The conclusion of that analysis is that the new pension system is legally tenable. Of course, legal risks can never be completely ruled out. That will have to be proven in practice.

26. Does the legal obligation to participate in the pension scheme remain? Or will you be able to decide for yourself whether you want to save or participate in the pension scheme?

In principle, pensions are currently not obligatory in the Netherlands; employers are not obliged to offer employees a pension scheme, but if they do so their scheme applies to every employee. The Government also wants everyone to accrue a pension with an employer in order to ensure that they will still have sufficient income after retirement.

27. In addition to retirement pensions, will the new pension law have any impact on other types of pension?

The new pension law also includes amendments relating to the survivor’s pension. This is the pension that your surviving dependents (partner and any children) receive if you pass away. At present, there are different types of survivor’s pension schemes. It is therefore not clear to many people what exactly they are entitled to. The government still wants a good survivor’s pension scheme but wants to make it more modern and uniform for all employers in the Netherlands. The most important change is the way in which the survivor’s pension is arranged if you were to pass away before you retire. As long as you work (and for a limited period thereafter), a survivor’s pension is insured. At present, the amount of this survivor’s pension is based on the amount of the old-age pension (often the survivor’s pension amounts to about 70% of the old-age pension).

In the new system, the amount of the survivor’s pension is based on the employee’s salary (the new pension legislation stipulates a maximum survivor’s pension of 50% of the employee’s salary). If you leave employment, you can choose to pay contributions yourself to continue the coverage for the survivor’s pension. It is up to Shell and the Central Staff Council to determine what is covered. They will also look at the amount of the survivor’s pension in the current scheme. If you pass away when you are retired, it will remain arranged as it is now; on the retirement date you can decide for yourself whether you want to arrange a survivor's pension in addition to an old-age pension. This is then financed from your personal pension capital.

28. When will I notice something about the new pension law?

Since the legislation is final, Shell NL and the Central Staff Council will consult on the new pension scheme and the transitional measures. At the moment, Shell NL and the COR already are discussing the future of pensions, and a lot of knowledge is shared to ensure that all parties involved have the same understanding. In the course of 2023, these discussions will become a lot more concrete and substantive and eventually the new scheme, including the transitional measures, will be submitted to the COR for approval. VOEKS will also be involved in this consultation process, because it has a right to be heard. After approval by the COR, a decision-making and implementation process takes place at the pension fund, in which the accountability body has an advisory right. These consultations will also look at the date on which the changes will take effect. The legal deadline for the changes to take effect is 1 January 2028. Of course, you will be personally informed about the changes and the consequences that apply to you.

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18. At Shell, it seems that most employees still retire well before their target retirement age of 68, either voluntarily, for example through SVS, or as a result of reorganisations. How does that compare to the new pension law and the new pension plans?
19. Why do the changes apply to all employees and not just to new employees as you often see in the UK, for example, when changes are made to pensions?
20. Will there be any future possibilities such as an app or obtaining independent financial advice through Shell, to better understand my post-retirement financial situation so that I can take timely action?
21. How will I be kept informed of developments and the consequences for myself?

next questions

SHELL AND THE FUTURE PENSIONS ACT

SHELL AND THE FUTURE PENSIONS ACT

1. What position does Shell take in the discussion about the future of pensions?

Shell understands that the majority of the existing Dutch pension schemes (in particular those of the large sector pension funds, and also the ABP) see benefit from the changes proposed in the new pension law (WTP). It is a response to shortcomings in the current pension system in which young people subsidise the elderly through contributions. Currently buffers should be maintained to limit the risk of not being able to pay the promised pensions. In the past, these buffers meant that, despite the fact that good investment returns were made, pension funds did not have enough money to pay the promised pensions. There was a threat for some pension funds to have to cut the pensions. In addition, in the past, many pensions have not been increased for a longer period (to compensate for inflation). Fortunately, none of that played a role at Shell.

Under the WTP, it is no longer possible to make a pension promise, but only a contribution promise. Buffers are no longer needed. When there is a positive investment result this will go directly to the participant. This also means that the pension can be somewhat lower if the financial returns are negative. However, also in the new system, various measures can be taken to mitigate this risk and to prevent large fluctuations.

The new pension law (WTP) applies to everyone in the Nether- lands, including Shell. We understand that as a result of the WTP, we will have to switch to a flat premium scheme for all our employees for the future. Although the pensioners and former colleagues no longer accrue a pension at Shell, they too will notice the consequences of the WTP.

SNPS is already a premium scheme. There, the changes will be less significant. At this moment the premium at SNPS is age dependent. However, for the future accrual a flat premium must be established. This will apply in any event to new employees. Shell NL and the COR will discuss whether the flat premium will also apply to existing employees.

Things are different at SSPF. In the SSPF scheme a certain pension benefit is promised but that will no longer be allowed. The SSPF participants will therefore for the future accrue pension in a premium scheme with a flat contribution. It will also be necessary to look at what happens to the pension entitlements already accrued.

An important principle in the Future Pensions Act (WTP) is that the accrued pensions are converted into the new pension system. The accrued pensions then become part of your personal pension pot in the new scheme. In case of conversion, any guarantees from the employer will disappear. In the new pension system, reserves (buffers) are no longer needed. In case of conversion, the current buffers in the pension fund become available for distribution for the benefit of the participants.

The main principle of the WTP is conversion. However, the WTP offers an opportunity to deviate from this principle. This is possible if conversion is disproportionately unfavourable for (some of) the stakeholders. The stakeholders include current employees, pensioners, former colleagues and the employer. If the exception is used, accrued pensions will remain in the existing pension scheme. The current rules, including the rules on indexation and the employer's guarantee, will then continue to apply. The SSPF scheme will then be 'hard closed.'

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2. Does Shell also have to adjust the pensions of pensioners and former Shell colleagues?

The new pension legislation affects not only current employees, but also pensioners and former employees. That is unique as normally legislative changes apply only to the future, but the new pension legislation also affects the pensions of former colleagues and pensioners. It is not allowed to approach the different types of participants differently. So, if the pensions are converted, this also applies to the pensions of the pensioners and former colleagues. But if the exception is used, then this will also apply to the pensioners and former colleagues. The interests of these two groups must also be taken into account by Shell NL and the Central Staff Council (COR) in the consultation process. In addition, Shell NL and the COR are in discussion with VOEKS (the Association of former Shell employees). VOEKS has a right to be heard with respect to the changes. In the end, there must be a balanced decision for all parties involved, including the employer.

3. Why is the new pension law attractive to other pension funds but less so to us?

Shell is still one of the few companies in the Netherlands that offers a genuine defined benefit pension scheme for a closed group of employees. This scheme is implemented by SSPF. This scheme also includes many pensioners and former colleagues. An important element of this scheme is the agreement with Shell to pay extra contributions if the Pension Fund is in financial difficulties (the sponsorguarantee). This effectively avoids having to reduce pensions. The agreement on the guarantee also includes the agreement that there can be a refund from the fund to Shell in the event there are a lot of buffers in the fund.

Not many other companies have such a guarantee. Many pension schemes in the Netherlands are so-called CDC (Collective Defined Contribution) schemes. In these schemes, a pension promise is still made, but the contribution is then capped. There is therefore no guarantee in case things go badly with the pension fund. If this contribution is not sufficient in practice, the accrued pensions and pension benefits must be reduced. Many pension funds have had to deal with this problem in the past. Under the current regulations, pension funds must also maintain buffers to prevent these types of pension cuts as much as possible. For many funds, these buffers were not there or were very low. If investment returns are made, they must first be used to increase the buffers. There is therefore no money left to increase pensions. Under the new system, there is no longer a pension promise, but the promise to pay a certain contribution. Because no promises are made about the amount of the pension benefit, there is also no need to maintain buffers. Investment returns then immediately benefit the employee, who sees this reflected in the pension pot. On the other hand, negative results will also be immediately visible (after all, there are no more buffers to compensate for this). In the new system, arrangements can be made about having certain buffers to avoid large fluctuations in the pension. However, this is not mandatory.

Therefore, the majority of pension funds in the Netherlands consider the new pension system to be an improvement. Shell understands this point of view, but the present situation is different for Shell; there are good finance agreements between the employer and the Pension Fund. There is no threat of pension cuts at Shell. Nevertheless, the new system also provides opportunities. In case of conversion of the accrued pensions, the current buffers in the pension fund will be available for distribution for the benefit of all participants. This can result in an improved pension.

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4. Are there any benefits for Shell participants to switch to the new system?

In the new system, the risk shifts to the employees. Pensions will move more in line with investment results. That can be beneficial if things are going well economically. Currently, pension increases are limited to a maximum of the price ininflation. In the new system, this restriction no longer applies. On the other hand, if the economy is not doing well, pensions can also be adjusted downwards. In the new system, the guarantee from the employer will no longer apply. However, this risks can be reduced with all kinds of measures.

It is also good to know that in the new premium scheme it is no longer needed for the pension fund to have buffers. SSPF currently still has those buffers. If the buffers become available, and this happens if the pension is converted into the new premium scheme, then those buffers can be distributed. This can be done in different ways. For example, by increasing the individual pension pots of employees, by creating reserves to mitigate certain risks or by compensating for the difference in future accrual for current employees. A combination is also possible. The higher the buffers, the more attractive this option becomes, because more money is available. However, this is only possible if pensions are converted, because only then will the buffers become available. If it is decided not to convert the pensions and to close the pension fund, the buffers in the fund will remain in place accordance with the current agreements. It is up to Shell to take a good look at this and to make a substantiated assessment. Shell does this in consultation with the Central Staff Council, the VOEKS hearing rights committee and the pension funds.

5. What is Shell currently doing regarding the new law?

As the Senate recently approved the new Future Pensions Act (WTP), the WTP will enter into force on 1 July 2023. From that moment on, all pension schemes in the Netherlands, including those of Shell, will have to be adjusted. Companies have until January 1, 2028 by law to do so. Adjusting the pension schemes is an extensive task in which many parties are involved. Shell NL, together with the Central Staff Council (COR), is therefore busy preparing and determining the next steps. We will work closely with the COR and explore the various possibilities and options together. In addition, we are also in discussions with the pension funds and the VOEKS (Association of former Shell employees). VOEKS has a hearing right. In the end, there must be a balanced decision for all interested parties, including the employer.

In the meantime, more and more is becoming clear about the changes and how they may have consequences for Shell's pension schemes. We also think it is important to keep employees well informed. For example, various information sessions have already taken place in the past and we have explained the Pension Agreement and the new pension legislation via infographics and other communication tools.

Communication about the system change was initially separate. The employer did the communication to employees through sessions and an internal site with Q&As. The pension funds communicated with the pensioners and the former colleagues. At the beginning of 2023, we decided that the time was right to have a more integrated approach. Because we believe that good communication is key to the success of this project. "Winning hearts and minds" is our motto. It is our primary goal that people trust Shell's good intentions and the process.

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A new online information platform has therefore been developed: www.nieuwpensioenbijshell.nl. Everyone can visit this website for more information. All information is available to everyone. There will also be an interactive timeline on the platform, so that it is clear where we are in the process. It is important to be aware of the fact that now the legislation is in place, the process of decision-making and consultation by Shell NL and the Pension Funds will follow. And that it will take a while before the individual consequences will be known exactly. Nevertheless, we would like to keep you informed of the developments via the website.

6. Does Shell have any insight yet into the possible consequences of the new pension law?

We are busy mapping out the consequences and analyzing the various possibilities. This will be the basis for the discussions with the Central Staff Council (COR) and VOEKS and of course also with the pension funds. This will ultimately lead to a proposed decision which will be submitted to the COR for approval. It will describe the consequences for various age groups. This decision then will be shared with the pension funds for further decision-making and implementation. In the case of the pension funds, the accountability body has a role in the decision-making process. Although more and more is becoming clear, it will not yet be known what the exact changes will be on an individual level. It will become more clear during the implementation process by the pension fund. Given the implementation period that the government has in mind (somewhere between 2023 and 2028), this may take some time. We will keep you informed via the website.

7. What role does the Central Staff Council (COR) play at Shell with regard to the pension?

The Central Staff Council has a right to consent with respect to a proposed amendment to the pension agreement between the employer and the employee. As soon as there is a proposed decision the Central Staff Council will be asked for consent. There is a dedicated working group for these pension changes,.

We believe that proper consultation is very important and therefore regularly consult both the working group and the Central Staff Council regarding the developments. In these discussions, we have shared a lot of knowledge and we looked at the changes that the WTP prescribes, the possibilities that exist and what that will mean for Shell.

We expect the process of formal consultation with the Central Staff Council to start around the summer of 2023. Concrete proposals will be discussed. During this process, the VOEKS hearing rights committee will also be involved. They may give an opinion on the transition plan. All this will eventually lead to a proposed decision that will be submitted to the Central Staff Council for approval.

8. What is the role of the transition plan?

The employer is legally obliged to draw up a transaction plan.
The transition plan is an important source of information in this process as it includes all choices, considerations and calculations that form the basis of the agreements made. It contains the justification for the choice of the new pension scheme and the transitional measures and why there is a balanced transition to it. It provides insight into the relationship between the various choices and explains how Shell NL came to this decision. The transition plan will be developed during the consultation process. Before the transition plan is finalized, it will also be shared with VOEKS, so that the hearing right can be exercised. The final transition plan, which must be sent to the COR with the consent request, will be sent to the pension funds and will also be made available to employees.

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9. How are the interests of pensioners and former colleagues at Shell are taken into account?

Because the pension scheme is often a matter between social partners, pensioners and former colleagues normally have no formal role in that process. However, the new law (WTP) has created several safeguards to ensure that the interests of pensioners and former colleagues are taken into account in a timely manner. There must be a balanced transition for all parties. How is that designed?

A hearing right has been introduced. The WTP gives a representative association of pensioners and/or former colleagues the opportunity to express their opinion to Shell NL and the COR before the decisions on the new pension scheme are taken. Shell and the COR must take that opinion into account in their decision-making and provide feedback on what has been done with it. At Shell, VOEKS (the Association of former Shell employees) is such a representative association. VOEKS has now set up a hearing rights committee that is having discussions with Shell NL and the COR.

The interests of pensioners and former colleagues also play a role in the decision-making process of the pension funds. The WTP has further elaborated on this. For example, if a request for conversion is made, the fund must explicitly check whether this does not result in an unbalanced disadvantage for groups of participants. This includes pensioners and former colleagues.

In addition, the pension fund's accountability body has a right of advice towards the board's decision. The accountability body also includes members representing pensioners and former colleagues. The advice of the accountability body is also shared by the pension fund board with Shell NL and the COR, as soon as it has been obtained. Finally, the supervisory body, The Nederlandse Bank (DNB), also plays a role. If a request for conversion is made, DNB will also check whether there has been a balanced weighing of interests by the pension fund. DNB will mainly review the process.

10. What does Shell think is important in terms of future Shell pensions?

Pensions is, and will remain, an important condition of employment for Shell. We realise that our pension will have to change in line with developments in the Netherlands and that will have consequences for existing employees. As the case is now, we want to offer a good pension scheme to our employees. In making the changes we will also look at aspects that we can possibly improve in the schemes; we think that offering choices to employees (including a good default if you do not want to make choices), clarity and transparency, are important features in developing the new pension scheme. Furthermore, we value good communication and providing opportunities to improve insight into your financial situation after retirement.

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11. What will the new pension scheme mean for the Shell guarantee?

In the future, everyone in the Netherlands, including Shell employees, will accrue a pension in a premium scheme. Such schemes operate with a defined premium contribution. This means that it is no longer possible for the employer to provide a guarantee. Therefore, accrual under the current SSPF scheme will no longer be possible in the future.

With regard to pensions already accrued at SSPF, the basic principle (and the government's preference) is that they should be converted into the new premium scheme. If that happens, SSPF will cease to exist and the Shell guarantee on pensions already accrued will also disappear. This also applies to the pensions of Shell pensioners and to the pensions of former Shell colleagues. That also means that the refund option from buffers to Shell, that now also part of the guarantee agreement, will also disappear. In case of conversion current buffers in the fund become available for immediate distribution for the benefit of the members.

The WTP offers an opportunity to deviate from the principle of conversion. This is possible if conversion is disproportionately unfavourable for (some of) the stakeholders. If the exception is used, the accrued pensions will remain in the existing pension scheme. Shell's guarantee and the annual indexation will also remain valid and the buffers will remain in the fund. These possibilities are being further investigated by Shell and the COR. And the VOEKS Hearing Rights Committee will also be involved in this.

12. Does the new pension law provide opportunities to merge SSPF and SNPS?

The new pension system will apply to both existing and new employees. It does not matter whether you are currently participating in SSPF and/or SNPS. There are many choices that must be made when setting up a new premium scheme. The details and therefore the consequences are not yet fully known.

What the new scheme will look like and what the consequences will be for the future depends (partly) on these possibilities and the choices that are made in them. That will ultimately also determine how many pension schemes Shell will have and who will implement them.

Shell would like to see a uniform pension scheme for all its employees in the future. However, it may be the case that future accrual still takes place in two different funds. This depends on the choices that are made with regard to the accrued pensions in SSPF. If those are converted, this must be done within the same pension fund. The SSPF participants will remain in the SSPF fund for the future. In the long term, the merging of SSPF and SNPS could then be looked at, but that is not an issue for the time being. If SSPF is closed (and the pensions are left there), the new pension scheme will be implemented outside SSPF. The SSPF participants will then participate in the new pension scheme in SNPS.

13. Will participants' contributions remain at 2%?

That is not yet known. Under the new premium contribution scheme, a certain level of pension contribution will be paid on a monthly basis. The contribution will be subject to a fiscal maximum. Each company will have to set a defined pension contribution within the fiscal limits, and the level of employer and employee contributions and possible choices. This is part of the many aspects that will have to be discussed with the Central Staff Council.

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14. Would it be wise to retire before the new pension law is implemented and the new scheme is introduced?

The longer you work, the more pension you accrue. Furthermore, the value of your accrued pension will, in principle, be retained. Even if this accrued value were to be converted into the new pension scheme, this would not only apply to the pension you have already accrued but also to all pensions in payment. Early retirement would not prevent that.

There may also be other reasons for you to retire early. If you would like to discuss this option, please contact Achmea Pension Services.

15. With the new pension scheme in sight; is the Pension Fund's Flexplanner still reliable?

The current Flexplanner uses assumptions based on the current pension scheme. If the pension scheme changes, the Flexplanner must also be adjusted. So, if you use the Flexplanner for longer term calculations they will not be reliable. The further away you are from retirement, the more this will be the case. However, if you are considering retiring soon, you can use the Flexplanner.

16. Can I pay additional contributions into the new pension scheme?

This will depend on the new pension scheme and the amount of fiscal scope for making additional payments. We will certainly look into that.

17. Does the financial position of Shell play a role in the choices Shell will soon have to make with regard to the new pension scheme and the transitional measures?

As regards the changes that need to be made to the pension schemes of Shell in The Netherlands, a weighing of interests needs to take place of the interests of all stakeholders. This includes the interests of the employees, the pensioners and the deffered members, but also of the employer. The objective of Shell is to do this in a fair and balanced way.

18. At Shell, it seems that most employees still retire well before their target retirement age of 68, either voluntarily, for example through SVS, or as a result of reorganisations. How does that compare to the new pension law and the new pension plans?

It is true that at Shell many employees currently retire earlier than the target retirement age of 68. The average retirement age is closer to 61 years. This is because many employees often work at Shell for a long time and have excess value in their pensions from earlier when the target retirement age was lower. This excess value can be used to retire early, but this will slowly change. The average target retirement age at Shell is rising slowly.

However, the new pension law is not about the target retirement age or possible early retirement. Its aim is to deliver a pension with purchasing power without making false promises, regardless of the applicable target retirement age or possible early retirement. The target retirement age is not expected to change in the short term.

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19. Why do the changes apply to all employees and not just to new employees as you often see in the UK, for example, when changes are made to pensions?

The new pension system, and with it the new tax and other legal rules, will soon apply to all participants, both active (employees) and inactive (pensioners and former colleagues). This means that for everyone who is still employed, pension accrual will take place based on a flat contribution. For pensions already accrued or already entered, the basic principle of conversion applies, whereby the pension entitlements are converted into a premium scheme. Two exceptions are possible under the WTP:

- SSPF: If conversion is disproportionately unfavourable for (some of) the stakeholders (the current employees, the pensioners, the former colleagues and/or the employer), the exception may be used. If the exception is used, the accrued pensions will remain in the existing pension scheme. The current rules will then continue to apply to the accrued pensions. The new pension scheme will then only apply to the future accrual.

- SNPS: For participants who are currently accruing a pension in the SNPS premium scheme, the current scheme (with an age-related contribution scale) may be continued. If Shell opts for this, nothing will change for this group of employees with regard to pension accrual.

Other exceptions are not permitted by law; These would ensure that the pension does not comply with tax laws and regulations. This has far-reaching consequences for the participants. We can therefore not make a change (other than those mentioned above) that only applies to new employees and not to current employees.

20. Will there be any future possibilities such as an app, or obtaining independent financial advice through Shell, to better understand my post-retirement financial situation so that I can take timely action?

We believe that good communication and offering opportunities to improve insight into your financial situation, such as an app or by obtaining independent financial advice at certain times during your career, are very important and we will take this into account when setting up the new pension scheme. Incidentally, under the current pension scheme it is already possible to view all kinds of information about your pension "online"; visit www.shellpensioen.nl, and also use the option to use your DigiD to view your personal pension portal.

21. How will I be kept informed of developments and the consequences for myself?

Good communication is important for the success of this transition. "Winning hearts and minds" is our motto. Our aim is for people to trust Shell's good intentions and in the process we have gone through together.

A new online information platform has therefore been developed: www.nieuwpensioenbijshell.nl. Everyone (current and former employees) can go to this website for information. All the information provided is available to everyone. You will also see an interactive timeline on the platform, so that it is clear where we stand in the process. Now the new legislation has been approved by the Senate, a process of decision-making and consultation by Shell NL, the Central Staff Council and the Pension Funds will follow. It will take a while before the individual consequences will be known exactly. Nevertheless, we would like to keep you informed of the developments via the website.

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Pension is a complex subject and that makes communication about it a challenge. By using various tools, we want to explain the changes and the process to you in a simple manner. We will also consider the information access of the various participants. The primary information channel is the website, but in addition, information sessions will also be organized, and we will use info graphics, videos, and other media channels. As soon as the individual consequences are known, you will be informed individually by the pension fund.

If you want to know more about your current pension, you can visit the website of the pension fund (www.shellpensioen.nl). You can also view your own pension online via www.shellpensioen.nl/my pension. Log in with your DigiD.

22. If my pension is converted into the new scheme, it will increase quite a bit. Why is that?

The Pensions Act entails a major change in the pension system in the Netherlands. These changes relate, among other things, to the tax framework that applies to pensions. By converting the accrued pensions (which is the default), different tax rules will apply to your pension and you will be able to take full advantage of this. This is because there is no longer a limit when it comes to the increase of your pension as a result of positive investment returns. Participants who can invest for a number of years and have a so-called long investment horizon will benefit from this. The longer the horizon, the greater the benefit for the (active) participants. In addition, the buffers of the pension fund will be shared with the participants in the case of conversion, which will increase this positive effect even further. This is a one-time opportunity that will potentially lead to a significantly higher expected pension. Although, in the new scheme, the investment risks will be taken on by the participants. It is expected that this will provide a significant benefit in almost all cases.

23. When and how do employees gain insight into the calculations and considerations made by the social partners at Shell?

Our projections are calculated by a third party, Ortec. Ortec is the market leader in the Netherlands and works as an independent party for Shell. Ortec is also working for the pension fund. Ortec has internal certification on its processes and also internal controls to monitor the quality of the data. In addition, Ortec's calculations are checked by our own actuaries and the actuary of the works council. We are currently in close talks with the Central Works Council and are also discussing the results of the various calculations there.

Ultimately, the transition plan will explain how the social partners (Shell NL and the COR) view the transition. This explanation will also clarify how Shell NL and the COR interpret the open standards (such as a "balanced decision" or "disproportionately unfavourable") referred to in the Future Pensions Act. We consider the interests of all groups of participants and take the different perspectives into account. For example, the expected consequences (both positive and negative) and the impact of a higher or lower funding ratio at the time of conversion must be considered. Ultimately, there must be a balanced transition.

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24. What assumptions are used for the calculations?

To make the calculations, Ortec has developed special software that is used for many pension funds in the Netherlands and also for us. In this software, 2,000 scenarios are projected based on economic scenario sets prescribed by the Dutch Central Bank. Different assumptions apply to each scenario, so there isn't such a thing as basic assumption. However, we can say that on average in the long term, a return of 5.6% on equities, 2.0% on bonds and 2.1% inflation is assumed. The 2,000 scenarios are also based on so-called stress scenarios: what if things go very badly, but also what if things go very well. An example of such a stress scenario is stagflation, in which there are negative stock returns in combination with high inflation for a longer period of time. The economic projections to determine the pension outcomes are made for the full expected life span of the participants. Scenarios in which participants live longer or shorter are not considered separately.

25. How do the experts view DNB's scenarios? What if things get worse?

Every company and pension fund will have to work with these scenario sets. In addition to the most likely scenarios, these sets also contain very extreme scenarios. This involves a lot of work and although the scenarios will not cover everything, these calculations do provide a good overview of what can be expected. These sets also take into account extreme situations that are projected in the future. Due to political pressure, DNB's scenarios contain many more very unreal situations than was previously the case. In this sense, the scenarios are seen as pessimistic rather than optimistic. The Government wants us to provide insight into these scenarios. Despite the fact that these are extreme and in all likelihood will not happen, everyone will also see these scenarios on their pension overview.

We understand that it is important that all interests are properly taken into account, even in a situation in which things suddenly take a turn for the worse. That's why we set the bar high and don't want to enter at all costs. We only want to make a request for entry if it is clearly better for the participants. Not only in the expected scenario, but we want the participants to benefit in a large majority of the scenarios. In doing so, we also look specifically at the stress scenarios mentioned, in which things go much worse. We are looking at this together with the COR.

26. What does this transition mean for me?

During the information sessions, we showed personas to give you insight into the possible consequences of conversion or leaving behind the pensions. We will update these personas based on the latest figures. We will also add new personas and explain how to read these graphs.

With these examples, you can get a pretty good idea of how the changes will impact your pension. Unfortunately, precise details of the new pension expectations at the individual level are not yet available and will take some time. Through the pension fund, you will eventually receive an individual overview showing you exactly what the effect on your pension is. It is not yet clear exactly when this will happen, but it will probably only be possible around the time when the transition actually takes place, because all systems must also be set up for this and the situation at the time of the transition determines the actual outcomes. So, that could take a few more years.

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Specifically for expats/non Dutch locals:

27. Will it become easier for non-Dutch people working in the Netherlands to get a base country change in the future?

The new pension law and its implications are independent of Shell's policy for determining the base country and any changes to it. It is not expected that Shell will change its policy on this as a result of the Future Pensions Act.

28. Does the Future Pensions Act entail changes for expats and non-Dutch locals?

No, anyone who accrues pension in the Netherlands under the current rules will continue to do so in the future. The current rules regarding the possibility of value transfer from pensions accrued with other (foreign) employers to Shell or from pensions accrued with Shell to other (foreign) employers are not expected to change as a result of the new pension law.

CONTACT

QUESTIONS?

Want to know more about your current pension?
Visit the website of the Pension fund on
www.shellpensioen.nl.

Do you have questions about the new pension law and the changes on our pension plans? Please visit the website www.nieuwpensioenbijshell.nl.