
QUESTIONS & ANSWERS ON OUR NEW PENSION

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

FORMER COLLEAGUES / PENSIONERS

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A NEW PENSION AT SHELL

In 2019, the Pension Agreement was concluded between the Government, the trade unions and the employers' organisations. The agreements of the Pension Agreement has been included in the new law the 'Future Pensions Act' ('WTP'). The WTP and the regulations based on it regulates the changes that relate to the employer's pension. In the summer of 2023, the Senate approved of the new Future Pensions Act and it came into force as of 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

The planned changes have led to a number of 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. These questions are intended for the former colleagues and retirees. There is a separate document with questions and answers for the employees. You can find that document on www.nieuwpensioenbijshell.nl.

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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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.

4. 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



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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.

5. 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.

6. 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.



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7. 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

1. What exactly has been agreed in the Pension Agreement
2. What is happening to the state pension age?
3. For whom does the Future of Pensions Act have consequences?
4. 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?
5. 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?
6. What does the reform of employers' pension schemes (such as at Shell) entail?
7. Why does the Government want everyone to accrue pension in the same way?
8. What happens to the pension rights already accrued?
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12. If the pension fluctuates more with the market, will I notice it every month?
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14. What is the role of the pension fund in the discussion on the changes in pension schemes as a result of the new pension legislation?
15. When will I notice the new pension legislation?



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.

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 approved the Future Pensions Act (that sees on the reform of employers' pension schemes). This new law has come into force as of July 1, 2023.

2. What is happening to the state pension age?

In the past two years, the state pension age has been frozen to 66 years and 4 months. 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 law 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.

3. 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).

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 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.

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 expect to be able to share more information on this later this year.

For each individual, the consequences will be mapped out.



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4. 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?

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.

5. 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.

6. 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.



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7. 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.

8. 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. If the exception is used, the accrued pensions will remain in the existing pension scheme.

9. 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.

10. So the risk will shift to the 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.

11. 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.

- 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 pension 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



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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.

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

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.

13. 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.

14. 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.

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

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



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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.



THE FUTURE PENSIONS ACT AND SHELL

1. What is Shell's position in the discussion on the future of pensions?
2. Does Shell also have to adjust the pensions of pensioners and former Shell colleagues?
3. Why is the new pension law attractive to other pension funds but less so to us?
4. Are there any benefits for Shell participants to switch to the new system?
5. What is Shell currently doing with regard to the new pension legislation?
6. Does Shell already have insight into the possible consequences of the WTP?
7. What role does the Central Staff Council (COR) play at Shell with regard to the pension?
8. What is the role of the transition plan?
9. How are the interests of pensioners and former colleagues at Shell are taken into account?
10. What will the new pension scheme mean for the Shell guarantee?
11. Does the current 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?
12. 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?
13. How will I be kept informed of developments and the consequences for myself?
14. Can I object to a decision to convert the pensions?
15. I want to retire in 2026. Where can I see what my situation will look like then?
16. Can I now return to paid work in addition to my pension from Shell?
17. Will the buffers also be shared with the employer in the event of conversion?
18. If conversion would eventually be chosen, would choices made by pensioners around their retirement date be taken into account? For example, high-low or just low-high, or "flat".
19. Will there be an indexation if you opt for a fixed pension?
20. What does a fixed pension mean for a survivor's pension?
21. After conversion, the investment result will determine the amount of my monthly pension. Which fluctuations are taken into account based on a normal market? Are those numbers between 0.1 and 0.9% or between 1 and 10% or even more with which the pension amount is adjusted once a year?

next questions



THE FUTURE PENSIONS ACT AND SHELL

- 22. In case my pension is converted into the new scheme, it will increase quite a bit. Why is that?
- 23. What about the calculations, and when will employees be given insight into the calculations and considerations made by Shell NL and the COR?
- 24. What assumptions are used for the calculations?
- 25. How do the experts view DNB's scenarios? What if things get worse?
- 26. What does this transition mean for me?



THE FUTURE PENSIONS ACT AND SHELL

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, the new system is aimed at keeping the pensions stable in value and various measures can be taken to mitigate this risk and to prevent large fluctuations.

The new pension law (WTP) applies to everyone in the Netherlands, 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 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 those on indexation and the employer's guarantee, will then continue to apply. The SSPF scheme will then be closed and the current active members will start building up their further pension in a new pension scheme. Whether the exception can be used therefore depends on the circumstances. The financial position of the pension fund plays a role in this, among other things. Shell NL and the COR will discuss what possibilities there are and whether the conditions are met. In doing so, they will have to consider the principle of 'a balanced decision'.



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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.

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.



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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 inflation. 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 with regard to the new pension legislation?

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.

We also consider it important to keep all stakeholders well informed. Thus, several information sessions have already taken place in the past and we have explained the Pension Agreement and the new pension legislation.

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. A new online information platform has therefore been developed: www.nieuwpensioenbijshell.nl. On this website, anyone (employees and former employees) can go there to find more information. On this site you can exactly see where we stand in the process. After there is an agreement on a new scheme, it will take some time before the individual consequences will be known exactly. We will keep you nevertheless informed of the developments.



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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.

The process of formal consultation with the Central Staff Council recently started. 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 transition 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.

9. How are the interests of pensioners and former colleagues at Shell 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



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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 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. 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.

11. 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 deferred members, but also of the employer. The objective of Shell is to do this in a fair and balanced way.



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12. 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.

13. 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. Shell NL together with the pension fund use this site to provide information, also for former colleagues and pensioners.

14. Can I object to a decision to convert the pensions?

The Future Pensions Act states that it is not possible as an individual to object to the transition to the new system. Current employees are represented by the Central Works Council (COR). In the consultation process the interests of all the different participant groups and the employer are considered. The interests of former employees and pensioners are also represented through the Hearing Rights Committee. The hearing committee is allowed to give its views on the transition plan in which the proposed changes are laid down. The employer and the Central Works Council will then have to take this into consideration. Ultimately, what matters is a balanced decision. Once the COR has agreed and a formal decision has been taken, the pension fund must then assess whether it can implement the new scheme and the transitional





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measures. In doing so, the pension fund has a legal duty to weigh the interests of all parties involved in a balanced manner. Through the consultation process, the hearing committee and the review by the pension fund, it is ensured the interests of former employees and pensioners are safeguarded.

15. I want to retire in 2026. Where can I see what my situation will look like then?

At the moment, the pension planner cannot yet be adapted because the new pension scheme and transitional measures are not yet known. Only once the new scheme has been formally adopted, the planner can be updated and employees can be informed at an individual level. This will then be done by the pension fund. In any case, you can assume that your expected pension will not be lower. When pensions are converted, the buffers at the pension fund will be distributed and your accrued pension will be increased at that time. After that, your pension will move with the financial markets. If pensions are not converted, you will keep the pension you have accrued in the current SSPF scheme. In that case, little will change. If you are still employed, however, you will start accruing pension in the new scheme. There will also still be opportunities to retire early in the new scheme.

16. Can I now return to paid work in addition to my pension from Shell?

The Future Pensions Act states that pensions can be paid out 10 years before the state pension age. It is no longer necessary to prove that you left the labour force. So if you have already retired now, you may do paid work in addition to your pension benefit from the Shell pension fund.

17. Will the buffers also be shared with the employer in the event of conversion?

If pensions are converted, then the buffers in the SSPF pension fund become available to distribute to members; not to the employer. The size of the buffers depend on the fund's funding ratio at the time; at a funding ratio of 140%, the buffers that can be shared is around €7 billion. Those buffers can be used, among other things, to increase members' pensions, fund compensation or as new buffers to mitigate certain risks. On the website www.nieuwpensioenbijshell.nl you will find a handy explainer video about this. Shell Netherlands is in discussion with the COR about this.

18. If conversion would eventually be chosen, would choices made by pensioners around their retirement date be taken into account? For example, high-low or just low-high, or "flat".

Even under the new system, certain flexibilities are still possible. Some of these are the same as under the current system and there are some new flexibility options. High/low constructions will have a slightly different form. In case of conversion, as a pensioner you will soon have the option to choose a variable or a fixed benefit. If you opt for a fixed benefit with an insurer, you can no longer use the high/low construction.

19. Will there be an indexation if you opt for a fixed pension?

For those pensioners who have accrued a pension in the SSPF scheme in the past and if conversion is chosen, the pensioners will have a one-off choice between a variable pension with the pension fund (which will then move in line with the investment results) or a fixed pension with an external insurer. If a fixed pension is chosen, the amount of the pension is certain, but there is in principle no indexation and also no prospect of a higher pension. With such an external insurer, it is often possible to also



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opt for a construction in which a fixed indexation is purchased, but at the expense of the starting level of the pension (which will be lower).

20. What does a fixed pension mean for a survivor's pension?

The survivor's pension is usually a derivative of the old-age pension; it usually amounts to 70% of the old-age pension and thus depends on the construction of the old-age pension.

21. After conversion, the investment result will determine the level of my monthly pension. Which fluctuations are taken into account based on a normal market? Are those numbers between 0.1 and 0.9% or between 1 and 10% or even more with which the pension amount is adjusted once a year?

Investment performance varies by age group. More risky investments can be made if the moment of retirement is still far away. The pension fund therefore develops an investment mix that is optimally set up for each age category. For young people (up to about age 50), investments will be mainly in equities. For older people, more will be invested in bonds. On average the annual fluctuation at older ages is in the order of a few percent. For lower ages, the annual fluctuation of the investment result can be higher.

22. In case 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 the most 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. What about the calculations, and when will employees be given insight into the calculations and considerations made by Shell NL and the COR?

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.



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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. The considerations and choices will ultimately be included in the transition plan. This transition plan is an appendix to the COR's request for consent and is also made public to all participants.

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.



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.

