REVENUE TRANSPARENCY

INTRODUCTION FROM THE CFO

"WE EXPECT TO PAY TAX ON OUR ACTIVITIES IN THE COUNTRY WHERE THEY TAKE PLACE"

Our operations generate revenue through taxes and royalties for governments around the world. In 2013, we paid globally $20.3 billion in corporate taxes, and $4.1 billion in royalties. We collected $80.9 billion in excise duties and sales taxes on our fuel and other products on behalf of governments.

Our effective tax rate[1] over the past year was 51%.

TRANSPARENCY

An efficient tax system that enjoys broad public trust and confidence is a cornerstone of a healthy society.

Transparency is an essential tool to build this trust in the tax system. Society expects to be clear about the revenues that extractive industries pay to governments, and at the same time expects governments to be open about how they use these incomes.

For this reason, Shell has made a voluntary commitment to publish payments to governments. This is the third consecutive year that we have done so.

We believe that such transparency promotes good entrepreneurship as well as good government, helping to ensure that the billions of dollars the energy industry pays in tax benefits society as a whole.

TAX TRANSPARENCY TRACK RECORD

We are proud of our tax transparency history.

In 2003 we became the first company to publish the royalties, taxes and other payments made to the Nigerian government, with their permission and support.

Shell is a founder and board member of the Extractive Industries Transparency Initiative (EITI).

The UK government announced the EITI in 2002 to increase the transparency of revenues governments receive from oil and mineral activities. This includes payments made by companies like Shell, such as signature bonuses, taxes and royalties, and receipts from state-owned companies.

We believe that the EITI's multi-stakeholder approach (which includes governments, non-governmental organisations (NGOs) and companies) remains the most effective way of providing transparency regarding government revenues. www.eiti.org

We also work together with industry and commercial partners to modernise international tax principles, including the Confederation of British Industry, the European Roundtable of Industrialists and the International Chamber of Commerce.

EXTERNAL DEVELOPMENTS

Shell actively advocates for proper transparency legislation. We aim for a global level playing field and the avoidance of a conflict of law between extraterritorial legislation and the legal frameworks of countries where we operate. The US Securities and Exchange Commission is redrafting the US regulation in accordance with the US Federal District Court's decision. We expect this to include an exemption for conflicts of law, and we would support a similar approach by the EU, ensuring a level playing field.

CO-OPERATIVE COMPLIANCE

Shell complies with the tax laws wherever we operate – that's our corporate obligation. It's relatively straightforward: we expect to pay tax on our activities in the country where they take place.

Shell supports simple, efficient, predictable and stable tax regimes that incentivize long-term investment. I would therefore like to echo the 2013 OECD report highlighting "co-operative compliance" between companies and tax authorities. This collaboration improves transparency about our tax affairs.

At Shell, we're working with the tax authorities in the UK, the Netherlands, in Singapore, and, as a pilot, in Austria. And we're delighted to be exploring potential partnerships with other authorities.

We provide the authorities with timely and comprehensive information on potential tax issues – in return for treatment that is open, impartial, proportionate, responsive and grounded in an understanding of our commercial environment.

We have found this level of transparency is strongly in our interest: it helps us to comply with the law, and to manage our tax-related risks.

As the OECD's report also highlights, this transparency also brings important benefits to the tax authorities. One is flexibility: it allows them to monitor business activities on a "real-time" - or continuous - basis.

Co-operative compliance has certainly helped to improve trust between Shell and the tax authorities. Of course, that trust cannot be unconditional. There must be what's called "justified trust": trust that's underpinned by rigorous controls to make sure companies report accurately.

We believe that more collaboration among business, government and civil society is necessary to achieve true transparency.

Simon Henry
Chief Financial Officer

[1] Effective Tax Rate is our taxation charge for the year divided by the income before taxation for that year

REVENUE TRANSPARENCY

The table below reflects income taxes and royalties paid in 2013 by our subsidiaries to their host governments, sales taxes collected on behalf of these governments, and these governments' share of production through activities involving our subsidiaries.

We also undertake activities through companies in which we do not have financial control, and for which we do not generally have access to detailed information. Our share of the income tax charges incurred by these companies in 2013 was around $3.4 billion, mainly arising in Brunei, the Netherlands, Russia and the USA.

	$ MILLION						MILLION BOE
	Income taxes[A]	Royalties[B]	Sales taxes[C]	Total	By Segment		Volumes[D]
					Upstream	Downstream/ Corporate[E]	
Total	**20,309**	**4,149**	**80,919**	**105,377**	**28,659**	**76,718**	**487**
LARGEST AMOUNTS BY COUNTRY [F] [G]							
Australia	585	224	6,126	6,935	920	6,015	–
Brazil	123	78	90	291	200	91	4
Canada	144	430	5,891	6,465	580	5,885	–
Denmark	1,083	–	714	1,797	1,083	714	–
Gabon	221	119	–	340	340	–	1
Germany	134	162	21,365	21,661	761	20,900	–
Italy	658	143	2,986	3,787	1,189	2,598	–
Malaysia	487	607	22	1,116	1,037	79	171
Nigeria	3,161	844	–	4,005	4,005	–	116
Norway	2,457	–	2,176	4,633	2,502	2,131	–
Philippines	182	–	534	716	154	562	8
Turkey	26	–	6,511	6,537	–	6,537	–
United Kingdom	93	–	15,182	15,275	3,476	11,799	–
USA	(40)	856	2,808	3,624	875	2,749	–

[A] Paid on the profits of our activities in compliance with the relevant laws and contracts in the countries reported. Includes corporate income tax and governments' share of production paid in cash, where applicable.

[B] Based on hydrocarbons produced or sold from areas under the relevant government's jurisdiction. Unless materially different from a cash basis, this is generally provided on an accruals basis which means it is based on the amounts produced or sold in the period, which may be different from the period in which the related cash payments are made. It excludes royalties paid in kind (oil and gas), and royalties paid to private parties.

[C] Sales taxes, excise duties and similar levies collected on behalf of governments or local authorities. This is provided on an accruals basis, which we estimate is not materially different from a cash basis.

[D] The share in millions of barrels of oil equivalent (BOE) that governments or national state-owned companies receive through production entitlement contracts, royalty in kind arrangements and service contracts involving our subsidiaries, irrespective of our percentage interest in the venture.

[E] The total for the Corporate segment (our key support functions) was a credit of $33 million.

[F] The Netherlands has been excluded from the above table because, to a significant extent, operations occur in joint ventures and associates rather than subsidiaries. The 2013 total amount of income taxes and royalties paid and accrued sales tax collected on behalf of the government amounts to $ 9.5 billion (Shell share).

[G] The above table excludes countries whose governments have prohibited or have otherwise indicated that we should not make such disclosure.

This table has not been subject to external assurance or audit. The financial information it contains is consistent with that used to prepare our 2013 Consolidated Financial Statements, which were presented in US dollars.