

## **Part 3**

The Group's approach to internal control also includes a number of general and specific risk management processes and policies. Within the essential framework provided by the Statement of General Business Principles, the Group's primary control mechanisms are self-appraisal processes in combination with strict accountability for results. These mechanisms are underpinned by controls including Group policies, standards and guidance material that relate to particular types of risk, structured investment decision processes, timely and effective reporting systems and performance appraisal.

Examples of specific risk management processes include the Group Issue Identification and Management System, by which reputation risks are identified and monitored. A common Health, Safety and Environment (HSE) Policy has been adopted by Shell companies. All companies have HSE management systems in place and for major installations the environmental component of such systems has been certified to international standards. The Group Financial Control Handbook establishes standards applicable across the Group on the application of internal financial controls. The management of particular risks related to property, liability and treasury is described separately opposite.

A procedure for reporting business control incidents enables management and the Group Audit Committee to monitor incidents arising as a result of control breakdowns and to ensure appropriate follow-up actions have been taken. Lessons learned are captured and shared as a means of improving the Group's overall control framework.

A formalised self-appraisal and assurance process has been in place for many years. The process was reviewed and updated in 2002. Each year the management of every business unit provides assurance as to the adequacy of financial controls and reporting, treasury management, risk management, HSE management and the Statement of General Business Principles, as well as other important topics. Any business integrity concerns or instances of bribery or illegal payments are to be reported. The results of this process and any qualifications made are reviewed by the Group Audit Committee and support representations made to the external auditors.

In addition, internal audit plays a critical role in the objective assessment of business processes and the provision of assurance. Audits and reviews of Group operations are carried out by Group Internal Audit to provide the Group Audit Committee with independent assessments regarding the effectiveness of risk and control management.

#### **Property and liability risks**

The Group's Operating Companies insure against most major property and liability risks with the Group's captive insurance companies. These companies reinsure part of their major catastrophe risks with a variety of international insurers. The effect of these arrangements is that uninsured losses for any one incident are unlikely to exceed \$400 million.

#### **Treasury and trading risks**

As further discussed in Note 28 on page G33, Group companies, in the normal course of their business, use financial instruments of various kinds for the purposes of managing exposure to currency, commodity price and interest rate movements.

The Group has Treasury Guidelines applicable to all Group companies and each Group company is required to adopt a treasury policy consistent with these guidelines. These policies cover financing structure, foreign exchange and interest rate risk management, insurance, counterparty risk management and derivative instruments, as well as the treasury control framework. Wherever possible, treasury operations are operated through specialist Group regional organisations without removing from each Group company the responsibility to formulate and implement appropriate treasury policies.

Each Group company measures its foreign currency exposures against the underlying currency of its business (its "functional currency"), reports foreign exchange gains and losses against its functional currency and has hedging and treasury policies in place which are designed to minimise foreign exchange exposure so defined. The functional currency for most upstream companies and for other companies with significant international business is the US dollar, but other companies normally have their local currency as their functional currency.

The financing of most Operating Companies is structured on a floating-rate basis and, except in special cases, further interest rate risk management is discouraged.

Apart from forward foreign exchange contracts to meet known commitments, the use of derivative financial instruments by most Group companies is not permitted by their treasury policy.

Some Group companies operate as traders in crude oil, natural gas, oil products and other energy related products, using commodity swaps, options and futures as a means of managing price and timing risks arising from this trading. In effecting these transactions, the companies concerned operate within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised.

Other than in exceptional cases, the use of derivative instruments is generally confined to specialist oil and gas trading and central treasury organisations which have appropriate skills, experience, supervision and control and reporting systems.

Supplementary information on derivatives and other financial instruments and derivative commodity instruments is given on pages G37 to G49.

#### **Pension funds**

The estimated actuarial valuation of the Group's four main pension funds in aggregate at end 2002 shows a modest surplus of assets over liabilities. This actuarial valuation, rather than the Group accounting policy FAS87 measure (Note 20 to the Financial Statements), is the basis on which the funds' trustees steer the funds and define the required contributions from the member companies.

#### **Employees**

Overall, the number of employees in the Group has increased by over 25% during the year primarily as a result of the acquisitions in the Oil Products business (Equilon, Pennzoil-Quaker State and DEA). Further increases resulted from the consolidation of former associate companies, the start-up of new operations and from business expansion. These were only partially offset by the conversion of certain retail operations to an agency basis. Further streamlining across the Group will continue, due to the integration of acquisitions and the ongoing restructuring of companies across the Group.

#### **Research and development costs**

The Group's research and development (R&D) programmes are designed to enable the Group to reduce costs and improve operations. Total R&D expenses for 2002 were \$472 million, compared with \$387 million for 2001.

#### **Cautionary statement**

The Operational and Financial Review and other sections of this Report contain forward-looking statements that are subject to risk factors associated with the oil, gas, chemicals, power generation and renewable resources businesses. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

# Royal Dutch Petroleum Company

## CONTROL OF REGISTRANT

Royal Dutch is not directly or indirectly owned or controlled by another corporation or by any government.

### Ordinary shares and priority shares

The General Meeting of Shareholders held on May 16, 2002, adopted a resolution to redenominate the nominal (par) value of the priority and ordinary shares from guilders into euro. The new nominal (par) value of the priority shares is €448 each and of the ordinary shares €0.56 each. The rights of the holders of the ordinary shares have not been impaired. Of Royal Dutch's outstanding ordinary shares, with a nominal (par) value of €0.56 each, approximately 73.5% is in bearer form; the remainder is registered. As at March 3, 2003, no interests had been notified to the Company in 5% or more of the Company's issued ordinary share capital. As at the same date the Directors and officers of Royal Dutch owned in aggregate (including shares under option) less than 1% of the ordinary share capital of Royal Dutch. See "Management - Share Ownership" on page 65.

Royal Dutch has 1,500 priority shares outstanding. Each of the members of the Supervisory Board and each Managing Director is the holder of six priority shares. Taken together, the members of the Supervisory Board and the Managing Directors hold 66 priority shares. The other 1,434 priority shares were held, as at March 3, 2003, by the Royal Dutch Priority Shares Foundation. The Board of the Foundation consists of all the members of the Supervisory Board and the Managing Directors of Royal Dutch. The important special rights attaching to these shares are as follows:

- determining of the number of members of the Supervisory Board and the number of Managing Directors, provided that the Supervisory Board should consist of at least five members and the Board of Management of at least two members;
- drawing-up of a binding nomination consisting of two persons for filling vacancies on the Supervisory Board and the Board of Management;
- granting of consent required for amendment of the Articles of Association or for dissolution of Royal Dutch;
- granting of consent required for the assignment of priority shares.

The above-mentioned rights are exercised by the meeting of holders of priority shares. At this meeting one vote may be cast for each priority share, but no one may cast more than six votes in all.

## NATURE OF TRADING MARKET

The principal trading markets for the ordinary shares of Royal Dutch are the stock exchanges in Amsterdam and New York. Royal Dutch ordinary shares are also listed on stock exchanges in Austria, Belgium, France, Germany, Luxembourg, Switzerland and the United Kingdom.

Royal Dutch ordinary shares are issuable in bearer or registered form.

Royal Dutch shares of New York Registry may be transferred on the books of Royal Dutch and exchanged for bearer shares, for shares of Hague Registry or for shares of New York Registry of other denominations at JPMorgan Chase Bank (c/o JPMorgan Service Center, PO Box 43013, Providence, RI 02940-3013) as Transfer Agent and Registrar. The Transfer Agent maintains "drop facilities" at the offices of Securities Transfer and Reporting Services (STARS), 100 William Street, Galleria, New York, NY 10038, where stock certificates and related instruments may be received and redelivered. Besides being listed and traded on the New York Stock Exchange, Royal Dutch shares of New York Registry are also admitted to unlisted trading privileges on the following stock exchanges: Boston, Cincinnati, Midwest, Pacific and Philadelphia.

Royal Dutch ordinary shares other than those of New York Registry are predominantly in bearer form.

At March 3, 2003, there were outstanding 522,321,706 shares of New York Registry representing approximately 24.9% of the ordinary share capital of Royal Dutch, held by approximately 19,000 holders of record.

The following tables set forth the high and low prices for Royal Dutch €0.56 par value ordinary shares on Euronext Amsterdam and for Royal Dutch shares of New York Registry on the New York Stock Exchange for the periods specified:

Period	Euronext Amsterdam		New York Stock Exchange	
	High €	Low €	High \$	Low \$
1998	56.95	36.57	60.38	39.75
1999	64.10	34.90	67.38	39.56
2000	75.90	51.51	65.69	50.44
2001	73.48	43.72	64.15	39.75
2002	63.20	39.21	57.30	38.60

Period	Euronext Amsterdam		New York Stock Exchange	
	High €	Low €	High \$	Low \$
<b>2001</b>				
1st Quarter	68.59	60.95	64.15	53.63
2nd Quarter	73.48	59.01	62.46	53.30
3rd Quarter	69.10	43.72	59.09	39.75
4th Quarter	60.23	51.75	54.48	45.62
<b>2002</b>				
1st Quarter	62.80	52.50	55.48	46.62
2nd Quarter	63.20	51.95	56.34	50.48
3rd Quarter	58.80	39.21	57.30	38.60
4th Quarter	46.30	40.23	44.93	39.76

Period	Euronext Amsterdam		New York Stock Exchange	
	High €	Low €	High \$	Low \$
<b>2002</b>				
July	58.80	40.26	57.30	39.65
August	48.70	41.41	47.22	40.99
September	46.43	39.21	44.98	38.60
October	46.30	40.23	44.75	39.76
November	44.90	42.00	44.93	42.13
December	44.41	41.00	44.50	41.80
<b>2003</b>				
January	44.58	35.86	46.88	38.91
February	39.44	35.32	42.09	38.26

## ARTICLES OF ASSOCIATION

The following are brief summaries of certain provisions of the Articles of Association of Royal Dutch and of Dutch law. Such descriptions do not purport to be complete and are qualified in their entirety by reference to Royal Dutch's Articles of Association, Book 2 of the Netherlands Civil Code and other Dutch laws. A copy of Royal Dutch's Articles of Association translated into English has been filed as an exhibit to this Annual Report on Form 20-F.

### General

Royal Dutch was founded in the Netherlands on June 16, 1890 and is registered with the Commercial Register in The Hague, the Netherlands under number 27002690. The object of Royal Dutch, as described in Article 2 of its Articles of Association, is the foundation of, participation in and management and financing of limited liability and other companies or undertakings which are engaged in one or more branches of the oil, natural gas, chemical industry, in mining, power generation and distribution,



renewables or in one or more other branches of business. Royal Dutch is further entitled in general to do all that is necessary for the attainment of its object or that is connected therewith in the widest sense.

#### **Managing Directors and members of the Supervisory Board**

Royal Dutch is managed by a Board of Management under the supervision of a Supervisory Board.

- (a) A Managing Director or member of the Supervisory Board shall not vote in respect of a proposal, arrangement or contract in which he is materially interested.
- (b) A Managing Director shall not vote in respect of any matter regarding compensation to himself or to any of the other Managing Directors. Each of the Managing Directors receives a remuneration, which shall be fixed by the Supervisory Board. The maximum aggregate remuneration of the members of the Supervisory Board is fixed by the General Meeting of Shareholders for division by the Supervisory Board among its members.
- (c) The Managing Directors are empowered to exercise all powers of Royal Dutch to borrow money subject to the authorisation of the Supervisory Board being required for contracting loans that will mature in more than one year.
- (d) Managing Directors and members of the Supervisory Board are not required to hold shares of Royal Dutch in order to be qualified.

#### **Rights attaching to each class of shares**

##### **(a) Dividend rights**

Under Dutch law, dividend distributions are limited to the amount by which, prior to such distributions, net assets exceed the aggregate of paid-up share capital and undistributable reserves.

Annual accounts consisting of a balance sheet, profit and loss account and notes to these documents, prepared by the Board of Management and reflecting the reservation of such amounts as the Board of Management, with the approval of the Supervisory Board, determines, are to be submitted each year by the Supervisory Board to a General Meeting of Shareholders for approval.

Out of the profit which is available for distribution, there shall first be distributed on each priority share an amount equal to 4 per cent of its par value. The balance of profit available for distribution then remaining is distributed to the holders of ordinary shares, unless the General Meeting of Shareholders resolves that the whole or part of such profit be carried forward to the following year. Shares acquired and held by Royal Dutch in its own capital are not included in the profit distribution calculation and no distributions are made thereon.

The Board of Management, with the approval of the Supervisory Board, may pay interim dividends on the ordinary shares and priority shares. On the recommendation of the Board of Management and the Supervisory Board, the General Meeting of Shareholders may resolve that a dividend or interim dividend on shares shall be payable in shares of Royal Dutch.

The right to claim payment of a dividend becomes forfeited upon the expiration of six years from the date on which the dividend was first made obtainable, at which time it reverts to Royal Dutch.

##### **(b) Voting rights**

Pursuant to Royal Dutch's Articles of Association, for each ordinary share with a nominal (par) value of €0.56, one vote may be cast at a General Meeting of Shareholders. For each priority share with a nominal (par) value of €448 eight hundred votes may be cast.

##### **(c) Rights to share in the company's profits**

Reference is made to (a) above regarding dividend rights.

##### **(d) Liquidation rights**

In the event of a dissolution and liquidation of Royal Dutch, the holders of priority shares are entitled to receive the nominal amount thereof, plus accrued dividends thereon. The balance of the net proceeds of liquidation is to be divided among the holders of ordinary shares in proportion to their nominal amount.

(e) Redemption provisions

Neither the ordinary shares nor the priority shares are subject to any redemption provisions.

(f) Sinking fund provisions

Neither the ordinary shares nor the priority shares are subject to any sinking fund provisions under Royal Dutch's Articles of Association or as a matter of Dutch law.

(g) Liability to further Capital calls

Since all of the registrant's issued and outstanding ordinary shares and priority shares have been fully paid in, Royal Dutch has no further capital calls.

(h) Discriminating provisions

There are no provisions under Royal Dutch's Articles of Association or under Dutch law discriminating against a shareholder because of his ownership of a particular number of ordinary shares.

(i) Pre-emptive rights

When new ordinary shares are issued, the existing holders of ordinary shares shall have a pre-emptive right in proportion to their holdings, unless the payment is to be other than in cash or the shares are issued to employees of Royal Dutch or a legal entity with which Royal Dutch is associated in a group. With the approval of the Supervisory Board, the Board of Management may resolve to suspend the pre-emptive right if the Board of Management has been designated by the General Meeting of Shareholders as competent to do so. Such designation can only take place for a period in each case of not longer than five years. The resolutions of the Board of Management and the Supervisory Board referred to above may only be passed by unanimous vote of all the Managing Directors and all of the members of the Supervisory Board present or represented at the meeting.

Holders of priority shares have no preferential right in the event of an issue of new shares.

**Changing the rights of holders of shares**

The rights of holders of ordinary and priority shares can be changed by amendment of the Articles of Association of Royal Dutch. Only the General Meeting of Shareholders can pass resolutions to that effect. Resolutions providing for the amendment of the Articles of Association, or for the dissolution of Royal Dutch, may only be adopted by the General Meeting of Shareholders with the prior consent, or, in the case of the former, subject to the subsequent approval, of a meeting of the holders of priority shares. A resolution providing for the dissolution of Royal Dutch may only be passed by a majority of at least two-thirds of the votes cast at a General Meeting of Shareholders at which at least three-fourths of the issued capital of Royal Dutch is represented. If such proportion of the issued capital is not so represented, such resolution may be adopted at a second general meeting to be held within eight weeks after the first meeting, at which meeting only an absolute majority of the votes cast, irrespective of the part of the issued capital which is represented thereat, shall be required to adopt the resolutions.

**General Meetings of Shareholders**

General Meetings of Shareholders are to be held in Amsterdam, The Hague or Rotterdam. Notice of the meeting is to be given by advertisement at least three weeks in advance in at least one daily newspaper published in The Hague and two national daily newspapers published in the Netherlands. This period may be reduced to fifteen days in urgent cases. At least one General Meeting of Shareholders is to be held annually. In order to attend a General Meeting of Shareholders and exercise voting rights thereat in person or by proxy, shareholders must be registered as such at a time to be determined by the Board of Management on either the register of shareholders or, in the case of holders of bearer share certificates, on a register designated by the Board of Management, and, in each case, they must have notified Royal Dutch in writing of their desire to exercise these rights not later than at the time and at the place specified in the notice of convocation of the meeting. Failing the designation of a register of holders of bearer share certificates by the Board of Management, holders of bearer share certificates must deposit their certificates against receipt not later than at the time and the place specified in the notice of convocation. None of the times referred to in the previous two sentences may be set on a date earlier than the seventh day before that of the meeting.

General Meetings of Shareholders may be held as often as the Board of Management or the Supervisory Board deem advisable, and may also be held when holders of ordinary shares representing at least one-tenth of the issued share capital address to the Board of Management and to the Supervisory Board a written request to convene a general meeting, specifying the subjects to be discussed. If such request is not acted upon so as to enable the meeting to be held within six weeks, the persons making the request may be empowered by the President of the District Court in The Hague to convene the meeting themselves.

The Agenda for a General Meeting of Shareholders is to be specified in the notice of convocation of the meeting. No other business may be transacted at the meeting.

An absolute majority of the votes cast is required for the adoption of resolutions, except in those cases where Dutch law or the Articles of Association prescribe a larger majority. An absolute majority of the votes cast is required for the appointment of persons to office, provided that, if after two polls such majority has not been obtained, another poll is to be taken between the two persons obtaining the highest number of votes in the second poll, after which in the event of an equality of votes, the election is to be decided by the drawing of lots.

#### **Limitations on rights to own shares**

There are no limitations imposed by Dutch law or Royal Dutch's Articles of Association on the rights to own ordinary shares, including the rights of non-resident or shareholders to hold or exercise voting rights on the ordinary shares.

#### **Provisions, which would delay, defer or prevent a change of control**

None, other than the provisions regarding the rights of holders of priority shares as described in "Control of Registrant - Ordinary shares and priority shares".

#### **Threshold for disclosure of share ownership**

There are no provisions in the Articles of Association of Royal Dutch requiring disclosure of ownership of shares, but Dutch law requires owners of 5% or more of the share capital of a company listed on a Stock Exchange in the European Union or the European Economic Area to notify their interest to the company.

#### **Changes in capital**

The conditions imposed by Royal Dutch's Articles of Association for changes in capital are not more stringent than required under Dutch law.

### **EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS**

The Dutch External Financial Relations Act of 1994 enables the Minister of Finance or the Central Bank of the Netherlands, as the case may be, to issue regulations with regard to a number of financial transactions relating to the import and export of capital. The regulations as issued and applied to date have not restricted the activities and operations of Royal Dutch and the Dutch Group companies.

There is no legislative or other legal provision currently in force in the Netherlands or arising under the constituent documents of Royal Dutch restricting remittances to non-resident holders of Royal Dutch's securities.

### **TAXATION**

#### **Income tax**

Royal Dutch is generally required by Dutch law to withhold tax at a rate of 25% on dividends. Under the current income tax convention between the United States and the Netherlands, dividends paid by a Dutch corporation to an individual resident of the United States, a corporation organised under the laws of the United States (or of any state or territory thereof) or any other legal person subject to US Federal income tax with respect to its worldwide income (a "US shareholder") that qualifies for benefits under the convention are generally subject to Dutch withholding tax at a reduced rate of 15% of the amount of the dividend (provided the shares on which the dividend is paid are not part of the business property of a permanent establishment of the shareholder in the Netherlands). In general, the entire dividend (including the withheld amount) will be dividend income to the US shareholder, not eligible for the dividends received deduction allowed to corporations, and the withholding tax will be treated as a foreign income tax that is eligible for credit against the shareholder's US income taxes or a deduction subject to certain limitations. Under a provision of the Dutch dividend tax act, Royal Dutch will apply a credit (up to a maximum of 3% of the gross dividend amount) against the amount of the dividend tax withheld before remittance to the Dutch tax authorities. For the 2002 final dividend this credit is 3% of the gross dividend from which dividend tax is withheld. The benefit of this credit is passed to the Group in accordance with the arrangements between Royal Dutch and Shell Transport. Because of this credit, the US tax authorities may take the view that the Dutch withholding tax eligible for credit or a deduction by a US shareholder against its US income tax liability should be limited accordingly. Under said convention, some US organisations that are generally exempt from US Federal income tax and that are constituted and operated exclusively to administer or provide pension, retirement or other employee benefits are exempt at source from withholding tax on dividends received



from a Dutch corporation. Under the income tax convention between the United States and the Netherlands rules relating to the qualification of pension funds have been issued. These rules determine the treatment under said convention. US organisations that are exempt from US Federal income tax, that are operated exclusively for religious, charitable, scientific, educational or public purposes and that would be exempt from tax in the Netherlands if they were organised, and carried on all their activities, therein, are subject to withholding tax but may file for a full refund.

For Royal Dutch shareholders resident in any country other than the United States and the Netherlands, the availability of a whole or partial exemption or refund of the Dutch withholding tax is governed by the tax convention, if any, between the Netherlands and the country of the shareholder's residence.

#### **Taxation on capital gains**

Capital gains on the sale of shares of a Dutch company by a US shareholder are generally not subject to taxation by the Netherlands unless the US shareholder has a permanent establishment in the Netherlands and the capital gain is derived from the sale of shares which are part of the business property of the permanent establishment.

#### **Succession duty and gift taxes**

Shares of a Netherlands corporation held by an individual who is not a resident or a deemed resident of the Netherlands will generally not be subject to succession duty in the Netherlands on the individual's death unless the shares are part of the business property of a permanent establishment situated in the Netherlands.

A gift of shares of a Dutch company by a person who is not a resident or a deemed resident of the Netherlands is generally not subject to Dutch gift tax.

#### **MANAGEMENT**

In accordance with its Articles of Association, Royal Dutch is managed by a Board of Management consisting of at least two Managing Directors, under the supervision of a Supervisory Board consisting of at least five members. Managing Directors are appointed by the General Meeting of Shareholders from the persons nominated by the meeting of holders of priority shares and hold office until they retire unless discharged earlier by the General Meeting of Shareholders.

The Supervisory Board is a separate body which does not include the Managing Directors. Members of the Supervisory Board are appointed by the General Meeting of Shareholders from the persons nominated by the meeting of holders of priority shares. Each year, one of the members of the Supervisory Board retires by rotation but is eligible for re-election. Further, a member of the Supervisory Board retires after having served on the Supervisory Board for a period of 10 years or retires effective on the first day of July following the initial April 1 on which the member is 70 years of age.

Nominations for the appointment of a Managing Director or a member of the Supervisory Board shall be made by a meeting of holders of priority shares and may also be made by one or more holders of ordinary shares representing in the aggregate at least 1% of the issued share capital, if approved by the meeting of holders of priority shares. Each such nomination shall contain the names of at least two qualified persons. Shareholders cast all of their votes on either of the two qualified persons. Votes cast at a General Meeting of Shareholders in favour of the election of other persons are void.

If a vacancy occurs on the Board of Management when there are still at least two Managing Directors in office, or on the Supervisory Board when there are still at least five members in office, the Board of Management shall notify the Chairman of the meeting of holders of priority shares, which meeting shall decide, after consulting the Supervisory Board and the Board of Management, whether the vacancy is to be filled. If it is resolved to fill the vacancy, the appointment shall be made at the next General Meeting of Shareholders. If there are not at least two Managing Directors or at least five members of the Supervisory Board still in office, a General Meeting of Shareholders shall be held within three months after that situation has arisen in order to fill the vacancy.

The Managing Directors, members of the Supervisory Board and officers of Royal Dutch at March 3, 2003, were:

#### **Managing Directors**

##### **Jeroen van der Veer** President

Born October 27, 1947. A Dutch citizen. A Managing Director of the Company since 1997 and President since 2000. A Group Managing Director since 1997. Joined the Group in 1971 in refinery process design and held a number of positions in refining and marketing in the Netherlands, Curaçao and the UK. Area Co-ordinator Sub-Saharan Africa 1990-92 and a Managing Director of Shell Nederland with responsibility for the Pernis refinery and petrochemical complexes at Pernis and Moerdijk as well as the chemicals business 1992-95. President and Chief Executive Officer of Shell Chemical Company in the USA 1995-97. A member of the Supervisory Board of De Nederlandsche Bank and an Advisory Director to Unilever.

##### **Malcolm Brinded**

Born March 18, 1953. A UK citizen. A Managing Director of the Company since July 2002. A Group Managing Director since July 2002. Joined the Group in 1974. Held various positions in the Netherlands, Brunei, Oman and the UK. General Manager of Shell U.K. Exploration and Production in Aberdeen 1998-2001. Country Chairman in the UK 1999-2002. Director of Planning, Environment and External Affairs at Shell International Ltd. 2001-02.

##### **Walter van de Vijver**

Born November 1, 1955. A Dutch citizen. A Managing Director of the Company since 2001. A Group Managing Director since 2001. Joined the Group in 1979 as a petroleum engineer. Worked in Exploration and Production in Qatar, Oman, the USA, the UK and the Netherlands. General Manager Brent Business Unit of Shell U.K. Exploration and Production in Aberdeen 1993-97. Chief Executive Officer of Shell International Gas Ltd. and Chief Executive Officer of Shell Coal International Ltd. in London 1997-98. President and Chief Executive Officer of Shell Exploration & Production Company in the USA 1998-2001.

#### **Supervisory Board**

##### **Aad Jacobs** Chairman

Born May 28, 1936. A Dutch citizen. Chairman of the Supervisory Board since July 2002 and a member of the Supervisory Board since 1998. Due to retire by rotation in 2003. A member of the Board of Management of ING Group 1991-98 and its Chairman 1992-98. Chairman of the Supervisory Boards of Joh. Enschedé and Imtech. Vice-Chairman of the Supervisory Boards of Buhrmann and VNU and a member of the Supervisory Boards of Euronext, IHC Caland and ING Group.

##### **Maarten van den Bergh**

Born April 19, 1942. A Dutch citizen. A member of the Supervisory Board since 2000. Due to retire by rotation in 2004. A Managing Director of the Company 1992-2000 and President 1998-2000. A Group Managing Director 1992-2000. Chairman of the Board of Directors of Lloyds TSB and a member of the Boards of Directors of British Telecom and British Airways.

##### **Jonkheer Aarnout Loudon**

Born December 10, 1936. A Dutch citizen. A member of the Supervisory Board since 1997. Due to retire in 2007. A member of the Board of Management of Akzo (which became Akzo Nobel in 1994) 1977-94 and its Chairman 1982-94. A member of the First Chamber of the Dutch Parliament 1995-99. Chairman of the Supervisory Boards of ABN AMRO Bank and Akzo Nobel and a member of the International Advisory Board of Allianz.

##### **Professor Hubert Markl**

Born August 17, 1938. A German citizen. A member of the Supervisory Board since July 2002. Due to retire by rotation in 2007. President of the Max-Planck-Gesellschaft 1996-2002. Professor of biology at the University of Constance since 1974. A member of the Supervisory Boards of Aventis, BMW and Münchener Rückversicherungsgesellschaft.

##### **Professor Joachim Milberg**

Born April 10, 1943. A German citizen. A member of the Supervisory Board since 2000. Due to retire by rotation in 2005. A member of the Board of Management of BMW 1993-2002 and its Chairman 1999-2002. A member of the Supervisory Boards of Allianz Versicherungs-AG, BMW, John Deere & Company and MAN.

##### **Lawrence Ricciardi**

Born August 14, 1940. A US citizen. A member of the Supervisory Board since 2001. Due to retire by rotation in 2006. President of RJR Nabisco 1993-95. Senior Vice-President and General Counsel of IBM 1995-2002. Senior Advisor to Jones Day and Lazard Frères & Co. A member of the Board of Directors of The Reader's Digest Association.

**Henny de Ruiter**

Born March 3, 1934. A Dutch citizen. A member of the Supervisory Board since 1994. Due to retire in 2004. A Managing Director of the Company 1983-94. A Group Managing Director 1983-94. Chairman of the Supervisory Boards of Royal Ahold, Univar and Wolters Kluwer. Vice-Chairman of the Supervisory Board of Aegon and a member of the Supervisory Board of Heineken.

**Jan Timmer**

Born February 20, 1933. A Dutch citizen. A member of the Supervisory Board since 1996. Due to retire in 2003. President and Chairman of the Board of Management of Royal Philips Electronics 1990-96. Chairman of the Supervisory Board of PSV. A member of the Supervisory Board of ING Group.

**General Attorney****Robbert van der Vlist**

Born February 20, 1944. A Dutch citizen. Joined the Group in 1970 as a Legal Adviser. General Attorney of the Company since 1987.

**Nominations**

The Supervisory Board and the Board of Directors will propose to the General Meeting of Shareholders of Royal Dutch, to be held on April 23, 2003, to appoint Rob Routs as a Managing Director of Royal Dutch with effect from July 1, 2003.

The Supervisory Board and the Board of Directors will propose to the General Meeting of Shareholders of Royal Dutch, to be held on April 23, 2003, to appoint Wim Kok to the Supervisory Board of Royal Dutch with effect from July 1, 2003.

Aad Jacobs will retire by rotation as member of the Supervisory Board effective July 1, 2003, but it will be recommended to the General Meeting of Shareholders that he be re-elected. Jan Timmer will retire as member of the Supervisory Board effective July 1, 2003.

**Relationships between members of the Board of Management, members of the Supervisory Board and officers**

There are no arrangements or understandings between Managing Directors, members of the Supervisory Board or officers and any other person pursuant to which they were selected as Managing Directors, members of the Supervisory Board or officers.

There are no family relationships between any Managing Director, member of the Supervisory Board or officer and any other Managing Director, member of the Supervisory Board or officer.

**Share Ownership**

The interests in ordinary shares of Royal Dutch, including outstanding share options, of the members of the Supervisory Board and the Managing Directors of Royal Dutch at March 3, 2003, were:

	Share options <sup>a</sup>	Ordinary shares
<b>Supervisory Board</b>		
Aad Jacobs	-	0
Maarten van den Bergh <sup>b</sup>	37,950	4,000
Jonkheer Aarnout Loudon	-	75,000
Professor Hubert Markl	-	0
Professor Joachim Milberg	-	0
Lawrence Ricciardi	-	0
Henny de Ruiter	-	0
Jan Timmer	-	0
<b>Managing Directors</b>		
Jeroen van der Veer	270,850	9,012
Malcolm Brinded	50,000 <sup>c</sup>	2,500
Walter van de Vijver	187,000	10,668

a Additional information is included in the Notes to the Royal Dutch Financial Statements under "Remuneration - Long-term incentives" on pages R8 and R9.

b No options are granted to members of the Supervisory Board, but options may be outstanding to members who have formerly been a Managing Director.

c Excluding 713,900 options on Shell Transport shares.

#### **Group Audit Committee**

In 1976 the Supervisory Board of Royal Dutch, jointly with the Board of Shell Transport, established a Group Audit Committee. Under its terms of reference, the Committee acts in an advisory capacity to the Boards, providing them with quarterly and annual updates regarding its activities and related recommendations. The Committee regularly considers the effectiveness of risk management processes and internal control within the Group and reviews the financial accounts and reports of the Royal Dutch/Shell Group of Companies. The Committee also considers both internal and external audit reports (including the results of the examination of the Group Financial Statements) and assesses the performance of internal and external audit.

The members appointed by the Supervisory Board of Royal Dutch are Aad Jacobs (Chairman of the Committee), Henny de Ruiter and Jan Timmer; the members appointed by the Board of Shell Transport are Sir Peter Burt, Luis Giusti and Nina Henderson.

#### **Remuneration and Succession Review Committee**

In 1967 the Supervisory Board of Royal Dutch, jointly with the Board of Shell Transport, established a Remuneration Committee. Following restatement of its terms of reference in 1980, this Committee was renamed the Remuneration and Succession Review Committee. The functions of the Committee are to make recommendations on all forms of remuneration with respect to Group Managing Directors and to review matters relating to the succession to the positions of Group Managing Directors.

The members appointed by the Supervisory Board of Royal Dutch are Jonkheer Aarnout Loudon (Chairman of the Committee), Professor Joachim Milberg and Henny de Ruiter; the members appointed by the Board of Shell Transport are Nina Henderson, Sir Peter Job and Sir Mark Moody-Stuart.

#### **Social Responsibility Committee**

In 1997 the Supervisory Board of Royal Dutch, jointly with the Board of Shell Transport, established a Social Responsibility Committee. The Committee reviews the policies and conduct of the Royal Dutch/Shell Group of Companies with respect to the Group's Statement of General Business Principles as well as the Group's Health, Safety and Environment Commitment and Policy.

The members appointed by the Supervisory Board of Royal Dutch are Maarten van den Bergh, Jonkheer Aarnout Loudon and Jan Timmer. The members appointed by the Board of Shell Transport are Teymour Alireza, Dr Eileen Buttle and Lord Oxburgh (Chairman of the Committee).

Shell companies have long been open about the values and principles which guide them, and the Group's Statement of General Business Principles has been publicly available since 1976. The latest revision followed extensive internal and external consultation. The Statement of General Business Principles includes commitments to support fundamental human rights and to contribute to sustainable development.

The Annual Report and Accounts 2002 is distributed together with a copy of The Shell Report 2002 – Meeting the energy challenge, which reviews how Group companies are living up to the Group's Business Principles and contributing to sustainable development.

#### **Code of Ethics**

For the guidance of principal executives and senior finance officers, a Code of Ethics has been drawn up in conjunction with the Group's Statement of General Business Principles. This Code of Ethics can be found on the Shell website (see [www.shell.com/codeofethics](http://www.shell.com/codeofethics)).

#### **Compensation of Directors and Officers**

The aggregate amount of remuneration paid to or accrued for all members of the Supervisory Board, the Managing Directors and officers of Royal Dutch as a group by Royal Dutch and companies of the Royal Dutch/Shell Group of Companies for services in all capacities during the fiscal year ended December 31, 2002, was €8,294,688. In addition, €1,135,727 was paid during 2002 for service during the fiscal year ended December 31, 2001. The aggregate amount set aside to provide pension, retirement and similar benefits for Managing Directors and officers of Royal Dutch by Royal Dutch and companies of the Royal Dutch/Shell Group of Companies during the fiscal year ended December 31, 2002, was a credit of €163,788. Reference is made to the information given in the Remuneration section on pages R7 to R13 relating to emoluments of the members of the Board of Management and the Supervisory Board.

None of the Managing Directors and members of the Supervisory Board of Royal Dutch have service contracts with Royal Dutch, their employing company or any other Group company providing for benefits upon termination.

## SHARES UNDER OPTION AND SHARE PURCHASE PLAN

Three Group companies, one in the Netherlands (Shell Petroleum N.V.), one in the United Kingdom (The Shell Petroleum Company Limited) and one in the United States of America (Shell Oil Company) have stock option plans under which options have been or may be granted to executives and other employees of those and other Group companies. Options granted under these plans are for terms of not more than five or ten years at an exercise price of not less than the market value on the date of granting the option.

The securities of Royal Dutch involved in the plans as of March 3, 2003, are 30,006,028 issued and outstanding ordinary shares.

The number of ordinary shares of Royal Dutch under option at March 3, 2003, and the option prices of the shares at the dates the options were granted, per share and in total, were as follows:

Plan	Number of shares under option	Average per share	Exercise price <sup>a</sup>		Term (expiration dates)
				Total	
Shell Petroleum N.V.	12,689,390	€60.31	€765,344,026		10 years (10/12/07-13/11/12)
The Shell Petroleum Company Limited	6,249,361	€59.69	€373,037,036		10 years (10/12/07-13/11/12)
Shell Oil Company	3,460,272	\$52.95	\$183,226,608		10 years (01/03/10-21/12/10)
Shell Petroleum Inc.	10,919,958	\$56.75	\$619,727,128		10 years (01/03/10-14/11/12)

<sup>a</sup> Euro-denominated exercise prices prior to the fixing of the euro conversion rate in January 1999 are derived from the quotient of guilder prices and the fixed guilders-per-euro conversion rate of 2.20371.

The Global Employee Share Purchase Plan enables employees to make contributions, which are applied quarterly to purchase Royal Dutch or Shell Transport Shares at current market value. If the acquired shares are retained in the plan until the end of the twelve-month cycle the employee receives an additional 15% share match. In the USA a variant of this plan is operated where contributions are applied to buy Royal Dutch Shares at the end of the twelve-month cycle. The purchase price is the lower of the market price on the first or last trading day of the cycle reduced by 15%. Group Managing Directors are not eligible to participate in the Global Employee Share Purchase Plan. At March 3, 2003, Group companies held 3,302 Royal Dutch ordinary shares (2002: 25,927) in connection with this plan.

No issue of new shares is involved under any of the plans mentioned above.

## CONTROLS AND PROCEDURES

As of 25 February 2003 (the "Evaluation Date") Royal Dutch conducted an evaluation (under the supervision and with the participation of the Committee of Managing Directors), pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of the effectiveness of the design and operation of the Royal Dutch disclosure controls and procedures. Based on this evaluation, the President and Managing Director of Royal Dutch and the Director of Finance concluded that as of the Evaluation Date such disclosure controls and procedures were reasonably designed to ensure that information required to be disclosed by Royal Dutch in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Since the Evaluation Date, there have not been any significant changes in the internal controls or in other factors that could significantly affect the internal controls.



## The "Shell" Transport and Trading Company, Public Limited Company

### CONTROL OF REGISTRANT

Shell Transport is not directly or indirectly owned or controlled by another corporation or by any government. As of March 3, 2003, there were the following interests in more than 3% of the issued Ordinary share capital of Shell Transport. Barclays PLC (more than 3% but less than 4%); this interest has subsisted since December 2002. Legal & General Group Plc (more than 3% but less than 4%); this interest has subsisted since January 2003. Between May 2001 and March 2002 The Capital Group Companies Inc. held more than 3% but less than 4% of the issued Ordinary share capital. Prudential plc held more than 3% but less than 4% of the issued Ordinary share capital between March 1998 and March 1999. As of March 3, 2003 the Directors and officers of Shell Transport beneficially owned in aggregate (including shares under option) less than 1% of the total shares of that class outstanding. See "Management - Share Ownership" on page 76.

### NATURE OF TRADING MARKET

The principal trading market for the Ordinary shares of Shell Transport is the London Stock Exchange. Shell Transport Ordinary shares are also listed and traded on stock exchanges in Belgium, France and Germany. Shell Transport Ordinary shares are traded in registered or bearer form, but predominantly in registered form.

American Depositary Receipts representing New York Shares are listed and traded on the New York Stock Exchange and are also admitted to unlisted trading privileges on the Boston, Cincinnati, Midwest, Pacific and Philadelphia Stock Exchanges. The depositary receipts are issued and exchanged at the office of The Bank of New York, 101 Barclay Street, New York, NY 10286, as depositary under a deposit agreement between Shell Transport and the depositary and the holders of receipts.

Each New York Share represents six 25p Ordinary shares of Shell Transport deposited under the deposit agreement. At March 3, 2003, there were outstanding 48,414,148 New York Shares representing approximately 3.00% of the Ordinary share capital of Shell Transport, held by 1,876 holders of record.

At March 3, 2003 there were 3,320,907 Ordinary shares of 25p each representing approximately 0.03% of the Ordinary share capital of Shell Transport held by 884 holders of record registered with an address in the United States.

The following tables set forth the high and low closing sales prices for Shell Transport's registered Ordinary shares (of 25p nominal value) on the London Stock Exchange and for Shell Transport's New York Shares (of £1.50 nominal value) on the New York Stock Exchange for the periods specified:

Period	London		New York	
	High £	Low £	High \$	Low \$
1998	4.64	3.16	46.50	31.00
1999	5.41	3.04	52.56	30.50
2000	6.27	4.12	54.06	40.00
2001	6.38	4.30	53.65	38.72
2002	5.41	3.70	47.03	34.59

Period	London		New York	
	High £	Low £	High \$	Low \$
<b>2001</b>				
1st Quarter	6.01	5.25	52.44	46.35
2nd Quarter	6.38	5.39	53.65	45.70
3rd Quarter	6.00	4.30	50.97	38.72
4th Quarter	5.49	4.49	47.90	39.38
<b>2002</b>				
1st Quarter	5.26	4.51	44.87	38.48
2nd Quarter	5.41	4.67	47.03	41.99
3rd Quarter	5.09	3.70	46.70	34.59
4th Quarter	4.28	3.81	40.02	35.56

Period	London		New York	
	High £	Low £	High \$	Low \$
<b>2002</b>				
July	5.09	3.80	46.70	35.30
August	4.60	4.06	41.85	37.27
September	4.34	3.70	39.23	34.59
October	4.28	3.81	40.02	35.56
November	4.19	3.99	39.33	37.34
December	4.16	3.91	38.96	37.43
<b>2003</b>				
January	4.21	3.50	41.05	34.40
February	3.79	3.45	36.99	34.01

At March 3, 2003 there were 350 First Preference shares of £1 each representing approximately 0.01% of the issued shares of the class held by 2 holders of record registered with an address in the United States of America. At the same date there were 1,375 Second Preference shares of £1 each representing approximately 0.01% of the issued shares of the class held by 7 holders of record registered with an address in the United States of America. (Reference is made to page S7 for additional information on the Preference shares).

## MEMORANDUM AND ARTICLES OF ASSOCIATION

The following summarises certain provisions of Shell Transport's Memorandum and Articles of Association and of English law. This summary is qualified in its entirety by reference to the UK Companies Act of 1985, as amended (the Companies Act), and Shell Transport's Memorandum and Articles of Association. Copies of Shell Transport's Memorandum and Articles of Association have been filed as an exhibit to this Annual Report on Form 20-F.

### General

Shell Transport was incorporated in England on October 18, 1897 under registered number 54485 for the purpose of carrying on the business of producing, refining, storage, transport, supply and distribution of petroleum and petroleum products as set forth in clause 4 of Shell Transport's Memorandum of Association.

### Directors

Under the Articles of Association of Shell Transport:

- (1) a Director shall not vote or be counted in the quorum in respect of any matter in which he is materially interested including any matter related to his own compensation;
- (2) the Directors may exercise Shell Transport's power to borrow provided that the borrowings of Shell Transport and its subsidiaries (if any) shall not without the consent of an ordinary resolution of shareholders of Shell Transport exceed the nominal amount of the issued and paid-up share capital of Shell Transport;
- (3) Directors over age 70 must retire at each Annual General Meeting, but are eligible for re-election;
- (4) Directors are not required to hold shares of Shell Transport to be qualified.

### Rights attaching to shares

- (a) Dividend rights and rights to share in the company's profits

Under English law, dividends are payable on Shell Transport's shares only out of profits available for distribution, as determined in accordance with accounting principles generally accepted in the United Kingdom and by the Companies Act. Holders of Shell Transport's Ordinary shares are entitled to receive such dividends as may be declared by the shareholders in general meeting, rateably according to the amounts paid up on such shares, provided that the dividend cannot exceed the amount recommended by the Directors.

Shell Transport's Board of Directors may pay holders of Ordinary shares such interim dividends as appear to it to be justified by Shell Transport's financial position. If authorised by an ordinary resolution of the shareholders, the Board of Directors may also make payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company).

Any dividend unclaimed after 12 years from the date the dividend was due for payment will be forfeited and will revert to Shell Transport.

The holders of Ordinary shares have unrestricted rights to participate in distributions of dividend and capital subject to the rights of the holders of the First Preference shares and Second Preference shares as described below.

The First and Second Preference shares (the Preference shares) confer on the holders the right to a fixed cumulative dividend and rank in priority to Ordinary shares. The fixed dividend on the First Preference shares is payable at the rate of 5.5% per annum and the fixed dividend on the Second Preference shares is payable at the rate of 7% per annum. On a winding-up or repayment the Preference shares also rank in priority to the Ordinary shares for the nominal value of £1 per share (plus a premium, if any, equal to the excess of the daily average price for the respective shares quoted in the London Stock Exchange Daily Official List for a six month period preceding the repayment or winding-up) but do not have any further rights of participation in the profits or assets of Shell Transport.

(b) Voting rights and General Meetings of Shareholders

The holders of Ordinary shares have the right to attend and vote at all General Meetings of the shareholders of Shell Transport.

Voting at any General Meeting of Shareholders is by a show of hands unless a poll, which is a written vote, is duly demanded. On a show of hands, every shareholder entitled to vote, who is present in person, has one vote regardless of the number of shares held. On a poll, every shareholder who is present in person or by proxy has one vote for every £1 in nominal amount of shares held by that shareholder.

A poll may be demanded by any of the following:

- the chairman of the meeting;
- at least five shareholders entitled to vote at the meeting;
- any shareholder or shareholders representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to vote at the meeting; or
- any shareholder or shareholders holding shares conferring a right to vote at the meeting on which there have been paid-up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or such shares with a nominal value of not less than £3,000.

A proxy form will be treated as giving the proxy the authority to demand a poll, or to join others in demanding one.

The necessary quorum for a general meeting is ten persons carrying a right to vote upon the business to be transacted, whether present in person or by proxy.

Matters are transacted at General Meetings of Shareholders by the proposing and passing of resolutions of which there are three kinds:

- an ordinary resolution, which includes resolutions for the election of Directors, the approval of financial statements, the payment of dividends, the appointment of auditors, the increase of authorised share capital or the grant of authority to allot shares;
- a special resolution, which includes resolutions amending Shell Transport's Memorandum and Articles of Association, disapplying statutory pre-emption rights or changing Shell Transport's name; and
- an extraordinary resolution, which includes resolutions modifying the rights of any class of Shell Transport's shares at a meeting of the holders of such class or relating to certain matters concerning Shell Transport's winding up.

An ordinary resolution requires the affirmative vote of a majority of the votes of those persons voting at a meeting at which there is a quorum.

Special and extraordinary resolutions require the affirmative vote of not less than three-fourths of the persons voting at a meeting at which there is a quorum.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting is entitled to cast the deciding vote in addition to any other vote he may have.

Annual General Meetings must be convened upon advance written notice of 21 days. Other meetings must be convened upon advance written notice of 21 days for the passing of a special resolution and 14 days for any other resolution. The notice must specify the nature of the business to be transacted. The Board of Directors may if they choose make arrangements for shareholders who are unable to attend the place of the meeting to participate at other places.

Under English law, the Directors must convene an extraordinary general meeting of a company on the requisition of members holding not less than one-tenth of such paid-up capital of the company as carries the right of voting at general meetings of the company.

Preference shares do not have voting rights unless their dividend is in arrears or the proposal concerns a reduction of capital, winding-up, an alteration of the Articles of Association or otherwise directly affects their class rights.

(c) Rights in a winding-up

Upon Shell Transport's winding-up, the balance of assets available for distribution:

- after the payment of all creditors including certain preferential creditors, whether statutorily preferred creditors or normal creditors; and
- subject to the rights attached to the First and Second Preference shares (see "Dividend rights and rights to share in the company's profits" on pages 69 and 70) and to any special rights attaching to any other class of shares, of which there are currently none, is to be distributed among the holders of Ordinary shares according to the amounts paid-up on the shares held by them. This distribution is generally to be made in cash. A liquidator may, however, upon the adoption of an extraordinary resolution of the shareholders, divide among the shareholders the whole or any part of Shell Transport's assets in kind.

(d) Redemption provisions

The Ordinary shares and the Preference shares are not subject to any redemption provisions.

(e) Sinking fund provisions

Neither the Ordinary shares nor the Preference shares are subject to any sinking fund provision under Shell Transport's Memorandum and Articles of Association or as a matter of English law.

(f) Liability to further calls

No holder of Shell Transport's shares will be required to make additional contributions of capital in respect of Shell Transport's shares in the future.

(g) Discriminating provisions

There are no provisions discriminating against a shareholder because of his ownership of a particular number of shares.

**Variation of rights**

The rights attached to any class may be varied, subject to the provisions of the Companies Act, with the consent in writing of holders of three-fourths in value of the shares of that class or upon the adoption of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provisions of the Articles of Association relating to proceedings at a general meeting apply, except that the quorum is to be the number of persons who hold or represent by proxy not less than one-third in nominal value of the issued shares of the class. These provisions are not more stringent than required by law in England.

**Limitations on rights to own shares**

There are no limitations imposed by English law or Shell Transport's Memorandum or Articles of Association on the rights to own shares, including the right of non-residents or foreign persons to hold or vote Shell Transport's shares, other than limitations that would generally apply to all of Shell Transport's shareholders.

**Change of control**

There are no provisions in the Memorandum or Articles of Association of Shell Transport or of corporate legislation in England that would delay, defer or prevent a change of control.

**Threshold for disclosure of share ownership**

English law requires disclosure by beneficial owners of 3% or more of the voting share capital of a company listed on a Stock Exchange in the European Union or the European Economic Area to notify their interest to the company. English law also enables a company to require a shareholder to confirm whether he holds the shares as beneficial owner and if not to name the beneficial owner or owners. Under the Articles of Association of Shell Transport, if Shell Transport has not received a response to a statutory notice requiring disclosure of the beneficial owner of shares in Shell Transport within 14 days of issue the Directors may determine that the shareholder holding the shares in question should be subject to restrictions in respect of those shares. The restrictions may be one or more of the following:

- (i) withdrawal of right to attend and vote at general meetings;
- (ii) no transfer shall be registered in respect of the shares;
- (iii) no dividend shall be paid in respect of the shares.

**Capital changes**

The conditions imposed by Shell Transport's Memorandum and Articles of Association for changes in capital are not more stringent than required by English law.

**New York Shares (American Depositary Receipts)**

One New York Share is equivalent to six Ordinary shares of 25p each. The agent of the Depositary is the registered shareholder and enjoys the rights of a shareholder under the Memorandum and Articles of Association; the rights of the holder of a New York share are specified in the agreement with the Depositary.

**EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS**

There is no legislative or other legal provision currently in force in the United Kingdom or arising under the constituent documents of Shell Transport restricting remittances to non-resident holders of Shell Transport's securities or affecting the import or export of capital for use by Shell Transport or UK Group companies.

**TAXATION****Dividends and Tax Credit**

Individual shareholders resident in the UK are entitled to receive a tax credit with dividends received from Shell Transport. The amount of the credit is equal to 10/90ths of the cash dividend. The credit is not repayable in cash when it exceeds the shareholder's UK tax liability.

There is generally no withholding tax on UK dividends.

Under the current Double Taxation Conventions between the United Kingdom and both the United States and Canada, a US or Canadian resident holder of American Depositary Receipts (ADRs) will (so long as a UK resident individual shareholder is entitled to a tax credit) be entitled to receive an amount equal to the tax credit less UK income tax of up to 15% of the combined amount of the dividend and such tax credit (provided the shares on which the dividend is paid are not effectively connected with a permanent establishment of the shareholder in the UK).



**2002 Dividends**

US and Canadian resident shareholders will be entitled to a tax credit repayment under the Double Taxation Convention at a rate of 11.11% of the cash dividend, but subject to a withholding tax of 15% based on the combined amount of the dividend and tax credit, with the result that the amount of the repayment will be zero. (It cannot go negative.)

Dividends received by a US shareholder will represent dividend income not eligible for the dividends received deduction allowed to corporations. By default, US shareholders will be taxed on the amount of dividend actually received. However, a US shareholder may elect to be treated as having paid UK withholding tax (at an 11.11% rate) with respect to the receipt of such dividends. As a result of such a choice, any such withholding tax would be treated as increasing the amount of the dividend received by the US shareholder, and subject to certain limitations, may be claimed as a credit or deduction for US Federal income tax purposes.

The entitlement to a tax credit of a shareholder who is resident neither in the UK nor in the USA depends upon such double tax arrangements as exist between the UK and the country of the shareholder's residence.

**Taxation on Capital Gains**

Under the current Double Taxation Convention between the United States and the United Kingdom, capital gains of residents of the USA may be taxed in accordance with the provisions of UK domestic law. Under present UK law, residents of the USA who are not resident and not ordinarily resident in the UK will not be liable for UK taxation on capital gains made on the disposal of their shares unless the shares are held in connection with a trade or business carried on in the UK through a branch or agency.

**Inheritance Tax**

Under the current Estate and Gift Tax Convention between the United States and the United Kingdom, Ordinary shares held by an individual who is domiciled for the purpose of the Convention in the USA and is not for the purpose of the Convention a national of the UK will not be subject to UK inheritance tax on the individual's death or on a gift of the shares in the seven years prior to death unless the shares are part of the business property of a permanent establishment of the individual in the UK, or, in the case of a shareholder who performs independent personal services, pertain to a fixed base situated in the UK.

**Stamp Duty Reserve Tax**

The United Kingdom Government currently imposes a 1.5% stamp duty reserve tax on the creation of new depository receipts representing shares of UK companies. The tax does not apply to the purchase and subsequent transfer of depository receipts already in issue, nor where the holder surrenders an existing depository receipt in exchange for the underlying shares. In the case of New York shares represented by ADRs issued on or after March 18, 1991 by the Bank of New York, the depository under the deposit agreement referred to in the third paragraph under the Item entitled "Nature of trading market" on page 68, the tax payable is calculated on the value of the underlying registered shares at the date such shares are transferred to the Bank of New York.

**MANAGEMENT**

The business of Shell Transport is managed by a Board of Directors of not less than three and not more than 20 in number. There are 11 Directors in office, of whom two are Managing Directors. Managing Directors are appointed by the Board from among the members of the Board. Pursuant to Shell Transport's Articles of Association, a minimum of one third of the Directors (or if their number is not a multiple of three, the number nearest to one third) shall retire by rotation at each Annual General Meeting of Shareholders. The Directors to retire by rotation on each occasion shall be those of the Directors who held office at the time of the two preceeding annual general meetings and who did not retire at either of them. If the number of Directors so retiring is less than the minimum additional Directors up to that number shall retire. The additional Directors to retire on each occasion shall be the Directors who have been longest in office, and if some Directors have been in office for an equal period of time, the Director(s) to retire shall (unless they otherwise agree between themselves) be chosen by lot. In 2003 four Directors will retire at the Annual General Meeting in accordance with these arrangements. Directors appointed by the Board vacate office at the next Annual General Meeting and offer themselves for election. Under the Articles of Association of Shell Transport such new Directors are not included in the number of Directors liable to retire by rotation at the next Annual General Meeting. Sir Peter Burt and Sir John Kerr will be vacating office and offering themselves for election at the Annual General Meeting in accordance with this provision.

The Directors, Managing Directors and officers of Shell Transport at March 3, 2003, were:

#### **Managing Directors**

##### **Sir Philip Watts** KCMG Chairman

Born June 25, 1945. A UK citizen. A Director and a Managing Director of Shell Transport since July 1, 1997 and Chairman since July 1, 2001. A Group Managing Director since 1997. Joined the Group as a seismologist in 1969, and held positions in Asia Pacific and Europe leading to Exploration Director, Shell UK 1983-85. Head of various Exploration and Production functions in The Hague 1985-91. Chairman and Managing Director in Nigeria 1991-94, and Regional Co-ordinator, Europe 1994-95. Director Planning, Environment and External Affairs, Shell International 1996-97. Chief Executive Officer, Exploration and Production 1997-2001. Currently Chairman of the Executive Committee of the World Business Council for Sustainable Development. Also Chairman of the International Chamber of Commerce's UK governing body and Trustee of the Saïd Business School Foundation, University of Oxford.

##### **Paul Skinner**

Born December 24, 1944. A UK citizen. A Director and a Managing Director of Shell Transport and a Group Managing Director since January 1, 2000. Chief Executive Officer, Oil Products since 1999. Joined the Group as a student in 1963 and then worked in Chemicals from 1966 in sales and marketing assignments in the UK, Greece and Nigeria. Moved to the oil business in 1979, holding a succession of senior roles in the UK, New Zealand and Norway. President, Shell International Trading Company, 1991-95 and additionally responsible for the shipping business 1995-96. Director, Strategy and Business Services, Oil Products 1996-98. President, Shell Europe Oil Products 1998-99. Currently a non-executive Director of Rio Tinto plc and Rio Tinto Limited and a member of the Board of INSEAD, the European/Asian business school.

#### **Non-executive Directors**

##### **Teymour Alireza**

Born September 7, 1939. A Saudi Arabian citizen. A Director of Shell Transport since November 12, 1997. President and Deputy Chairman, The Alireza Group. Chairman National Pipe Company Ltd, Saudi Arabia. Director Arabian Gulf Investments (Far East) Ltd, Hong Kong and of Riyadh Bank Saudi Arabia. Member of the International Board of Trustees of the World Wide Fund for Nature.

##### **Sir Peter Burt** FRSE

Born March 6, 1944. A UK citizen. A Director of Shell Transport since July 25, 2002. Executive Deputy Chairman of HBOS plc and Governor of the Bank of Scotland 2001-03. Group Chief Executive of Bank of Scotland 1996-2001. Joined the Bank of Scotland in 1975. Chief General Manager of the Bank 1988-96. Worked in the computer industry in the USA and the UK 1968-74. A Director of a number of charitable organisations.

##### **Dr Eileen Buttle** CBE

Born October 19, 1937. A UK citizen. A Director of Shell Transport since July 8, 1998. Retired in 1994 from a career of public scientific appointments. Member of a number of Government and EU advisory committees of environmental aspects of national and European research and of Boards of Trustees of environmental non-governmental organisations.

##### **Luis Giusti**

Born November 27, 1944. A Venezuelan citizen. A Director of Shell Transport since September 13, 2000. Joined the Venezuelan Shell oil company in 1966, and the Venezuelan state oil company, Petroleos de Venezuela, SA (PDVSA) in 1976. Chairman and CEO of PDVSA 1994-99. Currently a Senior Adviser at the Center for Strategic and International Studies in Washington DC and also acts as a consultant in oil and energy.

##### **Mary (Nina) Henderson**

Born July 6, 1950. A US citizen. A Director of Shell Transport since May 17, 2001. 1972-2001 wide experience in marketing consumer goods with Bestfoods, a major US foods company, rising to President of a major division and Corporate Vice President responsible for worldwide core business development. Currently a non-executive Director of Pactiv Corporation, AXA Financials Inc., Del Monte Foods Company and Visiting Nurse Service of New York.

**Sir Peter Job KBE**

Born July 13, 1941. A UK citizen. A Director of Shell Transport since August 2, 2001. Chief Executive of Reuters plc, 1991-2001 following wide experience in that company from 1963 in Latin America, Africa, Asia and the Middle East. Currently a non-executive Director of Schroders plc, GlaxoSmithKline plc, TIBCO Software Inc, Instinet Group Inc, Multex.com, Inc and a member of the Supervisory Board of Deutsche Bank AG and of Bertelsmann AG.

**Sir John Kerr GCMG**

Born February 22, 1942. A UK citizen. A Director of Shell Transport since July 25, 2002. Member of United Kingdom Diplomatic Service 1966-2002 and Head of the Service 1997-2002. Principal Private Secretary to the Chancellor of the Exchequer 1981-84. UK Permanent Representative to the EU 1990-95. British Ambassador to the United States 1995-97. Foreign Office Permanent Under Secretary of State 1997-2002. Secretary-General of the Convention, chaired by President Giscard d'Estaing, on future EU institutional arrangements. Currently a non-executive Director of Scottish American Investment Trust plc; Trustee of National Gallery and of Rhodes Trust.

**Sir Mark Moody-Stuart KCMG**

Born September 15, 1940. A UK citizen. A Director of Shell Transport since July 1, 1991. Chairman 1997-2001 and a Group Managing Director 1991-2001. A non-executive Director since July, 2001. Currently Chairman of Anglo American plc and a Director of HSBC Holdings plc and Accenture. Member of the UN Secretary General's Advisory Council for the Global Compact.

**Lord Oxburgh KBE FRS**

Born November 2, 1934. A UK citizen. A Director of Shell Transport since January 10, 1996. Scientific and University appointments 1960-88. Chief Scientific Adviser, Ministry of Defence 1988-93. Rector, Imperial College of Science, Technology and Medicine, 1993-2001. Currently Chairman SETNET and Chairman House of Lords Select Committee on Science and Technology.

**Company Secretary****Jyoti Munsiff**

Joined the Group in 1969 as a Legal Adviser. Appointed Company Secretary in 1993.

**Directors offering themselves for election or re-election**

The Directors retiring by rotation at the Annual General Meeting to be held on April 23, 2003 are: Sir Philip Watts, Mr Teymour Alireza, Sir Mark Moody-Stuart and Mr Paul Skinner. All will offer themselves for re-election. Sir Peter Burt and Sir John Kerr were appointed as Directors by the Board with effect from July 25, 2002 and will be vacating office and offering themselves for election by the shareholders at the Annual General Meeting.

The Board will recommend to the Annual General Meeting the election of Ms Judith Boynton as a Director of the Company with effect from July 1, 2003, it is intended that she will be appointed a Managing Director of the Company. Ms Boynton is currently the Director of Finance and Chief Financial Officer for the Royal Dutch/Shell Group of Companies, which roles she will retain.

Mr Paul Skinner will be retiring after 40 years service with the Royal Dutch/Shell Group of Companies on September 30, 2003.

**Arrangements and/or relationships between Directors and officers**

There are no arrangements or understandings between Directors or officers and any other person pursuant to which they were selected as Directors or officers. There are no family relationships between any Director or executive officer and any other Director or executive officer.

**Share Ownership**

Directors of Shell Transport had the following beneficial interests in Shell Transport at March 3, 2003:

	Share Options <sup>a</sup>	25p Ordinary shares
<b>Managing Directors</b>		
Sir Philip Watts	2,003,001	66,723
Paul Skinner	1,803,151	60,502
<b>Non-executive Directors</b>		
Teymour Alireza	-	29,093
Sir Peter Burt	-	10,000
Dr Eileen Buttle	-	3,400
Luis Giusti	-	-
Nina Henderson	-	9,000
Sir Peter Job	-	-
Sir John Kerr	-	10,000
Sir Mark Moody-Stuart	927,800	600,000
Lord Oxburgh	-	5,829

<sup>a</sup> Additional information is included in the Notes to the Shell Transport Financial Statements under "Remuneration Report - Share options" on page S14.

**Directors' share interests in Shell Transport under the Deferred Bonus Plan<sup>b</sup>**

The interests of Directors in the Ordinary shares of Shell Transport pursuant to the Deferred Bonus Plan at March 3, 2003:

	25p Ordinary shares			
	2001 Bonus deferred	Matching/dividend awards	Total Dec 31, 2002	Release date
Sir Philip Watts	28,455	15,374	43,829	11.03.05
Paul Skinner	21,138	11,421	32,559	11.03.05

<sup>b</sup> Additional information is included in the notes to the Shell Transport Financial Statements under "Remuneration Report - Base Salary and fees" on page S9.

**Group Audit Committee**

In 1976 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, established a Group Audit Committee. Under its terms of reference the Committee acts in an advisory capacity to the Boards, providing them with quarterly and annual updates regarding its activities and related recommendations. The Committee regularly considers the effectiveness of risk management processes and internal control within the Group and reviews the financial accounts and reports of the Royal Dutch/Shell Group of Companies. The Committee also considers both internal and external audit reports (including the results of the examination of the Group Financial Statements) and assesses the performance of internal and external audit.

The Directors of Shell Transport appointed to the Committee are currently Sir Peter Burt, Luis Giusti and Nina Henderson; the members appointed by the Supervisory Board of Royal Dutch are currently Aad Jacobs (Chairman of the Committee), Henny de Ruiter and Jan Timmer.

**Remuneration and Succession Review Committee**

In 1967 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, established a Remuneration Committee. Following restatement of its terms of reference in 1980, this Committee was renamed as Remuneration and Succession Review Committee. The functions of the Committee are to make recommendations on all forms of remuneration with respect to Group Managing Directors and to review matters relating to the succession to the positions of Group Managing Directors.

The members appointed by the Board of Shell Transport are currently Nina Henderson, Sir Peter Job and Sir Mark Moody-Stuart; the members appointed by the Supervisory Board of Royal Dutch are currently Jonkheer Aarnout Loudon (Chairman of the Committee), Professor Joachim Milberg and Henny de Ruiter. The Chairman of the Committee is currently an appointee of Royal Dutch and Sir Peter Job has been nominated by the Board of Shell Transport to respond at the Annual General Meeting to any questions relating to remuneration issues.

#### **Social Responsibility Committee**

In 1997 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, established a Social Responsibility Committee. The Committee reviews the policies and conduct of the Royal Dutch/Shell Group of Companies with respect to the Group's Statement of General Business Principles as well as the Group's Health, Safety and Environment Commitment and Policy.

The members appointed by the Board of Shell Transport are currently Teymour Alireza, Dr Eileen Buttle and Lord Oxburgh (Chairman of the Committee). The members appointed by the Supervisory Board of Royal Dutch are currently Maarten van den Bergh, Jonkheer Aarnout Loudon and Jan Timmer.

Shell companies have long been open about the values and principles which guide them, and the Group's Statement of General Business Principles has been publicly available since 1976. The latest revision followed extensive internal and external consultation. The Statement of General Business Principles includes commitments to support fundamental human rights and to contribute to sustainable development.

The Annual Report and Accounts 2002 is distributed with a copy of The Shell Report 2002 - Meeting the energy challenge, which reviews how Group companies are living up to the Group's Business Principles and contributing to sustainable development.

#### **Code of Ethics**

For the guidance of principle executives and senior financial officers, a Code of Ethics has been drawn up in conjunction with the Group's Statement of General Business Principles. This Code of Ethics can be found on the Shell website (see [www.shell.com/codeofethics](http://www.shell.com/codeofethics)).

#### **Compensation of Directors and Officers**

The aggregate amount of remuneration paid to or accrued for Directors, Managing Directors and officers of Shell Transport as a group by Shell Transport and companies of the Royal Dutch/Shell Group of Companies for services in all capacities during the fiscal year ended December 31, 2002, was £3,734,394. In addition, £1,247,218 was paid during 2002 for service during the fiscal year ended December 31, 2001. The aggregate amount set aside to provide pension, retirement and similar benefits for Directors, Managing Directors and officers of Shell Transport by Shell Transport and companies of the Royal Dutch/Shell Group of Companies during the fiscal year ended December 31, 2002, was nil.

Reference is made to the information given in the Remuneration section on pages S9 to S14 relating to Directors' emoluments.

None of the Directors of Shell Transport have service contracts with Shell Transport, their employing company or any other Group company providing for benefits upon termination.



### SHARES UNDER OPTION AND SHARE PURCHASE PLAN

Two Group companies, one in the Netherlands (Shell Petroleum N.V.) and one in the United Kingdom (The Shell Petroleum Company Limited), have stock option plans under which options have been or may be granted to executives and other employees of those and other Group companies. Options granted under these plans are at a price of not less than the market value at the date of granting the option and for the terms indicated in the tabulation below.

The securities of Shell Transport involved in the plans as of March 3, 2003, are 101,286,254 issued and outstanding Ordinary shares.

The number of Ordinary shares under option at March 3, 2003, and the option prices of the Ordinary shares at the date the options were granted, per share and in total, were as follows:

Plan	Number of shares under option	Average per share	Option price	Term (expiration dates)
			Total	
Shell Petroleum N.V.	1,200	£4.39	£5,268	5 years <sup>a</sup> (04/10/02-03/10/03)
Shell Petroleum N.V.	26,559,900	£5.23	£138,997,378	10 years (10/12/07-13/11/12)
The Shell Petroleum Company Limited	74,725,154	£5.10	£380,961,270	10 years (10/12/07-13/11/12)

<sup>a</sup> A five year option under the Shell Petroleum N.V. plan with a normal expiration date of 10/12/02 has in accordance with its terms been extended to an expiration date of 03/10/03 due to the death of the participant who was granted the option.

During 1986 The Shell Petroleum Company Limited established a savings-related share option scheme approved by the United Kingdom Inland Revenue pursuant to the Finance Act 1980 (now consolidated into the Income and Corporation Taxes Act 1988) under which options have been or may be granted over Ordinary shares of Shell Transport to eligible employees of certain Group companies in the United Kingdom. Options granted under the scheme are at a price of not less than the market value shortly before the date of grant and are normally exercisable after completion of a contractual savings period of either three or five years. In 1998 Shell Petroleum N.V. established a similar savings related share option scheme. At March 3, 2003 there were 15,847,077 issued and outstanding Ordinary shares of Shell Transport under option to such employees pursuant to the rules of those schemes at prices between £3.55 and £5.69.

The Global Employee Share Purchase Plan implemented in 2001, enables employees to make contributions, which are applied quarterly to purchase Royal Dutch or Shell Transport shares at current market value. If the acquired shares are retained in the Plan until the end of the twelve-month cycle the employee receives an additional 15% share match. In the USA a variant of the plan is operated where contributions are applied to buy Royal Dutch shares at the end of the twelve-month cycle. The purchase price is the lower of the market price on the first or last trading day of the cycle reduced by 15%. Group Managing Directors are not eligible to participate in the Global Employee Share Purchase Plan. At March 3, 2003, 14,578 Shell Transport Ordinary shares (2001: 77,604) were held by Group companies in connection with this Plan.

No issue of new shares is involved under any of the plans or schemes mentioned above.

### CONTROLS AND PROCEDURES

As of 25 February 2003, (the "Evaluation Date") Shell Transport conducted an evaluation (under the supervision and with the participation of the Committee of Managing Directors), pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of the effectiveness of the design and operation of Shell Transport's disclosure controls and procedures. Based on this evaluation, the Chairman and Managing Director of Shell Transport and the Director of Finance concluded that as of the Evaluation Date such disclosure controls and procedures were reasonably designed to ensure that information required to be disclosed by Shell Transport in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Since the Evaluation Date, there have not been any significant changes in the internal controls or in other factors that could significantly affect the internal controls.

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<b>(B) Exhibits</b>		
1.1	Articles of Association of Royal Dutch	
1.2	Memorandum and Articles of Association of Shell Transport (incorporated by reference to the Report of Foreign Issuer on Form 6-K (Commission File No. 1-4039) of Shell Transport furnished to the Securities and Exchange Commission on June 21, 2002)	
4.1	Adjustment Agreement between Royal Dutch and Shell Transport dated July 5, 1907, and certain amendments thereto	
4.2	Shell Petroleum N.V. Stock Option Plan, as amended (incorporated by reference to the Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (Registration No. 333-7590) of Royal Dutch and Shell Transport filed with the Securities and Exchange Commission on June 28, 2001)	
4.3	Shell Petroleum Company Limited Stock Option Plan (1967), as amended (incorporated by reference to the Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (Registration No. 333-7590) of Royal Dutch and Shell Transport filed with the Securities and Exchange Commission on June 28, 2001)	
8	Significant Group companies as at December 31, 2002	E2
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23.2	Consent of PricewaterhouseCoopers LLP, London	E4
23.3	Consent of KPMG Accountants N.V., The Hague and PricewaterhouseCoopers LLP, London	E5
23.4	Consent of KPMG Accountants N.V., The Hague	E6
23.5	Consent of KPMG Accountants N.V., The Hague and PricewaterhouseCoopers LLP, London	E7

\* Schedules not included have been omitted because they are not applicable or not required. Alternatively, the required information is shown in the financial statements or notes thereto. Summarised financial information in aggregate for majority-owned subsidiaries not consolidated and 50% or less-owned persons, the investments in which are accounted for by the equity method, has been provided in the notes to the financial statements. Separate financial statements for any such individual majority-owned subsidiary not consolidated or 50% or less-owned person, the investments in which are accounted for by the equity method, have been omitted because none constitutes a "significant subsidiary".

## Signatures

As to the undersigned registrant, this Annual Report consists solely of the information referred to on the cross-reference sheet headed Royal Dutch and does not include the information as to Shell Transport on page 36 under the heading "Selected Financial Data", on page 38, on pages 68 through 78 and pages S2 through S15.

The material in this report is stated as at December 31, 2002, except that certain 2003 subsequent events are stated down to March 3, 2003.

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorised.

N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

Jeroen van der Veer

-----  
Jeroen van der Veer  
President and Managing Director

Walter van de Vijver

-----  
Walter van de Vijver  
Managing Director

The Hague  
March 31, 2003

As to the undersigned registrant, this Annual Report consists solely of the information referred to on the cross-reference sheet headed Shell Transport and does not include the information as to Royal Dutch on page 36 under the heading "Selected Financial Data", on page 37, on pages 58 through 67 and pages R2 through R14.

The material in this report is stated as at December 31, 2002, except that certain 2003 subsequent events are stated down to March 3, 2003.

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorised.

THE "SHELL" TRANSPORT AND TRADING COMPANY, PUBLIC LIMITED COMPANY

Sir Philip Watts

-----  
Sir Philip Watts  
Chairman and Managing Director

London  
March 31, 2003

Signatures 81

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**I, Jeroen van der Veer, certify that:**

1. I have reviewed this annual report on Form 20-F of Royal Dutch Petroleum Company (N.V. Koninklijke Nederlandsche Maatschappij);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the issuer and have:
  - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

The Hague

Jeroen van der Veer

Jeroen van der Veer  
President and Managing Director



**I, Judith Boynton, certify that:**

1. I have reviewed this annual report on Form 20-F of Royal Dutch Petroleum Company (N.V. Koninklijke Nederlandsche Maatschappij);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

London

Judith Boynton

Judith Boynton  
Director of Finance

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**I, Sir Philip Watts certify that:**

1. I have reviewed this annual report on Form 20-F of The "Shell" Transport and Trading Company, p.l.c.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

London

Sir Philip Watts

-----  
 Sir Philip Watts  
 Chairman and Managing Director

**I, Judith Boynton, certify that:**

1. I have reviewed this annual report on Form 20-F of The "Shell" Transport and Trading Company, p.l.c.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

London

Judith Boynton

Judith Boynton  
Director of Finance

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## **Royal Dutch Petroleum Company**

### **Report of Independent Accountants**

To: Royal Dutch Petroleum Company

We have audited the Financial Statements of Royal Dutch Petroleum Company for the years 2002, 2001 and 2000 appearing on pages R2 to R6. The preparation of these Financial Statements is the responsibility of the Board of Management. Our responsibility is to express an opinion on the Financial Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Management in the preparation of the Financial Statements, as well as evaluating the overall Financial Statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of Royal Dutch Petroleum Company at December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 in accordance with the accounting policies described on page R3.

The report of independent accountants on the 2002, 2001 and 2000 Financial Statements of the Royal Dutch/Shell Group of Companies, which form part of the Financial Statements of Royal Dutch Petroleum Company, appears on page G1.

KPMG Accountants N.V.

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KPMG Accountants N.V., The Hague

March 5, 2003

Royal Dutch Petroleum Company R1

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RJW00890243



## Financial Statements

### Profit and Loss Account

	Note	2002	2001	2000
Share in the net income of companies of the Royal Dutch/Shell Group	3	5,989	7,265	8,272
less Administrative expenses		5	6	4
		5,984	7,259	8,268
Interest income		28	33	24
Profit before taxation		6,012	7,292	8,292
less Taxation		8	10	7
Profit after taxation		6,004	7,282	8,285

### Statement of Appropriation of Profit

	Note	2002	2001	2000
Profit after taxation		6,004	7,282	8,285
Taken from/(to) Statutory investment reserve	4	(2,672)	(1,117)	(2,578)
Undistributed profit at beginning of year		2,670	2,701	402
Repurchase of share capital		(847)	(2,654)	-
Unclaimed dividends forfeited		1	1	1
Available for distribution		5,156	6,213	6,110
less Interim dividend <sup>a</sup>		1,506 <sup>b</sup>	1,501	1,436
Final dividend		2,084 <sup>b,c</sup>	2,042	1,973
		3,590	3,543	3,409
Undistributed profit at end of year		1,566	2,670	2,701

a Including 4% cumulative preference dividend amounting to €26,880 on priority shares (2000 and 2001: €27,227).

b No dividends are paid on ordinary shares acquired and held by the Company in its own capital.

c Proposed final dividend, subject to finalisation by the General Meeting of Shareholders to be held on April 23, 2003.

### Earnings per ordinary share<sup>a</sup>

	2002	2001	2000
Net income/profit after taxation	2.87	3.44	3.86

The earnings per share amounts shown above are directly related to profit after taxation. In the opinion of the Board of Management, these are the most meaningful since they reflect the full entitlement of the Company in the income of Group companies. The earnings per share calculation includes shares held to back share options (refer to Note 22 of the Group Financial Statements). There is no difference between basic and diluted earnings per share.

a On weighted average 2,092,718,616 shares in issue during the year 2002 (2001: on 2,119,873,567 and 2000: on 2,144,296,352 shares in issue). For this purpose shares repurchased under the buyback programme are deemed to have been cancelled on purchase date.

### Balance Sheet<sup>a</sup>

	Note	Dec 31 2002	Dec 31 2001
<b>Fixed assets</b>			
Financial fixed assets			
Investments in companies of the Royal Dutch/Shell Group	4	34,934	38,431
<b>Current assets</b>			
Receivables			
Dividends receivable from companies of the Royal Dutch/Shell Group		2,982	4,111
Other receivables	5	36	23
Cash and cash equivalents		589	549
		3,607	4,683
<b>Current liabilities</b>			
Final dividend		2,084 <sup>b</sup>	2,042
Other liabilities	6	11	9
		2,095	2,051
<b>Current assets less current liabilities</b>		1,512	2,632
<b>Total assets less current liabilities</b>		36,446	41,063
<b>Shareholders' equity</b>			
Paid-up capital	7		
Ordinary shares		1,175	1,206
Priority shares		1	1
		1,176	1,207
Share premium reserve		1	1
Investment reserves	4		
Statutory		23,001	25,485
Currency translation differences		(2,371)	(4,306)
Other		13,058	16,006
		33,688	37,185
Other statutory reserves	8	15	-
Undistributed profit		1,566	2,670
		36,446	41,063

a The appropriation of profit has already been incorporated in the Balance Sheet.

b Proposed final dividend, subject to finalisation by the General Meeting of Shareholders to be held on April 23, 2003.

### Statement of Cash Flows

	2002	2001	2000
<b>Returns on investments and servicing of finance</b>			
Dividends received from Group companies	4,446	6,342	3,352
Interest received	32	30	26
Other	(5)	(5)	-
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>	4,473	6,367	3,378
<b>Taxation</b>			
Tax (paid)/recovered	(8)	(14)	(3)
<b>Financing</b>			
Repurchase of share capital, including expenses	(889)	(2,700)	-
Dividends paid	(3,536)	(3,459)	(3,283)
<b>Increase/(decrease) in cash and cash equivalents</b>	40	194	92
Cash at January 1	549	355	263
Cash at December 31	589	549	355

# Notes to the Financial Statements

## 1 The Company

Royal Dutch, one of the Parent Companies of the Royal Dutch/Shell Group, is a holding company which, in conjunction with Shell Transport, owns, directly or indirectly, investments in the numerous companies known collectively as the Royal Dutch/Shell Group of Companies.

The Financial Statements of the Royal Dutch/Shell Group of Companies and the Notes thereto on pages G2 to G33 form part of the Notes to the Annual Accounts.

Arrangements between Royal Dutch and Shell Transport provide, inter alia, that notwithstanding variations in shareholdings, Royal Dutch and Shell Transport shall share in the aggregate net assets and in the aggregate dividends and interest received from Group companies in the proportion of 60:40. It is further arranged that the burden of all taxes in the nature of, or corresponding to, an income tax leviable in respect of such dividends and interest shall fall in the same proportion. Note 1 to the Financial Statements of the Royal Dutch/Shell Group of Companies (on page G5) gives details of supplemental arrangements which have been made between Royal Dutch and Shell Transport regarding dividends, taxes and tax benefits.

## 2 Accounting policies

The Annual Accounts of Royal Dutch include the Financial Statements of the Royal Dutch/Shell Group of Companies. These Annual Accounts have been prepared in accordance with legal requirements and generally accepted accounting principles in the Netherlands.

The investments in and the share in the net income of companies of the Royal Dutch/Shell Group are accounted for by the equity method (see also Notes 3 and 4). Accounting policies used by the Group are given in Note 2 on pages G5 to G8.

Assets and liabilities in foreign currencies are translated into euros at year-end rates of exchange, whereas results for the year are translated at average rates. For the Profit and Loss Account euros are translated from dollars at average rates for the quarter. Currency translation differences arising from translating the investments in companies of the Royal Dutch/Shell Group are taken to Investment reserves (see Note 4).

Administrative expenses, Interest income and Taxation are stated at the amounts attributable to the respective financial years.

## 3 Share in the net income of companies of the Royal Dutch/Shell Group

The amount dealt with under this heading in the Profit and Loss Account has been calculated as 60% of the net income of the Royal Dutch/Shell Group as presented in the Group Financial Statements on page G2. The dividend for 2002 distributed and yet to be distributed from Group companies to Royal Dutch amounted to €3,317 million (2001: €6,148 million). Net income has been translated into euros using average rates of the quarters of the year.

## 4 Investments and reserves

The 60% interest in Group net assets is equal to the interest applicable to Royal Dutch as shown in the Statement of Comprehensive Income and Parent Companies' Interest in Group Net Assets (on page G2).

Royal Dutch's investments in the companies of the Royal Dutch/Shell Group are stated at an amount equal to the 60% share in Group net assets, translated into euros at the year-end rate.

The difference of €33,688 million between the cost of the investments and the amounts at which the investments are stated in the Balance Sheet has been taken to Investment reserves.

The Statutory investment reserve comprises Royal Dutch's 60% share in the undistributed net income of Group companies which has arisen as from January 1, 1984; Royal Dutch's share in the undistributed net income of Group companies accumulated until that date is included in Investment reserves - Other.

Royal Dutch's 60% share in the cumulative Group currency translation differences arises as a result of translating the assets and liabilities of non-dollar companies to dollars at year-end rates of exchange (see Note 4 to the Financial Statements of the Royal Dutch/Shell Group of Companies on page G9) and is shown under Investment reserves as Currency translation differences.

Royal Dutch Petroleum Company R3

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The net increase/decrease in Parent Companies' shares held by Group companies represents the balance of sales and purchases and changes in valuation of these shares minus dividends received on these shares.

Other comprehensive income, net of tax, consists of currency translation differences, unrealised gains/losses on securities and on cash flow hedges and minimum pension liability adjustments (see Note 5 to the Financial Statements of the Royal Dutch/Shell Group of Companies on page G10).

The movements during the year in the value of the Group reporting currency (dollar) against the Royal Dutch reporting currency (euro) lead to currency translation differences.

As the amounts dealt with under Investment reserves have been, or will be, substantially reinvested by the companies concerned, it is not meaningful to provide for taxes on possible future distributions out of earnings retained by those companies; no such provision has therefore been made. Furthermore, it is not practicable to estimate the full amount of tax or the withholding tax element.

#### Movements in Investments and Investment reserves

	\$ million		€ million			
	60% interest in Group net assets	Royal Dutch investments	Statutory	Currency translation differences	Other	Total
<b>Balance at December 31, 2000</b>	34,252	36,988	23,298	(2,994)	15,438	35,742
<b>Movements during the year 2001</b>						
Undistributed net income of Group companies	1,013	1,117	1,117	-	-	1,117
Net (increase)/decrease in Parent Companies' shares held by Group companies	(385)	(294)	-	-	(294)	(294)
Other comprehensive income, net of tax	(1,184)	(1,338)	(184)	(1,154)	-	(1,338)
Translation effect arising from movements in dollar/euro rate		1,958	1,254	(158)	862	1,958
<b>Balance at December 31, 2001</b>	<b>33,696</b>	<b>38,431</b>	<b>25,485</b>	<b>(4,306)</b>	<b>16,006</b>	<b>37,185</b>
<b>Movements during the year 2002</b>						
Undistributed net income of Group companies	2,390	2,672	2,672	-	-	2,672
Net (increase)/decrease in Parent Companies' shares held by Group companies	(507)	(390)	-	-	(390)	(390)
Other comprehensive income, net of tax	459	439	(831)	1,270	-	439
Translation effect arising from movements in dollar/euro rate		(6,218)	(4,325)	665	(2,558)	(6,218)
<b>Balance at December 31, 2002</b>	<b>36,038</b>	<b>34,934</b>	<b>23,001</b>	<b>(2,371)</b>	<b>13,058</b>	<b>33,688</b>

#### 5 Other receivables

	€ million	
	Dec 31 2002	Dec 31 2001
Dividend tax receivable	35	19
Other receivables	1	4
	<b>36</b>	<b>23</b>

#### 6 Other liabilities

	€ million	
	Dec 31 2002	Dec 31 2001
Dividends and dividend tax payable	8	7
Accounts payable	1	1
Corporation tax	2	1
	<b>11</b>	<b>9</b>

## 7 Share capital

The authorised capital as laid down in the Articles of Association is expressed in euros and amounts to €1,792,000,000.

The authorised share capital is divided into 3,198,800,000 ordinary shares with a par value of €0.56 each and 1,500 priority shares with a par value of €448 each. The movements in issued and paid-up capital during 2002 were as follows:

	Number of shares	€
<b>Ordinary shares of N.fl. 1.25</b>		
At beginning of year	2,126,647,800	1,206,288,373
Redenomination to €0.56		(15,365,605)
Cancelled during 2002	(27,362,800)	(15,323,168)
At end of year	2,099,285,000	1,175,599,600
<b>Priority shares of N.fl. 1,000</b>		
At beginning of year	1,500	680,670
Redenomination to €448		(8,670)
At end of year	1,500	672,000
<b>Total ordinary and priority shares at end of year</b>	<b>2,099,286,500</b>	<b>1,176,271,600</b>

## 8 Other Statutory reserves

The other statutory reserves resulted from the redenomination from guilders into euros of the nominal values of the shares.

## 9 Royal Dutch shares held by Group companies

The movements in 2002 in Royal Dutch shares held by Group companies were as follows:

	Number of shares	€ million	
		Book value	Royal Dutch 60% interest in the book value
<b>Balance at beginning of year</b>	26,674,267	1,549	929
Purchases	12,769,100	716	430
Sales and other movements	(328,174)	(147)	(88)
<b>Balance at end of year</b>	<b>39,115,193</b>	<b>2,118</b>	<b>1,271</b>

These movements relate to the granting and exercise of stock options and to other incentive plans as mentioned in Note 22 to the Financial Statements of the Royal Dutch/Shell Group of Companies on pages G25 to G27.

## 10 List of companies of the Royal Dutch/Shell Group

A list of companies drawn up with due observance of the provisions in Articles 379 and 414, Book 2 of the Netherlands Civil Code, has been deposited at the office of the Commercial Register in The Hague.

#### **11 Remuneration of members of the Supervisory Board and Managing Directors**

For the amounts borne in 2002 by Royal Dutch and by the Royal Dutch/Shell Group of Companies in respect of remuneration of the Managing Directors, reference is made to the relevant tables on pages R11 and R12.

For the amounts borne in 2002 by Royal Dutch and by the Royal Dutch/Shell Group of Companies in respect of remuneration of the members of the Supervisory Board, reference is made to the relevant table on page R13. This table also includes amounts borne by the Royal Dutch/Shell Group of Companies in respect of remuneration for three members of the Supervisory Board who served simultaneously as Directors of these companies.

In addition to the pensions from a pension fund, ten former Managing Directors receive retirement benefits for duties performed by them simultaneously in the past as Directors of these Group companies. These retirement benefits have not been insured but provisions have been made in respect thereof in accordance with applicable accounting principles. In 2002, no additional pension benefits have been granted to former Managing Directors, but a total amount of €463,004 has been added to these provisions.



## Remuneration

The following comprises the report on Managing Directors' and Supervisory Board members' remuneration for the year ended December 31, 2002.

This report deals with the remuneration policy as it applies and will apply to Group Managing Directors, including those who are also Managing Directors of Royal Dutch, and to the members of the Supervisory Board of Royal Dutch. The remuneration policy is subject to regular review. This report also contains the disclosure of the individual remuneration of the Managing Directors and members of the Supervisory Board of Royal Dutch.

### Remuneration and Succession Review Committee

The Remuneration and Succession Review Committee (REMCO) is a joint committee of the Supervisory Board of Royal Dutch and the Board of Shell Transport (see page 66) and has responsibility for making recommendations on all forms of remuneration with respect to Group Managing Directors.

During the year under review, the REMCO members appointed by the Supervisory Board of Royal Dutch were Jonkheer Aarnout Loudon, Professor Joachim Milberg, Henny de Ruiter (appointed July 1, 2002) and Lodewijk van Wachem (retired June 30, 2002), and the members appointed by the Board of Shell Transport were Nina Henderson, Sir Peter Job and Sir Mark Moody-Stuart. The Chairman of the Committee is currently Jonkheer Aarnout Loudon.

In accordance with the Articles of Association, the remuneration of the members of the Royal Dutch Supervisory Board is the responsibility of the Supervisory Board as a whole, with due observance of the aggregate amount fixed by the General Meeting of Shareholders.

### Remuneration policy

#### Group Managing Directors' Remuneration

##### Philosophy

The objective of the remuneration philosophy is to attract and retain high calibre individuals and motivate them towards the achievement of exceptional performance that enhances the value of the Group. The remuneration structures for Group Managing Directors are therefore designed to support alignment of Group Managing Directors' interests with the goals of the Group and its various businesses and with shareholders' interests.

##### Competitive framework

Remuneration levels are set by reference to the practice of global companies of comparable size, complexity and international scope to that of the Group. Among such companies there is an increasing emphasis on performance-linked variable short and long-term pay. Consistent with this and the philosophy outlined above, for on-target performance more than half of a Group Managing Director's total remuneration will be performance-linked. This proportion is expected to increase in line with market practice.

REMCO is provided with market data on the basis of which it annually reviews remuneration levels and the proportions between fixed and variable pay.

##### Base salary and fees

The purpose of base salary (which is inclusive of Directors' fees) is to provide an element of fixed remuneration set at a competitive level that is appropriate to the scope and complexity of the role of a Group Managing Director.

Salary levels are set by reference to market-based salary scales that reflect the collegiate nature of the Committee of Managing Directors. The scales were increased by 6% with effect from July 1, 2002. The salary scales are reviewed annually by REMCO and will be adjusted in line with market practice with effect from July 1, 2003. Progression of an individual Group Managing Director's salary to the target position is usually over a three-year period from appointment.

### **Annual and deferred bonus**

The purpose of the annual bonus plan is to motivate Group Managing Directors to achieve annual results that further the Group's long-term objectives.

The target level of bonus for the year 2002 was 100% of base salary (2001 was 65% of base salary). The target for 2003 will be 100% of base salary.

Bonus awards are recommended by REMCO based on the extent of achievement of challenging Group targets that are set as part of the annual Group business plan. These targets encompass financial, customer, people, sustainable development and other operational objectives. For 2002, financial targets related to Total Shareholder Return (TSR) measured annually by the average weighted share price performance plus dividends of Royal Dutch and Shell Transport relative to other major integrated oil companies and Return on Average Capital Employed (ROACE). Having regard to the Group's performance against all targets, REMCO has recommended that the bonus payable to Group Managing Directors in respect of the year 2002 is 115% of base salary. The same approach will be adopted in 2003.

Since 2001, Group Managing Directors have been able to elect to defer up to one-third of their annual bonus into shares, in the case of Royal Dutch Managing Directors, Royal Dutch shares. The deferred bonus shares, together with shares equivalent to the value of dividends payable on the deferred bonus shares, are released three years after deferral. Provided the participants remain in Group employment for three years following the deferral, or reach normal retirement within the three-year period, they will also receive one additional share for every two shares accumulated.

The purposes of the deferred bonus plan are to reward performance over a single financial year, to align Group Managing Directors' interests with shareholders' interests during the deferment period and to encourage share ownership in the Company. There is accordingly no further performance test beyond that governing performance in the relevant bonus year.

Neither annual nor deferred bonuses are pensionable.

### **Long-term incentives**

The objective of long-term incentive arrangements is to ensure that Group Managing Directors share the interests of shareholders by being rewarded for share price growth, the creation of shareholder value and the achievement of superior relative shareholder returns. The policy in relation to long-term incentives applies to each of the Group Managing Directors.

Long-term incentives are currently awarded in the form of stock options. Options are granted once a year under the Group Stock Option Plan which applies to Group Managing Directors and senior staff.

Options granted before 2003 to Group Managing Directors may vest three years after grant and remain exercisable until ten years after grant. Of the options granted, 50% are subject to performance conditions and the proportion of such 50% which will either vest and become unconditional or lapse, will be determined for Group Managing Directors at the discretion of REMCO using the criteria below.

REMCO will only exercise its discretion in favour of vesting to the extent that it is satisfied that the performance of the Group over the three-year vesting period reflects the objective for long-term incentives. Accordingly, when making its decision, REMCO takes into account a combination of TSR over the three-year vesting period (measured by the average weighted share price performance plus dividends of Royal Dutch and Shell Transport over the ten-day period at the beginning and end of the vesting period) relative to a peer group of other major integrated oil companies and other long-term indicators of Group performance.

The latest tranche of stock options to vest was granted in March 2000 and the stock options vested in March 2003. The measurement period for the options was January 1, 2000 to December 31, 2002. The peer companies were BP, ChevronTexaco, ExxonMobil and Total. The Royal Dutch/Shell Group of Companies ranked fourth. REMCO considered other performance indicators including profits over the three years and ROACE relative to the peer group.

Having considered all of these factors REMCO determined that 50% of the options granted in March 2000 that were subject to its discretion should vest.

Options granted in 2003, and in subsequent years, will be 100% performance linked. Performance will be measured over the three financial years prior to grant. The policy, which will continue in future years, is that the levels of grant will vary according to the ratings given by REMCO to the Group's achievements against financial targets and will reflect competitive market practice. The current financial targets are TSR relative to the other major integrated oil companies and ROACE. These financial targets have been chosen as they are consistent with the objective for long-term incentives and represent a balanced test of the Group's internal operating efficiency and external performance.

In addition it is proposed to introduce a new Long-term Incentive Plan (the Plan). This proposal will be put to shareholders at the 2003 General Meetings of Royal Dutch and Shell Transport.

Group Managing Directors and other selected senior executives will be eligible to participate in the Plan. Group Managing Directors will be selected for participation on the recommendation of REMCO. Participants will be made a conditional award of shares in either Royal Dutch or Shell Transport. The receipt of shares comprised in the award will be conditional on the participant remaining in employment (subject to certain exceptions, including normal retirement) and on the satisfaction of performance targets over the performance period. The performance period will not be less than three consecutive financial years. In the case of Group Managing Directors, REMCO will make recommendations on the number of shares which may be conditionally awarded in any year. Awards in any one year can range from zero to two times base salary, but the maximum number of shares will only be received for exceptional performance as described below.

If the adoption of the Plan is approved, the performance targets will be linked to TSR (the average weighted share price performance plus dividends of Royal Dutch and Shell Transport) relative to two separate groups of comparator companies, over a performance period of three financial years. Two separate comparator groups have been chosen because REMCO considers that it is appropriate to test performance both against major home markets and industry competitors. Relative TSR has been chosen as the performance test that most closely aligns the interests of Group Managing Directors and senior executives with those of shareholders.

The first comparator group will consist of the largest ten companies (by way of market capitalisation) in the AEX index together with the largest twenty companies (also by way of market capitalisation) in the FTSE 100 share index, in each case, at the beginning of the relevant performance period. As at January 1, 2003, the first comparator group in addition to Royal Dutch and Shell Transport, was AEX: ABN AMRO, AEGON, Ahold, Akzo Nobel, Heineken, ING Group, KPN, Philips and Unilever N.V.; and FTSE: Anglo American, AstraZeneca, Aviva, Barclays, BG Group, BP, British American Tobacco, BT Group, Diageo, GlaxoSmithKline, HBOS, HSBC Holdings, Lloyds TSB Group, National Grid Transco, Rio Tinto, The Royal Bank of Scotland, Tesco, Unilever PLC and Vodafone Group. In the case of Royal Dutch and Shell Transport, and Unilever N.V. and Unilever PLC, the weighted average TSR of the two companies will be used.

The second comparator group will be the five major integrated oil companies, which, as at January 1, 2003, were BP, ChevronTexaco, ExxonMobil, the Royal Dutch/Shell Group of Companies and Total.

Half of each conditional award will be tested against the first comparator group and half against the second comparator group. If shareholders approve the adoption of the Plan, the comparator groups described above will be used for the first performance period which will be from January 1, 2003 to December 31, 2005.

For the first comparator group, 100% of the shares tested against that group will be received for 75th percentile and above performance and 25% will be received for median performance with a straight-line calculation between these two points. No shares will be received for performance below the median. This method of calculation has been chosen because it is consistent both with shareholders' expectations and market practice.

For the second comparator group, 100% of the shares tested against that group will be received if the Royal Dutch/Shell Group of Companies is in first place, 75% for second place and 50% for third place. No shares will be received for fourth or fifth place.