Statement of Investment Principles

UK Shell Pension Plan Trust Limited, Trustee of the UK Shell Pension Plan

September 2021

Contents

The UK Shell Pension Plan ('the UKSPP')

Statement of Investment Principles ('the Statement')

1. Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pension Act 1995 (as subsequently amended).

The effective date of this Statement is 7 September 2021.

The Trustee will review this Statement at least every three years and without delay either where any significant change in investment policy is contemplated or the demographic profile of the relevant members changes.

2. Consultations Made

The Trustee is responsible for the appointment of the investment provider and for monitoring the investment provider. In addition, the Trustee is responsible for the choice of investment options made available to members of the UKSPP, including the Default Option (as outlined below) into which contributions will be paid in the absence of any instructions from the member. Before making this choice, the Trustee obtained and considered written advice on the investment options appropriate for the UKSPP from Aon Solutions UK Limited ("Aon"), who are authorised and regulated by the Financial Conduct Authority to give such advice under the Financial Services and Markets Act 2000.

The Trustee is also responsible for the preparation of this Statement. Before preparing this Statement, the Trustee obtained and considered written advice provided by Aon.

The Trustee has consulted with the Principal Employer, Shell International Ltd, on behalf of all the Participating Employers of the UKSPP, prior to writing this Statement and has considered their recommendations. The Trustee will take the Principal Employer's comments into account when it believes it is appropriate to do so.

3. UKSPP Objectives

The Trustee's primary objectives are:

- "asset choice" to ensure members have an appropriate choice of assets for investment; and
- "return objective" to enable members to benefit from investment in assets which are expected to achieve growth until they approach retirement, when they will be able to switch to assets which are more related to their income and cash requirements in retirement.

The Trustee's investment strategy has been chosen to enable members to maximise the likelihood of achieving these objectives.

4. Investment Management Arrangements

The Trustee has appointed FIL Life Insurance Ltd ('Fidelity') as the provider of administration services and the investment platform to the UKSPP.

5. Investment Risk Measurement and Management

The Trustee recognises that members take the investment risk. The Trustee takes account of this in the selection and monitoring of the investment manager and the choice of funds offered to members.

6. Asset Allocation Strategy

The Trustee recognises that the key source of financial risk (in relation to members meeting their objectives) normally arises from asset choice. The Trustee therefore retains responsibility for the investment funds made available to the membership and takes expert advice as required from its professional advisors.

The Trustee is required to design default arrangements in members' interests and keep them under review. The Trustee takes account of the level of costs and the risk profile that are appropriate for the UKSPP's membership in light of the overall objective of the default arrangement strategies.

Three distinct asset allocation lifestyle strategies are offered to members which target different benefits at retirement, namely drawdown, annuity purchase and cash. Each of these arrangements contains members' funds where no active decision has been taken to invest in that option. For the purpose of complying with all necessary legislation including, but not limited to, adherence to the charge cap, all three are "default" arrangements as defined in legislation.

Furthermore, the cash fund option offered to members of the UKSPP is also considered a "default" arrangement, as defined in legislation. This is by virtue of the fact that future contributions for members investing in the UK property fund option were invested into the fund following the suspension of the UK property fund from March 2020 to September 2020. Additionally, the Trustee has agreed that the cash fund option may be used for the redirection of members future contributions and existing assets, in the event that one of the self-select fund options is removed and members do not make an alternative choice for their investments.

The primary "default" arrangement (the "Default Option") has been designated by the Trustee, and this is where all new members are directed in the absence of an active member decision. This assumes members drawdown income at retirement and has been put in place following consideration of the UKSPP's membership, the risks associated with investment and after taking advice from Aon.

The three asset allocation strategies use a blended fund structure which is white-labelled in order to provide the Trustee with the ability to change the composition and allocation to underlying funds. There are four white labelled funds: Growth Fund, Transition Fund, Pre-Retirement Fund and Cash Fund.

The Trustee regularly reviews the appropriateness of the default arrangements, including the Default Option and the two alternative asset allocation strategies. This includes a review of the constituent funds and the Trustee may make changes from time to time. Members are advised accordingly of any changes.

Details of the Default Option and the two alternative asset allocation strategies are provided below.

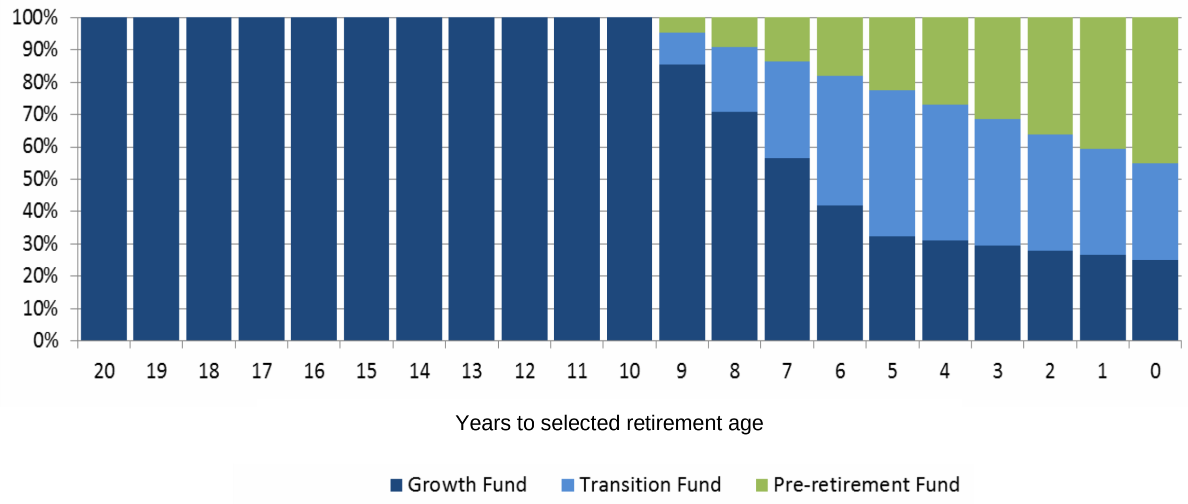
Drawdown Lifestyle Approach (The Default Option)

The Default Option ('the Drawdown Lifestyle Approach') is a lifestyle profile with three phases: a growth phase, a transition phase and a pre-retirement phase. In the 'growth' phase the Default Option aims to provide real growth (in excess of inflation) over the long term. During the 'transition' phase, investment risk is reduced as growth investments are gradually switched into lower risk investments as members start to approach retirement, whilst still aiming to achieve returns above inflation. Finally, the 'pre-retirement' phase moves members into lower risk assets as they near retirement and aims to manage the risks faced by members in the period immediately prior to retirement. At a member's selected retirement date, the member's investments are invested across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments.

The transition from the Growth Fund starts ten years from a member's selected retirement age. Lower risk investments (the Transition Fund and the Pre-Retirement Fund) are then gradually introduced over the transition and pre-retirement phase.

This structure is summarised in the chart below.

UKSPP – Drawdown Lifestyle Strategy



In setting the default strategy, the Trustee has reviewed the extent to which the expected return on investments (after deduction of any charges related to those investments) is consistent with the objectives of the strategy, which is broadly to provide an appropriate risk/return profile given the needs of members.

Annuity Purchase Lifestyle Approach

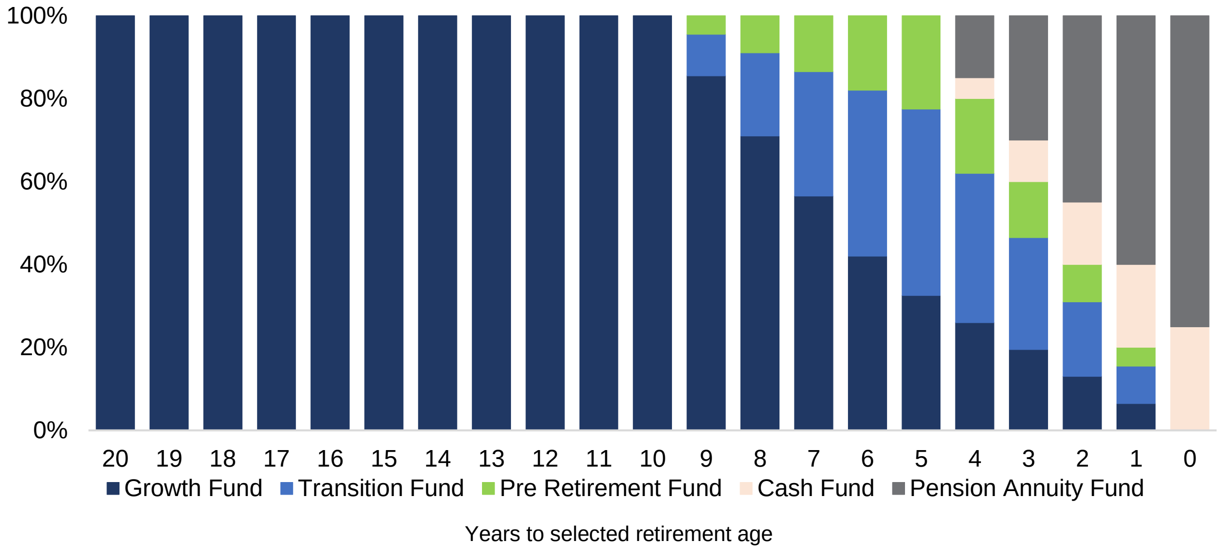
For members that wish to take their benefits as an annuity at retirement, the Trustee has put in place the Annuity Purchase Lifestyle Approach.

This investment option is a lifestyle profile with four phases: a growth phase, a transition phase, a pre-retirement phase and an annuity/cash phase. The 'growth' phase aims to provide real growth (in excess of inflation) over the long term. The 'transition' phase aims to reduce the investment risk as members start to approach retirement, whilst still aiming to achieve returns above inflation. The 'pre-retirement' phase moves members into lower risk investments as they approach retirement. The final 'annuity/cash' phase aims to protect the value of the investments relative to movements in annuity prices and cash.

The transition from the Growth Fund starts 10 years from a member's selected retirement age, consistent with the default lifestyle, at which point assets are gradually switched into the Transition Fund and the Pre-Retirement Fund. The Pension Annuity Fund and the Cash Fund are introduced five years from a member's selected retirement age to protect the member's tax-free cash entitlement and the value of the investments relative to movements in annuity prices.

This structure is summarised in the chart below.

UKSPP – Annuity Lifestyle Strategy



Cash Lifestyle Approach

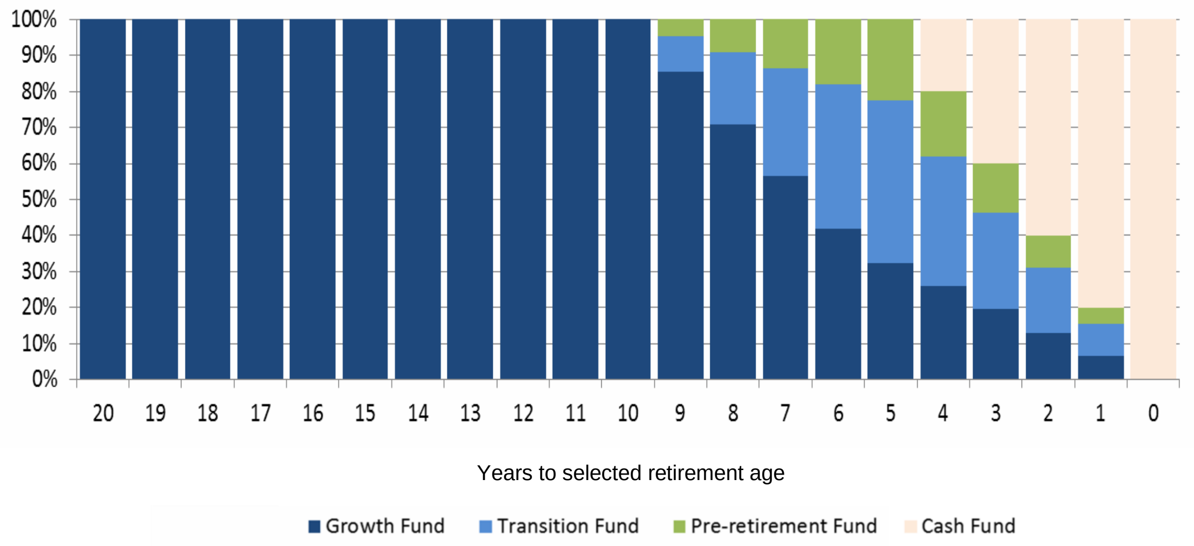
For members that wish to take their benefits as cash at retirement, the Trustee has put in place the Cash Lifestyle Approach.

This investment option is a lifestyle profile with four phases: a growth phase, a transition phase, a pre-retirement phase and a cash phase. The 'growth' phase aims to provide real growth (in excess of inflation) over the long term. The 'transition' phase aims to reduce the investment risk as members start to approach retirement, whilst still aiming to achieve returns above inflation. The 'pre-retirement' phase moves members into lower risk investments as they near retirement. The final 'cash' phase aims to provide members with similar risk and return characteristics on their investments to cash.

The transition from the Growth Fund starts 10 years from a member's selected retirement age and assets are gradually switched into the Transition Fund and Pre-Retirement Fund. The Cash Fund is introduced five years from a member's selected retirement age to protect the member's tax-free cash entitlement.

This structure is summarised in the chart below.

UKSPP – Cash Lifestyle Strategy



7. Choosing Investments

The investment options offered to members are deemed appropriate, given the nature of the membership.

The Trustee has put in place the Default Option in acknowledgement that some members will be unwilling or feel unable to make investment choices. A Default Option is also a requirement, as the UKSPP is an automatic enrolment qualifying scheme. However, a choice of alternative asset allocation strategies as well as stand-alone funds are offered so members can tailor their investment selections, to meet their requirements, if they so wish.

Day to day selection of stocks is delegated to the investment managers appointed by the Trustee. The Trustee takes professional advice when formally reviewing the investment manager or funds offered to members.

8. Arrangements with investment managers

The Trustee monitors those investments used by the UKSPP to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies as set out in the Statement of Investment Principles, including those related to environmental, social and governance matters that may have a financial impact on the investment returns and risk (including financial risk from climate change).

This includes having policies in place to monitor the extent to which the investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment advisor.

Details of the arrangements for each underlying investment manager are set out in legal agreements between the investment managers and the platform provider, Fidelity. The Trustee does not have any legal contracts with underlying investment managers, however, investment managers are selected and monitored by the Trustee and the Trustee engages with investment managers directly during the selection, monitoring and review processes. Recognising that the Trustee does not contract directly with the underlying managers, the Trustee will seek to express its expectations to the investment managers by other means, such as in writing, or verbally at Trustee meetings to try to achieve greater alignment.

The Trustee shares its policies, as set out in this SIP, with the UKSPP’s investment managers and with any new investment manager prior to appointment. The Trustee requests that the investment managers, including any new investment managers, review and confirm whether their approach is materially aligned with the Trustee's policies.

The Trustee believes that setting clear objectives for the investment strategy, having a robust process for selecting managers, having appropriate governing documentation, setting clear expectations to the investment managers and undertaking regular monitoring of investment managers’ performance and investment strategy, is generally sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies.

Where investment managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the investment manager and may ultimately remove or replace the investment manager.

There is typically no set duration for arrangements with the investment managers, although the continued appointment for investment managers will be reviewed periodically, and at least every three years as part of the regular investment strategy review.

9. Potential Risks

The main areas of risk with this type of arrangement are as follows:

Market fluctuations – where unit linked policies are used, the value of policies allocated for member benefits may fluctuate with the movement in the underlying asset values. This means that, at a member’s retirement, there is the possibility that the fund will have to be realised at an inopportune time to provide retirement benefits. The UKSPP rules allow a degree of flexibility when benefit payments may start, helping to mitigate the risk of a member having to take benefits at an inopportune time. For those members invested in the Default Option and alternative asset allocation strategies, members' funds will automatically be switched into lower risk funds, as described above, as they approach retirement with the aim of reducing market volatility. Where members are making their own investment choices, it should be noted that the risk profile of the members' assets will be affected by their choice of funds, and that the range of funds that are available includes funds that are aimed at offering relative security as retirement approaches.

Annuity purchase – the rates applied when pension funds are used to buy annuities may be more expensive than anticipated and the more expensive annuity rates could coincide with a time when retirement funds have lost value due to market fluctuations, as described above. Again, UKSPP rules allow flexibility in the timing of when benefit payments may start for a member, to help reduce the impact of this risk. In addition, for those members invested in the Annuity Purchase Lifestyle Approach, members' funds will automatically be switched into the Pension Annuity Fund as they near retirement, with the aim of protecting the level of the benefits that will be provided.

Inflation – the absolute return on investments and hence the value of the pension policy may be diminished by inflation. To help mitigate this risk, a range of funds is offered including growth funds which aim to provide real growth (in excess of inflation) over the long term.

Assets may not be readily realisable – a member may want to use policy proceeds for benefits at a time when there may be a delay in realisation (mainly related to investments in property-based funds). The fund options available, however, enable members to link their policies to more liquid investments as they approach retirement.

10. Custody

Investment in pooled funds gives the Trustee rights to the cash value of the units rather than to the underlying assets. The underlying investment manager of each of the pooled funds is responsible for the appointment and monitoring of the custodian of the fund's assets.

11. Expected Returns on Assets

Over the long-term the Trustee's expectations are:

- For units representing "growth" assets (UK equities, overseas equities, multi-asset funds and property), to achieve a real return (in excess of inflation) over the long term. The Trustee considers short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long-term equities will outperform the other major asset classes.
- For units representing monetary assets (UK bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing fixed income annuities.
- For units representing inflation linked assets (UK index-linked bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing real annuities that increase in line with inflation;
- For units representing cash, to protect the capital value of the investment and achieve a rate of return in line with money market interest rates.

Returns achieved by the investment manager are assessed against performance benchmarks set by the Trustee in consultation with its investment advisor and the investment manager.

12. Self-Select Arrangements

Members who wish to make their own arrangements from the funds available under the UKSPP can do so by choosing a different option to the Default Option. This is called the "Self-Select" option.

13. Realisation of Investment / Liquidity

The Trustee recognises that there is a risk of holding assets that cannot easily be realised should the need arise. The majority of assets held on behalf of members are realisable at short notice (through the sale of units in pooled funds).

14. Responsible Investment

The term Responsible Investment does not have a common, universal definition and in practice is used in a number of different circumstances with different meanings. For the purpose of this Statement, the following distinction is made:

ESG	Responsible Investment	Responsible Ownership
This refers to the three groups of factors, environmental, social and governance, that are relevant to measure the sustainability and impact of an investment. The constituent factors are many and can vary across sectors and vendors. Current examples include: • Environmental: climate change, natural resources, pollution & waste, water use and biodiversity. • Social: human capital, product liability, stakeholder opposition and social opportunities. • Governance: corporate governance including board structure, executive remuneration and diversity and corporate behaviour.	An approach to investing and ownership that seeks to act as a Responsible Owner and include ESG factors into investment analysis and decision making, to better manage financial and reputational risk and generate sustainable long-term financial value.	This is a sub-set of Responsible Investment and relates mainly to exercising one's rights as an owner of assets (for example voting and engagement) rather than remaining on the sidelines. The Trustee believes it is important for both the Trustee to engage with investment managers, and for investment managers to provide information and report on their voting and engagement activities for the funds in which the UKSPP invests.

The Trustee manages the UKSPP investments with the aim of providing positive retirement outcomes for members. It believes that Responsible Investment, as defined above, is key to achieving long term sustainable returns and that adopting a Responsible Investment approach is likely to improve risk-adjusted returns.

These considerations include the belief that ESG factors, including climate change, are likely to be financially material and the risk that these factors may impact the value of investments held over a time frame relevant to members' finances. The Trustee will consider these risks and take advice from its investment advisor with regard to investment strategy including setting investment objectives, selecting asset classes and investment managers, ongoing monitoring of performance and assessment of future risks.

The Trustee believes that climate change (in the form of societal energy transition changes) is likely to impact on returns over a time frame relevant to members' finances.

The Trustee believes that poorly governed companies are more likely to underperform.

The Trustee also believes that investments that have a negative social impact are likely to generate lower risk-adjusted financial returns.

Reflecting these beliefs, the Default Option and alternative asset allocation strategies allocate a proportion of members' investments to a passive equity fund that incorporates an ESG screen, with the overall objective to helping to manage the risks associated with climate change. The Trustee believes the inclusion of an ESG screen will help manage risks for members but without materially impacting the expected return and risk profile of the Default Option and alternative asset allocation strategies.

In setting and implementing the UKSPP's investment strategy, the Trustee has not considered those non-financial factors that are not expected to be material for financial risk or return within the Default Option and the alternative lifestyle strategies. The term non-financial factors means the views of the members, including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life. To the extent that these topics are financially relevant, they are taken into account in the investment strategy including the selection of investment managers.

However, the Trustee considers member choice is important, and so a suitable range of funds is offered within the self-select options, including where members wish to express a values-based preference in their pension saving. This includes an actively managed global equity fund, which focuses on providing a positive ESG impact alongside a financial objective. The Trustee also makes available a passive global equity fund, which incorporates an ESG screen that aims to improve the average ESG score by removing companies that may have a negative social impact or do not meet the principles of the UN Global Compact.

The Trustee's investment strategy is implemented through a range of pooled funds that are managed by a range of investment managers. By investing in this way, the Trustee recognises that the day to day responsibility for Responsible Investment is delegated to the investment managers on the Trustee's behalf. The Trustee further recognises that for investments that are passively managed (i.e. invest in line with a benchmark), Responsible Investment activities will be predominantly focussed on voting and engagement.

The Trustee believes it is important that it acts as a responsible asset owner and that its investment managers are engaged with the underlying companies and assets in which the UKSPP invests to ensure high standards of governance and promotion of corporate responsibility. The Trustee believes it is important to act as a long-term investor, as this ultimately creates long-term financial value for the UKSPP members.

The Trustee will regularly review the continuing suitability of the appointed investment managers and take advice from its investment advisor with regard to any changes. With the support of its advisors, the Trustee will:

- Monitor each investment manager's policies and activities with regard to Responsible Investment through regular reporting on the ratings for the investment managers provided by its investment advisor;
- Receive updates from the underlying investment managers on their policies and activities in these areas, including practical examples of the implementation of these policies and ongoing stewardship, through presentations and reports; and
- Monitor whether each investment manager is signed up to the UN Global Compact principles.

Consideration of the above will also form part of the due diligence process when selecting new investment managers.

If an incumbent investment manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee will typically first engage with the investment manager and may ultimately remove or replace the investment manager.

As part of their delegated responsibilities, the Trustee will expect the UKSPP’s investment managers to:

- where appropriate, engage with investee companies, including in relation to ESG, with the aim to protect and enhance the value of assets; and

- exercise the Trustee's voting rights in relation to the UKSPP’s assets.

The Trustee reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. This will be reported on in the UKSPP's annual Implementation Statement. The Trustee will review the alignment of its policies to those of the UKSPP’s investment managers and ensure its investment managers use their influence as major institutional investors, where possible, to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance and accountability.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. With regard to transparency over voting, the Trustee expects to receive reporting on voting actions and rationale for those votes, where relevant to the UKSPP; in particular, where votes were cast against management or where votes were abstained. This will take the format of annual reporting.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an investment manager. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure and management of actual or potential conflicts of interest.

15. Costs and transparency

The Trustee is aware of the importance of monitoring its investment managers' total costs and the impact these costs can have on the overall value of members' assets. Consequently, the Trustee believes it is important to understand all the different costs and charges which are paid by members. These include:

- The annual management charge paid to the manager of each fund, where available, included within the overall Total Expense Ratio ("TER");
- The annual management charge paid to Fidelity for the investment platform and administration services for each fund, included within the TER;
- Any additional charges incurred, such as additional fund expenses, with these being considered in respect of each fund in isolation; and
- The amount of portfolio turnover costs (transaction costs) borne within a fund.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers. The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the fund's portfolio. These are incurred on an ongoing basis and are implicit within the performance of each fund.

The member borne costs of the UKSPP, as described above, are met through annual charges on the funds in which the UKSPP members are invested; these charges are calculated on a percentage of the value of the assets. The Trustee collects information on all the member-borne costs and charges on an annual basis, where available, and sets these out in the Annual Chair's Statement regarding DC Governance (the "Annual Chair's Statement"), which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. However, the Trustee expects its investment advisor to highlight if these costs and charges appear unreasonable when they are collected as part of the Annual Chair's Statement. Having reviewed each fund's costs, the Trustee, with the support of its investment advisor, will then consider whether any action is required which might include additional investigation, escalating concerns to the investment manager and ultimately removing the fund from the fund range.

It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate its investment managers. The Trustee believes that active investment managers can add value, net of fees, for some asset classes and asset strategies. It is therefore comfortable with the inclusion of some actively managed funds in the Default Option, the two alternative asset allocation strategies and in the self-select range. Passively managed funds are also used in the Default Option and the two alternative asset allocation strategies and are made available in the self-select range.

Other costs of providing the UKSPP, including advisor costs, are not charged to the members, but are met by the Employer. The Trustee's investment advisors are paid for advice received either on a time-cost basis, or on a pre-agreed fixed fee basis.

16. Effective Decision Making

The Trustee recognises that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustee also recognises that where it takes investment decisions (for example, when making changes to the default arrangements or the funds available through the Self Select option) it must have sufficient expertise and appropriate training to be able to evaluate critically any advice it takes.

17. Additional Voluntary Contribution Arrangements

Some members obtain further benefits by paying extra contributions (Additional Voluntary Contributions or AVCs) to the UKSPP. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. All funds made available to members are open to AVCs.

From time to time the Trustee will review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

18. Employer's Reserve

All funds held by the UKSPP that are not attributable to members' UKSPP Accounts are notionally allocated to the Employer's Reserve. The Employer's Reserve may be used to offset future contributions or pay UKSPP expenses, as directed by the Principal Employer. The Trustee will invest the Employer's Reserve in cash (or cash like investments) – either the Trustee's bank account or the Cash Fund.

19. Timing of Periodic Review

The Trustee will review the UKSPP's investment options for members including the default arrangements annually and whenever it believes there to be a significant change in the UKSPP's circumstances. The Trustee will consult its advisors for a major review of the arrangements.