

UK SHELL PENSION PLAN

Annual Report of the Trustee

and

Financial Statements for the Year Ended

31 December 2023

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## Trustee and Advisors

**Trustee:** UK Shell Pension Plan Trust Limited  
**Registered Office:** Shell Centre, London SE1 7NA

**Company Nominated Directors (CNDs) during the year ended 31 December 2023 and to the date of this report (except as noted):**

Mr D Bunch                      Chair  
Mr A Howard  
Mr B Kotecha

**Member Nominated Directors (MNDs) during the year ended 31 December 2023 and to the date of this report (except as noted):**

Mr N Lucas                      Resigned on 31 May 2023  
Ms E Powell  
Mr S Critchlow                  Appointed on 1 June 2023

**Secretary to the Trustee Company:** Ms A J Burston, Pensions Manager, Trustee Services Unit, Shell International Limited, Shell Centre, London SE1 7NA

**Independent Auditor:** Ernst & Young LLP, R+, 2 Blagrove Street, Reading, RG1 1AZ

**Legal Advisors:** Shell International Limited, Shell Centre, London, SE1 7NA  
Sackers & Partners LLP, 20 Gresham Street, London, EC2 7JE

**Investment Manager:** FIL Life Insurance Ltd ('Fidelity'), Windmill Court, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP

**Investment Advisor:** Aon Consulting, The Aon Centre, The Leadenhall Building, 13th Floor, 122 Leadenhall Street, London EC3V 4AN

**Bankers:** Citibank NA London, 25 Canada Square, Canary Wharf, London E14 5LB, UK

**Name and address for enquiries:** The day to day administration of the Plan is under the control of FIL Life Insurance Ltd ('Fidelity'). Contact details for general enquiries about the Plan and individual enquiries regarding entitlement are as follows:

**Website:** [www.fidelitypensions.co.uk](http://www.fidelitypensions.co.uk)  
**Email:** [pensions.service@fil.com](mailto:pensions.service@fil.com)  
**Telephone:** 0800 3 68 68 69 (UK only),  
(+44) 1737 838585 (outside of the UK)  
**Address:** Fidelity Investment Management Ltd,  
Kingswood Fields, Millfield, Lower Kingswood,  
Tadworth, Surrey, KT20 6RP

## Report of the Trustee

### Introduction

The Trustee presents the following annual report of the UK Shell Pension Plan ("the Plan") covering the year 2023, together with the financial statements and supporting schedules for the year ended 31 December 2023.

### Constitution

The Plan is governed by a Trust Deed and Rules dated 29 January 2013 and is a defined contribution plan providing benefits for employees and former employees of the Principal Employer and Participating Employers. The Plan is registered under the Finance Act 2004.

### Management of the Plan

The UK Shell Pension Plan Trust Limited ("UKSPPTL") has been appointed as the sole corporate Trustee of the Plan.

In accordance with the requirements of the Pensions Act 2004, three of the Directors of UKSPPTL (CNDs) are appointed by SPCo representing the sponsoring employers and two of the Directors (MNDs) are appointed using a member nomination and selection panel process. Members can nominate themselves as candidates and are then selected by a panel including the Chairman, a Member Nominated Director and a member of the Plan.

### Trustee Board Attendance Record

The Directors had four scheduled Board meetings during the year. A summary of the Board Meeting attendance record for 2023 is shown in the table below.

<u>Trustees/Directors</u>	<u>Board Meetings</u>
D Bunch	4/4
S Critchlow	3/3
A Howard	4/4
B Kotecha	4/4
N Lucas	1/1
E Powell	2/4

A/T = number of meetings attended/total number of meetings possible to attend.

N Lucas has resigned in May 2023, therefore attended only one out of 1 Board meeting.

S Critchlow was appointed in June 2023. He attended three out of 3 Board meetings.

E Powell was on maternity leave. She has attended two out of 4 Board meetings.

## Risk Assessment

The Trustee is responsible for risk management for the Plan and for the underlying controls mitigating identified risks. A Risk Register is in place, which is updated on a regular basis in response to changes in the global pension environment and to the Plan in particular. The risk management process is designed to manage, rather than to eliminate, the risk of error, loss or failure to comply with regulatory requirements.

## Trust Deed and Rules

There were no amendments made during 2023 to the Trust Deed of the Plan.

## Plan Membership

Details of the current membership of the Plan are given below:

	Employed Members	Deferred Members	Total Members
<b>Members at 31 December 2022</b>	<b>3,088</b>	<b>1,494</b>	<b>4,582</b>
Timing Adjustment*	27	1	28
Plus New Entrants	983	-	983
Less Leavers with deferred benefits	(207)	210	3
Less No Liability:			
Retirements	-	(5)	(5)
Deaths/Ceased	(1)	(1)	(2)
Leavers/Opt outs (refunds)	(26)	-	(26)
Leavers/Opt outs (No Contributions)	(24)	-	(24)
Transfers-out	-	(76)	(76)
<b>Members at 31 December 2023</b>	<b>3,840</b>	<b>1,623</b>	<b>5,463</b>

\*These are system updates made to a member's status with an effective date within the previous reporting period but processed by Fidelity outside of the reporting period.

## Conflicts of Interest and Duty

There is a Protocol on Conflicts of Interests and Duty for the Trustees, as well as a Conflicts of Interest Register.

## Participating Employers of the Plan

As at 31<sup>st</sup> December 2023, the UK Shell Pension Plan had 83 participating employers. There were no changes to the participating employers of the Plan in the year.

## Member Communications

Fidelity provides a website, PlanViewer, for all members to access their personal account and Plan information online.

Copies of the Trust Deed and Rules of the Plan are made available to members of the Plan on request. UK Shell Pension Plan explanatory booklets, (Your Plan Explained, Your Contributions Explained and Your Investment Choices) are sent to members on joining and are also available via PlanViewer. Fidelity also send emails to members welcoming them when they join, when they leave the Plan and to those aged 54 and over, with educational messages about their retirement options. The Annual Report and Financial Statements are also made available on PlanViewer. The Statement of Investment Principles is published on the Plan's website.

An annual newsletter is also sent to members in Q1 which provides them with Plan information and pension news.

Employed members of the Plan have access to the Shell MyBenefits tool to increase or decrease their contribution rate, make AVCs or opt in or out of Salary Sacrifice.

## Data Protection

The Trustee is registered under the Data Protection Act 1998 to hold information necessary for the management of the Plan and has updated its data protection compliance in line with the General Data Protection Regulation and the Data Protection Act 2018 and adopted a data protection policy.

## Financial Development of the Plan

The financial statements have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Normal contributions were received on a monthly basis and were payable in accordance with the Payment Schedule.

Members of the plan are divided into Category A, who can participate in the salary sacrifice arrangement and Category B and C, who are not eligible to become salary sacrifice pension members.

### Category A Members

Employees who participate in the salary sacrifice arrangement make no contributions to the Plan. Indirect contributions are made via salary sacrifice. For employees who participate in the salary sacrifice arrangement the employer contributions are 20% or 27.5%. These rates include the element relating to the employees' indirect contributions.

Employees who do not participate in the salary sacrifice arrangement contribute 5% or 7.5% of pensionable salary (depending on their choice) and for these employees the employers contribute 1.5% or 20% respectively.

Category B Members

Employees contribute 5% of pensionable salary and for these employees the employers contribute 4%.

Category C Members

The employee contribution rate is 5% based on their Qualifying Earnings and for these employees the employers contribute 3%.

The financial development of the Plan during the year is shown below:

	£'000
Contributions and other receipts	83,163
Benefits paid and other expenses	(8,901)
<b>Net additions from dealings with members</b>	<b>74,262</b>
Net returns on investments	54,011
Net assets at start of year	396,271
<b>Net assets at end of year</b>	<b>524,544</b>

**External Factors Impacting the Plan in 2023**

In February 2022 Russia invaded Ukraine and economic sanctions were subsequently imposed on Russia and Belarus. The Trustees have deemed the risk posed by this crisis to the Plan to be remote. This conclusion has been reached considering the plan assets held within the Plan linked to Russian equities.

**Investment Management**

The Plan's investments are held through an investment platform with FIL Life Insurance Limited ('Fidelity'), part of Fidelity Worldwide Investments. This arrangement allows a range of investment funds and managers to be offered to the Plan membership under the overall management of Fidelity.

The current Default Investment Option, called the Drawdown Lifestyle, was introduced in April 2015. Members also have access to two other lifestyle strategies (Annuity Lifestyle and the Cash Lifestyle) and 13 self-select funds, all of which are managed by underlying investment managers. On joining the Plan, members automatically invest in the Drawdown Lifestyle approach, which in 2018 was initially made up of five white labelled funds, updated to three white labelled funds under the SIP effective from 26<sup>th</sup> April 2018. The approach moves a member's investment into the different funds dependent on the member's time to retirement. Members have the choice to stay in the Drawdown Lifestyle, switch to either of the two other lifestyle strategies or to self-select from the 13 other funds.

The Trustee conducted an Investment Strategy Review in 2021 and the make up of the three white labelled funds was updated, also two self select funds were removed and two new funds were introduced to the range (see Investment Performance).

While Fidelity is responsible for the management of the Plan's investments, overall responsibility for investments and their performance lies with the Trustee.

## Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, the Trustee has produced a Statement of Investment Principles.

The Statement is required by law and summarises how the Trustee:

- sets the investment policy and chooses the most suitable types of investments for the Plan;
- delegates buying and selling investments to the Plan's investment managers;
- monitors the investment managers and the performance of the Plan's investments.

The Statement includes a section on social, environmental and ethical considerations.

The Statement of Investment Principles for the Default Option can be found on page 31 of this report. Copies of the full Statement of Investment Principles are available on request from the Secretary to the Trustee at the address on page 2 of this report or can be found on the Shell pensions website <https://pensions.shell.co.uk/pension-plan.html>.

## 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 that appointment and monitoring of the custodian of the fund's assets.

## Marketability of Investments

At the year end investments are considered to be marketable on a short-term basis.

## Review of Investment Performance

The performance of the Investment Manager is compared with benchmarks in the report from Fidelity contained on page 11 of this report.

## Employer-related Investments

Details of employer-related investments are given in Note 17 to the Financial Statements.



## Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an annual report. The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

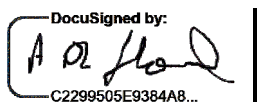
The Trustee is responsible under pensions legislation for securing that a Payment Schedule is prepared, maintained and from time to time revised showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the employer in accordance with the Payment Schedule.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

For: UK Shell Pension Plan Trust Limited

Director  E7F231A9AE85477...

Director  C2299505E9384A8...

Date: 26 June 2024

## Investment report

The Plan holds units in the following funds, supported by the Fidelity Platform, in accordance with the provisions of a policy with FIL Life Insurance Limited.

The distribution of the Plan's assets as at 31 December 2023 is shown below.

Fund Name	Value £'000	2023 %	2022 %
<b>Funds that make up the Lifestyle Strategies</b>			
Growth Fund	466,746	89.1%	89.6%
Transition Fund	16,705	3.1%	3.1%
Pre-Retirement Fund	11,555	2.2%	2.0%
Pension Annuity Fund	1,362	0.3%	0.3%
Cash Fund	1,027	0.2%	0.2%
<b>Self Select Funds</b>			
BlackRock World (ex-UK) Equity Index Fund	7,970	1.4%	1.3%
HSBC Islamic Global Equity Index Fund	7,335	1.4%	1.1%
BlackRock Cash Fund	2,475	0.5%	0.8%
Mellon Long Term Global Equity Fund	2,421	0.5%	0.4%
BlackRock UK Equity Index Fund	2,031	0.4%	0.4%
BlackRock Emerging Markets Index Fund	1,458	0.3%	0.3%
BlackRock World Multifactor ESG Equity Tracker Fund	1,391	0.3%	0.1%
BlackRock Aquila Life Market Advantage Fund	537	0.1%	0.1%
Threadneedle Property Fund	412	0.1%	0.1%
RBC Global Focus Equity Fund	339	0.1%	0.1%
BlackRock Over 5 Years Index Linked Gilt Fund	166	0.0%*	0.1%
BlackRock Absolute Return Bond Fund	132	0.0%*	0.0%*
Fidelity Pensions Annuity Fund	25	0.0%*	0.0%*
	524,087	100.0%	100.0%

\* investments are shown as having 0.0% holdings due to rounding

### Lifestyle Strategies

There are three Lifestyle strategies available in the Plan:

1. The Drawdown Lifestyle (the default strategy)
2. The Annuity Lifestyle
3. The Cash Lifestyle

In the Drawdown Lifestyle approach (the default) member's pension accounts are switched between the following funds as they approach their retirement date.

- The Growth Fund
- The Transition Fund
- The Pre-Retirement Fund

In the Annuity Lifestyle approach member's pension accounts are switched between the following funds as they approach their retirement date.

- The Growth Fund
- The Transition Fund
- The Pre-Retirement Fund
- Pension Annuity Fund
- The Cash Fund

In the Cash Lifestyle approach member's pension accounts are switched between the following funds as they approach their retirement date.

- The Growth Fund
- The Transition Fund
- The Pre-Retirement Fund
- The Cash Fund

A comparison of performance (shown gross of fees) against agreed benchmarks for the year 2023 is shown on the next page.

## Performance – Fidelity

Fund Name and Agreed Benchmark	2023 %	3 Yearly (% p.a.)	5 Yearly (% p.a.)
<b>Growth Fund</b>	<b>13.0</b>	<b>8.4</b>	<b>10.5</b>
Combination <sup>1</sup>	12.8	8.1	10.3
<b>Transition Fund</b>	<b>8.8</b>	<b>2.9</b>	<b>4.2</b>
Combination <sup>2</sup>	9.2	4.3	3.8
<b>Pre-Retirement Fund</b>	<b>4.0</b>	<b>-5.3</b>	<b>0.9</b>
Combination <sup>3</sup>	5.8	-4.0	1.4
<b>Cash Fund</b>	<b>4.8</b>	<b>2.1</b>	<b>1.5</b>
SONIA	4.6	2.0	1.3
<b>Pension Annuity Fund</b>	<b>6.2</b>	<b>-8.5</b>	<b>-1.0</b>
FTSE A UK Gilts Over 15 Years (TR)	6.2	-8.7	-1.8
<b>BlackRock World (ex-UK) Equity Index Fund</b>	<b>18.6</b>	<b>9.8</b>	<b>13.4</b>
FTSE All-World Developed ex-UK Index	18.6	9.6	13.1
<b>HSBC Islamic Global Equity Index Fund</b>	<b>27.7</b>	<b>8.9</b>	<b>15.6</b>
DJ Islamic Market Titans 100 (TR)	27.5	8.7	15.5
<b>Mellon Long Term Global Equity Fund</b>	<b>15.7</b>	<b>8.5</b>	<b>13.1</b>
FTSE AW World Index	15.8	8.8	11.8
<b>BlackRock UK Equity Index Fund</b>	<b>6.6</b>	<b>7.9</b>	<b>6.2</b>
FTSE All-Share Index	6.7	7.9	6.2
<b>BlackRock Emerging Markets Index Fund</b>	<b>3.1</b>	<b>-3.3</b>	<b>3.4</b>
MSCI Emerging Market Index	3.5	-3.0	3.6
<b>BlackRock Cash Fund</b>	<b>4.7</b>	<b>2.0</b>	<b>1.4</b>
SONIA	4.7	2.0	1.3
<b>Threadneedle Property Fund</b>	<b>0.2</b>	<b>2.9</b>	<b>1.6</b>
AREF/IPD UK Quarterly Property Fund	-1.4	2.1	1.3
<b>BlackRock Over 5 Years Index Linked Gilt Fund</b>	<b>0.4</b>	<b>-13.4</b>	<b>-4.9</b>
FTSE A UK Index-Linked Over 5 Years Index	0.2	-13.5	-4.9
<b>BlackRock Aquila Life Market Advantage Fund</b>	<b>7.5</b>	<b>-0.5</b>	<b>2.1</b>
3-month compounded SONIA	5.1	2.4	1.6
<b>BlackRock World Multifactor ESG Equity Tracker Fund*</b>	<b>14.5</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Select Multiple Factor ESG Low Carbon Target Index	13.9	n/a	n/a
<b>RBC Global Focus Equity Fund*</b>	<b>5.1</b>	<b>n/a</b>	<b>n/a</b>
MSCI World Total Return Net Index	16.8	n/a	n/a
<b>BlackRock Absolute Return Bond Fund</b>	<b>1.7</b>	<b>0.8</b>	<b>2.2</b>
3-month compounded SONIA	5.1	2.4	1.6
<b>Fidelity Pension Annuity Fund</b>	<b>6.2</b>	<b>-8.5</b>	<b>-1.0</b>
FTSE A UK Gilts Over 15 Years (TR)	6.2	-8.7	-1.8

<sup>1</sup> From October 2021 the growth phase is the combination of the following funds: 37% BlackRock World (ex UK) Equity Index Fund; 3.5% BlackRock UK Equity Index Fund; 9% BlackRock Emerging Markets Index Fund; 10% Threadneedle Property Fund; 40.5% BlackRock ACS World Multifactor ESG Equity Tracker Fund

<sup>2</sup> From October 2021, the transition phase is the combination of the following funds: 25.0% in the BlackRock Absolute Return Bond Fund; 20.0% BlackRock Aquila Life Market Advantage Fund; 3.0% BlackRock Emerging Markets Index Fund; 1.2% BlackRock UK Equity Index Fund; 25.0% M&G Total Return Credit Fund; 12.3% BlackRock World (ex UK) Equity Index Fund; 13.5% BlackRock ACS World Multifactor ESG Equity Tracker Fund

<sup>3</sup> From October 2021 the pre-retirement phase is the combination of the following funds: 33.3% Fidelity Institutional UK Aggregate Bond Fund; 33.3% BlackRock Absolute Return Bond Fund; 16.7% L&G All Stocks Gilts Index Fund; 16.7% L&G All Stocks Index-Linked Gilts Fund

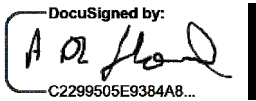
\* The BlackRock World Multifactor ESG Equity Tracker Fund & RBC Global Focus Equity Fund were added to the Plan in Q3 2021

Performance is calculated on a Net Asset Value basis, net of fees.

Some funds are designed to track their benchmark whilst others are designed to out-perform their benchmark (but as a result also carry a risk of underperforming against the benchmark). The performance target for each fund can be found on the PlanViewer website.

Detailed quarterly investment review reports are available for members to access on the PlanViewer website.

Director  E7F231A9AE85477...

Director  C2299505E9384A8...

Date: 26 June 2024

## Annual Chair's Statement

### Annual Chair's Statement for the UK Shell Pension Plan ("the Plan")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") requires the Trustee to prepare an annual statement regarding governance and include this in the annual Trustee report and accounts. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement issued by the Trustee covers the period from 1 January 2023 to 31 December 2023 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

1. The Default arrangements
2. Net investment returns
3. Member borne charges and transaction costs
  - i. Default arrangement
  - ii. Self-select funds
  - iii. Illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Processing of core financial transactions
6. Trustee knowledge and understanding

#### 1. The Default Arrangements

*The Trustee is required to design the default arrangements in members' interests and keep them under review. The Trustee needs to set out the aims and objectives of the default arrangements and take account of the level of costs and the risk profile that are appropriate for the Plan's membership.*

The Plan is used as a Qualifying Scheme for auto-enrolment purposes.

The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the Plan's primary default arrangement, the 'Drawdown Lifestyle Approach' and other default arrangements.

The Drawdown Lifestyle Approach (the "**Primary Default**") is primarily provided for members who join the Plan and do not choose an investment option for their contributions and are looking to take their retirement savings through income drawdown in retirement.

The other lifestyle strategies – the Annuity Purchase Lifestyle Approach and the Cash Lifestyle Approach – also contain members' funds where no active decision has been taken to invest in that option. Therefore, these are also considered "default" strategies for the purposes of legislation.

Furthermore, the cash fund option offered to members of the UKSPP is also considered a "default" arrangement, as defined in legislation. This is because 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, 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 Trustee has agreed that the cash fund option may be used for the redirection of members' future contributions and existing assets.

Details of the objectives and the Trustee's policies regarding the default arrangements can be found in a document called the 'Statement of Investment Principles' (SIP). The Plan's SIP is attached; however, the aims are set out here for ease of reference:

- "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, taking into account the profile of membership.

### Investment strategy review

The default arrangement was not formally reviewed during the period covering this statement.

An investment strategy review, including a review of the default arrangements, is undertaken at least every three years, or following any significant changes in the demographic profile of the Plan members, which is in line with the Regulatory requirements.

The last investment strategy review, which included a review of the Primary Default arrangement, was completed on 16 June 2021. The review analysed the membership profile of the Plan and took into account factors such as age, salary, contribution level, accumulated fund values and term to retirement to identify different types of members in order to test alternative investment strategies. The analysis included multiple simulations of future economic and investment scenarios and considered the various options members have regarding the way in which they draw their benefits in retirement. The Trustee took advice from its investment consultant, Aon, on all these aspects. Subsequently, the changes were implemented by Fidelity during September and October 2021.

As part of the investment strategy review, the following areas were considered:

- Trustee's investment beliefs and priorities
- Meeting the needs of members
- Membership analysis
- Reviewing the defaults
- Reviewing the wider self-select fund range

The membership analysis involved the assessment of the Plan for any material change to the member demographics since the last strategy review and to consider projected fund values at retirement to ensure that the income drawdown portfolio as the target outcome at retirement, remained appropriate for the Primary Default strategy. The projected fund values and industry analysis continued to support a drawdown targeting investment strategy as the default lifestyle for the Plan based on relatively high projected fund values at retirement. The analysis also identified different representative members from the membership profile for modelling potential changes to the default strategy and for ongoing monitoring.

The next stage of the investment strategy review considered the blended funds used within the Primary Default and other default lifestyle strategies to ensure that they were delivering the necessary expected returns. The analysis showed that the current ten-year de-risking period provided a good balance between risk and reward. Moreover, the analysis suggested that the existing allocations to the blended funds used within the different phases of the default strategies remained appropriate. Therefore, no changes were made to the existing allocations of the blended funds underlying the default strategies at any stage of the lifestyle. However, changes to the underlying structures of the three blended funds – the Growth Fund, the Transition Fund, and the Pre-Retirement Fund – were made in order to improve the expected risk-adjusted returns from the default strategies.

Stochastic modelling of the default strategies was carried out by considering different asset allocation structures of the blended funds to analyse and compare the expected returns and volatilities of the existing default and alternative portfolios. The modelling results indicated that changes could be made to the funds to improve potential future returns.

For the Growth Fund (used within the growth phase of the default strategies), an allocation to multi-factor equities with an ESG screen was introduced through the BlackRock World Multifactor ESG Equity Tracker

Fund. Additionally, the existing UK bias of the fund was removed. For the purpose of setting a return target, CPI +4% p.a. was agreed as an achievable objective for the growth phase over the long term.

For the Transition Fund (used within the default strategies that starts to de-risk when members are ten years away from their selected retirement age), an allocation to multi-asset credit through the M&G Total Return Credit Investment Fund was introduced, while the Invesco Global Targeted Returns, the absolute-return style multi-asset fund, was removed and the allocation to the risk parity fund, the BlackRock Aquila Life Market Advantage Fund, was reduced. This was done to enhance the objective of the fund to provide growth for members alongside downside protection should markets experience volatility. A return target of CPI +2.5% p.a. at five years before retirement was agreed.

For the Pre-Retirement Fund, which has the highest allocation to the default strategies at retirement, the restructuring involved introducing an allocation to absolute return bonds through the BlackRock Absolute Return Bond Fund and reducing the allocation to index-linked gilts. Moreover, the duration of the gilts was shortened. These changes were made to improve the expected return and risk profile of the fund. For members at retirement, a return target of CPI + 1.5% p.a. was agreed.

For the Cash Fund it was recommended that the current structure be maintained, so no restructuring took place.

The Trustee is satisfied that the default arrangements for the Plan remain appropriate for the Plan's membership.

The next investment strategy review commenced in Q4 2023 and will continue into 2024.

The Trustee undertakes a formal review of the default arrangement every 3 years. The Terms of Reference for the next investment strategy review were agreed in Q4 2023, with the review itself commencing later in Q4 2023.

The latest Statement of Investment Principles for the Plan, updated in Q3 2021, is attached, which governs decisions about investments in the default arrangements.

### **Specified performance based-fees**

Where a fee is calculated by reference to the returns from investments held by the Plan and is not calculated by reference to the value of the member's rights under the Plan, the Trustee must state the amount of any such performance-based fees in relation to each default arrangement.

The Plan did not hold any funds where performance based-fees were calculated during the year to 31<sup>st</sup> December 2023.

### **Performance Monitoring**

The Trustee reviews the performance of the default arrangements against their aims and objectives as part of the investment strategy review and on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. The performance of the funds is reviewed against benchmarks and, where relevant, targets that have been agreed with the investment managers.

The Trustee reviews that took place in the year concluded that, although it had been a challenging year, the default arrangements were performing broadly as expected and in line with the aims and objectives of the strategies as shown in the SIP.

### **Default arrangement asset allocation**

The Trustee is required to disclose the full asset allocations of investments for each default arrangement. The table below shows the percentage of assets allocated in the default arrangement to specified asset classes over the year to 31 December 2023.



The specified asset classes are:

	Average asset allocation over year to 31 December 2023 (%)			
Asset class	25 years old	45 years old	55 years old	NRA
Cash	1.7	1.7	1.7	4.6
Bonds	0.0	0.0	0.0	59.5
Listed equities	89.1	89.1	89.1	32.7
Property	9.2	9.2	9.2	2.6
Other	0	0	0	0.6

(i) Other Default Strategies – UKSPP Annuity Purchase Lifestyle Approach

	Average asset allocation over year to 31 December 2023 (%)			
Asset class	25 years old	45 years old	55 years old	NRA
Cash	1.7	1.7	1.7	23.6
Bonds	0.0	0.0	0.0	76.4
Listed equities	89.1	89.1	89.1	0.0
Property	9.2	9.2	9.2	0.0
Other	0.0	0.0	0.0	0.1

(ii) Other Default Strategies – UKSPP Cash Lifestyle Approach

	Average asset allocation over year to 31 December 2023 (%)			
Asset class	25 years old	45 years old	55 years old	NRA
Cash	1.7	1.7	1.7	90.1
Bonds	0.0	0.0	0.0	9.9
Listed equities	89.1	89.1	89.1	0.0
Property	9.2	9.2	9.2	0.0

(iii) Other Default Strategies – Cash Fund

	Average asset allocation over year to 31 December 2023 (%)			
Asset class	25 years old	45 years old	55 years old	NRA
Cash	90.1	90.1	90.1	90.1
Bonds	9.9	9.9	9.9	9.9

## 2. Net investment returns

*The Trustee is required to report on net investment returns for each default arrangement and for each non-default fund which Plan members were invested in during the Plan year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.*

The net investment returns have been provided by Fidelity (the Plan's provider) and have been prepared having regard to statutory guidance. They have been calculated on a net asset value to net asset value basis.

It is important to note that past performance is not a guarantee of future performance.

### (i) Primary Default strategy – UKSPP Drawdown Lifestyle Approach

Performance to 31 December 2023	Annualised returns (%)		
Age of member in 2023	1 year	3 years	5 years
25	12.7	8.1	10.2
45	12.7	8.1	10.2
55	12.7	8.1	10.2
60	9.1	4.6	7.7
65	7.5	0.9	4.3

### (ii) Other Default Strategies – UKSPP Annuity Purchase Lifestyle Approach

Performance to 31 December 2023	Annualised returns (%)		
Age of member in 2023	1 year	3 years	5 years
25	12.7	8.1	10.2
45	12.7	8.1	10.2
55	12.7	8.1	10.2
60	9.1	4.6	7.7
65	6.2	-2.9	1.8

### (iii) Other Default Strategies – UKSPP Cash Lifestyle Approach

Performance to 31 December 2023	Annualised returns (%)		
Age of member in 2023	1 year	3 years	5 years
25	12.7	8.1	10.2
45	12.7	8.1	10.2
55	12.7	8.1	10.2
60	9.1	4.6	7.7
65	4.8	2.1	4.4

### (iv) Other Default Strategies – UKSPP Cash Fund

Performance to 31 December 2023	Annualised returns (%)		
Fund name	1 year	3 years	5 years
BlackRock Cash Fund	4.6	1.9	1.3

Source: Aon and Fidelity. Returns are quoted net of fees and reflect the Total Expense Ratios (TERs) of the funds as at 31 December 2023. Assumes selected retirement age of 65.

The allocation to the funds underlying the default lifestyle strategies remain unchanged until members are less than five years away from their selected retirement age, therefore, the returns for members aged 25, 45 and 55 are identical.

Members aged 55 and younger are invested wholly in the Growth Fund and therefore experienced strong investment returns over the longer term, as equity markets have delivered strong returns over the last few years. Members closer to retirement have also experienced strong returns, in line with their respective asset class exposure, over the longer term. These members are invested in a more diversified range of assets such as fixed income, alongside an allocation to equities and property. The Trustee is satisfied with the performance of the funds relative to their investment objectives and longer-term return targets.

(v) Self-select investment funds

Performance to 31 December 2023 Fund name	Annualised returns (%)		
	1 year	3 years	5 years
BlackRock World (ex-UK) Equity Index Fund	18.4	9.6	13.2
BlackRock UK Equity Index Fund	6.4	7.6	5.9
BlackRock Emerging Markets Index Fund	0.9	-3.8	2.9
BlackRock ACS World Multifactor ESG Equity Tracker Fund <sup>1</sup>	14.2	-	-
Mellon Long Term Global Equity Fund	14.6	7.5	12.1
HSBC Islamic Global Equity Index Fund	27.2	10.9	16.7
RBC Global Focus Equity Fund <sup>1</sup>	2.7	-	-
BlackRock Over 5 Years Index Linked Gilt Fund	0.0	-13.7	-5.1
Fidelity Pension Annuity Fund	5.9	-8.8	-1.4
BlackRock Absolute Return Bond Fund <sup>2</sup>	0.7	0.1	1.6
BlackRock Aquila Life Market Advantage Fund	7.2	-0.8	1.7
Threadneedle Property Fund	0.1	2.8	0.1
BlackRock Cash Fund	4.7	1.9	1.3

Source: Fidelity. Returns are quoted net of fees and reflect the TERs of the funds as at 31 December 2023.

<sup>1</sup> Funds added to the self-select fund range in June 2021 following the investment strategy review.

The BlackRock World Multifactor ESG Equity Tracker Fund and the RBC Global Focus Equity Fund were added to the self-select fund range in June 2021. As the funds have been in the UKSPP fund range for less than three years, the returns for longer-term reporting periods are currently not applicable.

### 3. Member Borne Charges and Transaction costs

The Trustee should regularly monitor the level of charges borne by members through the investment funds. These charges comprise:

- *Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;*
- *Transaction costs: these are not explicit, and are incurred when the Scheme's fund manager buys and sells assets within investment funds but are exclusive of any costs incurred when members invest in or sell out of funds.*

The Trustee is also required to produce an illustration of the cumulative effect of the overall costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

The Trustee has set out the costs and charges that are incurred by members, rather than the employer, over the statement year in respect of each investment fund members were invested in during the scheme year. These comprise the Annual Management Charge (AMC) / Total Expense Ratio (TER) and insofar as we are able to, transaction costs.

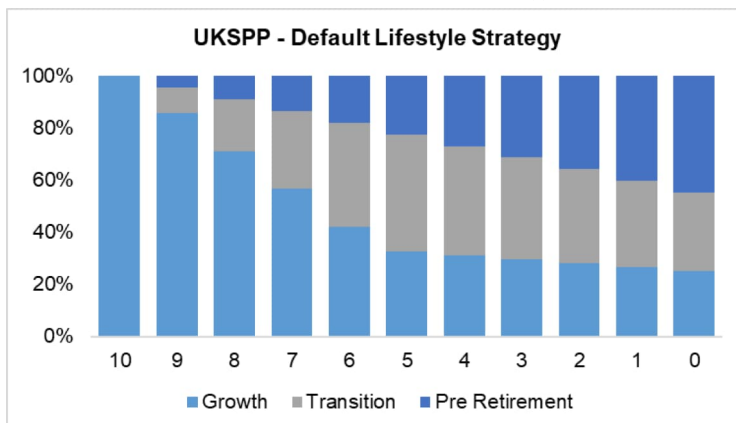
The TER information is readily available to members and can be found in fund factsheets available on Fidelity's PlanViewer website. The TER is deducted each month as a percentage of a member's fund balance. These are explicit costs such as broker commissions and taxes and levies like stamp duty.

Transaction costs are implicit costs incurred within the day to day management of the assets by the fund manager. Implicit costs include market dealing spreads, i.e. the difference between the price of a security at the time of an order and the price of a security at the time the deal is struck.

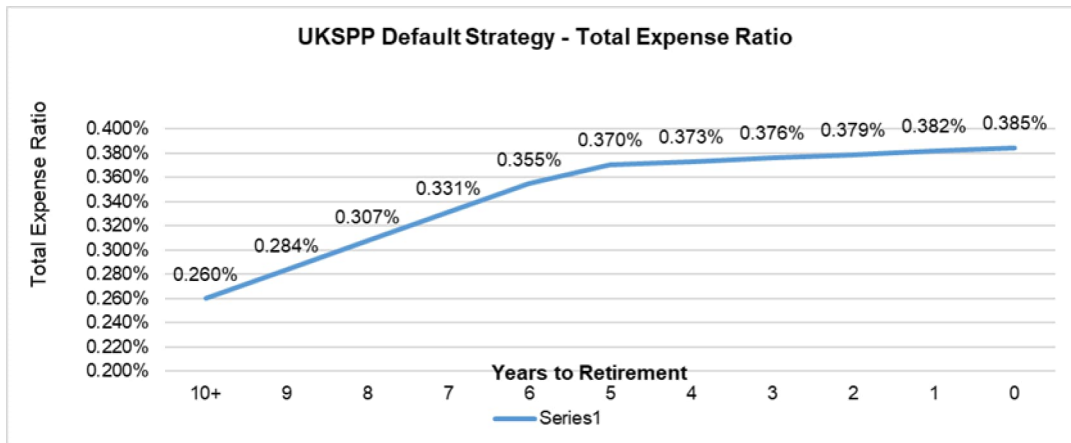
The charges and transaction costs have been supplied by Fidelity, who are the Plan's platform provider. Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustee.

#### (i) Primary Default strategy– Drawdown Lifestyle Approach

The Drawdown Lifestyle Approach has been set up as a lifestyle arrangement which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This is illustrated in the bar chart below.



The TER that a member paid over the year depends on their term to retirement, as shown in the line chart below. The TER ranges from 0.276% p.a to 0.389% p.a, which is within the 0.75% p.a charge cap for schemes that are used by employers for auto-enrolling their employees.



Transaction costs ranged between 0.020% p.a. and 0.360% p.a., meaning that the total cost associated with the Default Lifestyle Approach is between 0.28% p.a. and 0.75% p.a.

### (ii) Other default arrangements

In addition to the Drawdown Lifestyle Approach, members also have the option to invest in a further two default lifestyles, targeting annuity or cash at retirement.

The TERs and transaction costs for each of these default strategies are shown in the following tables:

Lifestyles	TER % p.a.	Transaction Costs % p.a.	Total costs % p.a.
Drawdown Lifestyle Approach (default)	0.26-0.39	0.02-0.36	0.28-0.75
Annuity Purchase Lifestyle Strategy	0.24-0.36	0.00-0.29	0.24-0.65
Cash Lifestyle Strategy	0.20-0.36	0.01-0.29	0.21-0.65

The TER and transaction costs for the final default arrangement – the cash fund – are set out below:

BlackRock Cash Fund	0.20	0.01	0.21
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### (iii) Other self-select investment funds

In addition, members also have the option to invest in 13 individual funds (including the cash fund which is also a default arrangement).

Individual funds	TER % p.a.	Transaction Costs % p.a.	Total costs % p.a.
BlackRock World (ex-UK) Equity Index Fund	0.21	0.01	0.22
BlackRock UK Equity Index Fund	0.21	0.04	0.25
BlackRock Emerging Markets Index Fund	0.40	0.02	0.42
BlackRock ACS World Multifactor ESG Equity Tracker Fund <sup>1</sup>	0.22	0.04	0.26
Mellon Long Term Global Equity Fund	0.94	0.06	1.00
HSBC Islamic Global Equity Index Fund	0.45	0.00	0.45
RBC Global Focus Equity Fund <sup>1</sup>	0.60	0.00	0.60
BlackRock Over 5 Years Index Linked Gilt Fund	0.20	0.12	0.32
Fidelity Pension Annuity Fund	0.32	0.00	0.32
BlackRock Absolute Return Bond Fund	0.58	1.33	1.91
BlackRock Aquila Life Market Advantage Fund	0.40	0.36	0.76
Threadneedle Property Fund	0.95	0.00	0.95
BlackRock Cash Fund	0.20	0.01	0.21

Source: Fidelity. As at 31 December 2023.

<sup>1</sup> Funds added to the self-select fund range in June 2021 following the investment strategy review.

#### (iv) Illustrations of the cumulative effect of costs and charges

*From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.*

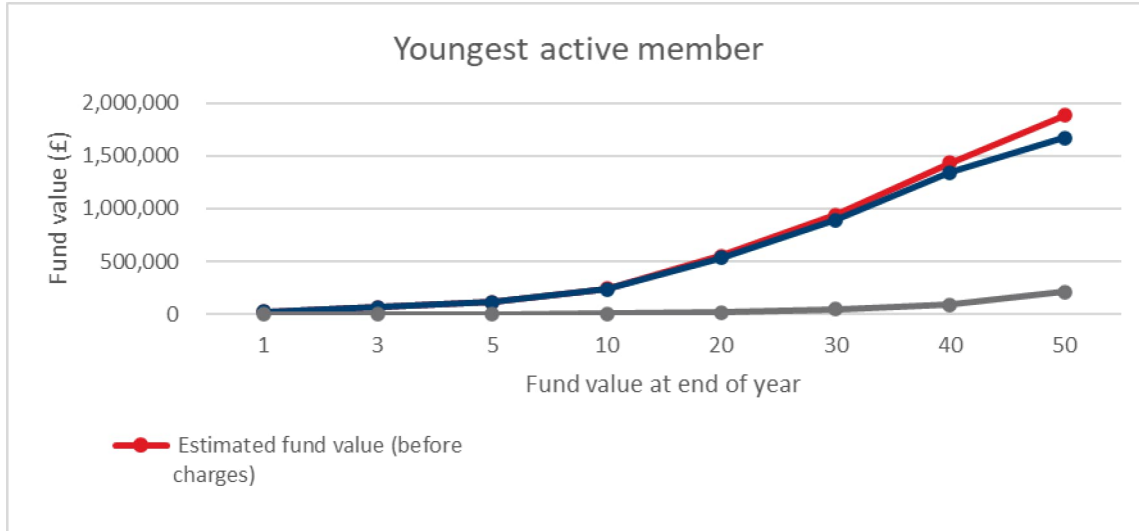
In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided seven illustrations of their cumulative effect on the value of typical Plan members' savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future which are set out in the appendix. *Due to technical issues in calculating the illustrations as at 31<sup>st</sup> December 2023, the illustrations below have been prepared as at 31<sup>st</sup> March 2024. Whilst this date differs from the Plan year under review, the Trustee can confirm that the illustrations (and the date at which they are calculated) adhere to the relevant regulations in providing examples of the effect over time of the relevant costs and charges on the value of a member's savings.*

- Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Plan they are not a substitute for the individual and personalised illustrations which are provided to members in their annual Benefit Statements. Illustrations A, B and C are shown for typical members invested in the Drawdown Lifestyle Approach, which is the Primary Default investment arrangement.
- Illustrations D, E, F and G are shown for typical members contributing to the Plan in the Cash Lifestyle Approach, Annuity Lifestyle Approach and the Plan's lowest and highest charging self-select funds respectively. Note that the Plan's lowest charging fund is the Cash Fund which is also a default arrangement as defined under legislation.

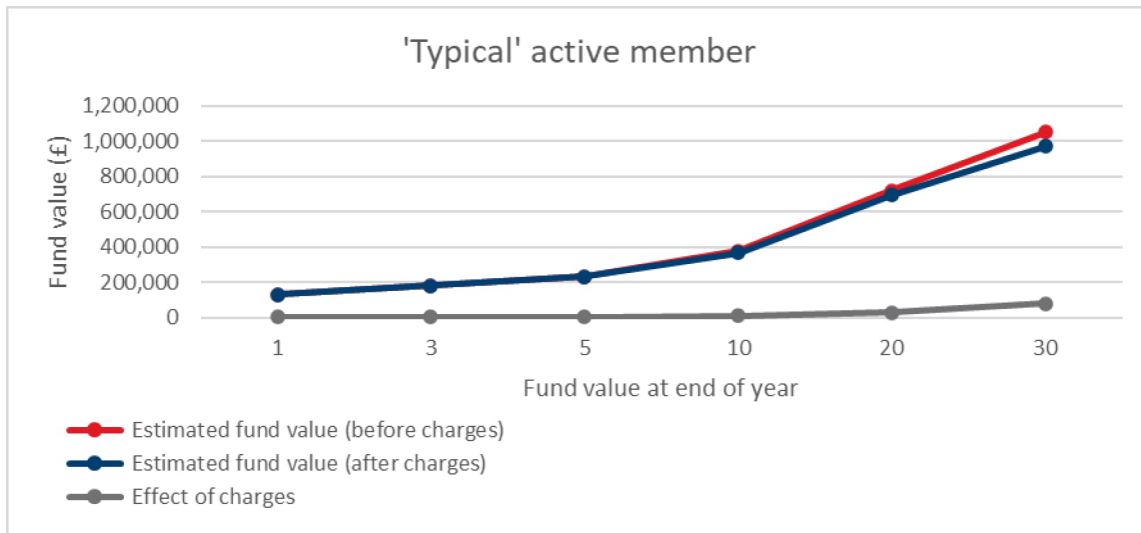
All projected fund values are shown in today's terms, and do not need to be reduced further for the effect of future expected inflation.

**Illustration A:** is based on a new Plan member who has 50 years to go until their selected retirement age and is invested in the Drawdown Lifestyle Approach. The member has a current fund value of zero and makes contributions of £1,800 per month until they retire.



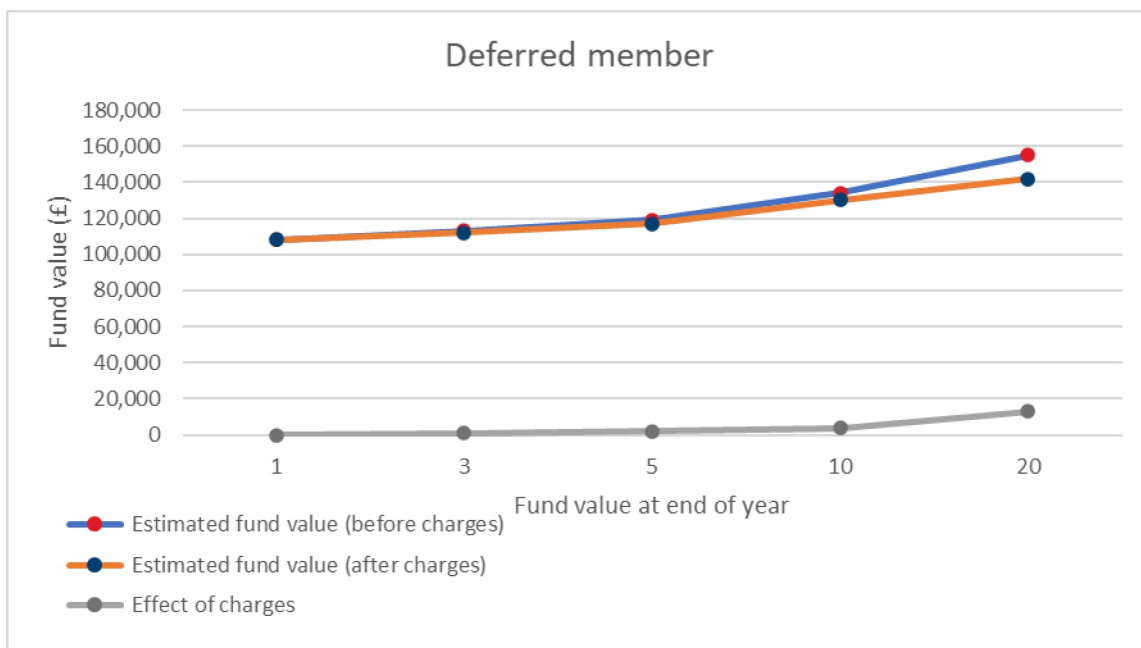
Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	49	21,600	21,600	-
3	47	66,500	66,200	300
5	45	113,000	112,000	1,000
10	40	241,000	237,000	4,000
20	30	549,000	531,000	18,000
30	20	940,000	894,000	46,000
40	10	1,430,000	1,340,000	90,000
50	0	1,880,000	1,670,000	210,000

**Illustration B:** is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Drawdown Lifestyle Approach. The member has a current fund value of £106,000 and makes contributions of £1,800 per month until they retire.



Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	130,000	129,000	1,000
3	27	180,000	179,000	1,000
5	25	233,000	230,000	3,000
10	20	376,000	368,000	8,000
20	10	721,000	693,000	28,000
30	0	1,050,000	971,000	79,000

**Illustration C:** is based on a deferred member (a member who is no longer making contributions into their Pension Account) who has 20 years to go until their selected retirement age and is invested in the Drawdown Lifestyle Approach. The member has a current fund value of £106,000.





Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	19	108,000	108,000	-
3	17	113,000	112,000	1,000
5	15	119,000	117,000	2,000
10	10	134,000	130,000	4,000
20	0	155,000	142,000	13,000

**Illustration D:** is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Cash Lifestyle Approach. The member has a current fund value of £106,000 and makes contributions of £1,800 per month until they retire.

Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	130,000	129,000	1,000
3	27	180,000	179,000	1,000
5	25	233,000	230,000	3,000
10	20	376,000	368,000	8,000
20	10	721,000	693,000	28,000
30	0	998,000	929,000	69,000

**Illustration E:** is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Annuity Purchase Lifestyle Approach. The member has a current fund value of £106,000 and makes contributions of £1,800 per month until they retire.

Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	130,000	129,000	1,000
3	27	180,000	179,000	1,000
5	25	233,000	230,000	3,000
10	20	376,000	368,000	8,000
20	10	721,000	693,000	28,000
30	0	1,030,000	961,000	69,000

**Illustration F:** is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the Cash Fund (which is the lowest charging self-select fund and is also a deemed default fund). The member has a current fund value of £106,000 and makes contributions of £1,800 per month until they retire.

Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	125,000	125,000	-
3	27	164,000	163,000	1,000
5	25	201,000	199,000	2,000
10	20	289,000	285,000	4,000
20	10	448,000	437,000	11,000
30	0	585,000	566,000	19,000

**Illustration G:** is based on an existing Plan member who has 30 years to go until their selected retirement age and is invested in the BlackRock Absolute Return Bond Fund (which is the highest charging self-select fund). The member has a current fund value of £106,000 and makes contributions of £1,800 per month until they retire.

Fund value at end of year	Years until retirement	Estimated fund value (before charges) (£)	Estimated fund value (after charges) (£)	Effect of charges (£)
1	29	125,000	123,000	2,000
3	27	164,000	157,000	7,000
5	25	201,000	188,000	13,000
10	20	289,000	259,000	30,000
20	10	448,000	370,000	78,000
30	0	585,000	451,000	134,000

As younger members are exposed to charges for longer, due to their longer term to retirement, the cumulative impact of charges is higher in percentage terms.

The Trustee believes the charges are competitive based on our knowledge of the broader market and the review of the services provided to members during 2023 (see Value for Members assessment below). The charge illustrations are for information and transparency purposes only, and therefore the Trustee doesn't expect members to take any action in respect of the information above. Members are regularly encouraged to check that their investment choices are suitable to meet their needs.

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on a number of assumptions about the future.

Members are advised to consider both the level of costs and charges and the expected return on investments (ie. the risk profile of the strategy) in making investment decisions.

#### Assumptions and data for illustrations:

*The following assumptions have been made for the purposes of the above illustrations:*

1. *Projected fund values are shown in today's monetary terms, which means that they have been adjusted for the effect of future inflation*
2. *Inflation is assumed to be 2.5% each year*
3. *First year contributions are assumed to be £1,800 per month, thereafter increasing annually in line with inflation until retirement*
4. *The assumed growth rates (gross of costs and charges) are as follows:*
  - *Fidelity Shell Growth Fund 3.00%*
  - *Fidelity Shell Pre-Retirement Fund 3.00%*
  - *Fidelity Shell Transition Fund 3.00%*
  - *Fidelity BlackRock Cash Fund 1.00%*

- *Shell BlackRock Absolute Return Bond Fund 1.00%*

5. *Values shown are estimates and are not guaranteed*

*For full details of the assumptions made, see the 'Further notes and assumptions' section here:*

*<https://retirement.fidelity.co.uk/about-workplace-pensions/investing/costs-and-charges/SHEL>*

#### 4. Value for Members assessment

*The Administration Regulations require the Trustees to make an assessment of charges and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members.*

There is no legal definition of "good value" or the process of determining this for scheme members. Therefore, working in conjunction with our advisers, Aon, the Trustee has developed their cost-benefit analysis framework in order to make an assessment as to whether our members receive good value from the Plan relative to the costs and charges they pay.

The costs that members pay have been identified as TERs and Transaction Costs and are set out in section 3 of this statement. The Trustee has considered the benefits of membership under the following five categories: Plan governance, investments, administration and member experience, member communications and engagement and Retirement support. Benchmarking relative to other pension arrangements or industry best practice guidelines is also undertaken.

The Trustee beliefs have formed the basis of the analyses of the benefits of membership. These are set out below along with the main highlights of their assessment.

##### Plan governance

*The Trustees believe in having robust processes and structures in place to support effective management of risks and ensure members interests are protected, increasing the likelihood of good outcomes for members*

The arrangements in place are robust and sufficiently flexible to enable the Trustee to make considered, timely decisions in the members' interests

##### Investments

*The Trustees believe that a well-designed investment portfolio that is subject to regular performance monitoring and assessment of suitability for the membership will make a large contribution to the delivery of good member outcomes*

The Plan offers a variety of lifestyle strategies and self-select funds covering a range of member risk profiles and asset classes. The investment funds available have been designed, following advice from the Trustee's investment adviser, with the specific needs of members in mind (e.g. consideration of member targets, variety of self-select funds in different risk brackets and considerations for ESG-focussed funds).

##### Administration and member experience

*The Trustees believe that good administration and record keeping play a crucial role in ensuring that scheme members receive the retirement income due to them. In addition, that the type and quality of service experienced by members has a bearing on the level of member engagement.*

The service received from Fidelity (as scheme administrator) is of high quality. The Trustee obtains information to assess the member experience through Fidelity's administration services. There are sufficient checks in place for monitoring and reporting on the standard of administration and to ensure that when administrative errors do occur, members are not disadvantaged as a result.

At the request of the Trustee, the Plan's governance advisor Aon reviewed Fidelity's charges and processes against the wider market in Q3 2022 and were satisfied that the charges and member experience were broadly comparable to the wider market.

### Member communications and engagement

*The Trustees believe that effective member communications and delivery of the right support and tools helps members understand and improve their retirement outcomes.*

The communications members receive are appropriate with members having access to information via post, emails, webinars and a suite of online resources. Communications are often targeted at specific membership categories. The Trustee seeks ways of improving engagement, such as the interactive annual newsletter, electronic simpler benefit statements and tailored video statements. The Trustee will continue to monitor the impact of these different types of engagement.

### Retirement support

*The Trustees believe it is important to have retirement processes that enable members to make informed decisions and select appropriate option(s) at retirement.*

The Plan offers appropriate support to enable members to make informed retirement decisions, these include access to modelling tools, calculators and supporting information through Fidelity's PlanViewer platform and administration team. The Trustee continues to monitor how members are taking their pots at retirement to understand whether any action is required in relation to retirement support.

The Trustee's assessment concludes that the charges and transaction costs borne by Plan members represents good value for members relative to the benefits of Plan membership. Aon have commented that the AMC and TER charges are competitive when compared to current market rates on a like for like basis and adjusting to take account of the benefits of the Plan's membership. Following the Q3 2022 provider review and discussions with the administrator, the Trustee was able to further negotiate a reduction in charges for a range of funds.

## **5. Processing of Core Financial Transactions**

*The Trustees have a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the investment of contributions, transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.*

The bulk of the core financial transactions are undertaken on behalf of the Trustee by the Plan administrator, Fidelity and the Company is responsible for ensuring that contributions are paid to the Plan promptly. The timing of such payments is monitored by the Trustee from quarterly administration reports submitted by Fidelity.

In order to determine how well the administration is performing the Trustee has service level agreements ("SLA") in place with Fidelity. These SLAs detail a number of key administration processes to be performed and the target timescale within which each of these processes needs to be completed. There are SLAs in place for all core financial transactions. Under the current SLA, Fidelity aims to accurately complete all financial transactions within 5 working days, with the exception of the investment of contributions, which is within 2 working days of receipt.

The Trustee measures the administrator's performance against the SLAs in quarterly reviews and has regular conversations with the administrator to have oversight of the key processes in order to minimise the risks of inaccurate or late payment or processing of core financial transactions and to help it meet its SLAs.

The Trustee has also reviewed the key processes adopted by the administrator and output in order to minimise the risks of inaccurate or late payment of core financial transactions.

Key processes include:

- A full member and Plan reconciliation being undertaken annually as part of the annual preparation of the Trustee report & Accounts – in previous exercises these have led to actions such as targeted member communications

- Provision of quarterly administration reports – enabling the Trustees to check core financial transactions and review processes relative to any member complaints made – The Trustee notes SLAs continue to be met and issues are escalated promptly where necessary
- Monthly contribution checks and daily reconciliation of the Trustees' bank account
- Checks for all investment and banking transactions prior to processing
- Straight-through processing for data, therefore, avoiding the need for manual intervention and, in turn, significantly reducing the risk of error.
- Annual data reviews – the 2023 review based on Fidelity metrics reported the Plan's scores continue to be very good, and the main area for improvement is missing addresses, primarily for deferred members
- Documentation and operation in line with quality assurance policies and procedures
- Operation in line with the Business continuity plan and confirmation that the administrator has prioritised core financial transactions during this period.
- Annual audit – the Plan's auditors Ernst & Young commented the Plan's 2023 audit had been completed on time with no significant matters to report
- Member complaints

In addition, the Trustee Services Unit meets with Fidelity on a monthly basis to discuss the administration of the Plan. These meetings provide an opportunity to discuss any issues that might arise (the resolution of which is tracked in an issues log).

Fidelity has confirmed that there are processes in place for each core financial transaction to ensure that all Plan transactions are processed in a timely manner and accurately. An automated daily sales and redemptions report is used to check transactions placed the previous day. The report captures the sale type, date and details of units sold, enabling a check that processes are completed in an accurate and timely fashion (and are in line with SLAs)

Fidelity has an internal audit function, in addition to the external audit carried out on the Plan annually. The design and operating effectiveness of Fidelity's internal controls around its pension administration and relevant IT services are tested annually by an external auditor. Fidelity also provides an annual report to the Board reporting on the quality and accuracy of common and conditional data which includes the processing of core scheme financial transactions and monitoring and controls.

The Trustee is satisfied that over the period:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- there have been no material administration errors in relation to processing core financial transactions; and
- key core financial transactions have been processed promptly and accurately during the Plan year.

## 6. Trustees' Knowledge and Understanding

*Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as Trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.*

The Trustee has processes and procedures in place to meet the Pension Regulator's Trustee Knowledge and Understanding requirements (as set out in their Code of Practice No 7); which include:

- A structured onboarding programme for newly appointed Trustee directors including completion of the Pension Regulator's Trustees toolkit, which is an online learning programme.

- Regular training on topical issues relating to regulatory/legislative developments or items on the Trustee workplan.
- A look ahead to future training needs
- Maintaining training logs for each Trustee director which supports the above.

During the Plan year to which this statement relates there was one change to the Trustee Board. The newly appointed Member Nominated Director received structured onboarding training in line with this approach. Copies of Plan documents are provided as part of the onboarding training by the Trustee on a regular basis.

During 2023 they carried out the following:

- Completed an annual review of Board effectiveness which considered a review of the Board's overarching objectives (demonstrating the requirement that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions).
- Commenced the triennial investment strategy review process (demonstrating the requirement to understand the principles relating to the funds and investment of occupational DC schemes and to have a working knowledge of the current SIP).
- Received training from Aon on investing in illiquid assets / private markets (demonstrating the requirement to have sufficient knowledge and understanding of principles relating to investment of DC schemes).
- Received training from Fidelity on cyber security (demonstrating the requirement and understanding of principles relating to investment of DC schemes).
- Received training from Fidelity on pensions dashboard (demonstrating the requirement to have sufficient knowledge and understanding of the law relating to pensions and trusts).
- Received Aon's DC on the Horizon paper at each meeting, providing short updates on topical items and legislative updates (demonstrating the requirement to have sufficient knowledge and understanding of the law relating to pensions and trusts).
- Reviewed Aon's performance against the formalised investment objectives, in line with the requirements of the Competition and Markets Authority (CMA) (demonstrating the requirement to have sufficient knowledge and understanding of the law relating to pensions and trusts).

The Trustee has engaged with their professional advisers regularly throughout the year to ensure that they exercise their functions properly and take professional advice where needed. In exercising their functions this has required knowledge of key scheme documents such as the Trust Deed & Rules, Trustee Report & Accounts, Statement of Investment Principles and all documents setting out the Trustee's current policies. A few of the areas that support this statement are set out below:

- Sign off of the Trustee's Report and Accounts
- Updating the risk register
- Reviewing and updating the Trustee governance framework for the Plan
- Annual review of the existing Data Protection & Cyber Security Policy and Privacy Notice in line with General Data Protection Regulations.

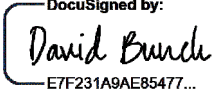
The Trustee board is made up of five members with a range of skills and experiences including a mixture of Member Nominated and Company Nominated directors with varying backgrounds.

The Trustee collectively believes they have sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational schemes.

The Trustee considers that they meet the Trustee Knowledge and Understanding requirements and are confident that their combined knowledge and understanding, together with the support of their advisers, enables them to properly exercise their functions as the Trustee of the Plan.

Signed on behalf of the Trustee of the UK Shell Pension Plan

David Bunch  
Name \_\_\_\_\_

Signature  \_\_\_\_\_

Date: 26 June 2024

## 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.

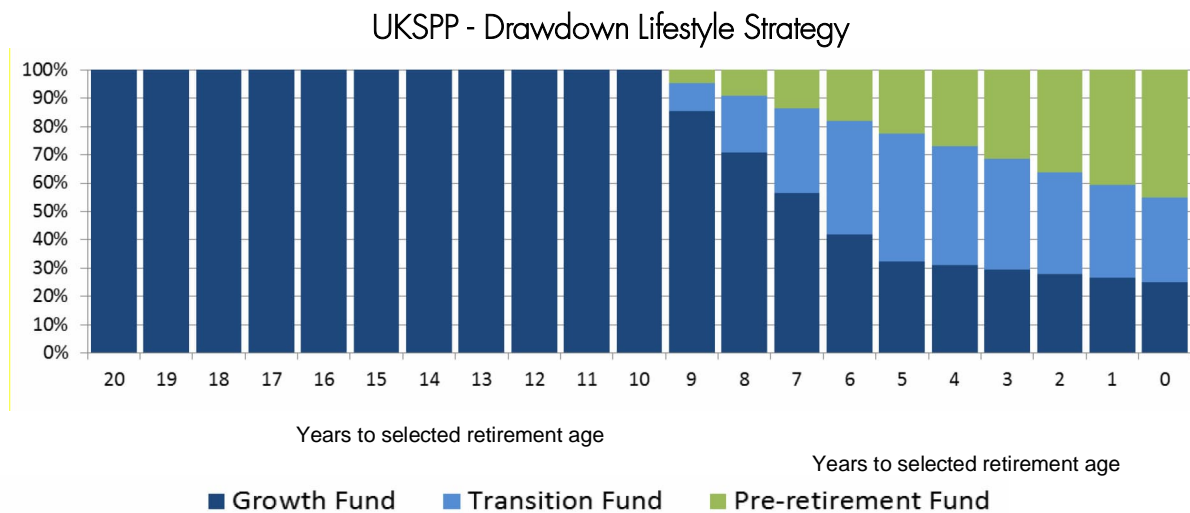
Details of the Default Option and the two alternative asset allocation strategies are provided below.

## 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.



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.

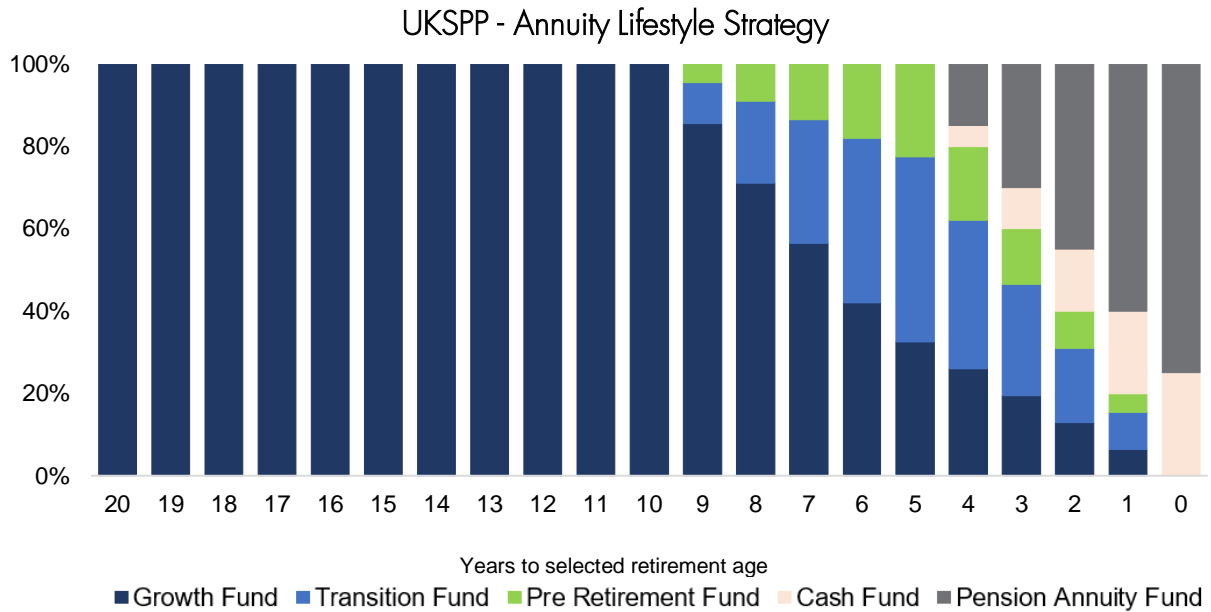
## Annuity Purchase Lifestyle approach

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.



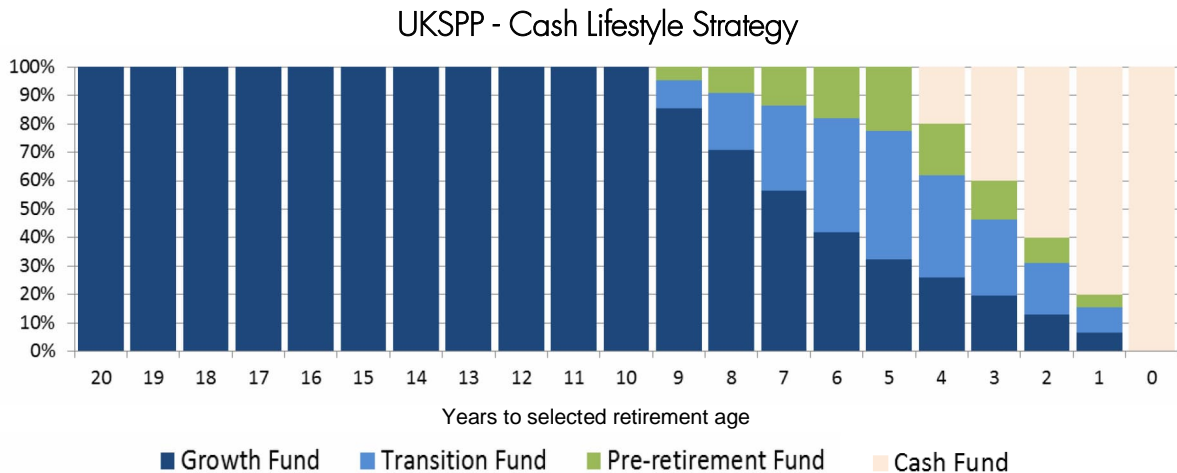
### Cash Lifestyle Approach

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.



## 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
<p>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:</p> <ul style="list-style-type: none"> <li>• Environmental: climate change, natural resources, pollution &amp; waste, water use and biodiversity.</li> <li>• Social: human capital, product liability, stakeholder opposition and social opportunities.</li> <li>• Governance: corporate governance including board structure, executive remuneration and diversity and corporate behaviour.</li> </ul>	<p>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.</p>	<p>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.</p>

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.

## Implementation statement

*The purpose of the Implementation Statement ("IS") is for us, the Trustee of the UK Shell Pension Plan (the "Trustee"), to explain what we have done during the year ending 31 December 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:*

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

### Our conclusion

*Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.*

In our view, most of the Plan's material investment managers were able to disclose good evidence of voting and/or engagement activity, that the activities completed by our managers align with our expectations, and that they are exercising voting rights on our behalf in an appropriate manner. We will engage further with our investment managers on their voting and engagement practices, with a focus on BlackRock as the manager with the highest proportion of assets. This will include continuing to invite investment managers to Trustee meetings, as deemed appropriate, to get a better understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies. Managers who have been unable to provide any information will be the first priority, followed by those who have only been able to provide partial information e.g., engagement information only at a firm level rather than fund-specific engagements.

### Changes to the SIP during the year

The Trustee formally reviews the SIP at least every three years, or after any significant change in investment policy, or member demographics.

There were no changes to the SIP over the year to 31 December 2023. The SIP was last updated in September 2021 to reflect changes to the investment strategy that were agreed and implemented in 2021.

The latest version of the SIP is available for members to view via the Plan website here: <https://pensions.shell.co.uk/pension-plan.html>

### What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

## How the policies in the SIP have been followed

The Trustee outlines in the SIP a number of key objectives and policies. These are noted below together with an explanation of how these objectives have been met and policies adhered to over the course of the year.

*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.*

Over the year, the Trustee has made available to members a comprehensive selection of investment strategies. This includes a Default Option and two alternative asset allocation strategies as well as a wide range of self-select funds that cover a range of asset classes, enabling members to construct a portfolio to meet their individual investment objectives and constraints. Full details of these are documented in the Plan's SIP.

The Trustee commenced its triennial investment strategy review during the year. It worked with its advisor to agree the Terms of Reference for the review, and it received initial training sessions on investment structures and illiquid investments, that may be considered in greater detail throughout the strategy review.

The strategy review will continue into 2024.

*The Trustee monitors those investments used by the Plan 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 SIP, 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).*

The Trustee receives comprehensive quarterly investment monitoring reports from its investment advisor, Aon. These reports are reviewed and discussed by the Trustee at its quarterly meetings, with input from Aon, and provide an opportunity for any issues to be raised and action agreed. In addition, Aon provides ongoing correspondence on investment matters.

The quarterly investment reports include a summary of assets and performance of each blended fund and underlying fund relative to their stated benchmark.

Further in-depth analysis of the blended funds used within the Drawdown Lifestyle Approach (the Default Option) and alternative asset allocation strategies is provided. The report also includes an analysis of the actively managed diversified growth funds used, to enable the Trustee to assess performance against each fund's stated objective. Additionally, the report includes detailed fund ratings provided by the Trustee's investment advisor including specific ESG ratings and a brief summary of relevant developments regarding the managers.

This information is supplemented with periodic meetings with the underlying investment managers which provide an opportunity to discuss fund performance in more detail. The Trustee also uses these meetings as an opportunity to discuss how the underlying investment managers are taking into account ESG considerations in their investment process.

Any investment funds that were not performing as expected were considered in more detail.

Outside of the quarterly investment reports, the Trustee's investment advisor provides updates on any changes to its ratings of the underlying fund managers used by the Plan.

The quarterly investment reports included ESG scores for most of the investment managers, as well as confirming whether each investment manager is a signatory to the UN Principles for Responsible Investment. In this way the Trustee kept the ESG credentials and policies of its investment managers under review throughout the year.

Following the end of the Plan year, the Trustee requested stewardship records from its investment managers, relating to their exercise of voting rights and engagement with investee companies over the year. This information is presented later in this Statement.

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

The Trustee has integrated responsible investment into its investment strategies to reflect its agreed Responsible Investment beliefs. In particular:

- the BlackRock World Multifactor ESG Equity Tracker Fund is incorporated into the default; this fund provides a reduction in carbon emissions, helping to manage climate related risks, as well as an improvement in the average ESG score for the underlying companies.
- the RBC Global Focus Equity Fund is available via the self-select range to provide members with an active impact equity option that seeks to generate both investment returns and positive impacts on the environment and society.
- the BlackRock World Multifactor ESG Equity Tracker Fund is available via the self-select range to provide members with a low-cost option to access a strategy with a focus on ESG.

Over the Plan year, the Trustee has maintained a specific ESG action plan, outlining training provided and key activities planned in this area. Specifically, the Trustee received Net Zero training and training on the different ESG approaches in July 2023. This incorporated training on areas such as managing climate related risks, training on Paris Alignment and what "setting a net zero target" would mean in practice.

*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.*

During the Plan year, the Trustee collected data from its investment managers on all the member borne costs incurred in 2023 (including portfolio turnover costs). These were reported and published in the Annual Chair's Statement. No costs were identified as being out of line with expectations or with comparable funds.

## Our Engagement Action Plan

Based on the work we have done for the IS, we have decided to take the following steps over the next 12 months:

1. We will engage further with our investment managers on their voting and engagement practices, with a focus on BlackRock as the manager with the highest proportion of assets. This will include continuing to invite investment managers to Trustee meetings to get a better understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.
2. We will invite our investment managers to a Trustee meeting to get a better understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.
3. We will continue to monitor the ESG credentials of our managers through Aon's quarterly monitoring report and periodic updates.

### Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Plan's investments is a factor in deciding whether a manager remains the right choice for the Plan.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Plan's equity-owning investment managers to responsibly exercise their voting rights.

#### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues  
*Source: UN PRI*

### Voting statistics

The table below shows the voting statistics for each of the Plan's material funds with voting rights for the year to 31 December 2023

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
BlackRock – ACS World (ex-UK) Equity Index Fund	24,987	98.0%	6.0%	0.0%
BlackRock – ACS UK Equity Index Fund	9,974	99.0%	2.0%	0.0%
BlackRock – Emerging Markets Index Fund	23,247	98.0%	12.0%	2.0%
BlackRock – Aquila Life Market Advantage Fund	26,360	93.0%	6.0%	1.0%
BlackRock – ACS World Multifactor ESG	3,816	86.0%	5.0%	0.5%

Equity Tracker Fund				
HSBC – Islamic Global Equity Index Fund	1,726	95.9%	23.2%	0.1%
RBC Global Asset Management – Global Equity Focus Fund	562	96.3%	10.9%	0.0%
BNY Mellon (Walter Scott & Partners Limited) – BNY Mellon Long Term Global Equity Fund	782	100.0%	3.1%	0.0%

Source: Managers

### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

The table below describes the Plan managers' voting policies, including the use of proxy voting advisers.

	Description of use of proxy voting advisers
BlackRock	BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform their voting decision.
HSBC	HSBC use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene their guidelines. HSBC review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on their guidelines.



RBC	RBC retains the services of Institutional Shareholder Services (ISS) to manage and execute proxy votes. In addition, ISS provides custom voting recommendations for all proxies based on the RBC Proxy Voting Guidelines. RBC subscribes to the research of both ISS and Glass, Lewis & Co. The research and benchmark policy voting recommendations from both proxy advisors are considered as part of the proxy voting decision. However, the final voting decision is independent and voting authority rests solely with RBC.
BNY Mellon (Walter Scott & Partners Ltd)	Walter Scott receives third party research from ISS for information purposes. However, the recommendations from any intermediary have no bearing on how Walter Scott votes.

*Source: Managers*

### Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Plan's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Plan's funds. A sample of these significant votes can be found in the appendix.

### Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows a summary of the engagement policies in place for the Plan's material managers.

Manager	Engagement Policy
BlackRock	BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients. BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

<p><b>Threadneedle Asset Management Limited (Threadneedle)</b></p>	<p>Threadneedle engages with stakeholders to support long-term investment returns by mitigating risk, capitalising on opportunities linked to ESG factors, and reducing any material negative impact that their investment decisions could have on these factors.</p> <p>Their engagements focus on financial performance, sustainability risks and opportunities, operational excellence, capital allocation policies and managerial incentives, among other topics. Collaboration across asset classes and thematic and sectoral disciplines ensures an informed approach. Their engagement programme is structured around seven high level themes:</p> <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Environmental stewardship, including biodiversity</li> <li>• Labour standards</li> <li>• Human rights</li> <li>• Public health</li> <li>• Business conduct</li> <li>• Corporate governance</li> </ul> <p>Threadneedle sets clear objectives ahead of each engagement meeting and tracks them on a regular basis. It shares the research and outcomes from its engagements globally across the firm.</p>
<p><b>Fidelity International (Fidelity)</b></p>	<p>Fidelity's stewardship policies and activities are monitored by the Sustainable Investing Operating Committee (SIOC). SIOC is responsible for applying, implementing and overseeing sustainable investing across Fidelity's business units. This includes the overall strategic direction, policy formulation, external representation, product, business growth, investment integration, exclusion lists and day-to-day operational delivery. SIOC is responsible for conducting, overseeing and executing ownership rights in investee issuers, including engagement and proxy voting activities. It also has oversight of conflicts of interest.</p> <p>Fidelity's engagement process is designed to be well-defined and transparent. The following components are identified at the outset:</p> <ul style="list-style-type: none"> <li>▪ Key issue areas: the themes that the company needs to demonstrate improvement on (e.g. climate change);</li> <li>▪ Objective: the ultimate desired outcome from engagement (e.g. reduced CO2 intensity);</li> <li>▪ Milestones: indications that the company is making efforts to achieve the objective Fidelity have communicated (e.g. setting a carbon reduction target);</li> <li>▪ Key Performance Indicator ("KPIs"): there should be measurable KPIs for each milestone;</li> <li>▪ Timeline: the timeframe in which Fidelity can reasonably expect a company to improve; and</li> <li>▪ Status: a point-in-time measure of progress (for example, no progress, some progress, or success).</li> </ul>

Walter Scott & Partners Ltd – BNY Mellon (“Walter Scott”)	<p>Walter Scott distinguishes between two types of engagements: engagement for information and engagement for change.</p> <p>Engagement for information typically involves a meeting or correspondence to exchange information. Engagement for change is typically a series of one-to-one meetings and correspondence, where it seeks to influence with a defined objective. An engagement for change will often relate to sustainability issues and are very often long-term in nature, involving numerous meetings with management and close monitoring of progress. Given the rigour of its analysis before making an initial investment, Walter Scott finds the need to engage for change relatively limited when compared with engaging for information.</p>
RBC Global Asset Management (RBC)	<p>RBC’s investment teams meet with the boards and management of companies on an ongoing basis. They often discuss environmental, social and governance (ESG) related risks and opportunities material to RBC investments, typically for the following reasons:</p> <ul style="list-style-type: none"> <li>▪ To seek better disclosure of ESG risks and opportunities and the steps the issuer is taking to address them.</li> <li>▪ To encourage more effective management of ESG factors when they may impact the investment value.</li> <li>▪ Where an issuer is lagging its peers on a material ESG issue, to monitor and encourage continued improvements that will positively impact the long-term value of an investment.</li> </ul> <p>RBC believes that being an active, engaged, and responsible owner empowers it to enhance the long-term, risk-adjusted performance of its funds. It recognizes that the rights it has as a large, global investor come with the obligation to actively use those rights in a responsible way.</p>
HSBC Global Asset Management (HSBC)	<p>Engagement with investee companies and other issuers is an important element in both HSBC’s ESG integration and their stewardship oversight. HSBC expect companies and other issuers in which they invest to provide effective stewardship. HSBC engage with them for better understanding, to monitor their clients’ investments, and to encourage them to be pro-active and transparent in the management of ESG and other risks. HSBCs engagement activities include:</p> <ul style="list-style-type: none"> <li>▪ Challenging companies and issuers of their delivery of corporate strategy.</li> <li>▪ Engaging to understand the approach management is taking and test how far they are being good stewards.</li> <li>▪ Raising ESG or other concerns with companies and other issuers where they believe that to be in the best interests of investors.</li> <li>▪ Prioritising engagement based on the scale of client holdings, salience of issues concerned and overall exposure to certain issues.</li> <li>▪ Engaging with both executive and non-executives of members of the board. Engagement is undertaken through meetings, conference calls and correspondence. HSBC occasionally co-file shareholder resolutions and support or deliver statements at shareholder meetings to communicate publicly with companies and escalate their engagement.</li> </ul>

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**M&G Investments**

M&G believe that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. They believe that if a company is run well, and sustainably, it is more likely to be successful in the long run.

Where applicable, as an active fund manager, M&G Investments engages with companies to add value to the investment process, to increase their understanding, or provide feedback to a company. Engagements are focussed on achieving real world outcomes. M&G focus on the underlying substance of their engagement, delivery of their engagement objectives and the relevance for the investment decision when assessing the quality and effectiveness of an engagement. M&G may engage as an equity holder or as a fixed income investor to protect

their clients' interests before and during the course of an instrument's life. If this is an ESG engagement, their aim is to influence company behaviour or disclosure. As investors in private or illiquid asset classes, or where there is an intention to hold the asset to maturity, M&G undertake due diligence and engagement prior to, and throughout, investment on the basis that the ability to add value occurs during the investment decision-making process and that engagement is a more constructive decision than divestment.

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*Source: Managers.*

**Data limitations**

At the time of writing, the following managers did not provide all the information we requested:

- BlackRock did provide fund level engagement information, but not in the industry standard Investment Consultants Sustainability Working Group ("ICSWG") template. Additionally, the manager did not provide any firm level engagement information.
- Threadneedle was unable to provide any fund level engagement data. This is due to differences in engagement relating to public listed entities/issuers and engagement within property funds where holdings are direct in real estate.

This report does not include commentary on certain asset classes such as illiquid assets or gilts, because of the limited materiality of stewardship to these asset classes.

**Engagement examples**

To illustrate the engagement activity being carried out on our behalf, we asked the Plan's investment managers to provide a selection of engagement examples. A sample of these examples can be found in the appendix.

This report does not include commentary on the Plan's gilt or cash investments, because of the limited materiality of stewardship to these asset classes.

**Appendix – Significant Voting and Engagement Examples**

In the table below are some significant vote examples provided by the Plan's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

## BlackRock

For all the examples below, BlackRock confirmed that they endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. BlackRock publish their voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote.

### Voting example: BlackRock ACS World (ex-UK) Equity Index Fund – Alphabet Inc.

In June 2023, BlackRock voted for a shareholder proposal to approve a recapitalisation plan for all stock to have one vote per share.

BlackRock voted this way as they believed that one vote per share is in the best interest of long-term shareholders. However, this shareholder proposal failed due to insufficient support.

BlackRock deemed the vote significant as it was a vote for a shareholder proposal.

### Voting example: BlackRock UK Equity Fund – BE Semiconductor Industries NV

In April 2023, BlackRock voted against management's proposal to approve the remuneration report.

BlackRock voted against the proposal as they believed that the proposal demonstrated a poor use of remuneration committee discretion regarding the grant of a one-off award. BlackRock also believed that the remuneration arrangements were poorly structured and not in the long-term interest of shareholders. As an outcome, this proposal failed.

BlackRock deemed the vote significant as it was a vote against management.

### Voting example: Emerging Markets Index Fund – Zhejiang Expressway Co., Ltd. In May 2023, BlackRock voted against a proposal to amend articles of association.

BlackRock voted against the proposal as on balance, they found that shareholders' rights are likely to be diminished in material ways under the new charter/articles/bylaws. As a result, the proposal was withdrawn by management.

BlackRock deemed the vote significant as it was a vote against management.

### Engagement example:

BlackRock did not provide any engagement examples.

## HSBC

### Voting example: Islamic Global Equity Fund – Compagnie Financiere Richemont SA.

In June 2023, HSBC voted against a resolution to approve Fixed Remuneration of the Executive Committee in the Amount of CHF 8 Million. HSBC voted against the resolution as they considered the quantum of the total pay excessive. The CFO received a significant fixed compensation increase without a compelling justification. The proposal implies a significant level of flexibility and there is no indication of how the amount would be allocated.

HSBC did not communicate its intention to vote against the resolution to the company.

Although the resolution passed, HSBC confirmed that they will likely vote against a similar proposal should they see insufficient improvements.

HSBC deemed the vote as significant as the vote was against management.

### Engagement example: Strategy level

In 2023, HSBC met with a Chinese multinational technology company on the issue of ESG reporting. At the start of 2022, HSBC provided input as investors into the company's ESG materiality assessment, and provided recommendations on various ESG issues where they would like to see improvements and more disclosures. The company has only published a short ESG report several years ago, with limited details and updates since then. The company management has also been difficult to access historically. Transparency is therefore one of HSBC's key concerns and area of engagement.

Building on the engagement in 2023, HSBC clarified with the company their newly established board sustainability committee and recently announced net-zero strategy. They requested the company provide detailed disclosures of their performance and management of material ESG issues,

and HSBC's input has contributed to the company's updated ESG report, which is much more comprehensive and includes an ESG governance framework at the board level, and an ESG strategy.

### **RBC Global Asset Management**

#### Voting example: Global Equity Focus Fund – NVIDIA Corporation

In June 2023, RBC voted against the election of Harvey C Jones as a Company director. RBC did not inform the company beforehand that they intended to vote against the resolution.

RBC believed that this vote was warranted for two reasons. Firstly because the nominee was already a member of the nominating and governance committees. Secondly, RBC voted against the resolution due to the lack of board diversity, as less than 30% of the existing directors were women.

Despite RBC voting against the proposal, the motion passed. RBC have not provided information on any further steps they will take following the outcome of the vote.

This vote was deemed to be a significant vote as it was a vote against management.

#### Engagement example: Fund level

In 2023, the RBC Emerging Markets Equity team (responsible for allocations within the Global Focus Fund) engaged with EOG Resources, an American energy company engaged in the exploration, development, production and marketing of oil and gas.

Over the course of their investment with EOG, RBC have engaged with the company on several ESG aspects including human capital management and climate. On the environmental side, the company has significantly improved their direct methane capture, RBC believed the company could do more around emissions reporting, including Scope 3 reporting.

At their stewardship dinner in Q4 2022 RBC raised their concerns over the lack of Scope 3 reporting. RBC raised this issue again at a meeting with management and Investor Relations in early 2023 and found that management's response was insufficient.

In June RBC met with the CEO who highlighted that the company are currently researching Scope 3 reporting structures, to understand what the industry is doing in terms of reporting. RBC also engaged on the expansion of their Carbon Capture and Storage ("CCS") projects.

Following RBC's engagement, the company has now started reporting Scope 3 emissions. Management is currently focused on reporting category 11 data<sup>4</sup>, with a view to expand scope as and where it is material and aids transparency. RBC will continue to monitor how the company are tracking towards realising their CCS project, as well as their environmental reporting.

### **BNY Mellon (Walter Scott & Partners Limited)**

#### Voting example: BNY Mellon Long Term Global Equity Fund – Compass Group

In February 2023, Walter Scott voted against management on a proposal to authorise the issue of equity without pre-emptive rights. Walter Scott informed the company of their voting intentions and rationale beforehand by an email to the company.

Walter Scott voted against the resolution due to the potential for dilution greater than 10%. As an outcome, the proposal passed, with more than 95% of participants voting 'for'.

Walter Scott noted that all significant votes are reviewed and approved by the Proxy Voting and Engagement Group. Any potential learnings from their significant votes are then taken into account for periodic reviews of their Proxy Voting Policy.

This vote was deemed to be a significant vote as it was a vote against management.

#### Engagement example: Strategy level

Through 2021 - 2023, Walter Scott engaged with Intuitive Surgical, an American company that develops, manufactures, and markets robotic products designed to improve clinical outcomes of patients through minimally invasive surgery.

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<sup>4</sup> In category 11 data, companies are required to include direct use-phase emissions of sold products. Companies may also account for indirect use-phase emissions of sold products and should do so when indirect use-phase emissions are expected to be significant.

Walter Scott have engaged extensively with the company on ESG issues in recent years. In March 2021, Walter Scott initiated an ongoing engagement for change with the company aimed at encouraging improved carbon disclosure. Since the engagement commenced, the business has made incremental steps towards aligning its external reporting with recognised disclosure standards, working to ensure that the relevant information was appropriately scoped, and that the disclosure methodology developed could be sustainably reported alongside other standards, such as those published by TCFD and SASB.

Having participated in Intuitive Surgical's ESG materiality survey in December 2022, Walter Scott were able to successfully close their engagement for change in February 2023 when the company published its inaugural sustainability report, which included validated scope 1 & 2 GHG emissions and an inventory for scope 3 (which is in the process of validation).

## **Threadneedle**

### Engagement example: Firm level

In 2023, Threadneedle engaged with a range of organisations in relation to ESG metrics in executive pay. The objective of incorporating ESG metrics into executive directors' remuneration structure is to drive leadership behaviour and intrinsically link material ESG issues with the way management is incentivised to execute business strategy. In particular, companies where remuneration policies are due for renewal are taking the opportunity to review performance conditions and include ESG-related metrics where appropriate. This includes in both the short-term incentive plans (e.g. annual bonus) as well as the long term incentive schemes.

During 2022-2023, Threadneedle consulted with 23 companies on the issue of remuneration from a range of sectors. The market trend is that companies are starting to use quantifiable ESG targets in several ways in remuneration. This includes as part of a basket/scorecard mechanism, a standalone metric, an underpin before awards are released and as a modifier to final payouts. The exact mechanism being used is dependent on how ESG is measured and its materiality to financial performance.

Alongside the inclusion of ESG metrics in executive pay, there has also been a huge shift in the alignment of executive pensions with that of the workforce. Threadneedle expect this to continue alongside increased scrutiny from investors on executive remuneration quantum given current economic conditions (e.g. the cost of living crisis in the UK).

## **M&G Investments**

### Engagement example: Strategy level

In 2023, as part of a wider discussion on Dutch financial institution ING GROEP's climate targets and strategy (the company is currently committed to a near term Science Based Targets initiative (SBTi)), M&G raised a number of requests to better allow them to measure and track its progress, as well as encouraging a net zero commitment.

As part of its regular reporting, M&G requested clear data disclosure in a single place. They requested that this include:

- Financed emissions.
- Additional scope 3 categories reporting.
- Requested a continuation of Carbon Disclosure Project disclosure, which the company had stopped completing.
- M&G also asked for the publication of milestones in its climate strategy, with remuneration links.

As an outcome, ING is reviewing the latest SBTi guidance for banks (which it helped to inform) before jumping the final hurdle and submitting its targets to SBTi for approval. It currently expects to be doing this in 2024. It is focussing its attention on materiality, so engaging with the largest emitting sectors on its loan book, and encouraging relevant sectors to sign up to SBTi. The company was very receptive to M&Gs requests, and M&G will follow up in due course to see how they are progressing.

*Source: Managers*



## Independent Auditor's report to the Trustee of the UK Shell Pension Plan

### Opinion

We have audited the financial statements of the UK Shell Pension Plan for the year ended 31 December 2023 which comprise the Fund Account, the Statement of Net Assets available for benefits and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Plan during the year ended 31 December 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Plan's ability to continue as a going concern for a period of 12 months from when the Plan's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Plan's ability to continue as a going concern.

## Other information

The other information comprises the information included in the annual report, other than the financial statements, our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 8, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Trustee is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Plan or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Trustee.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Plan and determined that the most significant related to pensions legislation and the financial reporting framework. These are the Pensions Act 1995 and 2004 (and regulations made thereunder), FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of

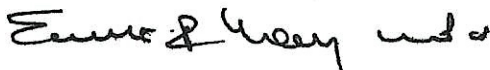
Ireland' and the Statement of Recommended Practice (Financial Reports of Pension Schemes). We considered the extent to which a material misstatement of the financial statements might arise as a result of non-compliance.

- We understood how the Plan is complying with these legal and regulatory frameworks by making enquiries of the Trustee. We corroborated our enquiries through our review of the Trustee's meeting minutes.
- We assessed the susceptibility of the Plan's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Plan has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. In our assessment, we also considered the risk of management override of controls. Our audit procedures included verifying cash balances and investment balances to independent confirmations, testing manual journals on a sample basis and also those journals where there is an increased risk of override, and an assessment of segregation of duties. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the Trustee for its awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of Trustee's minutes.
- The Plan is required to comply with UK pensions regulations. As such, we have considered the experience and expertise of the engagement team, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Plan with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Plan's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP  
Statutory Auditor

Reading

Date 01 JULY 2024

Notes:

1. The maintenance and integrity of the Fidelity website, on which the Trustee has allowed publication of the Plan's financial statements, is the responsibility of Fidelity's directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Financial Statements

### Fund Account for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Contributions and other income			
Employer contributions		71,092	53,551
Employee contributions		5,304	3,666
<b>Total contributions</b>	4	<b>76,396</b>	<b>57,217</b>
Transfers in	5	6,375	4,755
Other income	6	392	806
		<b>83,163</b>	<b>62,778</b>
<b>Benefits and other outgoings</b>			
Benefits	7	1,001	1,447
Payments to and on account of leavers	8	141	112
Transfers to other plans	9	6,533	4,345
Other payments	10	1,226	945
		<b>8,901</b>	<b>6,849</b>
<b>Net additions from dealings with Members</b>		<b>74,262</b>	<b>55,929</b>
<b>Net returns on investments</b>			
Change in market value of investments	11	54,011	(28,729)
<b>Net returns on investments</b>		<b>54,011</b>	<b>(28,729)</b>
<b>Net increase in the Plan</b>		<b>128,273</b>	<b>27,200</b>
<b>Opening net assets of the Plan</b>		<b>396,271</b>	<b>369,071</b>
<b>Closing net assets of the Plan</b>		<b>524,544</b>	<b>396,271</b>

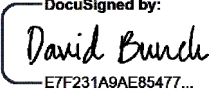
The notes on pages 61 to 68 form part of these financial statements.

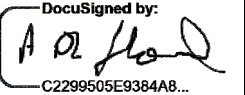
## Statement of Net Assets available for benefits As at 31 December 2023

	Note	2023 £'000	2022 £'000
<b>Investment assets</b>			
Pooled investment vehicles	11	524,087	395,870
<b>Current assets</b>	14	1,709	1,707
<b>Current liabilities</b>	15	(1,252)	(1,306)
<b>Total net assets available for benefits</b>		<u>524,544</u>	<u>396,271</u>

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year.

These financial statements were approved and signed on behalf of the Trustee on 26 June 2024.

Director  E7F231A9AE85477...

Director  C2299505E9384A8...

The notes on pages 61 to 68 form part of these financial statements.

## Notes to the Financial Statements for the year ended 31 December 2023

### 1. General information

The UK Shell Pension Plan ("the Plan") is an occupational pension scheme established under trust. The Plan was established to provide retirement benefits to certain groups of Shell employees whose base country is in the UK. The address of the Plan's principal office is Shell Centre, London SE1 7NA.

The Plan is registered pension scheme under Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are exempt from income and capital gains tax.

### 2. Basis of preparation

The individual financial statements of the UK Shell Pension Plan have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidelines set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised July 2018) ("the SORP").

### 3. Summary of significant accounting policies

The following accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Currency

The Plan's functional currency and presentational currency is pounds sterling (GBP).

#### Contributions

Contributions are accounted for on an accruals basis, in the period to which they relate. Normal contributions are accounted for in accordance with the Payment Schedule agreed by the Trustee with the Principal Employer. Additional voluntary contributions are accounted for in the period to which they relate.

Other contributions made by the employer to reimburse costs and levies payable by the Trustee are accounted for on the same basis as the corresponding expense.

#### Benefits and payments to leavers

Benefits and payments to leavers are accounted for on an accruals basis, in the period to which they relate.

On retirement, members have the option to:

- Take all of their account as 100% cash
- Purchase an annuity (and take 25% cash), or
- Take a series of smaller cash sums. In order to do this members would need to transfer the value of their account to another registered scheme such as a self-invested personal pension.

In the case of an annuity the member purchases insurance contracts to provide the full pension to which they are entitled. Once purchased, the policies are owned solely by the member.

These are charged to the fund account in the year of purchase and accordingly no value is ascribed to such policies in the statement of net assets.

#### Life assurance receipts

Life assurance receipts are accounted for on an accruals basis when they fall due.

#### Transfers to and from other plans

Transfer values represent the capital sums either receivable in respect of members from other pension plans of previous employers or payable to the pension plans of new employers for members who have left the Plan. They are accounted for on an accruals basis on the date the trustees of the receiving plan accept the liability. The liability normally transfers when a payment is made, unless the trustees of the receiving plan have agreed to accept the liability in advance of receiving the funds.

#### Administrative and other expenses

Administrative expenses and premiums on term insurance policies are accounted for on an accruals basis.

#### Investment returns

Income from investments and deposits is dealt with on an accruals basis. Income from pooled investment vehicles is re-invested and accumulates within the relevant fund.

The changes in market value of investments are accounted for in the year in which they arise and include all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Transaction costs are incurred through the bid offer spread on investments within pooled investment vehicles.

#### Valuation of investments

Pooled investment vehicles are valued at a single price, using closing price as advised by the investment manager.

#### Investment management expenses

Investment management expenses are not separately charged to the Plan. Charges are reflected within the unit price of the underlying investments.

## 4. Contributions

	2023 £'000	2022 £'000
Employer:		
Normal	50,186	38,334
Salary Sacrifice	16,717	12,499
Salary Sacrifice AVC	2,963	1,773
Life Assurance Premium	1,226	945
	<u>71,092</u>	<u>53,551</u>
Employee:		
Normal	2,031	1,847
Additional voluntary contributions (AVC)	3,273	1,819
	<u>5,304</u>	<u>3,666</u>
	<u>76,396</u>	<u>57,217</u>

## 5. Transfers In

2023	2022
£'000	£'000

Individual transfers in	6,375	4,755
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## 6. Other income

2023	2022
£'000	£'000

Bank interest	3	3
Life Assurance Income	389	803
	<u>392</u>	<u>806</u>

## 7. Benefits

2023	2022
£'000	£'000

Commutation of pensions and lump sum retirement benefits	465	206
Death Benefits	536	1,241
	<u>1,001</u>	<u>1,447</u>

## 8. Payments to and on account of leavers

2023	2022
£'000	£'000

Refunds of contributions	141	112
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## 9. Transfers to other plans

2023	2022
£'000	£'000

Individual transfers out to other plans	6,533	4,345
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## 10. Other payments

2023	2022
£'000	£'000

Premiums on term insurance policies	1,226	945
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## 11. Investment assets

### Analysis of money purchase assets

Investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf the corresponding contributions were paid. Accordingly, the assets identified as designated to members in the net assets statement do not form a common pool of assets available for members generally.

	2023 £'000	2022 £'000
Assets designated to members	524,087	395,870

### Market value reconciliation

	Value at 1 January 2023 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market £'000	Value at 31 December 2023 £'000
<b>Investments</b>					
Pooled investment vehicles	395,870	108,717	(34,511)	54,011	524,087
	395,870	108,717	(34,511)	54,011	524,087

Of the above fund value at 31 December 2023, £23,130,000 (2022: £14,951,000) related to AVC investments.

### Pooled investment vehicles

The Fund's investments in pooled investment vehicles at the year-end comprised:

	2023 £000	2022 £000
Equity	452,424	344,918
Property	46,619	31,270
Fixed Income	21,542	15,455
Cash	3,502	4,227
	524,087	395,870

Fidelity pooled investment vehicles are all UK unquoted managed funds and are operated by companies registered in the UK.

## Transaction costs

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Plan such as fees, commissions and stamp duty. Indirect transaction costs are incurred through the bid offer spread on investments within pooled investment vehicles.

## Concentration of investment

The following investments represent more than 5% of the total value of the net assets of the Plan.

	Market Value 2023	Percentage of Net Assets	Market Value 2022	Percentage of Net Assets
Investment	£,000	%	£,000	%
Growth Fund	466,746	89.0	354,827	89.5

At the year end investments are considered to be marketable on a short term basis.

## 12. Fair value of instruments

The fair value of investments has been determined using the following hierarchy. The hierarchy reflects the valuation technique and is not an assessment of risk.

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date. → Level 1

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. → Level 2

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability. → Level 3

The Plan's investment assets and liabilities have been included at fair value within these categories as follow:

	Level 1	Level 2	Level 3	2023 Total
	£,000	£,000	£,000	£,000
<b>Investment assets</b>				
Pooled investment vehicles	-	524,087	-	524,087
<b>Total investments</b>	-	524,087	-	524,087

Analysis for the prior year end is as follows:

	Level 1	Level 2	Level 3	2022 Total
	£,000	£,000	£,000	£,000
<b>Investment assets</b>				
Pooled investment vehicles	-	395,870	-	395,870
<b>Total investments</b>	-	395,870	-	395,870

### 13. Investment Risks

The members of the UK Shell Pension Plan access its DC investments through a life policy issued by FIL Life Insurance Limited ('Fidelity'). Fidelity offers the members a range of unit linked funds that in turn are invested with a range of underlying fund managers. The day to day management of the underlying investments within these funds is the responsibility of the respective managers, including the direct management of credit and market risks.

FRS 102 requires the disclosure of information in relation to certain investment risks. The risks disclosed below relate to the Plan's investments as a whole. Members can either select the Default Option or are able to choose their own investments from the range of funds offered by the Trustee and therefore may face a different profile of risks from their individual choices compared with the Plan as a whole.

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rate.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

In response to the above, the Plan is subject to credit risk in relation to:

- Fidelity through its holding in unit linked insurance funds provided to the Plan by Fidelity as set out in the tables below.
- The Plan is also subject to indirect credit and market risk arising from the underlying investments held in the underlying funds.

The following table summarises which risks each of the funds are exposed to:

Exposed to	Risk Categorisation				
	Credit Risk		Market Risk		
	Direct	Indirect	Currency	Interest Rate	Other Price Risk
Growth Fund	✓	✗	✓	✗	✓
Pre-Retirement Fund	✓	✓	✗	✓	✗
Transition Fund	✓	✓	✓	✓	✓
Pension Annuity Fund	✓	✓	✗	✓	✗
Cash Fund	✓	✓	✗	✓	✗
BlackRock World (ex-UK) Equity Index Fund	✓	✗	✓	✗	✓
HSBC Islamic Global Equity Index Fund	✓	✗	✓	✗	✓
BlackRock Emerging Markets Index Fund	✓	✗	✓	✗	✓
Mellon Long Term Global Equity Fund	✓	✗	✓	✗	✓
BlackRock Cash Fund	✓	✓	✗	✓	✗
BlackRock UK Equity Index Fund	✓	✗	✗	✗	✓
BlackRock Over 5 Years Index Linked Gilt Fund	✓	✗	✗	✓	✗
Threadneedle Property Fund	✓	✗	✗	✗	✓
BlackRock Aquila Life Market Advantage Fund	✓	✗	✓	✓	✓
Fidelity Pension Annuity Fund	✓	✓	✗	✓	✗
BlackRock World Multifactor ESG Equity Tracker Fund	✓	✗	✓	✗	✓
RBC Global Focus Equity Fund	✓	✗	✓	✗	✓
BlackRock Absolute Return Bond Fund	✓	✓	✓	✓	✗

Fund values can be found on page 9 of this report.

#### 14. Current assets

	2023 £'000	2022 £'000
Contributions due in respect of:		
Employers	329	292
Employees	122	105
Prepaid expenses	1,228	940
Cash balances	30	370
	<u>1,709</u>	<u>1,707</u>

All contributions due to the Plan at 31 December 2023 and 31 December 2022 relate to December 2023 and December 2022 respectively and were paid in full to the Plan in accordance with the Payment Schedule, and therefore do not count as employer-related investments.

Included in the cash balances shown above is £23,820 (2022: £369,744) which is allocated to members.

**15. Current liabilities**

	2023 £'000	2022 £'000
Contributions received in advance	1,228	940
Unpaid benefits	-	332
Other creditors	24	34
	<u>1,252</u>	<u>1,306</u>

Included in the table shown above there is £23,820 (2022: £366,276) other creditors which is allocated to members.

**16. Related party transactions**

Four Trustee Directors were members of the Plan during the year (this includes Directors who resigned during 2023) (2022: 3).

There was no employer-funded Trustee remuneration during 2023 (2022: nil).

All administrative costs have been met directly by the Principal Employer.

There were no other related party transactions during the year other than those disclosed elsewhere in the financial statements.

**17. Employer related investments**

There were no directly held employer related investments (as defined under section 40(2) of the 1995 Pensions Act), during the year.

Whilst detailed information is not routinely reported, analysis of the nature and objectives of underlying funds confirmed that employer related investments held during the year made up approximately 0.3% (2022: 0.3%) of net assets.

**18. Contingent liabilities**

In the opinion of the Trustee, the Plan had no contingent liabilities at 31 December 2023 (2022: Nil).

**19. Subsequent events**

There were no subsequent events requiring disclosures in the financial statements.

## Independent Auditor's Statement about Contributions to the Trustee of the UK Shell Pension Plan

We have examined the summary of contributions to the UK Shell Pension Plan in respect of the Plan year ended 31 December 2023 to which this statement is attached.

In our opinion contributions for the Plan year ended 31 December 2023 as reported in the summary of contributions and payable under the Payment Schedule have in all material respects been paid at least in accordance with the Payment Schedule dated June 2019.

### Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions on page 70 have in all material respects been paid at least in accordance with the Payment Schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Payment Schedule.

### Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for securing that a Payment Schedule is prepared, maintained and from time to time revised and for monitoring whether contributions are made to the Plan by the employer in accordance with the Payment Schedule.

It is our responsibility to provide a Statement about Contributions paid under the Payment Schedule and to report our opinion to you.

### Use of our statement

This statement is made solely to the Plan's Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee as a body, for our work, for this statement, or the opinions we have formed.



Ernst & Young LLP  
Statutory Auditor  
Reading

DATE: 01 JULY 2024

## Trustee's summary of contributions for the year ended 31 December 2023

During the year ended 31 December 2023, the contributions payable to the Plan were as follows:

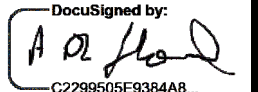
Contributions payable under the Payment Schedule	£'000
<b>Employer</b>	
- Normal	50,186
- Salary Sacrifice	16,717
- Life Assurance Premium	1,226
<b>Employee</b>	
- Normal	2,031
	<hr/> 70,160
<b>Other contributions payable</b>	
<b>Employer</b>	
- Salary Sacrifice Additional Voluntary	2,963
<b>Employee</b>	
- Additional Voluntary	3,273
	<hr/> 6,236
<b>Contributions per Fund Account</b>	<hr/> <b>76,396</b>

During the year contributions were received in accordance with the Payment Schedule dated June 2019.

This summary is prepared solely for the purpose of reconciling the contributions required by the Payment Schedule (and therefore subject to the auditor's statement on the previous page) to the contributions recognised in the financial statements.

Signed on behalf of the Trustee

Director  E7F231A9AE85477...

Director  C2299505E9384A8...

Date: 26 June 2024