Statement of Investment Principles

Shell Pensions Trust Limited, Trustee of the Shell Contributory Pension Fund

March 2022

Shell Pensions Trust Limited, the Trustee of the Shell Contributory Pension Fund has prepared this Statement of Investment Principles (SIP) to meet the requirements of the Pensions Act 1995, as amended, and the Occupational Pension Scheme (Investment) Regulations 2005, as amended.

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1. Introduction

This statement sets out the principles governing the investment policy of Shell Pensions Trust Limited, the Trustee of the Shell Contributory Pension Fund ("SCPF"), having taken advice from its investment manager, Shell Asset Management Company B.V. (SAMCo) (the "Investment Manager") and from its investment adviser, Aon (the "Investment Adviser") (the "Investment Manager and Investment Adviser together "the Advisers") and after consultation with the SCPF's sponsoring employers (the "Sponsor").

This statement has been prepared in accordance with the Pensions Act 1995, as amended, and the Occupational Pension Schemes (Investment) Regulations 2005, as amended. The statement is reviewed periodically or as required if there are significant changes to the investment policy or there is a material change in the SCPF's funding position which warrants a review of the Strategic Asset Allocation ("SAA").

2. Objectives

The Trustee is responsible for the stewardship of the SCPF's assets; its main investment objective is to invest its assets such that they, together with the return on them, are sufficient to pay all pensions due to members. The Trustee has developed a Journey Plan ("the Journey Plan") which aims to ensure the sufficiency of those assets in order to pay benefits as they fall due.

The Journey Plan provides a framework for integrated review of covenant, funding and asset allocation decision making, along a planned de-risking path, towards a long-term low degree of dependency on the Sponsor's covenant. It covers all accrued and expected future benefits of the SCPF.

The Trustee aims to generate investment returns in excess of those obtainable on very low risk assets (principally index-linked gilts) to ensure that the statutory funding objective is met and, over time, to progress with the Journey Plan.

3. Investment Strategy

The Trustee sets a broadly conservative investment strategy considered appropriate for the SCPF taking account of how much risk the Trustee, in consultation with the Sponsor, wishes to take and consistent with the objective of paying all benefits due on time. The most important element in the investment approach is the asset allocation decision, i.e. the appropriate mix of different asset types. In conjunction with its Advisers, the Trustee carries out an Asset Liability Modelling ("ALM") exercise every three years. The ALM tests possible funding outcomes under different economic scenarios to help inform the Trustee decisions about its asset allocation. The scenarios incorporate different risks including asset returns, inflation, longevity changes and financial risks from climate change. The ALM expresses the Trustee's investment approach and defines the required returns and acceptable risk tolerance in order to determine the SAA. While the terms of the SAA are decided by the Trustee on the recommendation of its Investment and Funding Committee, its implementation and more granular decisions in respect of asset allocation are delegated to the Investment Manager and are documented in the Investment Management Agreement ("IMA").

The assets are split into three categories:

- **Liability Hedge Assets** - where cash flows can be expected to broadly match a proportion of the expected liability cash flows of the SCPF;
- **Investment Grade Credit** – a portfolio of investment grade credit expected to generate modest returns with relatively low risk; and
- **Return seeking assets** - where long-term growth can be generated in order to provide for the remaining expected cash flows for beneficiaries.

The Asset allocation is kept under review by the Trustee. Changes to the SAA may be decided by the Trustee following a recommendation from the Investment and Funding Committee. Any changes follow the process agreed between the Trustee, its Investment Adviser, the Investment Manager and the Sponsor ensuring that the SAA continues to be appropriate for the circumstances of the SCPF and the Trustee's Journey Plan.

The Trustee's appetite for risk may be affected by a range of matters, including the strength of the Sponsor covenant, the SCPF's funding position, its cash-flow profile and its liability profile. The Trustee monitors these factors regularly and may alter its Journey Plan as appropriate in the event of any significant changes.

The Trustee's Investment and Funding Committee monitors the activity and performance of the Investment Manager including compliance with the IMA.

4. Investment Management Structure

The Trustee is responsible for the investment strategy of the SCPF. It has delegated oversight of implementation to its Investment and Funding Committee. This is set out in the Investment and Funding Committee's terms of reference. The day-to-day management of the SCPF's investments, including any realisation of those investments, is delegated to the Investment Manager, which acts as both principal Investment Manager and an adviser. This relationship is governed by an Investment Management Agreement ("IMA") which covers discretionary investment management, as well as certain investment advisory and ancillary services. The Investment Manager may, if appropriate and within the terms of the IMA, allocate investment mandates to external managers and agree fees for such services on behalf of the Trustee.

In addition to the Investment Manager, the Trustee appoints an Investment Adviser to provide additional support as required, bringing an external perspective. The appointed Investment Adviser has the knowledge and experience required to execute its function as required under the Pensions Act 1995.

The Investment Manager is remunerated on a basis which covers its costs for managing the assets of the SCPF. The Investment Manager does not participate in any soft commission arrangements. The Investment Adviser is remunerated on a fixed fee basis with additional work charged on a time and materials basis. Additional payments are made based on the Trustee's judgment as to performance.

The Investment and Funding Committee monitors the SCPF's investments to consider the extent to which the investment strategy and decisions of the Investment Manager are aligned with the Trustee's policies. The long-term nature of the Investment Manager appointment, the Investment Management Agreement, the performance objectives and fee structure together aim to ensure that the Investment Manager is aligned with the Trustee's requirements for a medium to long-term focus.

The Trustee has appointed a 3rd party Stewardship Services Provider to engage with issuers of equity on environmental, social, governance, strategy, risk and communication matters in order to improve the performance in the medium to long-term. The Trustee is supported in this monitoring activity by the Investment Adviser.

The Trustee receives quarterly reports and oral updates from the Investment Manager on various items including the investment strategy, performance and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the suitability of the investment strategy in relation to the Plan's objectives and assesses the Investment Manager over three year periods.

The Trustee shares its policies, as set out in this SIP, with the Investment Manager and requests that the Investment Manager reviews and confirms whether its approach is in alignment with the Trustee's policies.

If the Investment Manager appoints a new external manager, the Trustee requires the Investment Manager to review the governing documentation associated with the investment and to consider the extent to which it aligns with the Trustee's policies. Where possible the Investment Manager is asked to amend that documentation so that there is greater alignment. Where it is not possible to make changes to the governing documentation, for example if the Investment Manager invests in a collective vehicle, then the Investment Manager is required by the Trustee to express its expectations to the external manager by other means such as through a side letter, in writing or orally.

The Trustee has appropriate governing documentation, sets clear expectations to the Investment Manager and external managers by other means where necessary and regularly monitors performance and investment strategy. The Trustee believes that this is sufficient to incentivise the Investment Manager and external managers to make decisions that align with the Trustee's policies and are based on assessments of medium and long-term financial performance.

Where the Investment Manager or external managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will engage with the Investment Manager to bring matters into alignment. The Trustee would ultimately replace the Investment Manager for those assets should it not be able to accommodate the Trustee's requirements. Similarly, the Trustee would ask the Investment Manager to replace an external manager where this is deemed necessary.

There is no set duration for arrangements with the Investment Manager or external managers, although the continued appointment of the Investment Manager will be reviewed periodically, typically every three years. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

5. Risk Management

As the Trustee recognises that the SCPF is exposed to investment, funding, sponsor covenant and operational risks, its approach is to integrate management of those risks. The Investment Manager and the Investment Adviser give quantitative and qualitative consideration to operational, funding and investment risk when advising on investment policy, strategic asset allocation, investment strategy and manager selection.

It is the case that although it may be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows, the Trustee also recognises the constraints and costs in seeking to do so. In order to meet the long-term funding objective of paying the SCPF benefits as they fall due, while managing the level of contributions and overall risk within acceptable parameters, the Trustee takes a degree of investment risk relative to the SCPF's liabilities. This targets a greater return than the liability-matching assets would provide while maintaining a prudent approach, as required by the Occupational Pension Schemes (Scheme Funding) Regulations 2005, as amended, to meeting the SCPF's liabilities.

The overall investment risk taken by the Trustee is diversified across a range of different investment opportunities, which in aggregate are expected to provide excess return relative to Gilts and to the SCPF's liabilities based on technical provisions over time.

The Trustee aims to diversify the asset allocation exposures geographically, by asset class and across active management strategies. In terms of the management of currency risk, the Trustee's policy within its SAA is to hedge back to Sterling an appropriate proportion of currency exposure.

The categories of risk, relevant to the investment strategy, identified by the Trustee are:

Risk	Definition, Controls & Mitigants
Asset-liability (matching) risk	***Definition***: the SCPF's assets do not achieve the expected returns relative to the growth in its liabilities stemming from, for example, inflation, deflation and longevity. ***Controls and mitigants:*** diversify the return-seeking assets exposure. Increase the exposure to liability-hedging or liability-matching assets, in physical or derivative form.
Currency	***Definition:*** the SCPF may have material exposures to overseas assets, denominated in currencies which may fluctuate relative to Sterling, the currency of the SCPF's liabilities. ***Controls and mitigants:*** monitoring of currency exposure. The Trustee's policy within its SAA is to hedge back to Sterling an appropriate proportion of currency exposure.
Returns of the Fund	***Definition:*** actual returns of the SCPF may lag those required, as a result of market conditions, the SCPF's active management, its costs or the inability to access desired exposures. Market condition risks include long term low interest rates, weak global economic performance and financial risks from climate change. ***Controls and mitigants:*** ensure that there is sufficient expertise, resource and oversight within the Investment Management and Investment Advisery functions. Adopt realistic assumptions regarding risk parameters, costs and implementation of specific asset strategies, with those assumptions being embedded in strategic benchmarking and in strategic decision-making. Cost and investment performance monitoring including portfolio tracking error and risk scenario analysis.
Liquidity	***Definition:*** the SCPF may have insufficient liquid funds to meet its obligations (including collateral requirements) as they fall due. ***Controls and mitigants:*** monitor the amount of cash and other liquid instruments held and maintain robust and timely disinvestment procedures in order to ensure that all liabilities e.g. benefits, collateral, margin, expenses and other cash calls can be paid as they fall due. New investments in illiquid assets may not be made above an upper limit set by the Trustee of the proportion of such assets in the SCPF.

Risk	Definition, Controls & Mitigants
Operational	***Definition:*** loss or error arising from the failures of people, processes and systems, or disruption due to an external event. ***Controls and mitigants:*** operational risk is managed at all levels. Appropriate processes, controls and due diligence are integrated into all activities. Key controls and mitigants include segregation of duties, organisational structures, appointment of external custodians, authorisation routines, physical access, supervisory controls, internal and external audit, personnel management and managerial oversight and review.
Strength of the Sponsor covenant	***Definition:*** the SCPF's Sponsor may be unable to provide the required level of future support to the SCPF. ***Controls and mitigants:*** Structured covenant assessment and monitoring process integrated into the Journey Plan framework.

6. Investments to be Held

Subject to relevant Regulations, the Trustee wishes to invest in a wide range of quality assets appropriate for the SCPF and apply a range of investment strategies. Investments are to be made across quoted equity, government and non-government debt, currencies, money market instruments, and other financial instruments, as well as in alternative strategies including property, private equity, infrastructure and hedge funds. Investment may be undertaken directly, indirectly, in physical assets or through derivatives.

The Trustee's policy is to review direct investments and to obtain written advice from its Advisers at regular intervals. When deciding whether or not to make any new direct investments, the Trustee will obtain written advice from its Advisers and consider whether direct investment is the most appropriate route.

The Trustee believes that, over the long term, returns on risk-free assets (e.g. UK Gilts) will be lower than those on return-seeking assets, including non-government debt, publicly traded equities, property and investment in alternative strategies and private market assets. The investment management approach, choice of managers and the SCPF's SAA are intended to provide returns in excess of pure liability-hedging assets, while controlling the level of asset-liability risk.

An independent custodian appointed by the Trustee holds all securities owned by the SCPF.

7. Cost Transparency

The Trustee is aware of the importance of monitoring its total investment costs and the impact these costs can have on the overall value of the SCPF assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred that can increase the overall cost.

The Investment Manager provides the Trustee with an annual cost transparency report covering all of the SCPF's investments for each asset class and this is reviewed by the Investment and Funding Committee.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a higher level of transaction costs is acceptable provided it is consistent with the asset class characteristics, manager's style and historic trends. Where the monitoring identifies an inconsistencythe mandate will be reviewed.

Targeted portfolio turnover is defined as the expected frequency with which fund holdings change over a year. The Investment Manager monitors this on behalf of the Trustee and flags to the Trustee where there are concerns.

The Trustee is willing to accept performance related fees if these are suitable for the SCPF and are aligned with the objectives of the SCPF.

8. Responsible Investment and Stewardship

Environmental, Social and Governance ("ESG") considerations

The Trustee is a responsible steward of the assets in which it invests. The Trustee's primary concern is to act in the best financial interests of its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

In taking material financial factors, including corporate governance, environmental and social considerations into account, the Trustee expects to both protect and enhance the value of the SCPF in the long term. The Trustee reflects ESG considerations, including financial risk from climate change, in a manner which is consistent with the Trustee's investment objectives, legal duties and other relevant commitments. Where the Trustee believes it is appropriate, this includes embedding certain ESG factors or considerations into the relevant investment benchmark.

As a responsible steward of capital, the Trustee maintains a Responsible Ownership policy. The policy also sets out where the Trustee has employed a third-party organisation to assist in the implementation of this policy regarding engagement activity, exercise of voting rights and ongoing monitoring responsibilities.

The Trustee has adopted the UN Global Compact Principles and signed up to the Principles for Responsible Investment.

The Trustee requires the Investment Manager to:

- Include consideration of ESG factors in the investment process, where relevant to the financial risk and return;
- Use its influence to engage with underlying managers to ensure the SCPF's assets are not exposed to undue risk; and
- Report to the Trustee (including through the 3rd Party Stewardship Services Provider) on its ESG activities, which supports the Trustee in determining the extent to which the SCPF's engagement policy has been followed throughout the year.

Stewardship – Voting and Engagement Activities

The Trustee requires the Investment Manager either directly, or indirectly through the 3rd party Stewardship Services Provider, to:

- Exercise its delegated voting rights in all practicable cases in accordance with the corporate governance principles agreed between the Trustee, the Investment Manager and Stewardship Services Provider.
- Report to the Trustee on stewardship activity regularly as required by the Trustee.

Non Financial Matters and Members' Views on ESG

The term "Non Financial Matters" means the views of the members and beneficiaries 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 of the members and beneficiaries of the trust scheme. To the extent that these topics are financially relevant in the selection, retention and realisation of assets, they are taken into account in the investment strategy of the Fund. The Trustee does not separately take into account Non Financial Matters in its investment approach. The complex nature of asset liability modelling and the requirement for professional expertise in investment management means that the Trustee does not involve members and beneficiaries in this process. The Trustee sets and implements the SCPF's investment strategy in line with the principles set out in this statement.

Members can contact the Trustee (SCPFtrustee@shell.com) to share views and concerns about any aspect of the running of the SCPF.