

THE SOURCE

The annual newsletter from the Trustee
to members of the Shell Contributory
Pension Fund
November 2019



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Tim Morrison -
Chair of the Trustee Board

A MESSAGE FROM TIM MORRISON, CHAIR OF THE TRUSTEE BOARD

Welcome to the 2019 edition of the Source, the annual newsletter for members of the Shell Contributory Pension Fund (SCPF).

Fund performance

As at 31 December 2018, the SCPF's statutory funding ratio was 106%. This figure measures the assets as a percentage of the liabilities of the Fund. Over the year our liabilities declined because of the benefits we paid in the year. On the other hand, 2018 was a poor year for investment returns generally and the return on investments for the SCPF was only marginally positive. Overall, the Fund remains in a healthy position.

As the Fund matures, we intend to de-risk the asset portfolio progressively and we further developed our medium-term planning during the year. As part of this, we took a major step in mid-2018 with a reduction in our holdings of listed equities and the reshaping of our portfolio. The Board continues to monitor the performance of the Fund closely. See page 10 for more information.

Unsettled times

As we finalised the Source on 18 October 2019, a Brexit deal had been agreed between the UK and EU but was still subject to ratification. The SCPF has carefully reviewed the operational aspects of Brexit in terms of cross-border payments, services and flows of data and is as satisfied as it can be that we will continue to operate smoothly.

Our diversified asset portfolio provides a good degree of protection against any material negative short-term effects. Longer term it remains to be seen how matters unfold as, following Brexit, the UK negotiates a new place in the world trading system.

We continue to strengthen our risk-management approach to reflect the uncertainty of the times. The threats of a developing trade war, continuing rapid developments in the fields of information technology and medical science, and the impact of climate change are just some of the matters which have a bearing on our long-term funding health. These are issues which face all pension funds, of course, and the SCPF Trustee Board will continue to pay close attention to them. In this we are much helped by our healthy funding ratio and our financially strong sponsor.

The Trustee Board

There have been some changes to the Trustee Board over the past year. We said farewell to Clive Hopkins, the Chair of the Investment Committee, who was on the Board for nine years. I'd like to thank Clive for all his excellent work during this time. I'd also like to welcome to the Board Alan Davies, who has also taken over as Chair of the Investment Committee.

I hope you enjoy reading this edition of the Source. Please do send feedback to the Scheme Secretary if you have any comments or suggestions – contact details are on page **19**.

Tim Morrison
Chair of the Trustee Board



TRUSTEE NEWS



**Alan Davies -
Chair of the Investment Committee**

Changes to the Trustee Board

Clive Hopkins, former Chair of the Investment Committee, left the Board earlier this year. Clive joined the Trustee Board in December 2010 after 32 years at Shell in a series of senior finance roles. He was a Trustee Director for nine years and his contribution and his leadership of the Investment Committee over the past eight years was much appreciated.

Alan Davies is our new Chair of the Investment Committee. We caught up with him to ask him a few questions about his role:

What is your background?

After university I qualified as a Chartered Accountant and then in 1980 I joined Shell in London, mainly because of the overseas career path that was offered but also because of the incredible Lensbury sports facilities—I've always been a keen football player.

Tell us about your time with Shell

My first role was a short assignment in Audit, after which I moved to the Shell team responsible for investments in the Middle East. In 1983, my wife Debbie

and I moved to Jubail in Saudi Arabia, the first of four overseas assignments covering just under 13 years. Our other assignments were in The Hague, Oman and Thailand.

We moved back to the UK in 1996 and I took up the role of Finance Adviser in Oil Products, Europe, before joining the newly formed Accounting Services team which set up the shared services organisations in Glasgow and Kuala Lumpur.

My introduction to pensions came in 2000 when I became (what is now) VP Group Pensions. We started with a team of three and by the time I left the role in 2008, Group Pensions had grown into the organisation it is today. One of the most important achievements of that period was to propose and obtain approval for the formation of Shell Asset Management Company (SAMCo).

In 2008 I became VP Risk & Insurance, retiring from Shell in 2017 after over 37 years' service. I'm still playing football happily.

How did you become a Trustee Director?

I was nominated by the Shell Group based on my experience of pensions, as well as my previous roles as Trustee Director of a number of pension funds and Chair/member of many investment committees.

What does the role involve day to day?

The role is a strategic one rather than requiring hectic day-to-day activity. The main responsibility of the Chair, together with the other members of the Investment Committee (IC), is to recommend to the Board the optimum long-term investment strategy for the SCPF. The IC is also responsible for overseeing the effective implementation of the investment strategy.

What's the biggest challenge you face in the role?

We are living in a period of significant political uncertainty with potentially volatile investment markets. The main challenge is, as always, to ensure that we have the right mix of assets to deliver the returns we need to remain fully funded through the life of the Scheme.

Ronan Cassidy attends Board meeting

The Trustee invites senior leaders to a Board meeting each year to update them on Company strategy and performance, and take questions from Trustee Directors. Last year, Ronan Cassidy, Executive Committee member, Chief HR & Corporate Officer and Chair of Shell's Pension Forum, joined the November 2018 Board meeting. Matters discussed included:

- Shell's strategy and challenges in the Energy Transition;
- Shell's move to adopt its total carbon footprint in its reduction targets;
- The importance of continued energy supply to the world economy and Shell's work in delivering energy to 100 million people without access to clean energy;
- Progress and future trends in improving diversity in the workforce, especially at senior levels; and
- The continuing value of Shell's generous pension arrangements, both DB and DC, to the Company.

SCPF FINANCIALS

Income and expenditure

	2017 (£m)	2018 (£m)
We started the year with a Fund value of:	15,949	16,383
Income (amounts that increase the value of the Fund)		
Members' contributions – ordinary	-	-
– Additional Voluntary Contributions (AVCs)	6	4
Employers' contributions – ordinary	-	-
– salary sacrifice	12	11
Transfers from other schemes	2	3
Investment income	372	407
Changes to investment market values	806	-286
Total Income	1,198	139
Expenditure (amounts that decrease the value of the Fund)		
Benefits paid*	528	525
AVC benefits paid	16	7
Payments to and on account of leavers	191	150
Administration and investment expenses	29	29
Total Expenditure	764	711
We ended the year with a Fund value of:	16,383	15,811

*Including commutation lump sums on retirement and lump-sum death benefits.

Did you know...



Membership of the SCPF as at 31 December 2018



3,667

Active members

Working for one of the participating companies and paying regular contributions to the SCPF. Includes active employees in the Shell Overseas Contributory Pension Fund (SOCPF) with benefits in the SCPF.



8,160

Deferred members

Generally, those who have left employment with Shell, but whose benefits remain in the SCPF.



27,847

Pensioners

Already receiving a pension from the SCPF. This group includes dependants of deceased members.

SCPF INVESTMENTS

Investment performance

The SCPF's performance over the year to 31 December 2018 and over the last three, five and ten-year periods, compared with its benchmarks, is shown below:

	1 years	3 years	5 years	10 years
Actual performance	0.7%	7.0%	6.6%	7.8%
Benchmark	0.7%	6.9%	6.5%	7.4%

(All percentages are annualised)

Performance in 2019

The return on the SCPF's investments for the first half of 2019 was 6.6%, 0.1 percentage point higher than the benchmark return of 6.5%.

Falling bond yields helped boost SCPF's bond investments, while anticipation of lower interest rates led to strong returns from SCPF's equity investments despite growth-slowdown fears and continuing global trade tensions.

INVESTMENT JARGON BUSTER

Alternatives

Assets that are not one of the conventional investment types (equities, bonds and cash), such as property, hedge funds and private equity.

Bonds

Investments, similar to loans, that provide a return from interest payments (and repayment of the loan at the bond's maturity). This portfolio invests in a wide range of bonds including global and emerging market bonds issued by companies and governments.

Equity

An investment in the shares of companies listed on a recognised stock exchange.

Liability hedge portfolio

Contains index-linked gilts and high quality bonds, designed to closely match the liabilities.

Liquidity assets

Investment in cash deposits, near cash equivalents and short dated bonds that can be converted into cash at short notice.

Strategic asset allocation

Describes the long-term target proportions of the Fund invested in different asset types (such as equities, property and bonds).

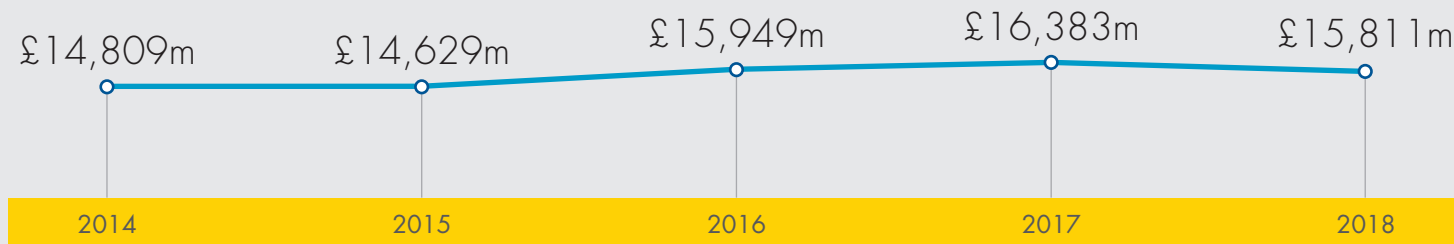
How the assets are invested



Strategic asset allocation

● Liability hedge	33%
● Liquidity and investment grade assets	18%
● Equities	19%
● Return-seeking bonds	8%
● Alternatives	22%

Value of investments*



*Includes Additional Voluntary Contributions (AVCs).

SCPF FUNDING

The Trustee is required by law to provide all members with information on the SCPF's funding position each year. The annual funding statement, summarised here, is based on the 2018 actuarial report. Technical terms are highlighted in bold and explained in the Funding Jargon Buster on page 12.

Results of the actuarial report as at 31 December 2018

A full actuarial valuation is normally carried out every three years. In the intervening years, the Actuary prepares an approximate update of the funding position in an actuarial report. The actuarial report as at 31 December 2018 was prepared in March 2019 and is therefore based on unaudited accounts. The next full actuarial valuation will take place as at 31 December 2020.

The actuarial report showed that, as at 31 December 2018, the funding position was as follows:



*Excludes Additional Voluntary Contributions (AVCs) and the Contribution Reserve Account (CRA).

Change in funding position since the previous valuation

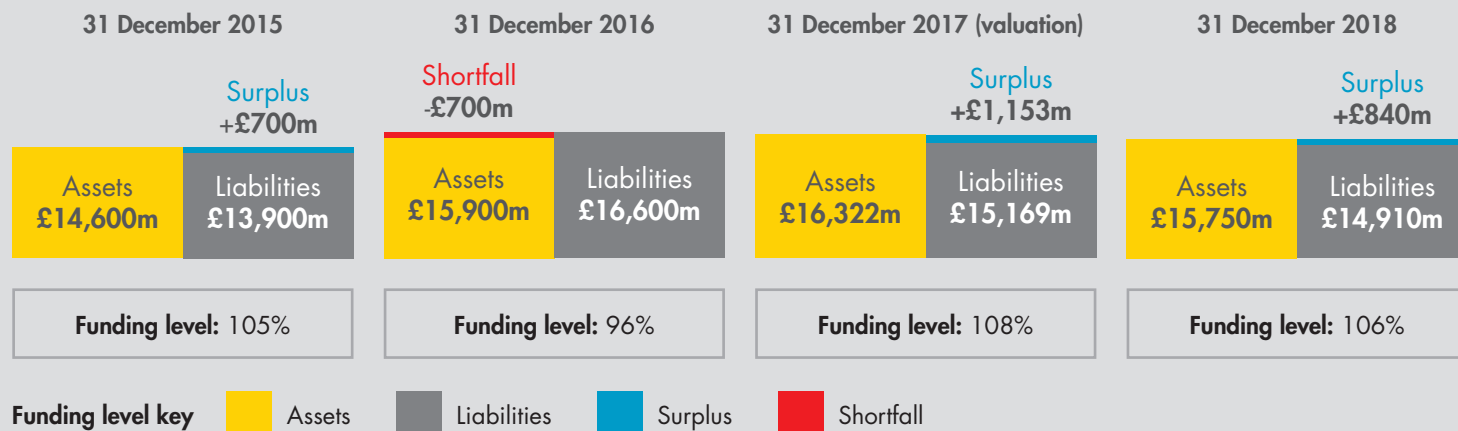
As at the last actuarial valuation at 31 December 2017, the SCPF had a **surplus** of £1,153m (108% funded), compared with a **surplus** of £840m (106% funded) as at 31 December 2018.

Financial markets were volatile during the latter part of 2018 and it was a poor year for investment returns. The Fund's **assets** produced only slightly positive returns (profits) during 2018 and, as a result, the funding level – the relative value of the amount of money in the fund (**assets**) and the amount needed to pay pensions (**liabilities**), expressed as a percentage figure – decreased slightly, from 108% to 106%. As the Fund is in **surplus**, we have a plan to de-risk the investments as it matures. For example, in 2018 we reduced listed equities and reshaped our portfolio.

The statutory funding objective aims for 100% funding of the technical provisions, i.e. for the **assets** to be enough to cover the amount needed to pay benefits. The SCPF was 106% funded at 31 December 2018 on this basis, meaning that at present this objective has been achieved.

Funding levels

The infographic below shows each year's **funding level** as at 31 December since 2015.



The Trustee is legally obliged to provide you with an estimate of the Fund's solvency level. This is the level of pensions the Fund is estimated to be able to pay if it wound up, though the Company has no intention of winding up the SCPF. The statutory estimate of solvency level as at 31 December 2017 was 73%.

Regulations require the Trustee to confirm that the Company has not taken any money out of the SCPF in the past year. The Trustee is happy to confirm this.

FUNDING JARGON BUSTER

Assets

The money within the Fund, includes investments, member and company contributions.

Liabilities

The value of the benefits owed to members.

Surplus

When there are more assets in the Fund than liabilities.

Shortfall

When there are fewer assets in the Fund than liabilities.

Funding level

The ratio of the assets to the liabilities within the Fund expressed as a percentage.

SCPF FUNDING

Company contributions

Company contributions continue to be made to the Contribution Reserve Account (CRA) at a rate of 10% of pensionable salaries. Given the strong funding position at the last valuation, this was reduced from 20% with effect from 1 January 2019, which was agreed following completion of the formal 2017 actuarial valuation. The Company has no plans to change members' contributions rates.

The funding Journey Plan

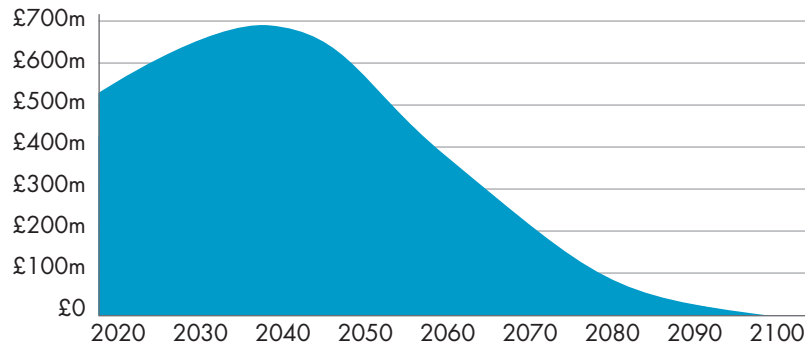
The Fund aims to reach a funding position where there is a low dependency on the covenant of the Company. The strategy to achieve this is in motion and involves de-risking the investment portfolio, reducing the holding in return-seeking **assets** and investing more in defensive investments whose behaviour is similar to **liabilities**.

Latest updates

As at 30 June 2019 the Fund's assets were valued at £16,470m and the liabilities were valued at £15,890m, giving a funding level of 104%.

Projected payments from the Fund

31 December 2018



Comment from the Actuary

"2018 was a difficult year for investors, with UK Government bonds broadly flat and many other asset classes delivering negative returns. Markets became increasingly pessimistic, reflecting heightened political tensions and uncertainty both globally and here in the UK. The Fund's assets did achieve a modest positive return overall but at a lower-than-expected level, insufficient to cover the liability impacts resulting from interest and the accrual of new benefits. This led to a fall in the funding level from 108% to 106% over 2018, but, despite the headwinds, the Fund's long-term journey plan remains on track."

Mike Webb – Aon

PENSION NEWS

Guaranteed Minimum Pension (GMP) equalisation

GMP is the minimum level of pension that must be paid to members who built up benefits in a defined benefit (DB) pension scheme between 6 April 1978 and 5 April 1997. The method for calculating GMPs can result in inequality because GMPs are payable from different ages – 65 for men and 60 for women – and, consequently, GMPs accrue at different rates.

On 26 October 2018, in a judgement involving the Lloyds Banking Group's DB pension schemes, the High Court ruled that schemes should be amended to equalise pension benefits for men and women in relation to GMP benefits accrued between 17 May 1990 and 5 April 1997. Schemes are also required to backdate

benefit adjustments in relation to GMP equalisation and pay interest on the backdated amounts.

How does this affect the SCPF?

There are members who will be impacted, this is not expected to be significant because of the Fund's benefit structure.

When will it happen?

The requirement to equalise GMP is a complex task that may take many months or years to complete.

What should I do?

You do not need to do anything about GMP. We will keep you updated via the website and Source and we will write to you personally if you are impacted once the exercise is complete.

Remember to register your email address

Instead of waiting for a paper copy of the Source, why not register your email address. Not only will you receive an email notifying you as soon as the Source is ready, but you'll also be the first to receive other important news about the SCPF.

To register, simply follow the four steps in the Source covering letter.

The Money and Pensions Service

In January, The Pensions Advisory Service, Pension Wise and the Money Advice Service merged to form the Single Financial Guidance Body. It's five functions are pension guidance, debt advice, consumer protection, strategy and money guidance.



Visit the services's website at
moneyandpensionservice.org.uk

Additional Voluntary Contributions (AVCs)

Unit-Linked Funds

In August 2019 members' Unit-Linked AVCs were moved to Legal & General's new Worksave Pension Trust Platform. You can read about the funds available on the platform in the "Understanding your AVC investment choices" booklet. You can find this in the SCPF library at pensions.shell.co.uk

With-Profits

Early last year Legal & General announced the sale of its mature savings business (including the With-Profits arrangement) to the ReAssure division of Swiss Re Limited. The transfer was originally scheduled for 4 November 2019, but the High Court approval has now been deferred. We don't know the new dates for the transfer or High Court hearing yet, but we'll contact all members with With-Profits AVCs soon as we do.



Pension scams

Earlier this year, the Government banned pensions cold calling in the UK. This means that unsolicited calls about your pension are illegal and companies that break the rules can face fines of up to £500,000. This is good news, but you should still remain alert to pension scams and be wary of any approaches from financial institutions, or via social media, encouraging you to transfer your pension. Before you do anything, follow these steps:

- 1 Always find out who you're dealing with – check the company appears on the Financial Conduct Authority's (FCA) Register at **register.fca.org.uk**
- 2 Take regulated advice before making any decision relating to your pension – you can find an independent financial adviser (IFA) at **unbiased.co.uk**
- 3 Take your time, do your research and never be pressured into making a hasty decision.

You can find tips on how to protect yourself from scammers at **thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf** Please remember that we will never give you details to a financial adviser for pension advice or any other financial advice.



Case study – Richard

Richard received a call out of the blue from a company offering him a free pension review. Richard was interested, as he was approaching retirement and he had been considering getting some financial advice about his pension. But then he remembered reading that pension cold-calling was banned and he started to become wary.

He told the caller he would need to phone her back and she gave him her mobile number, saying that it was the easiest way to reach her. This also rang alarm bells for Richard as it seemed an unusual thing for a reputable company to do.

After hanging up the phone, Richard logged onto the Financial Conduct Authority's (FCA) website and looked the company up on the Financial Services Register. It wasn't on the Register and so was not an FCA-authorised firm. He then phoned the FCA to report the company. They told him he'd done the right thing and it was almost certainly a scam.

SCPF COMMUNICATIONS UPDATE

We'd like to hear from you

We received great feedback from our first Trustee round-table discussion video which we recorded last year. You can find the video in the SCPF News section at pensions.shell.co.uk

If you have any questions you'd like the Chair to answer in his new video due to be released in January 2020, just send them to Amanda Burston, the Scheme Secretary. You can find her contact details on page 19.

Digital communications

32% of our members have already registered to receive digital communications. However, as nearly 70% of respondents to our survey in the Source 2017 said they would prefer to receive information via email, we feel we can increase this number substantially.

It's easy to receive SCPF communications by email – simply register at sp.pensioncomms.info – and remember, by doing so, you'll help us to reduce our carbon footprint! You'll also receive your SCPF updates much quicker, especially if you live abroad.



Scan the QR code to register to receive SCPF communications by email or visit sp.pensioncomms.info

Regular communications

Here's a calendar of the personalised communications you'll receive in the post each year from the Trustee Services Unit.

March	Pension increase letters to pensioners.
May	P60s to SCPF pensioners.
July	Benefit statements to active members. AVC benefit statements to active members.
October	Benefit statements to deferred members.

Please make sure you keep your address details up to date and let us know if you have changed address.

LOOKING AFTER THE SCPF

Trustee Services Unit (TSU)

Head of UK Pensions

To 30 September 2019 – Maria Cooper

After three years in the Trustee Services Unit as Head of UK Pensions and 16 years of Group service, Maria left Shell to move to France. We wish her all the best for the future.

From 1 October 2019 – Alan Howard

Alan joined Shell in December 2015 as Group Pension Actuary. He previously worked for Aon as an actuarial and pensions consultant for 16 years.

Pension Manager and Scheme Secretary

Amanda Burston

Finance Manager

John Ostinelli

Pension Manager and Head of Administration

Haydn Jones

The Trustee's professional advisers and support

Actuary

Mike Webb (Aon)

Auditors

Ernst and Young LLP

Legal Advisers

Laura Hamilton
(Shell International
Limited); Hogan Lovells
International LLP

Investment Manager

Shell Asset Management
Company B.V. (SAMCo)

Investment Adviser

Aon

Investment Custodian

JPMorgan Chase Bank

Trustee Board

The current Trustee Directors are:

- | | |
|------------------------|------------------|
| ■ Tim Morrison (Chair) | ■ Frances Hinden |
| ■ Graham Bryant | ■ Fraser Johnson |
| ■ Mary Corrie | ■ Sue Jones |
| ■ Alan Davies | ■ Jonathan Kohn |

Company financial education

If you are an active member of the SCPF, you can access the company's financial education programmes for help with pensions and savings in general. You can take online seminars, webinars and face-to-face courses that have been built to suit your needs wherever you are in your career. Go to HR **Online Home > My HR Information > My Country Policies & Guidelines > By A to Z > Financial Education.**

SCPF – WHO CAN HELP?

Pensions Administration Team

You can contact our teams based in Krakow and London if you have a query about your pension or need to notify us about any changes.

Email **UK-PensionsAdmin@shell.com**

Telephone **+44 (0)20 7934 1190**

Scheme Secretary

If you have a query you would like to raise with the Trustee that is not covered by the Pensions Administration Team, please contact Amanda Burston, the Scheme Secretary.

Amanda Burston, Scheme Secretary,
Shell Pensions Trust Ltd, Shell Centre,
York Road, London SE1 7NA

Email **SCPFtrustee@shell.com**

Shell Pensions website

Remember to visit our website for the latest news about the SCPF and the pensions industry, as well as factsheets, forms and FAQs. Just follow the 'SCPF News' link from the homepage.

pensions.shell.co.uk

The Shell Pensioners Association (SPA)

The SPA provides a range of services to UK-based pensioners and deferred pensioners. Associate membership is available for non-UK residents. For a life membership of £10, you'll receive a quarterly magazine, a team to help with your questions and the option to join a social SPA branch in your area. To join, email **SI-Shell-Pensioners-Association@shell.com** or call **020 7934 5129/5137**.

Pensioner Assistance Helpline

SPA membership entitles members to use the Shell Pensioner Programme, which provides help and advice to pensioners with a range of issues including, but not limited to, supporting access to benevolence assistance from the Shell Pensioners Benevolent Association (SPBA).

The SPBA is a registered charity, entirely funded by Shell pensioners, whose trustees meet regularly to discuss loans and grants to SPA members in need. It does not matter how long you worked for Shell or when you intend to start drawing your pension, SPA welcomes you all!

Data Protection:

The Data Protection Act 2018 is a regulation which has been designed to give people more control over how their personal information is collected, stored, shared and used.

The Trustee has updated its policies to reflect these changes and you can find a Privacy Notice which provides information about your personal data and how it is processed by or on behalf of the Trustee of the SCPF in the Library section of the pensions website at [**pensions.shell.co.uk**](https://pensions.shell.co.uk)