

SHELL INTERNATIONAL PENSION FUND

Annual Report of the Trustee

and

Financial Statements for the Year Ended

31 December 2019

# Shell International Pension Fund

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## Shell International Pension Fund Trustee and Advisors

**Trustee:** Shell Trust (Bermuda) Limited

**Registered Office:** 3<sup>rd</sup> floor, Continental Building  
25 Church Street  
Hamilton, HM12  
Bermuda

**Directors during the year ended 31 December 2019 and to the date of this report  
(except as noted):**

Mr I Robertson	President and Director
Mr P S Gamero	Vice President and Director
Mr P L Everson	Vice President and Director
Mr M D Clark	Director
Mr J A H Hallett	Director (resigned on 12 December 2019)
Ms S Beesley	Director (appointed on 5 September 2019)

**Secretary to the Trustee  
Company:** Mr P E Borland (resigned on 12 December 2019)  
3<sup>rd</sup> floor, Continental Building, 25 Church Street, Hamilton,  
HM12 Bermuda

Mrs M Powell (appointed on 12 December 2019)  
3<sup>rd</sup> floor, Continental Building, 25 Church Street, Hamilton,  
HM12 Bermuda

**Pension Fund Administrator:** Shell International Limited, Trustee Services Unit, United  
Kingdom

**Actuary:** Aon Hewitt Limited, Parkside House, Epsom, Surrey, KT18  
5BS, United Kingdom

**Independent Auditor:** Ernst & Young LLP, Apex Plaza, Forbury Road, Reading RG1  
1YE, United Kingdom

**Legal Advisors:** Shell International Limited, Shell Centre, London, SE1 7NA,  
United Kingdom

Hogan Lovells International LLP, Atlantic House, Holborn  
Viaduct, London EC1A 2FG, United Kingdom

Conyers, Dill and Pearman Limited, Bermuda, Clarendon  
House, 2 Church Street, Hamilton HM CX, Bermuda

**Investment Manager:** Shell Asset Management Company B.V., Carel Van  
Bylandtlaan 30, The Hague, 2596 HR, Netherlands

**Investment Consultant:** Aon Hewitt Limited, The Aon Centre, The Leadenhall Building,  
122 Leadenhall Street, London EC3V 4AN, United Kingdom

**Investment Custodian:** JPMorgan Chase Bank, N.A., 125 London Wall, London,  
EC2Y 5AJ, United Kingdom

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

## Introduction

### Constitution of the Shell International Pension Fund

The Shell International Pension Fund ("the Fund") was established with effect from 1 January 1984 and is governed by a Trust Deed and Regulations dated 30 July 1984, as amended from time to time. The Fund is administered by Shell Trust (Bermuda) Limited which, in its capacity as Trustee, applies the Fund for the purpose of paying pensions and other benefits in accordance with the Trust Deed and Regulations. It is now possible for expatriate recruits of most major base countries to join the normal retirement benefit arrangements in those base countries. For base countries where this is not possible, typical retirement benefit provisions for new recruits in those countries differ from those provided by the Fund. A review of the Fund concluded that the level of retirement benefits that the Fund provides in the base countries for which it is offered is no longer in line with local market practice. The Fund was closed to new Members from 1 January 2009. A competitive alternative that is in line with the market practice has been introduced from 1 January 2009, the Expatriate Retirement Gratuity. Existing active members of the Fund at 31 December 2008 continue to accrue benefits for future service from 1 January 2009 on the same basis as before.

### Registration of the Fund

During 2014 the Fund became a Bermudian registered pension fund under the voluntary registration provisions of the Pension Trust Funds Act 1966. The Trustee approved a deed of amendment to the Trust Deed and Regulations of the Fund which was executed on 5 June 2014 with effect from the same date. The amendment provides that the Trustee will provide on demand to every person who has rights under the Fund and who has been or is employed by a participating employer, a copy of the Trust Deed, the latest financial statements and/or the latest actuarial valuation. This amendment was made at the request of the Bermudian pensions registrar as part of the requirements for becoming a Bermudian registered pension fund.

### The Trustee

The power of appointing and removing the Trustee vests in the Founding Companies, The Shell Petroleum Company Limited and Shell Petroleum NV. The majority of the Directors are resident in Bermuda. The Trustee Board meets quarterly.

Certain powers under the Trust Deed and Regulations relating to individual benefits are vested in the Appointed Companies, which are Shell International Limited and Shell International B.V.

The Trustee has entered into a Service Agreement with Shell International Limited to provide the Trustee with administrative and support services. The Trustee has entered into an Investment Management Agreement with Shell Asset Management Company B.V. in The Netherlands (the "Investment Manager") to provide the Trustee with investment management services.

The reimbursement for the administrative and support services provided by Shell International Limited is on a cost basis allocated between schemes and based on the number of Members. The reimbursement for the investment services provided by Shell Asset Management Company B.V. is based on a cost plus basis.

## Statement of Trustee's Responsibilities

### Trustee's responsibilities in respect of the financial statements

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 Fund during the Fund year and of the amount and disposition at the end of the Fund year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified by the Pension Trust Funds Act 1966 (Bermuda), including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework.

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 Fund will not be wound up.

The Trustee is also responsible for making available certain other information about the Fund 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 Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

### Member Communications

Copies of the Trust Deed and Regulations of the Fund are made available to Members of the Fund. The Annual Report of the Trustee and Financial Statements is available to Members on request from the Pensions Administration Team or the Fund Secretary/Trustee.

Employed Members of the Fund receive a personal annual statement of pension benefits, which sets out estimates of the various benefits payable from the Fund in different circumstances.

The Trustee and Company provides a website for Shell Pensions in the UK [www.pensions.shell.co.uk](http://www.pensions.shell.co.uk). This includes information about the SIPF and Members' benefits. Copies of the Explanatory Booklet and the Annual Report & Financial Statements are available on the website.

Members should contact the Pensions Administration team for queries about their pension email [UK-PensionsAdmin@shell.com](mailto:UK-PensionsAdmin@shell.com), telephone 020 7934 1190.

For queries which Members would like to raise with the Trustee which are not covered by the Pensions Administration Team, contact The Secretary of Shell Trust (Bermuda) Limited at 3rd floor, Continental Building, 25 Church Street, Hamilton, HM12 Bermuda.

## Employer Contributions

Contributions are payable by the Employing Companies, as determined on the basis of independent actuarial valuations of the Fund. The contribution rate continued at 30% of pensionable salaries throughout 2019.

An alternative funding method was agreed with the Trustee Board in December 2014 after detailed discussions between all parties, including independent legal and actuarial advisers, and came into effect on 1 January 2015. It will allow the Member Companies to continue to contribute to the SIPF, at certain funding levels, and to set aside secured funds in a Contribution Reserve Account (CRA), rather than build up a large future surplus within the SIPF. The CRA is in a segregated Shell company, set up specifically to manage the account and will not be part of the SIPF net assets statement. The funds in the CRA will be invested prudently and transferred to the SIPF if and when they are needed and returned to the Member Companies if they are not. As at 31 December 2019 no contributions had been paid into the CRA.

## Summary of Benefits

The following is a brief summary of the current provisions of the Fund regarding benefits and contributions.

### Pensions

Pensions accrue at the rate of one fifty-fourth of final pensionable salary for each year of pensionable service.

### Commutation

25% of the equivalent capital value of the pension which becomes payable may be taken as a cash sum. For Members in certain defined Base Countries, full commutation may be permitted.

### Normal Retirement Date

Normal date of retirement is at age 60 for both male and female Members. The explanatory booklet gives details of exceptions for some categories of service before 1 January 1986.

### Widows' and Widowers' Pensions

The spouse's pension is generally 60% of the Member's pension before commutation and any reduction for early payment. Should the Member die in service the notional pension on which the spouse's pension is based is calculated using service projected to Normal Retirement Date. The pension is not affected by the spouse's remarriage.

### Children's Pensions

If a Member dies leaving children, they will be entitled to pensions, which normally cease at age 18. The Appointed Companies have the discretion to continue a child's pension after age 18 where the child is in full time education or training. The pension must stop, in any event, when the child reaches 25.

### Adult Dependants' Pensions

If a Member dies leaving no spouse then a pension may be paid at the discretion of the Employing Company to anyone over age 18 who was financially dependent on the Member at his or her death.

### Lump Sum Death in Service Benefits

If a Member dies in service a lump sum of three years' pensionable salary may be payable at the discretion of the Employing Company to the spouse, other members of the family or someone who was dependent on the Member during his or her lifetime.

### Five-Year Balance of Pension Payment

If a Pensioner dies within five years of retirement, the Trustee will investigate the personal circumstances of the deceased member including checking the last expression of wish form and Will. The Trustee may, based on this investigation, at its discretion, make a lump sum payment to the personal representatives of the Member's estate based on the amount of the future pension payments to which the Member would have been entitled had he or she survived to the end of the five-year period.

### Bereavement Grants

The Founding and Employing Companies have a discretion to grant lump sums on the death of a member to his/her spouse/child/dependant.

### **Pension Increases**

All pensions, whether in payment or prospectively payable, are increased periodically in line with the percentage increase (if any) made since the last increase date on pensions payable by the Shell retirement benefit scheme in the relevant Base Country, or, where there is no such scheme in the relevant Base Country, the percentage increase in a suitable local cost of living index.

### **Incapacity and Ill Health Pensions**

Members leaving Company Service due to incapacity or ill health may become eligible for an immediate pension. The amount of the pension, which is granted at the discretion of the Employing Company, will depend on the degree of incapacity or ill health.

### **Member Contributions**

The Fund is non-contributory for Members.

### **Cash Equivalents**

Cash equivalents paid during the Fund year with respect to transfers have been calculated in accordance with the method and assumptions specified by the Trustee. In determining this method and assumptions the Trustee has taken advice from the Actuary. The cash equivalents include the value of three discretionary benefits, pension increases (broadly in line with local Shell practice in the relevant Base Country), the bereavement grant and the five-year balance of pension payment. These discretionary benefits are valued using the same method and assumptions as other benefits.



## Report of the Trustee for 2019

The Trustee presents the following report covering the year 2019 together with the financial statements of the Fund and supporting notes as at 31 December 2019 and the Actuarial Statement of the Fund as at 31 December 2018.

### Changes to the Trustee Board

The membership of the Board during 2019 is shown on page 1.

### Trust Deed and Regulations

One amendment was executed on 8 July 2019 to the Trust Deed and Regulations.

### Conflicts of Interest and Duty

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

### Member Companies of the Fund

No companies were admitted to membership during 2019.

## Increases to Pensions and Deferred Pensions

In accordance with Clause 28 of the Trust Deed of the Fund the following increases were applied during 2019 to the pensions of pensioners, their widows, widowers and dependants:

Base Country	Percentage Increase(s)	Effective Date
Algeria	3.8	1 January 2019
Austria	2.0	1 January 2019
Brazil	3.4	1 January 2019
Cameroon	2.0	1 January 2019
Canada	2.3	1 January 2019
Cyprus	3.1	1 January 2019
Denmark	0.8	1 April 2019
Finland	1.3	1 January 2019
France	0.6	1 June 2019
Germany <sup>1</sup>	5.1	1 January 2019
India	6.6	1 May 2019
Italy	0.9	1 May 2019
New Zealand	1.5	1 June 2019
Norway	3.5	1 June 2019
Portugal	0.8	1 July 2019
Spain	2.3	1 January 2019
Sweden	2.3	1 January 2019
Trinidad and Tobago	1.1	1 January 2019
Tunisia	7.4	1 January 2019
Turkey	18.0	1 April 2019

<sup>1</sup> For pensioners who retired between 2 October 2015 and 1 October 2016, or whose last date of pension increase was 1 January 2016. For pensioners who do not fall into this category, there is no pension increase.

The increases made in respect of pensions in payment were also applied to the deferred pensions of Members who left Company service before their Normal Retirement Dates.

No pension increases were applied during 2019 for Argentina, Australia, Greece, Switzerland, Syria and USA.

## Membership of the Fund

The overall changes in the membership of the Fund during the year were:

	As at 31 December 2019	As at 31 December 2018
Employed Members	155	185
Deferred Members	217	205
Pensioners	294	280
	<u>666</u>	<u>670</u>

	Employed Members	Deferred Members	Pensioners	Total
<b>Members at 31 December 2018</b>	185	205	280	670
Plus New Entrants (incl. Pension sharing orders, spouses and dependants)	-	25	16	41
Less Retirements:				
Normal	(3)	(10)	-	(13)
Early	(3)	-	-	(3)
Less Deaths/Ceased	-	-	(2)	(2)
Less Leavers (deferred benefits)	(24)	-	-	(24)
Less Full commutation	-	(2)	-	(2)
Less Transfer Out	-	(1)	-	(1)
<b>Members at 31 December 2019</b>	<b>155</b>	<b>217</b>	<b>294</b>	<b>666</b>

There are 33 dependants included within pensioners at the year end (2018:34).

# Investment Report for 2019

## Investment Policy and Principles

The Trustee's objectives of the Fund are:

- to invest the assets of the Fund so as to meet expected future liabilities at the minimum long term cost to the employer whilst maintaining a diversified portfolio of investments to reduce risk,
- to minimise investment risk, using best practice, subject to the volatility risk necessary to deliver the required return,
- to produce returns consistent with those available in major investment markets, and
- to maintain sufficient liquidity to make the payments associated with the growing maturity of the membership profile of the pension fund.

The Trustee has approved a Statement of Investment Principles and the most recent Statement was updated by the Trustee in 2019. The Statement sets out the principles governing the decisions about the investment of assets of the Fund. The Board of Shell Trust (Bermuda) Limited regularly reviews the performance.

The Trustee considers the risks and returns of the investment policy on a long-term basis and believes that short-term volatility of returns should be considered in the context of the long-term investment horizon of the Fund and the objective of minimising cost. The Board expects that over the longer term investment returns of the Fund will meet or exceed the growth of Trust liabilities, and that a focus on investments in equities, rather than other suitable assets, will generate greater longer term results.

The Board will periodically decide an appropriate strategic asset allocation and benchmark to meet Trust liabilities based, amongst other things, on its investment philosophy and asset/liability analysis. The Board assigned the investment of the Fund assets to Shell Asset Management Company BV, a regulated investment manager in the Netherlands.

The Trustee's investment strategy considers the Fund's investments in the following groupings:

- **Liquidity assets.** The assets of this portfolio are completely invested in fixed income pools managed by SAMCo.
- **Return seeking assets.** The portfolio contains a mixture of return seeking assets including equity and European High Yield bonds and aims to generate outperformance over the return on the liabilities.

## Strategic Asset Allocation

The strategic asset allocation is shown below:

		%
<b>Liquidity assets</b>		<b>35.0</b>
	EMU government bonds – EMU Pool	17.5
	EUR investment grade credit – Credit Pool	17.5
<b>Return seeking assets</b>		<b>65.0</b>
	Equity	55.0
	European HY Bonds	10.0
<b>Total</b>		<b>100.0</b>

## Investment performance

The Trustee assesses the performance of the Fund's investments in return seeking assets consistent with the overall strategy. These return-seeking assets are assessed by reference to appropriate benchmarks and performance targets set and agreed with the asset manager.

The Trustee receives a monthly summary report from the investment manager (SAMCo) showing actual performance of the Fund on an asset class level against benchmarks. On a quarterly basis a more detailed report is received from the investment manager containing an overall analysis of market performance and relevant impact on the Fund performance as well as a detailed overview of the Fund performance, risk matrixes and an overview of investment management agreement compliance.

Annualised performance of the Fund's investments over short and longer periods is summarised as follows:

	Actual (%)	Benchmark (%)
2019 (1 year)	17.1	17.4
2017/2019 (3 years)	6.3	6.3
2015/2019 (5 years)	9.6	9.4

In 2019, financial markets – and equities in particular – generated one of the strongest returns of the past decade. Interest rates, once again, were the key driver of performance. While 2018 saw interest rates increase in an environment of already slowing growth leading to poor market returns, in 2019 monetary tightening was reversed, with short-term interest-rate cuts and lower rates across the term structure. This reversal, combined with lower, albeit still relatively strong, global growth and some stabilisation in US/China trade negotiations, drove asset prices higher. Fixed income markets benefitted from lower interest rates and tighter credit spreads (as risk concerns subsided), and equities rallied despite rather anaemic developments in earnings.

This positive market environment translated into a very positive absolute return for the SIPF portfolio. The liquidity assets generated a positive return on the back of lower interest rates and tighter credit spreads.

The return-seeking assets portfolio performed strongly, with returns moving up nearly a quarter in absolute returns. European HY bonds also posted double digit positive returns, outperforming its benchmark.

Overall, SIPF ended 2019 with robust positive returns but, like pension funds across the globe, saw the valuation of liabilities rise even quicker than the asset returns, negatively impacting the funding ratio.

## The Fund's Largest Investments

The Fund's ten largest investments are detailed separately below:

	<u>Market Value of Holdings</u> <u>at 31 December 2019</u>	
	<u>EUR'000</u>	<u>% of total</u> <u>Fund</u>
Bilders Active Credit Pool - Certificate Class A	125,378	16.7
Bilders EMU Pool - Certificate Class A	123,487	16.4
iShares Core EM IMI UCITS ETF	59,347	7.9
Germany Government Bond 0% - 08/04/2020	55,104	7.3
Germany Government Bond 0% - 13/03/2020	50,056	6.7
Germany Government Bond 0% - 12/02/2020	20,016	2.7
Apple Inc	4,078	0.5
Microsoft Corp	3,513	0.5
Nestle SA-REG	2,888	0.4
Amazon.Com Inc	2,384	0.3
	<hr/>	<hr/>
	446,251	59.4
Other holdings (including cash)	304,671	40.6
<b>Total Investments</b>	<hr/>	<hr/>
	750,922	100.0

## Employer-related investments

Details of employer-related investments are given in Note 19 to the Financial Statements.

## Custodial Arrangements

The Trustee has appointed JPMorgan Chase Bank, N.A. to act as custodian for the Fund's investments. The investments are held in the name of the Trustee on behalf of the Shell International Pension Fund.

In respect of pooled investment vehicles the manager makes its own arrangements for custody of the underlying investments.

## Actuarial Valuation

The most recent formal actuarial valuation of the Fund was carried out by the Fund's Actuary, Aon Hewitt Limited, as at 31 December 2018. The attached Actuarial Statement contains a summary of the methods and assumptions used for this valuation. The Actuary's full report on the valuation was published on 20 June 2019.

The results of the valuation using the stated assumptions are as follows:

- (i) The theoretical contribution rate required to cover the future accrual of benefits on the Projected Unit Method was 42.7% of Members' Pensionable Salaries; and
- (ii) The Fund had a past service surplus of EUR 113 million, at the valuation date, which compares with a past service surplus of EUR 80 million at the previous valuation. This represents an increase in the funding level from 115% to 121%.

The Trustee and the Company agreed to maintain the contribution rate, payable directly to the Fund, of 30% of Members' Pensionable Salaries.

The Company contribution rate is subject to regular review in accordance with the Risk and Funding Targets (RaFT) framework. The Trustee and the Company are in the process of reviewing the RaFT framework following completion of the valuation at 31 December 2018. The Company contribution rate will be formally reviewed as part of the Fund's 31 December 2021 valuation.

The Company should continue to pay supplementary contributions to meet the cost of augmented benefits being paid when members leave service under the Companies' severance terms, all subject to review at future actuarial valuations.

The Actuary also stated that the Fund's assets at the valuation date covered 82% of the estimated cost of buying out the accrued benefits of the Fund with an assurance company.

## Further Information

Requests for additional information about the Fund generally, or queries relating to members' own benefits, should be made to the appropriate department, whose details appear under Member Communications on page 3 of this report.

## Approval

The Trustee's Report was approved by the Trustee on 25 June 2020 and signed on its behalf by:



Director



Director

For: SHELL TRUST (BERMUDA) LIMITED

## Actuarial Statement

Name of Fund: Shell International Pension Fund

Effective date of valuation: 31 December 2018

### 1. Security of accrued rights

In our opinion, the Fund's assets existing on 31 December 2018 covered 82% of the estimated cost of buying out its liabilities as at that date, including liabilities arising in respect of the service of pensioners and deferred pensioners prior to the effective date and on the basis that the service of active members had terminated on that date.

### 2. Security of prospective rights

In our opinion, the resources of the Fund are likely in the normal course of events to meet in full the liabilities of the Fund as they fall due. This statement assumes the Fund continues and does not mean that should the Fund wind up there would be sufficient assets to provide the full accrued benefits.

In giving this opinion, we have assumed that the following amounts will be paid to the Fund:

#### By the members:

- Nil (members do not contribute to the Fund)

#### By the Member Companies:

- Contributions at the rate of 30% of members' Pensionable Salaries, plus
- Supplementary contributions to meet the cost of augmented benefits being paid when members leave service under the Companies' severance terms.

All subject to review at future actuarial valuations.

The statement relates to the funding position at the valuation date, and assumes that experience after that date matches our assumptions. As time moves on, the Fund's finances will fluctuate. It will therefore be necessary to carry out further valuations to monitor the position. If you are reading this statement some time after the effective date of the valuation, you should bear in mind that the Fund's funding position could have changed significantly, which could affect the contributions payable after the next valuation. It should also be noted that the actuarial investigation does not include an examination of the Companies' ability to meet future contribution requirements.

### 3. Methods and assumptions used

Details of the methods and assumptions used are set out in our actuarial valuation report addressed to the Trustee dated 20 June 2019.

Signed

Greg Tucker FIA  
20 June 2019

Chintan Gandhi FIA  
20 June 2019



## Assumptions

The main assumptions used in our calculations at the valuation date were:

	Eurozone (% p.a.)	Canada (% p.a.)	U.S.A (% p.a.)	Australia (% p.a.)	Rest of World (% p.a.)																											
Discount rate: Government bonds + 1.75%	2.55	3.85	4.75	4.05	3.15																											
Pay increases (fixed at all terms)	2.0	2.5	2.5	2.5	2.2																											
Rate of price inflation	1.4	1.3	1.8	1.3	1.4																											
Rate of pension and deferred pension increases	1.4 (1.4 in Austria)	1.3	Nil (0.9 for some members)	1.3	1.4 (1.4 in New Zealand)																											
Expenses	0.6% of Pensionable Salaries added to the value of future benefit accrual, plus 1.1% of the value of the liabilities added to the scheme liabilities																															
Post-retirement mortality	<p>SAPS S2 (light) tables with the scaling factors shown in the table below, incorporating future improvements in line with the CMI 2018 Core Projections (using a smoothing parameter of <math>S_k = 7.5</math>) from 2007 with a long term rate of mortality improvement of 1.75% p.a.</p> <table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th rowspan="2">Sex (member)</th> <th colspan="2">Scaling factor</th> </tr> <tr> <th>Member</th> <th>Member's dependant</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Actives and deferreds</td> <td>Males</td> <td>91%</td> <td>87%</td> </tr> <tr> <td>Females</td> <td>86%</td> <td>89%</td> </tr> <tr> <td rowspan="2">Pensioners</td> <td>Males</td> <td>89%</td> <td>87%</td> </tr> <tr> <td>Females</td> <td>87%</td> <td>89%</td> </tr> <tr> <td rowspan="2">Current Dependants</td> <td>Males</td> <td>89%</td> <td>N/A</td> </tr> <tr> <td>Females</td> <td>87%</td> <td>N/A</td> </tr> </tbody> </table>					Category	Sex (member)	Scaling factor		Member	Member's dependant	Actives and deferreds	Males	91%	87%	Females	86%	89%	Pensioners	Males	89%	87%	Females	87%	89%	Current Dependants	Males	89%	N/A	Females	87%	N/A
Category	Sex (member)	Scaling factor																														
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Current Dependants	Males	89%	N/A																													
	Females	87%	N/A																													

## Impact of COVID-19

As referred to in Note 24 of the financial statements, subsequent to the Fund's year end there has been significant volatility in financial markets as a result of the COVID-19 pandemic.

Given the fact that the situation is fluid and unpredictable, a precise estimate of the financial effect is not possible at the date of issue of the financial statements. Since 31 December 2019, it is estimated that the impact of the COVID-19 pandemic on financial markets has resulted in the Fund's funding position (with liabilities calculated using consistent assumptions to those used for the December 2018 valuation) reducing by approximately 12% as at 31 March 2020.

The Trustee continues to monitor the operational impact of the pandemic and has no significant concerns regarding the Fund's ongoing ability to fulfil its operational requirements, including payment of benefits. The Fund's administrator, Shell International Limited (Trustee Services Unit), has a business continuity plan that is tested at regular intervals and was successfully executed in response to the COVID-19 pandemic.

Given the above, the Trustee believe that the going concern basis of accounting for the Fund remains appropriate.

# Independent Auditor's report to the Trustee of the Shell International Pension Fund

## Opinion

We have audited the financial statements of Shell International Pension Fund for the year ended 31 December 2019 which comprise the Fund Account, the Statement of Net Assets and the related notes 1 to 24, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2019, 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 including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

## 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 below. We are independent of the Fund 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.

## Emphasis of matter – Effects of COVID-19

We draw attention to Note 24 of the financial statements, which discloses the economic consequences the Fund is facing as a result of COVID-19 which is impacting the financial markets. Our opinion is not modified in respect of this matter.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the Annual Report of the Trustee other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 3, 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 Fund'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 Fund 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.

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 Fund's Trustee in accordance with our engagement letter dated 31 July 2018. Our audit work has been undertaken so that we might state to the Fund's Trustee those matters we are required to state to them 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 Fund'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 UK

20 JUNE 2020

## Notes:

1. The maintenance and integrity of the "Shell Pensions in the UK" website is the responsibility of the Trustee; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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.

# Shell International Pension Fund

## Fund Account

For the year ended 31 December 2019

	Note	2019 EUR 000	2018 EUR 000
<b>Contributions and benefits</b>			
Employer contributions	4	8,031	7,852
<b>Total contributions</b>		<b>8,031</b>	<b>7,852</b>
Benefits paid or payable	5	20,758	15,604
Payments to and on account of leavers	6	3,027	(1,422)
Administrative expenses	7	461	346
		<b>24,246</b>	<b>14,528</b>
<b>Net withdrawals from dealings with Members</b>		<b>(16,215)</b>	<b>(6,676)</b>
<b>Net returns on investments</b>			
Investment income	8	10,128	9,382
Change in market value of investments	9	101,925	(39,765)
Investment management expenses	10	(591)	(513)
<b>Net returns on investments</b>		<b>111,462</b>	<b>(30,896)</b>
<b>Net increase/(decrease) in the Fund during the year</b>		<b>95,247</b>	<b>(37,572)</b>
<b>Net assets of the Fund</b>			
At 1 January		657,695	695,267
At 31 December		<b>752,942</b>	<b>657,695</b>

The notes on pages 22 to 34 form part of these financial statements.

# Shell International Pension Fund

## Statement of Net Assets available for benefits as at 31 December 2019

	Note	2019 EUR 000	2018 EUR 000
<b>Investment assets</b>			
Equities	9	302,618	357,740
Bonds	9	194,192	64,345
Pooled investment vehicles	12	248,865	235,902
Cash	14	4,160	(3,711)
Other investment balances	14	3,444	7,511
		<u>753,279</u>	<u>661,787</u>
<b>Investment liabilities</b>			
Other investment balances	14	(2,357)	(5,996)
		<u>(2,357)</u>	<u>(5,996)</u>
<b>Total net investments</b>	9	<b>750,922</b>	<b>655,791</b>
<b>Current assets</b>			
Current assets	20	2,232	2,135
Current liabilities	21	(212)	(231)
<b>Net current assets</b>		<u>2,020</u>	<u>1,904</u>
<b>Net assets available for benefits at 31 December</b>		<u><b>752,942</b></u>	<u><b>657,695</b></u>

These financial statements summarise the transactions of the Fund 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 Fund year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the Actuarial Statement, included in the annual report on pages 14 to 15 and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on 25 June 2020.

Signed on behalf of the Trustee



Director



Director

The notes on pages 22 to 34 form part of the financial statements.

# Shell International Pension Fund

## Notes to the financial statements Year ended 31 December 2019

### 1. General information

The Shell International Pension Fund ('the Fund') is an occupational pension scheme established under trust. The Fund was established to provide retirement benefits to non UK non Dutch base country employees who are working outside their base country and where the laws in their base country will not allow them to remain in their base country pension scheme while they are working outside that country.

The address of the Trustee Company's principal office is 3<sup>rd</sup> floor, Continental Building, 25 Church Street, Hamilton, HM12, Bermuda.

The Fund is a defined benefit pension fund and was closed to new Members from 1 January 2009 but existing Members continue to accrue benefits.

The Fund is a Bermudian registered pension fund under the voluntary registration provisions of the Pension Trust Funds Act 1966. It is not registered in any other country, nor does it have tax approved status in any other country. No taxation is payable on income and capital gains earned by the Fund. Benefits are paid gross i.e. without any tax being deducted at source.

### 2. Statement of compliance

The financial statements of the Shell International Pension Fund have been prepared in accordance with the 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 guidance set out in the Statement of Recommended Practice 'Financial Reports of Pension Schemes' (Revised July 2018) ('the SORP'). In 2018, a revised SORP was issued, applicable to accounting periods commencing on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements.

### 3. Summary of significant accounting policies

The principal 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.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting judgments and estimated uncertainty are as described in the accounting policies of Valuation and classification of investments and Derivatives as noted below.

#### Valuation and classification of investments

Investments are valued at fair value.

Equities are exchange listed and valued on the basis of the last available closing price of the exchange. Bonds are valued at bid price. The value of fixed income pooled investment vehicles



is based on the single price of the fund. The funds are valued on the basis of closing bid prices which reflect the volume-weighted average of the underlying investments. Other unquoted securities, other than derivatives, are valued using generally accepted guidelines using broker quotes.

Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable.

Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as commissions, stamp duty and other fees.

Where stock lending has been carried out the securities "loaned" have been included in the net assets statement to reflect the Fund's continuing economic interest of a proprietary nature in those securities. The total amount of stock lent at the year-end has been disclosed in a note to the financial statements together with a description of the related collateral.

The Fund receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions and derivative contracts in order to minimise the counterparty exposure of these transactions.

Collateral received in the form of cash, where the Fund has contractual rights to receive the cash flows generated, is recognised as an asset in the statement of net assets with a corresponding liability for its repayment. Non-cash collateral received is not recognised in the statement of net assets, unless the counterparty defaults on its obligations under the relevant agreement.

Cash and non-cash collateral pledged where the Fund retains the contractual rights to receive the cash flows generated is not derecognised from the statement of net assets, unless the Fund defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the statement of net assets within the appropriate asset classification.

Cash delivered under reverse repurchase agreements is recognised as an investment receivable. Securities received in exchange are not included in the net assets statement.

#### **(a) Investment income and expenditures**

Income from equities, and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest.

Income from fixed interest, cash and short term deposits is accounted for on an accruals basis.

Fees paid and received on derivative contracts are recorded at contract settlement date.

#### **(b) Change in market value**

The change in market value of investments during the year comprises 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. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund. For derivatives the amounts represent movements in the unrealised gains and losses on open contracts, and realised gains and losses on closed contracts.

### **(c) Derivatives**

Derivatives are valued at fair value. This fair value can be seen as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

Equity swaps' fair value is derived using the closing prices of the index that they represent.

The amounts included in change in market value of investments represent movements in the unrealised gains and losses on open contracts and realised gains and losses on closed contracts.

The fair value of equity swaps is based on the difference between the agreed forward rate and the calculated forward rate on the valuation date. The calculated forward rate is based on the exchange rate on the valuation day and the interest until the settlement of the contract.

### **(d) Foreign currency translation**

The Fund's functional currency and presentational currency is Euros (EUR).

Assets and liabilities in foreign currencies are expressed in Euros at the rates of exchange ruling at the year end.

Foreign currency transactions are translated into Euros at the spot exchange rate at the date of the transaction.

Gains and losses arising on conversion or translation are dealt with as follows: (i) for investments as part of the change in market value of investments and (ii) for other assets and liabilities as other income or other expenses.

### **(e) Contributions**

Contributions are accounted for on an accruals basis at rates agreed by the Trustee as certified by the Actuary.

Employers' exit fees are determined by the Actuary and accounted for on an accruals basis.

### **(f) Benefits and payments to and on account of leavers**

Where Members can elect to take their benefits as a full pension or as a lump sum with reduced pension or commute the whole of their pension for a lump sum, retirement benefits are accounted for on an accruals basis on the later of date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund as appropriate.

### **(g) Transfers to other schemes**

Transfer values represent the capital sums payable to the pension schemes of new employers for Members who have left the Fund. They are accounted for on an accruals basis from the date when the receiving trustee has agreed to accept the liability, which is normally when cash is paid.

### **(h) Expenses**

Expenses are accounted for on an accruals basis. Investment management and pensions administration services provided by Shell Asset Management Company B.V. and Shell International Limited, Trustee Services Unit respectively are charged to the Fund Account in the period to which they relate.

#### 4. Contributions

Contribution requirements during the year were as follows:

(i) By Member Companies - 30% of pensionable salaries (2018:30%)

(ii) Exit fees - Company contributions for Member Companies leaving the Fund

	2019 EUR 000	2018 EUR 000
<b>Employer contributions</b>		
Normal	6,218	7,568
Exit fees	1,813	284
	<u>8,031</u>	<u>7,852</u>

2019 exit fees relate to payments for Shell New Zealand and Shell Taranaki Limited.

#### 5. Benefits paid or payable

	2019 EUR 000	2018 EUR 000
Pensions	13,298	13,108
Commutation of pensions and lump sum retirement benefits	7,460	2,493
Lump sum death benefits	-	3
	<u>20,758</u>	<u>15,604</u>

#### 6. Payments to and on account of leavers

	2019 EUR 000	2018 EUR 000
Individual transfers out to other schemes	3,027	(1,422)
	<u>3,027</u>	<u>(1,422)</u>

#### 7. Administrative expenses

	2019 EUR 000	2018 EUR 000
Administration and processing costs	172	160
Actuarial fees	250	99
Investment advice to Trustee*	-	50
Trustee fees	19	15
Audit fees	20	22
	<u>461</u>	<u>346</u>

\* From 2019, costs for Investment advice to Trustee fees are reported under Note 10 – Investment Management expenses.

Administration and processing costs include EUR58,060 (2018: EUR48,180) for services provided by Shell International Limited and EUR102,937 (2018: EUR106,446) for services provided by Shell Oman Trading Limited. Three members of the Trustee Board are remunerated by the Fund and fees totalling EUR19,449 have been paid during 2019 (2018: EUR14,885).

#### 8. Investment income

	2019 EUR 000	2018 EUR 000
Dividends from equities	7,375	6,702
Income from bonds	2,374	2,367
Stocklending commission	280	301
Interest on cash deposits	94	3
Other Income	5	9
	10,128	9,382

#### 9. Reconciliation of net investments

	Value at 1.1.2019 EUR 000	Purchases at cost and derivative payments EUR 000	Sales proceeds and derivative receipts EUR 000	Change in market value EUR 000	Value at 31.12.2019 EUR 000
Equities	357,740	33,747	(172,986)	84,117	302,618
Bonds	64,345	147,526	(22,288)	4,609	194,192
Pooled investment vehicles	235,902	3,150	(3,150)	12,963	248,865
Derivatives	-	5		(5)	-
	657,987	184,428	(198,424)	101,684	745,675
Cash	(3,711)	7,630	-	241	4,160
Other investment balances	1,515	-	(428)	-	1,087
	655,791	192,058	(198,852)	101,925	750,922

The change in market value of investments during the year comprises 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 during the year. Cash flows for derivative contracts represent amounts settled during the year.

#### 10. Investment management expenses

	2019 EUR 000	2018 EUR 000
Administration, management and custody	485	476
Investment advice to Trustee	55	-
Global custodian fees	35	33
Other investment related costs	16	4
	591	513

\* Prior to 2019, costs for Investment advice to Trustee fees were reported under Note 7 – Administrative expenses.

Shell Asset Management Company B.V. is the appointed Investment Manager of the Fund and charged the Fund EUR485,000 (2018: EUR476,000).

## 11. Investment transaction costs

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation in Note 9. Direct transaction costs incurred are analysed as follows:

	2019 EUR 000	2018 EUR 000
	Equities	Equities
Fees	76	18
Taxes	20	18
Other	4	2
	<u>100</u>	<u>38</u>

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on pooled investment vehicles and charges made within those vehicles.

## 12. Pooled investment vehicles

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

	2019 EUR 000	2018 EUR 000
Bonds	<u>248,865</u>	<u>235,902</u>
	<u>248,865</u>	<u>235,902</u>

## 13. Derivatives

### Objectives and policies for holding derivatives

Derivatives are used for portfolio risk and asset management purposes. The types of derivatives that the asset manager can use are agreed and governed by the investment management agreement.

Equity swaps and futures are used if these are considered an efficient means to create exposure to certain markets.

Type of contract	Expiration	Notional value EUR 000	2019 Assets EUR 000	2019 Liabilities EUR 000
<b>Futures-Exchange Traded</b>				
Bond futures long	March 2020	1,000	-	-
Interest rate futures long	March 2020	6,000	-	-
Interest rate futures short	March 2020	2,000	-	-

The notional value is the nominal value of securities purchased or sold that is used to calculate payments made. The market value of the futures is nil as contracts are settled on a daily basis.

#### 14. Cash and other net investment balances

	2019 EUR 000	2018 EUR 000
Euros and foreign currency deposits	4,160	389
Accrued interest and dividends	1,214	1,297
Amounts due from brokers	181	233
Reverse Repo	2,049	5,981
	<u>7,604</u>	<u>7,900</u>
Deposit Taken	-	(4,100)
Amounts due to brokers	(306)	(15)
Call Money Taken	(2,051)	(5,981)
	<u>(2,357)</u>	<u>(10,096)</u>
	<u>5,247</u>	<u>(2,196)</u>

#### 15. Securities lending

Securities that had been loaned as part of securities lending programmes are included in the Net Assets Statement. At year-end the collateral pledged by the recipients of the securities on loan was 104% for fixed interest securities and 106% for equities and is held in the form of cash and the relevant underlying securities.

2019 In EUR 000	Cash		Non-Cash	
	Market value of Loans	Collateral Value	Market value of Loans	Collateral Value
FI securities	49	50	4,709	4,889
Equities	1,949	2,001	8,631	9,162
Total	<u>1,998</u>	<u>2,051</u>	<u>13,340</u>	<u>14,051</u>
2018 In EUR 000	Cash		Non-Cash	
	Market value of Loans	Collateral Value	Market value of Loans	Collateral Value
FI securities	1,764	1,810	7,863	8,200
Equities	3,989	4,172	9,004	9,517
Total	<u>5,753</u>	<u>5,982</u>	<u>16,867</u>	<u>17,717</u>

## 16. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

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

	Level 1	Level 2	Level 3	2019 Total
	EUR 000	EUR 000	EUR 000	EUR 000
<b>Investment assets</b>				
Equities	302,618	-	-	302,618
Bonds	-	194,192	-	194,192
Pooled investment vehicles	248,865	-	-	248,865
Cash	4,160	-	-	4,160
Other investment balances	3,444	-	-	3,444
	<u>559,087</u>	<u>194,192</u>	<u>-</u>	<u>753,279</u>
<b>Investment liabilities</b>				
Other investment balances	(2,357)	-	-	(2,357)
<b>Total investments</b>	<u>556,730</u>	<u>194,192</u>	<u>-</u>	<u>750,922</u>

Analysis for the prior year end is as follows:

	Level 1	Level 2	Level 3	2018 Total
	EUR 000	EUR 000	EUR 000	EUR 000
<b>Investment assets</b>				
Equities	357,740	-	-	357,740
Bonds	-	64,345	-	64,345
Pooled investment vehicles	235,902	-	-	235,902
Cash	(3,711)	-	-	(3,711)
Other investment balances	7,511	-	-	7,511
	<u>597,442</u>	<u>64,345</u>	<u>-</u>	<u>661,787</u>
<b>Investment liabilities</b>				
Other investment balances	(5,996)	-	-	(5,996)
<b>Total investments</b>	<u>591,446</u>	<u>64,345</u>	<u>-</u>	<u>655,791</u>

## 17. Investment risks

### Types of risk relating to investments

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

In accordance with FRS 102 the Fund is exposed to the following investment risks:

1. *Credit Risk*: the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
2. *Market risk*: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises:
  - i) *Interest rate risk*: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
  - ii) *Currency risk*: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - iii) *Other price risk*: the risk that the fair value or future cash flows of a financial instrument 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 financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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 Fund liabilities by between 2% and 2.5% per annum over the long term.

The Trustee aims to diversify the asset allocation exposures geographically, by asset class and across active management strategies. Given the long term focus of the Fund's investments, the presumption is against currency hedging.

The following table summarizes the extent to which the various classes of investments are affected by financial risks. In the case of pooled investment vehicles the risk can be direct or indirect.

	Credit risk	Currency risk	Interest rate risk	Other price risk	2019 EUR 000	2018 EUR 000
Equities	○	◐	○	●	302,618	357,740
Bonds	●	◐	●	○	194,192	64,345
Pooled investment vehicles	●	◐	●	●	248,865	235,902
Cash deposits and other investment balances	●	◐	○	○	5,247	(2,196)
Total investment assets					750,922	655,791

In the table above, the risk noted affects the asset class [●] significantly, [◐] partially or [○] hardly/not at all.

Further information on the Trustee's approach to risk management, credit and market risk is set out below.



## Investment strategy

The Trustee's objectives for the Fund are:

- to invest the assets of the Fund so as to meet the expected future liabilities at the minimum long-term cost to employer whilst maintaining a diversified portfolio of investments to reduce risk,
- to minimize investment risk, using best practice, subject to the volatility risk necessary to deliver the required return,
- to produce returns consistent with those available in major investment markets, and
- to maintain sufficient liquidity to make the payments associated with the growing maturity of the membership profile of the pension fund.

The Trustee sets an investment strategy considered appropriate for the Fund taking account of how much risk the Trustee, in consultation with the Sponsor, wishes to take and consistent with the objective of meeting the expected future liabilities. In order to define its investment approach, the Trustee, in conjunction with its advisors undertakes an Asset Liability Modelling ("ALM") study which tests potential funding outcomes under different scenarios to help in agreeing a strategic asset allocation ("SAA"). The ALM expresses the Trustee's investment approach and defines the required returns and acceptable risk tolerance for the Fund's assets. While the terms of the SAA are decided by the Trustee on the recommendation of the Investment Committee, its implementation and more granular decisions in respect of asset allocation are managed by the Investment Manager and are documented in the IMA. The IMA was renewed per June 2019. The current SAA is:

- **35% allocation to liquidity assets.** The assets of this portfolio are completely invested in fixed income pools managed by SAMCo.
- **65% allocation to return seeking assets.** The portfolio contains a mixture of return seeking assets including equity (55%) and European High Yield bonds (10%) and aims to generate outperformance over the return on the liabilities.

The strength of the Sponsor covenant along with a number of other factors may affect the Trustee's appetite for risk, including the Fund's funding position, its cash-flow profile and its liability profile. The Trustee monitors these factors regularly and may alter its investment objectives, risk tolerance and/or return target as appropriate in the event of any significant changes.

## Credit risk

The Fund is subject to credit risk because the Fund directly invests in bonds, over-the-counter ("OTC") derivatives and has cash balances. The Fund is also exposed to credit risk arising on some of the financial instruments held by the pooled investment vehicles.

A summary of exposures to credit risk is given in the following table, the notes below which explain how this risk is managed and mitigated for the different classes:

	2019	2018
	EUR 000	EUR 000
Investment assets exposed to credit risk		
Bonds	194,192	64,345
Pooled investment vehicles	248,865	235,902
Cash deposits and other investment balances	5,247	(2,196)
<b>Total</b>	<b>448,304</b>	<b>298,051</b>

Investment guidelines have been established to manage the credit risk related to fixed interest securities. These investment guidelines consist of limits regarding exposure and credit rating. The limits

are monitored periodically to ensure compliance with the guidelines. Instruments with a rating below B- by Standard & Poor's or rated below B3 by Moody's are not permitted.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over-the-counter (OTC). OTC derivatives are not guaranteed by any regulated exchange and therefore the Fund is subject to risk of failure of the counterparty. All OTC derivative counterparties are required to be at least of investment grade.

The Trustee considers financial instruments or counterparties to be of investment grade if they are rated at BBB- or higher by Standard & Poor's, or rated at Baa3 or higher by Moody's.

Cash is held within financial institutions which are at least investment grade credit rated.

Credit risk arising from pooled investment vehicles is mitigated by diversification of investments amongst a number of pooled arrangements as well as by carrying out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitoring any changes to the operating environment of the investment manager.

The Fund invests in two pooled fixed income vehicles with the structure of a fund for joint account.

### Currency risk

The Fund is subject to currency risk as some of the Fund's investments are held in overseas markets. Given the long term focus of the Fund's investments, the presumption is against currency hedging. The currency exposure was:

	2019	2018
	EUR 000	EUR 000
Pound sterling	27,032	32,872
US dollars	159,916	188,763
Japanese yen	26,881	32,235
Other currencies	40,196	47,082
<b>Total</b>	<b>254,025</b>	<b>300,952</b>

### Interest rate risk

The Fund is subject to interest rate risk because some of the Fund's investments are held in fixed interest securities. The Trustee have set a benchmark for allocation to fixed interest securities of 45% of which 35% is considered part of income-seeking assets. The remaining 10% is part of the return seeking assets.

### Other price risk

Other price risk arises principally from the allocation to equities and equity swaps in the return seeking assets portfolio. The Fund has set a target asset allocation of 55% to such investments.

The Fund manages the exposure to overall price movements by diversifying the asset allocation exposures geographically, by asset class, and across active management strategies.

## 18. Concentration of investments

Investments (other than in United Kingdom Government securities) exceeding 5% of the value of net assets are detailed below:

	2019		2018	
	EUR 000	%	EUR 000	%
Bilders EMU Pool - Certificate Class A	125,378	16.7	117,972	18.0
Bilders Active Credit Pool - Certificate Class A	123,487	16.4	117,930	18.0
iShares CORE EM IMI UCITS ETF	59,347	7.9	75,548	11.5
Germany Government Bond 0% - 8 April 2020	55,104	7.3		
Germany Government Bond 0% -13 March 2020	50,056	6.7		

## 19. Employer-related investments

The Fund's investment guidelines restrict the holding of Royal Dutch Shell plc to a total equal to or less than its weighting in the relevant benchmark. The Fund held 42,820 (2018: 66,856) 'A' shares and 37,877 (2018: 54,560) 'B' shares of Royal Dutch Shell plc at 31 December 2019. This represents 0.3% (2018: 0.5%) of the Fund's net assets at 31 December 2019.

## 20. Current assets

	2019	2018
	EUR 000	EUR 000
Contributions due from Member Companies	335	897
Prepaid Pension	601	143
Cash balances	1,296	1,095
	<u>2,232</u>	<u>2,135</u>

## 21. Current liabilities

	2019	2018
	EUR 000	EUR 000
Accrued expenses	204	208
Other creditors	8	18
Unpaid benefits	-	5
	<u>212</u>	<u>231</u>

## 22. Related party transactions

At 31 December 2019 Related Party Transactions (other than those described in Notes 7 and 10) were as follows:

Three members (2018: three) of the Trustee Board are remunerated by the Fund, see Note 7 Administrative expenses.

Mr P S Gamero and Mr M D Clark are Directors of Shell Pension Reserve Company (SIPF) Limited, the company which holds and maintains the Contribution Reserve Account.

## 23. Contingent liabilities and contractual commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2019 (2018: nil).

## 24. Subsequent events

Subsequent to the Fund's year end, there has been significant volatility in financial markets as a result of the Coronavirus (COVID-19) pandemic. The Trustee considers the outbreak to be a non-adjusting post net asset statement event and as the situation is fluid and unpredictable, an estimate of the precise financial effect is not possible at the date of issue of the financial statements.

As at 31 March 2020, the year to date performance of the Fund's listed equities and fixed interest securities was circa -21% and circa -13% respectively.

Since 31 December 2019, it is estimated that the impact of the COVID-19 pandemic on financial markets has resulted in the Fund's funding position (with liabilities calculated using consistent assumptions to those used for the December 2018 valuation) reducing from 122% as at 31 December 2019 to approximately 110% as at 31 March 2020.

The Trustee does not believe that the current pandemic will prevent achievement of its long term funding plan. The current funding level is kept under regular review by the Trustee with the support of its advisers.