

SHELL OVERSEAS CONTRIBUTORY PENSION FUND

Annual Report of the Trustee

and

Financial Statements for the Year Ended

31 December 2015

Shell Overseas Contributory Pension Fund

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Shell Overseas Contributory Pension Fund Trustee and Advisors

Trustee:	Shell Trust (Bermuda) Limited	
Registered Office:	3 rd floor, Continental Building 25 Church Street Hamilton, HM12 Bermuda	
Directors during the year ended 31 December 2015 and to the date of this report (except as noted):		
Mr R M Cox	President and Director	Resigned 17 March 2016
Mr I Robertson	President and Director	Appointed 17 March 2016
Mr P S Gamero	Vice President and Director	
Mr P L Everson	Vice President and Director	
Mr R J Stewart	Vice President and Director	Resigned 19 March 2015
Mr M D Clark	Director	
Mr J A H Hallett	Director	Appointed 19 March 2015
Secretary to the Trustee Company:	Mr P E Borland 3 rd floor, Continental Building, 25 Church Street, Hamilton, HM12 Bermuda	
Actuary:	Aon Hewitt Limited, Parkside House, Epsom, Surrey, KT18 5BS, United Kingdom	
Independent Auditors:	PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, 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	
Bankers:	Royal Bank of Scotland N.V., Aldgate Union, 10 Whitechapel High Street, London E1 8BX, United Kingdom	

Introduction

Constitution of the Shell Overseas Contributory Pension Fund

The Shell Overseas Contributory Pension Fund ("the Fund") is governed by a Trust Deed and Regulations dated 30 June 1953, 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 and has responsibility for the overall management of the Fund.

Closure of the Fund

The Fund was open to eligible employees up to and including 28 February 2013 when the Shell Companies formally closed the Fund to new hires. New hires recruited on and from 1 March 2013 are no longer eligible for membership of the Fund.

A new defined contribution pension plan, the UK Shell Pension Plan (UKSPP) is offered to all new hires in the UK on and from 1 March 2013. The Plan is open to all new employees with the UK as their base country, whether they are working in the UK or as expatriates.

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 one 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 N.V.. The majority of the Directors are resident in Bermuda. The Trustee Board meets quarterly.

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 ('SIL') 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. ('SAMCo') 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 and Republic of Ireland ("FRS 102"), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

- 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
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements.

The Trustee is responsible for supervising the preparation of the financial statements and for agreeing suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

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 and Explanatory Booklet, a simple guide to the provisions of the Shell Overseas Contributory Pension Fund (SOCPF), are made available on request to Members of the Fund.

The Annual Report and Financial Statements is available on request and summaries of the Report are published in the annual pensions report called 'the Source' which is sent to all Employed Members, pensioners and deferred Members.

The Trustee and Company provides a website for Shell Pensions in the UK www.shell.co.uk/pensions. This includes information about the SOCPF and Members' benefits. Copies of the Explanatory Booklet, 'the Source' and the Annual Report & Financial Statements are available on the website. Copies of the Trust Deed and the documents above are also available from HR Online (Employed Members) or available on request from the Pensions Administration Team or the Fund Secretary/Trustee (pensioner and deferred Members).

Members can obtain information about their own pension benefits by contacting the following:

Employed Members should contact the Pensions Advisory Unit for queries about their pension email pensions-advisoryunit@shell.com, telephone + 44 (0)207 934 4352/4395

Pensioners or deferred Members should contact the Pensions Administration Team for queries about their pension email pensions-administration-london-l@shell.com, telephone +44 (0)207 934 1190

Pensioners with a query about their pension payment should contact the Pensions Payroll Team email london-pension-payroll@shell.com, telephone +44 (0)207 934 2292.

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

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

Contributions

Members' contributions to the Fund are paid on a basis which may be varied from time to time at the request of the Founding Companies, provided that the amount payable shall not exceed 6% of a Member's Pensionable Salary. During the year 1 January 2015 to 31 December 2015, Members paid contributions at the rate of 2% of Pensionable Salary up to £30,000 per annum and 6% of Pensionable Salary in excess of £30,000.

Contributions are payable by the Member Companies for the remainder of the cost of the benefits on the basis of independent actuarial valuations of the Fund. From 1 January 2015, the contribution rate remained at 30% of pensionable salaries.

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 SOCPF, 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 SOCPF. The CRA is in a new secure Shell company, set up specifically to manage the account and will not be part of the SOCPF net assets statement. The funds in the CRA will be invested prudently and transferred to the SOCPF if and when they are needed and returned to the Member Companies if they are not. The new process and the CRA have no effect on members' contributions, which will continue to be paid directly into the SOCPF as they are now. At 31 December 2015 no contributions were 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

The Fund has two benefit sections, one for Members who joined before 1 January 2009 (the Pre-2009 Section) and one for Members who joined on or after 1 January 2009 (the Post-2009 Section). The Post-2009 applies to existing SOCPF Members at 28 February 2013 who joined the Fund after 1 January 2009. The Fund formally closed to new hires on and from 1 March 2013 but the Fund continues to be open to existing interfund employee members and continued accrual for existing members. Pensions accrue at the rate of one fifty fourth of Final Pensionable Salary for each year of Pensionable Service for Members of the Pre-2009 Section and at the rate of one sixtieth of Final Pensionable Salary for each year of Pensionable Service for Members of the Post-2009 Section. Final Pensionable Salary for Pre-2009 Section Members is defined as Pensionable Salary at the date of leaving Company service. Final Pensionable Salary for Post-2009 Section Members is defined as the highest average annual Pensionable Salary during any 36 consecutive months in the last five years of Pensionable Service.

Commutation

25% of the equivalent capital value of the pension which becomes payable may generally be taken as a tax free cash sum.

Normal Retirement Date

Normal Retirement is 60 for Members of the Pre-2009 Section and 65 for Members of the Post-2009 Section. 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 a 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 Founding 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 23.

Adult Dependants' Pensions

If a Member dies, leaving no spouse, then a pension may be paid at the discretion of the Founding Company to anyone over age 18 who was financially dependent on or mutually interdependent with 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 Founding 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

Discretionary tax free lump sums may be granted, on the death of a Member of the Pre-2009 section, to his/her spouse/child/dependant.

Pension Increases

Pensions for Members of the Pre-2009 Section, whether in payment or prospectively payable, are increased each year by 7% or the increase in the UK Retail Prices Index if lower. Pensions for Members of the Post-2009 Section, whether in payment or prospectively payable, are increased each year by 5% or the increase in the UK Retail Prices Index if lower. The Founding Companies may request the Trustee to approve greater increases.

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.

Cash Equivalent

Cash equivalents paid during the Fund year with respect to transfers have been calculated in accordance with the method and assumptions specified by the Actuary. They include the value of two discretionary benefits, the bereavement grant and the five-year balance of pension payment, which are valued using the same method and assumptions as other benefits.

Report of the Trustee for 2015

The Trustee presents the following report covering the year 2015, together with the financial statements of the Fund and supporting Notes as at 31 December 2015 and the Actuarial Statement of the Fund as at 31 December 2014.

Changes to the Trustee Board

The membership of the Board during 2015 is shown on page 1.

Trust Deed and Regulations

During 2015 there were two amendments to the Trust Deed and Regulations of the Fund.

1. Deed dated 8 April 2015

This amended the definition of qualifying spouse so that following the death of a member on or after 13 March 2014

- a surviving same sex spouse is treated in the same way as a woman whose deceased spouse was a man or a man whose deceased spouse was a woman
- the rights of any other survivor are determined in the same way as if the surviving same sex spouse were a woman whose deceased spouse was a man or a man whose deceased spouse was a woman

So essentially it provided that same sex marriage partners would be treated in the same way as different sex marriage partners.

2. Deed dated 8 December 2015

This made two changes from different dates:

- It changed the provisions on individual transfers out to remove the limitation that transfers could only be made to UK pension schemes; ie it is now possible to transfer from the SOCPF to a non UK pension scheme. This amendment was made with effect from 8 December 2015
- The issue is very complex but essentially the clarification relates to the interfund rules. These are the rules which govern the relationship between the SCPF and the SOCPF for employees who are members of both schemes. The clarification is extremely complicated but essentially the clarification relates to the way the member's total pension is split between the two schemes where UK legislation requires a deferred pension to be revalued during deferment. This amendment was made with effect from 1 March 2016.

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

Eight companies were admitted to membership during 2015.

Increases to Pensions and Deferred Pensions

In accordance with Clause 27(5)(a) of the Trust Deed of the Fund, pensions and deferred pensions are increased each year by 7% (for Pre-2009 Members) and 5% (for Post-2009 Members) or, if lower, by the increase in the UK Retail Prices Index (RPI).

In 2015 there had been a 1.6% increase in the RPI for the year ending 31 December 2014 and this rate was therefore applied to both sections, effective 1 April 2015. The Founding Companies confirmed that they did not wish to request the Trustee to approve an increase over and above the 1.6%.

Membership of the Fund

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

	As at 31 December		As at 31 December		
	<u>2015</u>		<u>2014</u>		
Employed Members	1,646		1,787		
Salary-linked	781		720		
Deferred Members	1,580		1,620		
Pensioners	5,110		5,083		
	<hr/>		<hr/>		
	9,117		9,210		
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	Employed Members	Salary-linked	Deferred Members	Pensioners	Total
Members at 31 December 2014	1,787	720	1,620	5,083	9,210
Plus New Entrants (incl Pension sharing orders, spouses and dependants)	** 1	204	42	235	482
Plus Transfers from SCPF*	117	-	36	-	153
Less Retirements:					
Normal	(14)	(72)	(65)	-	(151)
Early	(5)	-	-	-	(5)
Less Deaths/Ceased	-	-	(3)	(208)	(211)
Less Leavers (deferred benefits)	(36)	(36)	-	-	(72)
Less Transfers to SCPF*	(204)	(35)	-	-	(239)
Less Transfers-out	-	-	(50)	-	(50)
Members at 31 December 2015	1,646	781	1,580	5,110	9,117

* Shell Contributory Pension Fund

** Historic joiner buy back

There are 82 members who moved from the SCPF who had not had any prior Salary Linked service

There are 1,197 dependants included within pensioners at the year end (2014: 1,221)

Investment Report for 2015

Investment Policy

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 and employees 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 scheme.

Investment policy is established by the Board of Shell Trust (Bermuda) Limited which regularly reviews 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 delegated the investment of the Fund assets to Shell Asset Management Company BV (SAMCo), a regulated investment manager in the Netherlands.

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

- **Hedge portfolio:** containing a mixture of inflation swaps and required collateral to reduce inflation risk versus liabilities.
- **Fixed Income portfolio:** the assets are expected to have broadly similar characteristics to the liabilities. These assets comprise government and corporate bonds, and interest rate, money market, and credit derivatives.
- **Return-seeking assets:** the portfolio contains a mixture of return seeking assets including equity and private equity and other assets including hedge funds, property and infrastructure and aims to generate outperformance over the return on the liabilities.

Strategic Asset Allocation

The strategic asset allocation is shown below:

	%
Hedge portfolio	5
Fixed income	26
Return seeking assets	69
Total	<hr/> 100 <hr/>

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
2015 (1 year)	2.9%	2.6%
2013/2015 (3 years)	8.0%	7.8%
2011/2015 (5 years)	5.8%	5.7%
2006/2015 (10 years)	3.7%	4.6%

Divergence in monetary policy, the falls in commodity prices and the slowdown of the emerging markets economies led to significant currency movements in 2015. The GBP depreciated vs. the USD, while it appreciated vs. the EUR and the currencies of a number of emerging, commodity-exporting countries. These moves had a sizeable impact on returns, but across the portfolio were virtually offset. The decline of the GBP vs. the USD, for instance, supported the performance of North American public equities, private equity and opportunity driven investments, as the USD exposure is partly hedged. The strong GBP vs. emerging markets currencies weighed on the returns of the emerging markets equities and emerging markets debt portfolios, as these currencies are not hedged (because of the costs involved and because exchange-rate appreciation is generally expected for emerging markets currencies in the long run).

The equity portfolio showed a mixed performance in 2015. As a result of quantitative easing in the Eurozone, European equities substantially outperformed the rest of the world. North American equities underperformed in response to fading liquidity (lower oil prices and relatively higher valuations also had an effect; returns were supported by the strong USD). Emerging markets equities posted a loss, impacted by lower commodity prices, negative sentiment regarding the Chinese economy and anticipation of the US rate hike, while currencies in the region generally weakened. The low-volatility equity strategy performed well, especially in Europe and the Pacific Rim. The relative performance of small-cap stocks was divergent across regions but positive in aggregate. Small caps performed particularly well in Europe, which was in line with the improved economic performance in the region.

The fixed income portfolio reported a flat return for the year with different performances within the portfolio. Returns for the pools were positive, whereas the high yield and emerging markets debt portfolios posted losses. This performance contrasts with the strong total returns seen in 2014, and masks the significant shifts seen during the year. For example, the yields on US Treasuries, UK Gilts and German Bunds ended 2015 virtually unchanged from where they started it, but displayed significant intra-year volatility, sparked by the monetary policy divergence between Europe and the US, as well as policy surprises elsewhere in the world. Weak economic growth in most emerging markets economies, the prospect of higher US interest rates and the slide in crude oil prices resulted in a flight to safety, which supported safe-haven bonds but led to increased spreads on emerging markets and high yield bonds. The low liquidity in these markets also hurt the performance of these bonds. In addition, the strong GBP versus emerging markets currencies weighed on the returns of the emerging markets debt portfolio, as these currencies are not hedged.

All parts of the private equity portfolio contributed positively to performance. European buyout funds and US venture funds both generated strong returns in 2015. In terms of excess returns, the private equity portfolio's performance relative to the benchmark was significantly negative in 2015. This was largely driven by the portfolio's vintage composition compared to that of the benchmark. From an overall strategic perspective, investments in private equity continue to benefit SOCPF, with the private equity portfolio having outperformed public equity investments over the last ten years.

The property portfolio benefitted from sentiment in this market and was supported by investors' strong demand for stabilised, higher-yielding assets in the current low interest rate environment and by the gathering momentum of economic growth in Europe and the UK. In addition, economic recovery is slowly translating into lower vacancy rates, putting upward pressure on rent levels. The strongest performance came from the direct UK property funds and the opportunistic indirect property fund.

Hedge fund performance was mixed and, overall, returns have been lower than the strategic target, but the asset class delivered on the strategic objective of downside protection and low sensitivity (beta) to equity markets.

The infrastructure portfolio is still in the build-up phase but contributed positively to the Fund return. In general there is strong competition for core infrastructure, as investors are keen to gain access to inflation-linked assets that provide higher yields than those available in the inflation-linked bond market.

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 2015</u>	
	<u>£'000</u>	<u>% of total</u> <u>Fund</u>
Bilders Active Credit Pool - Certificate Class A	409,605	10.6
Bilders Global Pool - Certificate Class A	189,251	4.9
Mesdag Fund of Funds Ltd	186,175	4.8
UK Treasury 1.75% 01/22/2017	171,076	4.4
UK Treasury 4% 09/07/2016	166,794	4.3
Bilders EMU Pool - Certificate Class A	139,464	3.6
UK Treasury 2% 01/22/2016	127,142	3.3
Standard & Poor's Depository Receipts Trust Series 1	52,078	1.3
HICL Infrastructure Co. Ltd.	20,952	0.5
3i Infrastructure Plc.	19,609	0.5
	<hr/>	
	1,482,146	38.2
Other holdings (including cash)	2,392,569	61.8
Total Fund Investments	<hr/>	
	3,874,715	100.0

Employer-related investments

Details of employer-related investments are given in Note 20 of the Financial Statements.

Custodial Arrangements

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

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

Direct property title deeds are held by the Fund's manager's legal advisors.

Actuarial Valuation

The most recent actuarial valuation of the Fund was carried out by the Fund's Actuary, Aon Hewitt Limited, as at 31 December 2014. The attached Actuarial Statement contains a summary of the methods and assumptions used for this latest valuation. The Actuary's full report on the valuation was published on 10 September 2015.

The results of the valuation using the stated assumptions are that the Fund has a past service surplus of £84 million, which compares with a past service deficit of £507 million at the previous valuation. This represents an increase in the funding level from 84% to 102%.

As the key output from the valuation discussions, it was agreed that the Member Companies will:

- continue to pay 30% of Members' Pensionable Salaries; plus;
- contribute in respect of Member Company exits.

These contributions will be reviewed annually with the most recent review having an effective date of 31 December 2015. The next review of contributions will be carried out as at 31 December 2016.

In addition, supplementary contributions to meet the cost of augmented benefits will be paid when members leave service under the Companies' severance terms, such contributions to be paid normally within three months of the date the member leaves service (or the date augmented benefits are granted, if later) and in any event no later than six months after that date.

In accordance with Clause 5 of the Fund's Trust Deed, the Actuary certified that in the normal course of events these contributions would make and keep the Fund actuarially solvent.

He also stated that the Fund's assets at the valuation date covered 64% of the estimated cost of buying out the accrued benefits with an insurance 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 31 May 2016 and signed on its behalf by:



I Robertson
President



P S Gamero
Vice President

For: SHELL TRUST (BERMUDA) LIMITED

Actuarial Statement

Name of Fund: Shell Overseas Contributory Pension Fund
Effective date of valuation: 31 December 2014

1. Security of accrued rights

In our opinion, the Fund's assets existing on 31 December 2014 covered 64% 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:

- Contributions at the rate of 2% of Pensionable Salary up to £30,000 p.a. and 6% of Pensionable Salary in excess of £30,000 p.a.

By the Member Companies:

- Contributions at the rate of 30% of members' Pensionable Salaries, plus
- Contributions in respect of Member Company exits

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 10 September 2015.

Signed

Greg Tucker FIA
10 September 2015

Chintan Gandhi FIA
10 September 2015

Assumptions

The main assumptions used in the actuary's calculations of the contribution rate were as follows:

RPI Inflation		The difference between the UK Government Fixed Interest and UK Government Index-Linked yield curves
Pension and deferred pension increases	:	Based on inflation with allowance for maximum and minimum increases
General pay increases	:	RPI inflation yield curve plus 0.5% p.a.
Discount rate	:	UK Government Fixed Interest yield curve plus 1.75% p.a.
Expected asset return for calculating minimum contributions		UK Government Fixed Interest yield curve plus 2.75% p.a.
Expenses	:	0.5% of Pensionable Salaries, plus 1.0% of the scheme liabilities
Post-retirement mortality	:	86% of SAPS S2 (light) tables, incorporating future improvements in line with the CMI 2014 Core Projections from 2007 with a long-term rate of mortality improvement of 1.75%

Independent Auditors' report to the Trustee of the Shell Overseas Contributory Pension Fund

Report on the financial statements

Our opinion

In our opinion, Shell Overseas Contributory Pension Fund's financial statements:

- show a true and fair view of the financial transactions of the Fund during the year ended 31 December 2015, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Trust Deed.

What we have audited

Shell Overseas Contributory Pension Fund's financial statements comprise:

- the net assets statement as at 31 December 2015;
- the fund account for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements and being satisfied that they show a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Trustee and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 May 2016

The maintenance and integrity of the Shell Pensions in the UK website, on which the Trustee has allowed publication of the Fund's financial statements, is the responsibility of Trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Shell Overseas Contributory Pension Fund

Consolidated Fund Account For the year ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Contributions and benefits			
Employer contributions		57,364	87,342
Member contributions		9,339	9,003
Total contributions	4	<u>66,703</u>	<u>96,345</u>
Benefits paid or payable	5	109,906	103,776
Payments to and on account of leavers	6	12,102	3,164
Administrative expenses	7	2,183	1,558
		<u>124,191</u>	<u>108,498</u>
Net withdrawals from dealings with Members		(57,488)	(12,153)
Net returns on investments			
Investment income	8	74,773	73,032
Change in market value of investments	9	38,626	194,714
Investment management expenses	10	(5,477)	(5,270)
Net returns on investments		<u>107,922</u>	<u>262,476</u>
Net increase in the Fund during the year		50,434	250,323
Net assets of the Fund			
At 1 January		<u>3,830,596</u>	<u>3,580,273</u>
At 31 December		<u>3,881,030</u>	<u>3,830,596</u>

The notes on pages 19 to 36 form part of the financial statements.

Shell Overseas Contributory Pension Fund


Statement of Consolidated Net Assets available for benefits as at 31 December 2015


	Note	2015 £ 000	2014 £ 000
Investment assets			
Equities		1,813,593	2,169,696
Bonds		708,378	422,781
Property	12	248,588	134,256
Pooled investment vehicles	13	1,115,703	1,044,610
Derivatives	14	2,806	32,576
Cash	15	49,858	37,859
Other investment balances	15	13,409	8,733
		<u>3,952,335</u>	<u>3,850,511</u>
Investment liabilities			
Derivatives	14	(74,364)	(42,546)
Other investment balances	15	(3,256)	(3,155)
		<u>(77,620)</u>	<u>(45,701)</u>
Total net investments	9	3,874,715	3,804,810
Current assets	23	12,533	28,312
Current liabilities	24	(6,218)	(2,526)
Net current assets		6,315	25,786
Net assets available for benefits at 31 December		<u>3,881,030</u>	<u>3,830,596</u>

These consolidated 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 13 to 14 and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on 31 May 2016.

Signed on behalf of the Trustee by:


 I Roberston President


 P S Gamero Vice President

The notes on pages 19 to 36 form part of the financial statements.

Shell Overseas Contributory Pension Fund

Notes to the consolidated financial statements Year ended 31 December 2015

1. General information

The Shell Overseas Contributory Pension Fund ('the Fund') is an occupational pension scheme established under trust. The Fund was established in 1953 to provide retirement benefits for UK base country employees who were working outside the UK and were not permitted by HMRC rules (in force at the time) to remain as active members of the UK pension scheme the Shell Contributory Pension Fund. The address of the Trustee Company's principal office is 3rd floor, Continental Building, 25 Church Street, Hamilton, HM12, Bermuda.

The Fund is a defined benefit pension fund which is no longer open to new hires 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.

2. Statement of compliance

The consolidated financial statements of the Shell Overseas Contributory 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 November 2014) ('the SORP').

3. Summary of significant accounting policies

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

The Fund has adopted FRS 102 in these financial statements for the first time.

Basis of consolidation

Subsidiary undertakings are included at fair value within investment assets and a summary of the undertakings' net assets is provided as a note to the financial statements.

The consolidated financial statements include the financial statements of Shell Trust (UK Property) Limited, a company whose shares are held in trust for the benefit of the Fund. The assets, liabilities and change in market value of the Fund's investments of Shell Trust (UK Property) Limited have been included on a line-by-line basis; the net amount of all other revenue and expenditure items is included within investment income.

(a) Valuation and classification of investments

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. The value

of hedge fund pooled investment vehicles is provided by the individual hedge fund administrators and is based on fair value. Private equity and infrastructure pooled investment vehicles are valued by the fund managers at fair value in accordance with generally accepted accounting guidelines. Freehold and leasehold property is stated at market value at the year end and has been valued in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Standards. No depreciation is provided on freehold buildings or long leasehold properties. 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 proprietorial 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.

(b) Investment income and expenditure

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.

Property income is accounted for on an accruals basis.

(c) 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.

(d) 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. Credit default swaps' fair value is derived by a third party data vendor who values the credit default swaps with a pricing model which assumes trading with a risk-free counter party. Model assumptions are based on market prices which are received daily from the major dealers in the market. Interest rate and inflation swaps' fair value is based on a discounted cash flow calculation for which the most important input is the spot interest rate curve and the

inflation break even curve, respectively. Interest is accrued daily on a basis consistent with the terms of the contract.

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.

Futures have a fair value of zero, because their profit or loss is settled on a daily basis in the futures margin accounts that are part of the cash balance. The amounts settled are based on the closing price of the assets represented by the futures on the relevant stock market. The amounts included in the change in market value are the realised gains and losses on open and closed futures contracts.

The fair value of currency derivatives (forwards and 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.

(e) Foreign Currency

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

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

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

Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

(f) Contributions

Normal contributions, both from the Members and from the employers, are accounted for as they fall due under the Fund rules and the recommendations of the actuary.

Employers' exit fees are accounted for on an accruals basis.

(g) Benefits and payments to and on account of leavers

Where Members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the 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.

(h) Transfers to and from other schemes

Transfer values represent the capital sums either receivable in respect of Members from other pension schemes of previous employers or 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 or received.

Group transfers, where the Trustee has agreed to accept the liability prior to the receipt, are accounted for in accordance with the agreement.

Movement of Linked Fund Members between the Shell Overseas Contributory Pension Fund and the Shell Contributory Pension Fund are executed without payment being made between the Funds. Under the Inter-Fund Linking rules of each Fund, the Members' pension entitlement is accrued in each Fund based on their length of pensionable service undertaken whilst in each Fund and the total pension receivable is based on their final pensionable salary.

(i) Other expenses

Administrative expenses and investment management 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 rates during the year were as follows:

- (i) By Members - 2% of pensionable salary up to £30,000, 6% in excess of £30,000
- (ii) By Member Companies - 30% of pensionable salaries (2014: January-April 45%, May-December 30%)
- (iii) Exit fees - Company contributions for Member Companies leaving the Fund

	2015 £ 000	2014 £ 000
Employer contributions		
Normal	54,735	65,986
Exit fees	2,629	21,356
	<u>57,364</u>	<u>87,342</u>
Member contributions		
Normal	9,339	9,003
	<u>66,703</u>	<u>96,345</u>

5. Benefits paid or payable

	2015 £ 000	2014 £ 000
Pensions	95,446	92,782
Commutation of pensions and lump sum retirement benefits	14,316	10,729
Lump sum death benefits	144	265
	<u>109,906</u>	<u>103,776</u>

6. Payments to and on account of leavers

	2015 £ 000	2014 £ 000
Refunds of contributions in respect of non-vested leavers	35	26
Individual transfers out to other schemes	12,067	3,138
	<u>12,102</u>	<u>3,164</u>

7. Administrative expenses

	2015 £ 000	2014 £ 000
Administration and processing costs	1,519	1,083
Actuarial fees	247	221
Investment advice to Trustee	274	113
Trustee fees	47	51
Audit fees	71	63
Legal fees	25	27
	<u>2,183</u>	<u>1,558</u>

Administration and processing costs include £987,000 (2014: £823,000) for services provided by Shell International Limited and £469,000 (2014: £194,000) for services provided by Shell Oman Trading Limited. Three members of the Trustee Board are remunerated by the Fund and fees totalling £47,000 have been paid during 2015 (2014: £51,000).

8. Investment income

	2015 £ 000	2014 £ 000
Dividends from equities	45,333	45,768
Income from bonds	22,722	14,506
Net results from subsidiary	6,731	1,876
Income from pooled investment vehicles	2,279	2,631
Net (payments)/receipts from swaps	(4,206)	6,206
Stock lending commission	1,955	2,188
Interest on cash deposits	120	86
Canadian Non Resident Tax	(161)	(229)
	<u>74,773</u>	<u>73,032</u>

9. Reconciliation of net investments

	Value at 1.1.2015 £ 000	Purchases at cost and derivative payments £ 000	Sales proceeds and derivative receipts £ 000	Change in market value £ 000	Value at 31.12.2015 £ 000
Equities	2,169,696	860,223	(1,268,902)	52,576	1,813,593
Bonds	422,781	1,151,216	(848,838)	(16,781)	708,378
Property	134,256	106,832	(4,627)	12,127	248,588
Pooled investment vehicles	1,044,610	182,177	(119,398)	8,314	1,115,703
Derivatives	(9,970)	-	(41,331)	(20,257)	(71,558)
	<u>3,761,373</u>	<u>2,300,448</u>	<u>(2,283,096)</u>	<u>35,979</u>	<u>3,814,704</u>
Cash	37,859	9,352	-	2,647	49,858
Other investment balances	5,578	4,575	-	-	10,153
	<u>3,804,810</u>	<u>2,314,375</u>	<u>(2,283,096)</u>	<u>38,626</u>	<u>3,874,715</u>

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

	2015 £ 000	2014 £ 000
Administration, management and custody	2,905	2,772
External managers	2,081	2,056
Global custodian fees	491	442
	<u>5,477</u>	<u>5,270</u>

Shell Asset Management Company B.V. is the appointed Investment Manager of the Fund and charged the Fund £2,905,000 (2014: £2,772,000).

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:

	2015			2014		
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
	Equities	Futures	Total	Equities	Futures	Total
Fees	909	1	910	664	1	665
Taxes	360	-	360	309	-	309
Other	339	-	339	225	-	225
	<u>1,608</u>	<u>1</u>	<u>1,609</u>	<u>1,198</u>	<u>1</u>	<u>1,199</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. It has not been possible for the Trustee to quantify such indirect transaction costs.

12. Property

	2015 £ 000	2014 £ 000
UK freehold property	145,429	113,997
UK long leasehold property (over 50 years unexpired)	15,075	13,817
	<u>160,504</u>	<u>127,814</u>

In addition to UK direct property investments the Fund holds UK indirect property investments totaling £88,084,000 (2014: £6,442,000).

Property is valued at 31 December by independent valuers, BNP, Chartered Surveyors. The valuation is prepared on the basis of open market value as determined in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Standards.

13. Pooled investment vehicles

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

	2015 £ 000	2014 £ 000
Bonds	738,320	720,400
Hedge funds	186,175	165,618
Private equity	159,025	144,827
Infrastructure	32,183	13,765
	<u>1,115,703</u>	<u>1,044,610</u>

Realised and unrealised gains on investments held by subsidiaries are included within the consolidated change in market value of investments for the Fund. All other income and expenditure items from subsidiary activities are consolidated and included within investment income in Note 8.

14. 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. The purpose the various instruments are used for is summarized below.

Interest futures are mainly used to modify the duration of the fixed income securities portfolio to align it with the benchmark. Futures can be a more efficient way to modify the duration than transacting fixed income securities. Equity futures are used to efficiently increase or decrease exposure to certain markets.

Interest rate swaps and inflation swaps are used if these are considered to be an efficient way to:

- modify the portfolio interest exposure in different currencies;
- reduce the portfolio risk to the impact of interest rate fluctuations including liability hedging; or
- reduce the portfolio inflation rate risk exposure, including real liability hedging.

Credit default swaps are used to hedge in an efficient way the credit risk of individual bonds in the portfolio as well as to replicate the credit exposure of bonds.

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

Foreign exchange derivatives are only used for hedging against foreign exchange rate movements on investments denominated in other currencies than sterling.

Currency hedging targets are agreed with the asset manager and these can vary between asset class and currency.

	Assets 2015 £ 000	Liabilities 2015 £ 000	Assets 2014 £ 000	Liabilities 2014 £ 000
Futures – Exchange Traded				
Bond futures	-	-	-	-
Interest rate futures	-	-	-	-
Swaps – Over The Counter				
Equity swaps	91	(141)	193	(1,648)
Credit default swaps	120	(130)	138	(58)
Interest rate swaps	119	(51)	299	(32)
Currency interest rate swaps	28	(1,432)	-	-
Inflation swaps	-	(34,994)	-	(20,713)
	358	(36,748)	630	(22,451)
Foreign Exchange – Over The Counter				
FX derivatives	2,448	(37,616)	31,946	(20,095)
	2,806	(74,364)	32,576	(42,546)
Net derivatives		(71,558)		(9,970)

The net derivatives position in the table above represents unrealised gains or losses and is netted per counterparty – given all counterparties with Over The Counter (OTC) derivatives have an International Swaps and Derivatives Association (ISDA) and Credit Support Annex (CSA) contract. Except for the equity swaps contracts all derivative positions are collateralised. At 31 December 2015 the collateral pledged amounted £68.4 million.

Type of contract	Expiration	Notional value £ 000	2015 Assets £ 000	2015 Liabilities £ 000
Futures-Exchange Traded				
Bond futures long	March 2016	22,024	-	-
Bond futures short	March 2016	17,200	-	-
Interest rate futures long	March 2016	2,212	-	-
Interest rate futures short	March 2016	6,897	-	-

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.

Type of contract	Notional principal £ 000	2015 Assets £ 000	2015 Liabilities £ 000
Swaps OTC			
Equity swaps			
< 5 years	5,817	91	(141)
Credit default swaps			
< 5 years	17,573	120	(130)
Interest rate swaps			
< 5 years	6,557	56	(51)
< 10 years	2,062	63	-
Total Interest rate swaps		<u>119</u>	<u>(51)</u>
Currency interest rate swaps			
< 10 years	8,977	28	(1,432)
Inflation swaps			
< 20 years	500,000	-	(34,994)
Total swaps		<u>358</u>	<u>(36,748)</u>

The notional principal of the swap is the amount used to determine the value of the swapped interest receipts and payments.

Currency Bought	Currency Sold	Notional principal £ 000	2015 Assets £ 000	2015 Liabilities £ 000
GBP	EUR	803,922	39	(2,085)
GBP	JPY	101,699	-	(3,796)
GBP	USD	848,357	-	(28,012)
GBP	SEK	23,064	-	(608)
GBP	CHF	48,709	-	(2,035)
GBP	Various	84,914	680	(1,080)
USD	GBP	27,557	737	-
EUR	GBP	11,620	178	-
PLN	GBP	7,063	213	-
JPY	GBP	5,435	206	-
Various	GBP	14,042	395	-
			<u>2,448</u>	<u>(37,616)</u>

The above table aggregates the exposures to currencies acquired or sold through over the counter (OTC) forward foreign exchange and swap contracts. Contracts are typically short in nature with maturities less than one year. The asset/liability represents the unrealised gain/loss that would crystallise if the contract was closed out at the reporting date, based on the market exchange rate at 31 December.

15. Cash and other net investment balances

	2015 £ 000	2014 £ 000
Sterling & foreign currency deposits	49,858	37,859
Accrued interest and dividends	10,969	7,587
Amounts due from brokers	2,440	1,146
	<u>63,267</u>	<u>46,592</u>
Amounts due to brokers	<u>(3,256)</u>	<u>(3,155)</u>
	<u>60,011</u>	<u>43,437</u>

16. Securities Lending

Securities that had been loaned as part of securities lending programmes are included in the Consolidated Net Assets Statement. At year end the collateral pledged by the recipients of the securities on loan was 106% for fixed interest securities and 106% for equities, and is held in the form of the relevant underlying securities. Under the terms of the programmes, the Fund may instruct that securities be returned within the normal settlement period appropriate for the sale of such a security.

	2015		2014	
	Market Value of Loans £ 000	Collateral £ 000	Market Value of Loans £ 000	Collateral £ 000
Fixed interest securities	1,854	1,959	31,390	32,249
Equities	142,296	151,174	64,285	68,149
	<u>144,150</u>	<u>153,133</u>	<u>95,675</u>	<u>100,398</u>

17. 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	2015 Total
	£ 000	£ 000	£ 000	£ 000
Investment assets				
Equities	1,813,593	-	-	1,813,593
Bonds	231,593	476,785	-	708,378
Pooled investment vehicles	738,320	-	377,383	1,115,703
Derivatives	-	2,806	-	2,806
Cash	49,858	-	-	49,858
Other investment balances	13,409	-	-	13,409
	<u>2,846,773</u>	<u>479,591</u>	<u>377,383</u>	<u>3,703,747</u>
Investment liabilities				
Derivatives	-	(74,364)	-	(74,364)
Other investment balances	(3,256)	-	-	(3,256)
Total investments	<u>2,843,517</u>	<u>405,227</u>	<u>377,383</u>	<u>3,626,127</u>

Analysis for the prior year end is as follows:

	Level 1	Level 2	Level 3	2014 Total
	£ 000	£ 000	£ 000	£ 000
Investment assets				
Equities	2,169,696	-	-	2,169,696
Bonds	104,594	318,187	-	422,781
Pooled investment vehicles	720,400	-	324,210	1,044,610
Derivatives	-	32,576	-	32,576
Cash	37,859	-	-	37,859
Other investment balances	8,733	-	-	8,733
	<u>3,041,282</u>	<u>350,763</u>	<u>324,210</u>	<u>3,716,255</u>
Investment liabilities				
Derivatives	-	(42,546)	-	(42,546)
Other investment balances	(3,155)	-	-	(3,155)
Total investments	<u>3,038,127</u>	<u>308,217</u>	<u>324,210</u>	<u>3,670,554</u>

The Fund is required to provide an analysis of how the fair value has been determined for non-financial instruments as per the fair value hierarchy outlined in the SORP.

For the Fund this relates to Property and is classified as category (c) - where quoted prices are not available and recent transactions of an identical asset on their own are either unavailable or not a good estimate of fair value and therefore valuation techniques are employed. The fair value for Property was £248,588,000 as at 31 December 2015 (2014: £134,256,000).

18. 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. In terms of the management of currency risk, the Trustee's policy within its strategic asset allocation ("SAA") is to hedge back to Sterling an appropriate proportion of currency exposure.

The following table summarizes the extent to which the various classes of investments are affected by financial risks:

	Credit risk	Currency risk	Interest rate risk	Other price risk	2015 £ 000	2014 £ 000
Equities	○	●	○	●	1,813,593	2,169,696
Bonds	●	●	●	○	708,378	422,781
Pooled investment vehicles	●	●	●	●	1,115,703	1,044,610
Property	○	●	○	●	248,588	134,256
Derivatives	●	●	●	●	(71,558)	(9,970)
Cash deposits and other investment balances	●	●	○	○	60,011	43,437
Total investment assets					3,874,715	3,804,810

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 of the Fund at the minimum long-term cost to employer and employees 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 scheme.

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 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 delegated to the Investment Manager and are documented in the IMA.

The current SAA is:

- 5% allocation to a hedging portfolio, containing a mixture of inflation swaps and required collateral to reduce inflation risk versus liabilities, and to serve other collateral requirements of the Fund;
- 26% allocation to fixed income, where the assets are expected to have broadly similar characteristics to the liabilities. These assets comprise government and corporate bonds, and interest rate, money market, and credit derivatives.
- 69% allocation to return seeking assets, where the aim is to generate outperformance over the return on the liabilities. These assets comprise listed equity, private equity, hedge funds, property and infrastructure.
- Whereas the Fund may have material exposures to overseas assets, denominated in currencies which may fluctuate relative to Sterling, the Trustee's policy within the SAA is to hedge back to Sterling an appropriate proportion of currency exposure.

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, has cash balances and undertakes security lending activities. 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:

	2015	2014
	£ 000	£ 000
Investment assets exposed to credit risk		
Bonds	708,378	422,781
Pooled investment vehicles	1,115,703	1,044,610
Derivatives	(71,558)	(9,970)
Cash deposits and other investment balances	60,011	43,437
Total	1,812,534	1,500,858

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. The credit risk for OTC derivatives is reduced by securities collateral arrangements. 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.

The Trustee manages the credit risk arising from security lending activities by restricting the amount of overall stock securities that may be lent, only lending to borrowers who are rated at least at investment grade, limiting the amount that can be lent to any single borrower and putting in place collateral arrangements.

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 pooled manager.

Currency Risk

The Fund is subject to currency risk as some of the Fund's investments are held in overseas markets. The Trustee has defined a currency hedging strategy that defines the target hedge percentage per for each currency per asset class. The strategy is implemented through currency forwards and swaps. The net currency exposure was:

	2015			2014		
	Exposure	Hedge	Net	Exposure	Hedge	Net
	£ 000	positions £ 000	exposure £ 000	£ 000	positions £ 000	exposure £ 000
Euro	929,113	797,062	132,051	911,428	761,971	149,457
US dollars	1,183,959	843,220	340,740	1,360,220	905,860	454,360
Japanese yen	166,973	100,184	66,788	179,883	108,028	71,856
Other currencies	655,509	149,602	505,907	755,381	184,843	570,537
Total	2,935,554	1,890,068	1,045,486	3,206,912	1,960,702	1,246,210

Interest Rate Risk

The Fund is subject to interest rate risk because some of the Fund's investments are held in fixed interest securities, interest rate swaps and bond futures. The Trustee has set a benchmark for total fixed income investments of 26% of the investment portfolio where the assets are expected to have broadly similar characteristics to the liabilities.

Other Price Risk

Other price risk arises principally from the allocation to equities, equity futures and swaps, investment property, hedge funds, private equity, opportunity-driven investments, and infrastructure in the return seeking assets portfolio. The Fund has set a target asset allocation of 69% 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.

19. Concentration of investments

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

	2015		2014	
	£ 000	%	£ 000	%
Bilders Active Credit Pool – Certificate Class A	409,605	10.6	393,805	10.3
Bilders Global Pool – Certificate Class A	189,251	4.9	191,320	5.0
Mesdag Fund of Funds Ltd	186,175	4.8	165,618	4.3

20. Employer-related investments

The Fund's investment guidelines restrict investments in shares of the Royal Dutch Shell plc to 3% of the total value of the Fund. The Fund held 287,504 (2014: 359,773) 'A' shares and 144,472 (2014: 243,842) 'B' shares of Royal Dutch Shell plc at 31 December 2015. This represents 0.2% (2014: 0.4%) of the Fund's net assets at 31 December 2015.

21. Additional analysis of investments

	2015 £ 000	2014 £ 000
Equities		
UK quoted	151,256	184,016
Overseas quoted	1,662,337	1,985,680
	<u>1,813,593</u>	<u>2,169,696</u>
Bonds		
UK public sector quoted	465,012	186,645
UK other quoted	412	662
Overseas public sector quoted	100,159	93,951
Overseas other quoted	142,795	141,523
	<u>708,378</u>	<u>422,781</u>
Properties		
UK property – direct holdings	160,504	127,814
UK property – indirect holdings	88,084	6,442
	<u>248,588</u>	<u>134,256</u>
Pooled investment vehicles		
Shell Pooled – bonds		
UK public sector quoted	27,859	29,543
UK other quoted	31,966	27,356
Overseas public sector quoted	424,565	425,081
Overseas other quoted	253,930	238,420
	<u>738,320</u>	<u>720,400</u>
Private equity		
Managed funds		
UK – other	30,674	24,549
Overseas – other	118,871	105,425
Unit trusts		
UK	8,230	14,815
Overseas	1,250	38
	<u>159,025</u>	<u>144,827</u>
Infrastructure		
UK	10,069	6,738
Overseas	22,114	7,027
	<u>32,183</u>	<u>13,765</u>
Fund of hedge funds	186,175	165,618
	<u>1,115,703</u>	<u>1,044,610</u>
Derivatives		
Analysed further in Note 14		
Derivative assets	2,806	32,576
Derivative liabilities	(74,364)	(42,546)
	<u>(71,558)</u>	<u>(9,970)</u>
Other investment balances		
Cash deposits	49,858	37,859
Investment assets	13,409	8,733
Investment liabilities	(3,256)	(3,155)
	<u>60,011</u>	<u>43,437</u>
Total net investments	<u>3,874,715</u>	<u>3,804,810</u>

The fixed interest securities pooled investment vehicles are registered in the Netherlands. The private equity and infrastructure pooled investment vehicles are predominantly registered in the USA. The fund of hedge funds is registered in the Cayman Islands.

22. Investment in wholly owned subsidiary

Shell Trust (UK Property) Limited was incorporated on 27 October 2003, under the laws of Bermuda. Shell Trust (UK Property) Limited is wholly owned by Shell Trust (Bermuda) Limited, through its holding of all the issued and outstanding common stock. Shell Trust (UK Property) Limited was incorporated for the purpose of holding and managing the Fund's property portfolio. The assets of the subsidiary are reflected in the property line in note 9.

23. Current assets

	2015 £ 000	2014 £ 000
Exit fees receivable	-	18,716
Contributions due from Member Companies	4,208	4,180
Cash balances	8,325	5,416
	<u>12,533</u>	<u>28,312</u>

24. Current liabilities

	2015 £ 000	2014 £ 000
Contributions due to Member Companies	-	3
Unpaid benefits	3,101	81
Accrued expenses	1,456	1,298
VAT payable	429	411
Tax payable	1,232	733
	<u>6,218</u>	<u>2,526</u>

25. Related party transactions

At 31 December 2015 Related Party Transactions (other than those described in Notes 7, 10 and 22) were as follows:

Three members (2014: 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 (SOCPF) Limited, the company which holds and maintains the Contribution Reserve Account.

26. Contingencies and commitments

In the opinion of the Trustee, the Fund had no contingent liabilities at 31 December 2015 (2014: nil).

At the year end the Fund had (i) contractual commitments totalling £249 million (2014: £163 million) in respect of private equity and infrastructure pooled investment vehicles that are due to be settled over a period of 6 years and (ii) no contractual commitments to purchase or sell properties (2014: nil).

27. Realisations

Due to the long term nature of the Fund's liabilities, pension investments do not all need to be realisable in the short term. The Fund has the following investments where there is a significant restriction on the Fund's ability to realise the assets at the values stated in the financial statements, especially given the characteristics of the investments:

	2015 £ 000	2014 £ 000
Properties	248,588	134,256
Pooled investment vehicles		
- private equity	159,025	144,827
- infrastructure	32,183	13,765
- fund of hedge funds	186,175	165,618
	<u>625,971</u>	<u>458,466</u>

28. Subsequent events

At the year end, there was one property purchase under offer (2 College Square, Bristol £22,800,000). This purchase was completed on 21 January 2016.