

## **Shell International Trading and Shipping Company Limited**

### **Strategic report for the year ended 31 December 2019 (continued)**

#### **Principal risks and uncertainties**

The Shell Group has a single risk based control framework - The Shell Control Framework - to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 27 to 36 of Royal Dutch Shell's Annual Report for the year ended 31 December 2019 (the "Group Report") include those of the Company (the Group Report does not form part of this report).

#### **Key Performance Indicators**

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 45 to 79 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 42 to 44 of the Group Report.

#### **Section 172(1) statement/Statement of stakeholder interests**

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

This Section 172 Statement, explains how the Directors have acted in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- the likely consequences of any decision in the long term and the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- employee interests, the need to foster the company's business relationships with suppliers, customers, and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

Ahead of matters being put to the Company Board for consideration, significant levels of engagement are often undertaken by the broader business ahead of many of Shell projects or activities. This engagement is often governed by formulated policies, control frameworks, regulation, legislation and may differ by region. Dependent on the project or activity, Board members may participate in this engagement.

## **Shell International Trading and Shipping Company Limited**

### **Strategic report for the year ended 31 December 2019 (continued)**

The Company is a member of the Shell Group, an organisation which follows a highly developed and formalised governance and oversight framework, which includes but is not limited to Group policies such as the Shell General Business Principles (which sets out the Shell Group's responsibilities to shareholders, customers, employees, business partners and society) and the Shell Code of Conduct.

The strategic aims of the Company are considered to be derived from those of the Shell Group, which are discussed on pages 20 - 21 of the Royal Dutch Shell plc 2019 Annual Report. The Shell Group internally organises its activities principally along business and function lines but transacts its business through legal entities. This organisation structure is designed to achieve Shell's overall business objectives, whilst respecting the separate legal identity of the individual Shell companies through which it is implemented and the independence of each Board of Directors.

#### **Principal decisions**

We define Principal decisions taken by the Board as those decisions in 2019, that are of a strategic nature and/or that are significant to any of our key stakeholder groups.

To remain concise, we have categorised our key stakeholders into six groups. Where appropriate, each group is considered to include both current and potential stakeholders.

#### **Key stakeholder groups**

- a. Shareholders
- b. Employees/Workforce/Pensioners
- c. Regulators/Governments/NGOs
- d. Communities
- e. Customers
- f. Counterparties /Strategic Partners

#### **Principal decisions in 2019**

In the table below we outline some of the principal decisions made by the Board over the year, explain how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

The level of information disclosed on principal decisions in the table below is consistent with the size and the complexity of the business.

#### **How were stakeholders considered**

We describe how stakeholders were considered during the decision-making process by summarising the relevant discussions. The relevance of each stakeholder group's interests may differ depending on the nature of decisions being considered. Board decisions will not necessarily result in a positive outcome for all of our stakeholders, but by considering our purpose, values and business objectives, and having due regard for stakeholder relationships, the Board aims to ensure that its decisions promote the long-term success of the Company. In addition, the Company has robust methodologies for assessing impact on community and environment through the application of the Shell Social Performance Manual which is available on the Shell world wide web.

## Shell International Trading and Shipping Company Limited

### Strategic report for the year ended 31 December 2019 (continued)

#### What was the outcome

See the table below for the outcome.

<b>Financial Crime</b>	<b>Outcome</b>
The Board considered putting in place a policy to formalise, update and consolidate existing policies and controls related to the prevention of financial crime.	The Board adopted an updated and consolidated Financial Crime Policy in 2019 which covered offences related to money laundering, terrorist financing, sanctions, bribery and corruption, tax evasion, modern slavery, fraud, and market abuse.

#### How were stakeholders considered.

The implementation of revised financial crime prevention controls is a demonstration of the interest of the Directors in upholding high operational standards in the Company's business activities in preventing financial crime, and thereby maintaining a strong reputation with all of its stakeholder groups, thus benefitting the Company and those stakeholders.

The decision to adopt this Financial Crime Policy demonstrated the Directors commitment to implementing operational standards to prevent the use of the organisation by criminals to perpetrate or facilitate financial crime.

<b>Firm status</b>	<b>Outcome</b>
The application of the FCA's Senior Managers and Certification Regime ('SMCR'), which replaced the Approved Persons Regime from December 2019, prompted the Board to discuss whether the Company should elect to be a "Limited Scope Firm" or a "Core Firm" under the regime.	The Board elected to categorise the Company as "Core Firm" rather than the "Limited Scope Firm" status under the SMCR.

#### How were stakeholders considered.

The Directors considered the implications of the qualification of the Company as a 'Limited Scope' Firm. However, they considered that electing "Core Firm" status would better demonstrate to all stakeholder groups a willingness to accept shared accountability among all the Directors and other Senior Managers of the Company.

## Shell International Trading and Shipping Company Limited

### Strategic report for the year ended 31 December 2019 (continued)

#### Senior Managers and Certification Regime Policy (SMCR Policy)

#### Outcome

The Board considered further methods to strengthen the compliance culture within the organisation and to ensure that all individuals within scope (including employees and contractors) were aware of their obligations and the expectations of the Company under the SMCR, and therefore considered the implementation of an internal policy (in addition to the formal requirements of the SMCR regime), which would require individuals working for the Company, or on its behalf, to meet the requirements of each of the elements of the SMCR.

The Board adopted the SMCR Policy.

#### How were stakeholders considered.

The adoption of SMCR policy, strengthening the compliance culture within the Company, is considered to be of benefit to all stakeholder groups.

#### Human Rights

Respect for human rights is embedded in the Shell Group's Business Principles and Code of Conduct. This approach is informed by the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the United Nations' Guiding Principles on Business and Human Rights.

The Shell Group works closely with other companies and non-governmental organisations to continuously improve the way it applies these principles, with a focus on four key areas: communities, security, labour rights, and supply chain. The Shell Group has systems and processes in place for managing projects, contracting and procurement, recruitment and employment, security and social performance and requires all Group companies and contractors to respect the human rights of their workforce and neighbouring communities. The Shell Group's Modern Slavery Statement provides more details about the process applied. It can be found at [www.shell.com/uk-modern-slavery-act.html](http://www.shell.com/uk-modern-slavery-act.html).

Approved by the Board on 24 April 2020 and signed on its behalf by:

A. A. Henwood  
Director