

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

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.

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.

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Key stakeholder groups

- A. Shareholders
- B. Employees / Workforce / Pensioners
- C. Regulators / Governments / NGOs
- D. Communities
- E. Customers
- F. Suppliers / 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.

Investing in New business and acquisitions

Over the course of the year, the Board considered various potential investment opportunities and reviewed investment requests in respect of ongoing projects.

How were stakeholders considered

The Board examined expenditure requests and the impact of this on the Company's success in the longer term. Future value growth opportunities were balanced against any impact to budget and on any possible effects on the Company's various stakeholders. For example opportunities to partner with other organisations were considered. The Directors acknowledged that pursuing certain projects in partnership with other organisations would not only provide opportunities for collaboration with some existing or new stakeholders but could also in some circumstances decrease the Company's own cost exposure and increase access to additional infrastructure, whilst providing opportunities to build a presence in new areas/markets.

Shareholder/s' Distribution

Periodically, the Board reviewed capital allocation and shareholder returns.

What was the outcome

The Board provided its support to long-term projects by citing reference to the Company's purpose and strategy.

What was the outcome

The Company received an equity injection.

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How were stakeholders considered

The Board considered the impact of equity financing on interest payments and compared it with other options such as debt financing. Potential additional costs and the impact of these on the longer term success of the Company and ability to pay higher dividends in future was also considered.

Approved by the Board on 15 December 2020 and signed on its behalf by:

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Jeff Connell

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J G Connell
Director