

Shell International Trading and Shipping Company Limited

Strategic report for the year ended 31 December 2020 (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 28 to 37 of Royal Dutch Shell's Annual Report for the year ended 31 December 2020 (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 46 to 80 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 43 to 45 of the Group Report.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 30 April 2022 (the 'going concern period'). The Directors have considered the potential risks and uncertainties relating to COVID-19 and Brexit impact on the Company's business, credit, market, and liquidity position. Based on the above, together with the Directors knowledge and experience of the market, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

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:

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- 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 2020 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 2020, 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

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Principal decisions in 2020

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.

What was the outcome

See the table below for the outcome.

<u>Investment of Capital</u>	<u>Outcome</u>
Over the course of the year, the Board considered potential investment opportunities and proposals.	The Board approved an equity injection and allotted shares to a nominated shareholder in accordance with the Shell Group's organisational structure and control framework.

How were stakeholders considered.

The Board reflected on expenditure and balanced this against a review of proposals regarding the investment of capital into the Company. The impact of equity financing on interest payments was compared 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 were also considered.

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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.

Approved by the Board on 21 April 2021 and signed on its behalf by:

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Alison Henwood
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A. A. Henwood
Director