Shell publishes Annual Report and Accounts

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Royal Dutch Shell plc published its Annual Report and Accounts for the year ended December 31, 2020.

The 2020 Annual Report and Accounts can be downloaded from www.shell.com/annualreport.

In compliance with 9.6.1 of the Listing Rules, on March 11, 2021, a copy of the 2020 Annual Report and Accounts was submitted to the National Storage Mechanism. This document will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism. In compliance with section 5:25m(5) Financial Markets Supervision Act the Annual Report and Accounts was submitted to the Netherlands Authority for the Financial Markets (AFM). The AFM publishes the report in its public register.

Printed copies of the 2020 Annual Report and Accounts will be available from April 15, 2021, and can be requested, free of charge, at www.shell.com/annualreport.

The Annual Report and Accounts will be submitted to the Annual General Meeting to be held on May 18, 2021.

Royal Dutch Shell plc will also file its Form 20-F for the year ended December 31, 2020, with the U.S. Securities and Exchange Commission today. The Form 20-F will be available for download from www.shell.com/investors/financial-reporting/sec-filings.html or www.sec.gov.

A condensed set of the Royal Dutch Shell plc financial statements and information on important events that have occurred during the financial year and their impact on the financial statements were included in the 4th quarter 2020 and full year unaudited results announcement released on February 4, 2021. In addition, a condensed set of the Royal Dutch Shell plc interim financial statements was included in the 2nd quarter 2020 and half year unaudited results announcement released on Jul 30, 2020. This information, together with the information set out in the Appendix below, which is extracted from the 2020 Annual Report and Accounts constitutes the material required for the purposes of compliance with DTR 6.3.5R. This announcement should be read in conjunction with, and is not a substitute for reading, the full 2020 Annual Report and Accounts.

The extracts from the 2020 Annual Report and Accounts included in this announcement may contain forward-looking statements concerning the financial condition, results of operations and businesses of Royal Dutch Shell plc. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Shell to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "aim", "ambition", "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "schedule", "seek", "should", "target", "will" and similar terms and phrases.

There are a number of factors that could affect the future operations of Royal Dutch Shell plc and could cause those results to differ materially from those expressed in any forward-looking statements set out in the extracts from the 2020 Annual Report and Accounts included in this announcement, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Royal Dutch Shell *plc's products; (c) currency fluctuations; (d) drilling and production results; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; (m) risks associated with the impact of pandemics, such as the COVID-19 (coronavirus) outbreak; and (n) changes in trading conditions.*

Shell's operating plan and budgets are established for a three-year period and are updated annually. As society is not expected to reach net-zero emissions in the next three years, Shell's operating plan, budgets and pricing assumptions also do not reflect its Net-Zero emissions targets. Shell's operating plan, budgets and pricing assumptions reflect the current economic environment and what we can reasonably expect to see over the next three years. In the future, as society moves towards net-zero emissions, we expect Shell's operating plan, budgets and pricing assumptions also to reflect such movement.

Also, in this announcement, we may refer to Shell's "Net Carbon Footprint", which includes Shell's carbon emissions from the production of our energy products, our suppliers' carbon emissions in supplying energy for that production and our customers' carbon emissions associated with their use of the energy products we sell. Shell only controls its own emissions. The use of the term Shell's "Net Carbon Footprint" is for convenience only and not intended to suggest these emissions are those of Shell or its subsidiaries.

The extracts from the 2020 Annual Report and Accounts included in this announcement may contain references to Royal Dutch Shell plc's website and to the Shell Sustainability Report. These references are for convenience only. Royal Dutch Shell plc is not incorporating by reference into those extracts or the 2020 Annual Report and Accounts any information posted on www.shell.com or in the Shell Sustainability Report.

Page numbers and section cross-references in the Appendix below refer to pages and sections in the 2020 Annual Report and Accounts. Defined terms used in the Appendix below refer to terms as defined in the 2020 Annual Report and Accounts.

APPENDIX

RISK FACTORS

The principal risks and uncertainties relating to the Company are set out on pages 28-37 of the 2020 Annual Report and Accounts. The following is extracted in full and unedited text from the 2020 Annual Report and Accounts:

The risks discussed below could have a material adverse effect separately, or in combination, on our earnings, cash flows and financial condition. Accordingly, investors should carefully consider these risks. Further background on each risk is set out in the relevant sections of this Report indicated by way of cross references under each risk factor.

The Board's responsibility for identifying, evaluating and managing our significant risks is discussed in "Other Regulatory and Statutory Information" on pages 182-189.

STRATEGIC RISKS

Risk description:

We are exposed to macroeconomic risks including fluctuating prices of crude oil, natural gas, oil products and chemicals.

The prices of crude oil, natural gas, oil products and chemicals are affected by supply and demand, both globally and regionally. Macroeconomic, geopolitical and technological uncertainties can also affect production costs and demand for our products. Government actions may also affect the prices of crude oil, natural gas, oil products and chemicals. This could happen, for example, if governments promote the sale of lower-carbon electric vehicles or even prohibit future sales of new diesel or gasoline vehicles, such as the prohibition in the United Kingdom (UK) that is expected to come into force in 2030. Oil and gas prices can also move independently of each other. Factors that influence supply and demand include operational issues, natural disasters, weather, pandemics such as COVID-19, political instability, conflicts, economic conditions and actions by major oil and gas producing countries. In a low oil and gas price environment, we would generate less revenue from our Upstream and Integrated Gas businesses, and parts of those businesses could become less profitable or incur losses. Low oil and gas prices have also resulted and could continue to result in the debooking of proved oil or gas reserves, if they become uneconomic in this type of price environment. Prolonged periods of low oil and gas prices, or rising costs, have resulted and could continue to result in projects being delayed or cancelled. Assets have been impaired in the past, (including in 2020), and there could be impairments in the future. Low oil and gas prices could also affect our ability to maintain our long-term capital investment programme and dividend payments. Prolonged periods of low oil and gas prices could adversely affect the financial, fiscal, legal, political and social stability of countries that rely significantly on oil and gas revenue. In a high oil and gas price environment, we could experience sharp increases in costs, and, under some production-sharing contracts, our entitlement to proved reserves would be reduced. Higher prices could also reduce demand for our products, which could result in lower profitability, particularly in our Oil Products and Chemicals business. Higher prices can also lead to more capacity being built, potentially resulting in an oversupply of products that can negatively affect our LNG and Chemicals businesses.

Accordingly, price fluctuations could have a material adverse effect on our earnings, cash flows and financial condition.

See "Market overview" on page 38.

How this risk is managed:

We maintain a diversified portfolio to mitigate the impact of price volatility. We test the resilience of our projects and other opportunities against a range of prices and costs for crude oil, natural gas, oil products and chemicals. We prepare annual strategic and financial plans that test different scenarios and their impact on prices on our businesses and company as a whole. These plans are appraised regularly throughout the year, especially during periods of significant price and demand volatility as experienced in 2020. We also aim to maintain a strong balance sheet to provide resilience against weak market prices.

Risk description:

Our ability to deliver competitive returns and pursue commercial opportunities depends in part on the accuracy of our price assumptions.

We use a range of oil and gas price assumptions, which we review on a periodic basis. These ranges help us to evaluate the robustness of our capital allocation for our evaluation of projects and commercial opportunities. If our assumptions prove to be incorrect, it could have a material adverse effect on our earnings, cash flows and financial condition.

See "Market overview" on page 38.

How this risk is managed:

The range of commodity prices used in our project and portfolio evaluations is subject to a rigorous assessment of short-, medium- and long-term market drivers. These drivers include the extent and pace of the energy transition.

Risk description:

Our ability to achieve our strategic objectives depends on how we react to competitive forces.

We face competition in all our businesses. In the crude oil, natural gas, Oil Products and Chemicals businesses we seek to differentiate our products, but many of them are competing in commodity-type markets. Accordingly, failure to manage our costs and our operational performance could result in a material adverse effect on our earnings, cash flows and financial condition. We also compete with state-owned oil and gas entities with access to vast financial resources. State-owned entities could be motivated by political or other factors in making their business decisions. Accordingly, when bidding on new leases or projects, we could find ourselves at a competitive disadvantage because these state-owned entities may not require a competitive return. If we are unable to obtain competitive returns when bidding on new leases or projects, this could have a material adverse effect on our earnings, cash flows and financial condition.

See "Strategy and outlook" on page 18.

How this risk is managed:

We continually assess the external environment - the markets and the underlying economic, political, social and environmental drivers that shape them - to evaluate changes in competitive forces and business models. We use multiple future scenarios to assess the resilience of our strategy. We maintain business strategies and plans that focus on actions and capabilities to create and sustain competitive advantage.

Risk description:

If we fail to stay in step with the pace and extent of society's demands with regard to the energy transition to a low-carbon future, we could fail in sustaining and growing our business.

The pace and extent of the energy transition could pose a risk to Shell if our own transition towards decarbonisation moves at a different speed to society. If we are slower than society, customers may prefer a different supplier which would adversely impact our reputation and demand for our products. If we move much faster than society, we risk investing in technologies, markets or low-carbon products that are unsuccessful because there is limited demand for them. This could have a material adverse effect on our earnings, cash flows and financial condition.

See "Strategy and outlook" on page 19 and "Climate change and energy transition" on page 94.

How this risk is managed:

We actively monitor societal developments, such as regulation-driven carbon-pricing mechanisms and customer-driven preferences for products. We incorporate these into scenarios which provide insights into how the energy transition may unfold in the medium and long term. These insights and those from various other external scenarios (such as the IPCC Special Report 1.5 ?C) guide us how we set our strategic direction, capital allocation and carbon emission commitments. We have updated our strategy and organisational structure to be more focused on the sectors where our customers operate, in order to make us better able to compete in the current evolving energy landscape.

Risk description:

Rising climate change concerns and the effects of the energy transition have led and could lead to a decrease in demand and potentially affect prices for fossil fuels. This may also lead to additional legal and/or regulatory measures which could result in project delays or cancellations, potential litigation, operational restrictions and additional compliance obligations.

Societal demand for urgent action has increased especially after the Intergovernmental Panel on Climate Change (IPCC) 1.5?C special report of 2018 and the Paris Agreement's goal to keep the rise in global average temperature this century to well below two degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Society's increasing focus on climate change and the effects of the energy transition has created a risk landscape that is changing rapidly in response to a wide range of stakeholder actions at global, local and business levels. The potential impact and likelihood of climate change effects on Shell could vary across different time horizons, depending on the specific components of the risk.

We expect that a growing share of our GHG emissions will be subject to regulation, resulting in increased compliance costs and operational restrictions. Regulators may seek to limit certain fossil fuel projects or make it more difficult to obtain required permits. Achieving our target to become net zero on all emissions from our operations will result in additional cost. We also expect that actions by customers to reduce their emissions will continue to lower demand and potentially affect prices for fossil fuels, as will GHG emissions regulation through taxes, fees and/or other incentives. This could be a factor contributing to additional provisions for our assets and result in lower earnings, cancelled projects and potential impairment of certain assets.

The physical effects of climate change such as, but not limited to, increases in temperature and sea levels and fluctuations in water levels could also adversely affect our operations and supply chains.

Some groups are putting pressure on certain investors to divest their investments in fossil fuel companies. If this were to continue, it could have a material adverse effect on the price of our securities and our ability to access capital markets. Groups are also putting pressure on commercial and investment banks to stop financing fossil fuel companies. According to press reports, some financial institutions have started to limit their exposure to certain fossil fuel projects. Accordingly, our ability to use financing for these types of future projects may be adversely affected. This could also adversely affect our potential partners' ability to finance their portion of costs, either through equity or debt.

In some countries, governments, regulators, organisations and individuals have filed lawsuits seeking to hold fossil fuel companies liable for costs associated with climate change. While we believe these lawsuits to be without merit, losing any of them could have a material adverse effect on our earnings, cash flows and financial condition.

In summary, rising climate change concerns and effects of the energy transition have led and could lead to a decrease in demand and potentially affect prices for fossil fuels. If we are unable to find economically viable, publicly acceptable solutions that reduce our GHG emissions and/or GHG intensity for new and existing projects and for the products we sell, we could experience financial penalties or extra costs, delayed or cancelled projects, potential impairments of our assets, additional provisions and/or reduced production and product sales. This could have a material adverse effect on our earnings, cash flows and financial condition.

How this risk is managed:

Our response to the evolving risk landscape requires transparency and clarity around our plans and actions to achieve our climate target. We have a climate change risk management structure which is supported by standards, policies and controls, as part of our health, safety, security and environment and social performance (HSSE & SP) control framework. Climate change and risks resulting from GHG emissions are reviewed and managed in accordance with other significant risks through the Board and Executive Committee. We have established several dedicated climate change and GHG-related forums at different levels of the organisation. These forums seek to address, monitor and review climate change issues. Our strategy to assess and manage risks and opportunities resulting from climate change includes considering different time horizons and their relevance to risk identification and business planning.

Overall, mitigation of the risk is addressed through our strategy to accelerate the transition to net-zero emissions, purposefully and profitably. This approach has three components:

- reducing the GHG-emissions intensity of our operations. We expect to reduce our carbon intensity primarily through altering our product mix as customer (Scope 3) emissions represent the largest component of our carbon intensity. Our aim is to achieve this by shifting the focus of our portfolio as we build our power, hydrogen, biofuels, carbon capture and storage and nature-based solutions businesses and activities;

- demonstrating resilience by adopting the guidance on disclosure by the Task Force on Climate-related Financial Disclosures; and
- working towards our target to become a net-zero emissions energy business by 2050, in step with society.

For further explanations of our climate change governance, risk management, climate ambition and strategy, our portfolio and performance, please refer to the section "Climate change and energy transition" on page 94.
For further explanations of how we manage the risk of the physical effects of climate change affecting our operations and supply chains, please refer to the risk factor "The nature of our operations exposes us, and the communities in which we work, to a wide range of health, safety, security and environment risks".

Risk description:

We seek to execute divestments in pursuing our strategy. We may be unable to divest these assets successfully in line with our strategy.

We may be unable to divest assets at acceptable prices or within the timeline envisaged because of market conditions or credit risk. This would result in increased pressure on our cash position and potential impairments. In some cases, we have also retained certain liabilities following a divestment. Even in cases where we have not expressly retained certain liabilities, we may still be held liable for past acts, failures to act or liabilities that are different from those foreseen. We may also face liabilities if a purchaser fails to honour their commitments. Accordingly, if any of the above circumstances arise, this could have a material adverse effect on our earnings, cash flows and financial condition.

See "Strategy and outlook" on page 19.

How this risk is managed:

We continually monitor market developments to assess potential divestments in pursuing our strategy. We carefully tailor our sales processes to buyers' perceived expectations so we can deliver the most competitive outcomes. As a general principle, the sales processes are configured so that buyers will acquire the assets including all related liabilities. For some assets, Shell may agree to retain certain liabilities. We monitor these liabilities closely and make appropriate provisions for them.

Risk description:

We operate in more than 70 countries that have differing degrees of political, legal and fiscal stability. This exposes us to a wide range of political developments that could result in changes to contractual terms, laws and regulations. We and our joint arrangements and associates also face the risk of litigation and disputes worldwide.

Developments in politics, laws and regulations can and do affect our operations. Potential impacts include: forced divestment of assets; expropriation of property; cancellation or forced renegotiation of contract rights; additional taxes including windfall taxes, restrictions on deductions and retroactive tax claims; antitrust claims; changes to trade compliance regulations; price controls; local content requirements; foreign exchange controls; changes to environmental regulations; changes to regulatory interpretations and enforcement; and changes to disclosure requirements. Tensions between nation states can also affect our business. Any of these, individually or in aggregate, could have a material adverse effect on our earnings, cash flows and financial condition.

In 2020, many governments ran deficits to deal with the economic impacts of the COVID-19 pandemic. Given the ongoing nature of the pandemic, there will be uncertain long-term fiscal consequences, with possible subsequent effects on government policies that affect Shell's business interests.

From time to time, social and political factors play a role in unprecedented and unanticipated judicial outcomes that could adversely affect Shell. Non‑compliance with policies and regulations could result in regulatory investigations, litigation and, ultimately, sanctions. Certain governments and regulatory bodies have, in Shell's opinion, exceeded their constitutional authority by: attempting unilaterally to amend or cancel existing agreements or arrangements; failing to honour existing contractual commitments; and seeking to adjudicate disputes between private litigants. Certain governments have also adopted laws and regulations that could potentially conflict with other countries' laws and regulations, potentially subjecting us to both criminal and civil sanctions. Such developments and outcomes could have a material adverse effect on our earnings, cash flows and financial condition.

See "Other regulatory and statutory information" on page 182.

How this risk is managed:

We continually monitor geopolitical developments and societal issues relevant to our interests. Our Legal and Tax functions are organised globally and support our business lines in ensuring compliance with local laws and fiscal regulations. Our Government Relations department engages with governments in countries where we operate to understand and influence local policies and to advocate Shell's position on topics relevant to our industry. We are prepared to exit a country if we believe we can no longer operate there in accordance with our standards and applicable law, and we have done so in the past.

OPERATIONAL RISKS.

Risk description:

Our future hydrocarbon production depends on the delivery of large and integrated projects, and our ability to replace proved oil and gas reserves.

We face numerous challenges in developing capital projects, especially those which are large and integrated. Challenges include: uncertain geology; frontier conditions; the existence and availability of necessary technology and engineering resources; the availability of skilled labour; the existence of transportation infrastructure; project delays; the expiration of licences; delays in obtaining required permits; potential cost overruns; and technical, fiscal, regulatory, political and other conditions. These challenges are particularly relevant in certain developing and emerging-market countries, in frontier areas and in deep-water fields, such as off the coast of Mexico. We may fail to assess or manage these and other risks properly. Such potential obstacles could impair our delivery of these projects, our ability to fulfil the full potential value of the project as assessed when the investment was approved, and/or our ability to fulfil related contractual commitments. This could lead to impairments and could have a material adverse effect on our earnings, cash flows and financial condition.

Future oil and gas production will depend on our access to new proved reserves through exploration, negotiations with governments and other owners of proved reserves and acquisitions, and through developing and applying new technologies and recovery processes to existing fields. Failure to replace proved reserves could result in an accelerated decrease of future production, potentially having a material adverse effect on our earnings, cash flows and financial condition.

See "Shell story" on page 10.

Oil and gas production available for sale

	Million boe [A]		
	2020	2019	2018
Shell subsidiaries	1,104	1,182	1,179
Shell share of joint ventures and associates	135	156	159
Total	1,239	1,338	1,338

[A] Natural gas volumes are converted into oil equivalent using a factor of 5,800 scf per barrel.

Proved developed and undeveloped oil and gas reserves [A][B] (at December 31)

	Million boe [C]		
	December 31, 2020	December 31, 2019	December 31, 201
Shell subsidiaries	8,222	9,980	10,294
Shell share of joint ventures and associates	902	1,116	1,285
Total	9,124	11,096	11,578
Attributable to non-controlling interest in Shell subsidiaries	322	304	331

[A] We manage our total proved reserves base without distinguishing between proved reserves from subsidiaries and those from joint ventures and associates.
[B] Includes proved reserves associated with future production that will be consumed in operations.
[C] Natural gas volumes are converted into oil equivalent using a factor of 5,800 scf per barrel.

How this risk is managed:

We continue to explore for and mature hydrocarbons across our Deep Water, Conventional Oil and Gas, Shales and Integrated Gas businesses. We use our subsurface, project and technical expertise, and actively manage non-technical risks across a diversified portfolio of opportunities and projects. This involves adopting an integrated approach for all stages, from basin choice to development. We use competitive techniques and benchmark our approach internally and externally.

Risk description:

The estimation of proved oil and gas reserves involves subjective judgements based on available information and the application of complex rules. This means subsequent downward adjustments are possible.

The estimation of proved oil and gas reserves involves subjective judgements and determinations based on available geological, technical, contractual and economic information. Estimates can change over time due to new information from production or drilling activities, changes in economic factors, such as oil and gas prices, alterations in the regulatory policies of host governments, or other events. Estimates also change to reflect acquisitions, divestments, new discoveries, extensions of existing fields and mines, and improved recovery techniques. Published proved oil and gas reserves estimates could also be subject to correction because of errors in the application of published rules and changes in guidance. Downward adjustments could indicate lower future production volumes and could also lead to impairment of assets. This could have a material adverse effect on our earnings, cash flows and financial condition.

See "Supplementary information - oil and gas (unaudited)" on page 265.

How this risk is managed:

A central group of reserves experts undertakes the primary assurance of the proved reserves bookings. A multidisciplinary committee reviews and endorses all major proved reserves bookings. Shell's Audit Committee reviews all proved reserves bookings and Shell's Executive Committee is responsible for final approval. The Internal Audit function also provides further assurance through audits of the control framework, including the information disclosed in "Supplementary information - oil and gas (unaudited).

Risk description:

The nature of our operations exposes us, and the communities in which we work, to a wide range of health, safety, security and environment risks.

The health, safety, security and environment (HSSE) risks to which we and the communities in which we work are potentially exposed cover a wide spectrum, given the geographic range, operational diversity and technical complexity of our operations. These risks include the effects of natural disasters (including weather events), earthquakes, social unrest, pandemic diseases, criminal actions by external parties, and safety lapses. If a major risk materialises, such as an explosion or hydrocarbon leak or spill, this could result in injuries, loss of life, environmental harm, disruption of business activities, loss or suspension of permits, loss of our licence to operate and loss of our ability to bid on mineral rights. Accordingly, this could have a material adverse effect on our earnings, cash flows and financial condition.

Our operations are subject to extensive HSSE regulatory requirements that often change and are likely to become more stringent over time. Governments could require operators to adjust their future production plans, as has occurred in the Netherlands, affecting production and costs. We could incur significant extra costs in the future because of the need to comply with such requirements. We could also incur significant extra costs due to violations of or liabilities under laws and regulations that involve elements such as fines, penalties, clean-up costs and third-party claims. Therefore, if HSSE risks materialise, they could have a material adverse effect on our earnings, cash flows and financial condition.

See "Environment and society" on page 85.

How this risk is managed:

We have standards and a clear governance structure to help manage HSSE risks and avoid potential adverse effects. The standards and governance structure also help us to develop mitigation strategies aimed at ensuring that if an HSSE risk materialises, we avoid catastrophic consequences and have ways of trying to remediate any environmental damage. Our standards and governance structure are defined in our Health, Safety, Security, Environment and Social Performance (HSSE & SP) control framework and supporting guidance documents. The process safety and HSSE & SP assurance team provides assurance on the effectiveness of HSSE & SP controls to the Board. We routinely practise implementing our emergency response plans to significant risks (such as a spill, toxic substances, fire or explosion).

We have assessed the impact of COVID-19 on activities and we are implementing measures to minimise the adverse effect of the pandemic on our operations. These measures include monitoring the level of infections among staff, ensuring the safety and well-being of all staff, (particularly critical staff who continue to operate our assets), scenario planning, deploying continuity plans and ensuring our sites and offices are "COVID safe".

Risk description:

A further erosion of the business and operating environment in Nigeria could have a material adverse effect on us.

In our Nigerian operations, we face various risks and adverse conditions. These include: security issues affecting the safety of our people, host communities and operations; sabotage and theft; our ability to enforce existing contractual rights; litigation; limited infrastructure; potential legislation that could increase our taxes or operating costs; the effect of lower oil and gas prices on the government budget; and regional instability created by militant activities. These risks or adverse conditions could have a material adverse effect on our earnings, cash flows and financial condition.

See "Upstream" on page 53.

How this risk is managed:

We test the economic and operational resilience of our Nigerian projects against a wide range of assumptions and scenarios. We seek to proportionally share risks and funding commitments with joint-venture partners. When we participate in joint ventures in Nigeria, we require that they operate to internationally accepted business standards. We monitor the security situation, and liaise with host communities, governmental and non-governmental organisations to help promote peaceful and safe operations.

Risk description:

An erosion of our business reputation could have a material adverse effect on our brand, our ability to secure new resources or access capital markets, and on our licence to operate.

Our reputation is an important asset. The Shell General Business Principles (Principles) govern how Shell and its individual companies conduct their affairs, and the Shell Code of Conduct tells employees and contract staff how to behave in line with the Principles. Our challenge is to ensure that all employees and contract staff comply with the Principles and the Code of Conduct. Real or perceived failures of governance or regulatory compliance or a perceived lack of understanding of how our operations affect surrounding communities could harm our reputation.

Societal expectations of businesses are increasing, with a focus on business ethics, quality of products, contribution to society, safety and minimising damage to the environment. There is increasing focus on the role of oil and gas in the context of climate change and energy transition. This could negatively affect our brand, reputation and licence to operate, which could limit our ability to deliver our strategy, reduce consumer demand for our branded and non-branded products, harm our ability to secure new resources and contracts, and restrict our ability to access capital markets or attract staff. Many other factors, including the materialisation of the risks discussed in several of the other risk factors, could negatively affect our reputation and could have a material adverse effect on our earnings, cash flows and financial condition.

See "Other Regulatory and Statutory Information" on page 182 and "Our people" on page 108.

How this risk is managed:

We continually assess and monitor the external environment for potential risks to our reputation. We engage in ongoing dialogue with our key stakeholders such as investors, industry and trade groups, universities, governments and non-governmental organisations (NGOs) to gain greater insights into societal expectations of our business. We have mitigation plans for identified brand and reputation risks at the Group, country and line of business level. Our country chairs are responsible for the implementation of country reputation plans which are updated annually. We continually develop and defend our brand in line with Shell's purpose and promises, and target our investments to drive brand differentiation, relevance and preference.

Risk description:

We rely heavily on information technology systems in our operations.

The operation of many of our business processes depends on reliable information technology (IT) systems. Our IT systems are increasingly concentrated in terms of geography and number of systems. They are dependent on key contractors supporting the delivery of IT services. During 2020, information and cyber-security risks developed and changed rapidly. Globally the COVID-19 pandemic and geopolitical tensions have altered the IT threat landscape, increasing the frequency and ingenuity of malware attacks and increasing the temptation to attack targets for financial gain. Also, the prevalence of remote working introduces additional risk because it expands the IT threat landscape. We have experienced breaches and disruptions to our critical IT services in the past. These factors continue to contribute to potential breaches and disruptions of critical IT services. Additionally, breaches can lead to data privacy issues. If the breaches are not detected early and responded to effectively, they could harm our reputation and have a material adverse effect on our earnings, cash flows and financial condition.

See "Corporate" on page 80.

How this risk is managed:

We continually measure and improve our cyber-security capabilities. To reduce the likelihood of successful cyber-attacks, our cyber-security capabilities are embedded into our IT systems. Our IT is protected by detective and protective technologies. Identification and assessment capabilities are built into our IT support processes and adhere to industry best practices. When external companies provide us with IT services, the security of those services is managed through contractual clauses and supplier assurance reports. Shell invests constantly in efforts to embed and improve our controls and monitoring. For example, we improved our global web content filtering capability in response to the challenge of increased remote working in 2020. If breaches occur, all entities, including ones that have yet to be fully integrated into Shell's systems and processes, are required to report the incident and use Shell's information security capabilities.

Risk description:

Our business exposes us to risks of social instability, criminality, civil unrest, terrorism, piracy, cyber-disruption and acts of war that could have a material adverse effect on our operations.

As seen in recent years, these risks can manifest themselves in the countries where we operate and elsewhere. These risks affect people and assets. Potential risks include: acts of terrorism; acts of criminality including maritime piracy; cyber-espionage or disruptive cyber-attacks; conflicts including war, civil unrest and environmental and climate activism (including disruptions by non-governmental and political organisations).

The above risks can threaten the safe operation of our facilities and the transport of our products. They can harm the well-being of our people, inflict loss of life and injuries, damage the environment and disrupt our operational activities. These risks could have a material adverse effect on our earnings, cash flows and financial condition.

See "Environment and society" on pages 85.

How this risk is managed:

We seek to obtain the best possible information to enable us to assess threats and risks. We conduct detailed assessments for all our sites and activities, and implement appropriate measures to deter, detect and respond to security risks. Further mitigations include strengthening the security of sites, reducing our exposure as appropriate, journey management, information risk management, crisis management and business continuity measures. We conduct training and awareness campaigns for staff and provide them with travel and health advice and access to 24/7 assistance while travelling.

Risk description:

Production from the Groningen field in the Netherlands causes earthquakes that affect local communities.

Shell and ExxonMobil are 50:50 shareholders in Nederlandse Aardolie Maatschappij B.V. (NAM). An important part of NAM's gas production comes from the onshore Groningen gas field, in which EBN, a Dutch government entity, has a 40% interest and NAM a 60% interest. The gas field is in the process of being closed down due to earthquakes induced by gas production. Some of these earthquakes have damaged houses and other structures in the region, resulting in complaints and lawsuits from the local community. The government has announced it intends to accelerate the close-down, bringing the end of production forward from 2030 to possibly mid-2022. The exact shut-in date depends on security of supply considerations and is still to be decided. While we expect the earlier closing down of the Groningen gas field to further reduce the number and strength of earthquakes in the region, any additional earthquakes could have further adverse effects on our earnings, cash flows and financial condition.

See "Upstream" on page 53.

How this risk is managed:

NAM is working with the Dutch government and other stakeholders to fulfil its obligations to residents of the area. These include compensating for damage caused by the earthquakes and paying to strengthen houses where this is required for safety considerations. Negotiations with the state are being conducted to determine how to manage the accelerated close-down. Specific remediations within the agreed scope of responsibilities are planned. NAM's joint-venture partners will review its financial robustness against different scenarios for Groningen's liabilities and costs, with the aim of the venture being able to self-fund any additional expenses and claims.

Risk description:

We are exposed to treasury and trading risks, including liquidity risk, interest rate risk, foreign exchange risk and credit risk. We are affected by the global macroeconomic environment and the conditions of financial and commodity markets.

Our subsidiaries, joint arrangements and associates are subject to differing economic and financial market conditions around the world. Political or economic instability affects such markets.

We use debt instruments, such as bonds and commercial paper, to raise significant amounts of capital. Should our access to debt markets become more difficult, the potential impact on our liquidity could have a material adverse effect on our operations. Our financing costs could also be affected by interest rate fluctuations or any credit rating deterioration.

We are exposed to changes in currency values and to exchange controls as a result of our substantial international operations. Our reporting currency is the US dollar, although, to a material extent, we also hold assets and are exposed to liabilities in other currencies. While we undertake some foreign exchange hedging, we do not do so for all our activities. Even where hedging is in place, it may not function as expected.

We are exposed to credit risk; our counterparties could fail or be unable to meet their payment and/or performance obligations under contractual arrangements. Although we do not have significant direct exposure to sovereign debt, it is possible that our partners and customers may have exposure which could impair their ability to meet their obligations. Our pension plans invest in government bonds, and could therefore be affected by a sovereign debt downgrade or other default.

If any of the above risks materialise, they could have a material adverse effect on our earnings, cash flows and financial condition.

See "Liquidity and capital resources" on page 81 and Note 19 to the "Consolidated Financial Statements" on pages 251-255.

How this risk is managed:

We use various financial instruments for managing exposure to foreign exchange and interest rate movements. Our treasury operations are highly centralised and seek to manage credit exposures associated with our substantial cash, foreign exchange and interest rate positions. Our portfolio of cash investments is diversified to avoid concentrating risk in any one instrument, country or counterparty. Other than in exceptional cases, the use of external derivative instruments is confined to specialist trading and central treasury organisations that have the appropriate skills, experience, supervision, control and reporting systems. We have credit risk policies in place which seek to ensure that products are sold to customers with appropriate creditworthiness. These policies include detailed credit analysis and monitoring of customers against counterparty credit limits. Where appropriate, netting arrangements, credit insurance, prepayments and collateral are used to manage credit risk. We maintain committed credit facilities. Management believes it has access to sufficient debt funding sources (capital markets) and to undrawn committed borrowing facilities to meet foreseeable requirements.

Risk description:

Our future performance depends on the successful development and deployment of new technologies and new products.

Technology and innovation are essential to our efforts to meet the world's energy demands competitively. If we fail to continue developing or deploying technology and new products, or fail to make full, effective use of our data in a timely and cost-effective manner, there could be a material adverse effect on the delivery of our strategy and our licence to operate. We operate in environments where advanced technologies are used. In developing new technologies and new products, unknown or unforeseeable technological failures or environmental and health effects could harm our reputation and licence to operate or expose us to litigation or sanctions. The associated costs of new technology are sometimes underestimated. Sometimes the development of new technology is subject to delays. If we are unable to develop the right technology and products in a timely and cost-effective manner, or if we develop technologies and products that harm the environment or people's health, there could be a material adverse effect on our earnings, cash flows and financial condition.

See "Shell story" on page 10.

How this risk is managed:

Shell's Technology organisation and the relevant business lines work together to determine the content, scope and budget for developing new technology that supports our activities. The new technology is developed to ensure portfolio alignment with Shell's strategic ambitions and deployment commitments. A significant proportion of Shell's technology contributes to Shell's New Energies portfolio and Net Carbon Footprint target, and is built around key relationships with leading academic research institutes and universities. We also benefit from working with start-ups. In our Shell GameChanger programme, we help companies to mature early-stage technologies. In our Shell Ventures scheme, we invest in and partner with start-ups and small and medium-sized enterprises that are in the early stages of developing new technologies.

Risk description:

We have substantial pension commitments, the funding of which is subject to capital market risks and other factors.

Liabilities associated with defined benefit pension plans are significant, and the cash funding requirement of such plans can also involve significant liabilities. They both depend on various assumptions. Volatility in capital markets or government policies could affect investment performance and interest rates, causing significant changes to the funding level of future liabilities. Changes in assumptions for mortality, retirement age or pensionable remuneration at retirement could also cause significant changes to the funding level of future liabilities. We operate a number of defined benefit pension plans and, in case of a shortfall, we could be required to make substantial cash contributions (depending on the applicable local regulations). This could result in a material adverse effect on our earnings, cash flows and financial condition.

See "Liquidity and capital resources" on page 81.

How this risk is managed:

A pensions forum chaired by the Chief Financial Officer oversees Shell's input to pension strategy, policy and operation. A risk committee supports the forum in reviewing the results of assurance processes with respect to pension risks. Local trustees manage the funded defined benefit pension plans, and the contributions paid are based on independent actuarial valuations that align with local regulations.

Risk description:

We mainly self-insure our risk exposure. We could incur significant losses from different types of risks that are not covered by insurance from third-party insurers.

Our insurance subsidiaries provide hazard insurance coverage to other Shell entities, who may insure a portion of their risk exposures with third parties. Such insurance would not provide any material coverage in the event of a large-scale safety or environmental incident. Accordingly, in the event of a material incident, we would have to meet our obligations without access to material proceeds from third-party insurance companies. Therefore, we may incur significant losses from different types of risks that are not covered by insurance from third-party insurers, potentially resulting in a material adverse effect on our earnings, cash flows and financial condition.

See "Corporate" on page 80.

How this risk is managed:

We continually assess the safety performance of our operations and make risk mitigation recommendations, where relevant, to keep the risk of an accident as low as possible. Our insurance subsidiaries are adequately capitalised and they may transfer risks to third-party insurers where economical, effective and relevant.

Risk description:

Many of our major projects and operations are conducted in joint arrangements or with associates. This could reduce our degree of control and our ability to identify and manage risks.

When we are not the operator, we have less influence and control over the behaviour, performance and operating costs of joint arrangements or associates. Despite having less control, we could still be exposed to the risks associated with these operations, including reputational, litigation (where joint and several liability could apply) and government sanction risks. For example, our partners or members of a joint arrangement or an associate, (particularly local partners in developing countries), may be unable to meet their financial or other obligations to projects, threatening the viability of a given project. Where we are the operator of a joint arrangement, the other partner(s) could still be able to veto or block certain decisions, which could be to our overall detriment. Accordingly, where we have limited influence, we are exposed to operational risks that could have a material adverse effect on our earnings, cash flows and financial condition.

See "Other Regulatory and Statutory Information" on page 182.

How this risk is managed:

Shell appoints a Joint Venture Asset Manager, whose responsibility is to manage performance and create and protect value for Shell. The Joint Venture Asset Manager seeks to influence operators and other partners to adapt their practices in order to drive value appropriately and to mitigate identified risks. An annual assurance review assesses how the joint venture's standards and processes align with those of Shell. The Joint Venture Asset Manager follows up on any gaps identified.

CONDUCT RISKS

Risk description:

We are exposed to commodity trading risks, including market and operational risks.

Commodity trading is an important component of our Upstream, Integrated Gas, Oil Products and Chemicals businesses and is integrated with our supply business. Processing, managing and monitoring many trading transactions across the world, some of them complex, exposes us to operational and market risks, including commodity price risks which saw significant levels of volatility in 2020. We use derivative instruments such as futures and contracts for differences to hedge market risks. We do not hedge all our activities and where hedging is in place, it may not function as expected. The risk of ineffective controls and oversight of trading activities, and the risk that traders could deliberately act outside limits and controls, either individually or as a group, could have material adverse effects on our earnings, cash flows and financial condition.

See "Liquidity and capital resources" on page 81 and Note 19 to the "Consolidated Financial Statements" on pages 251-255.

How this risk is managed:

In effecting commodity trades and derivative contracts, the company operates within procedures and policies designed to ensure that risks are managed within authorised limits. For example, the use of external derivative instruments is confined to specialist trading organisations that have the appropriate skills, experience, supervision, control and reporting systems. Our trading organisation has a compliance manual addressing our operational risks which all staff are required to follow. Senior Management regularly reviews mandated trading limits. We monitor market risk exposure daily, using value-at-risk (VAR) techniques. We monitor trading positions against limits every day. We use marking to fair value to assess trading exposures where appropriate, with a department that is independent of the traders reviewing the market values applied. In response to the COVID-19 pandemic, trader monitoring tools have been upgraded. During the period of extreme market volatility, additional oversight has been provided by a dedicated 'Liquidity Forum', chaired by senior executives in our trading organisation. We have increased the monitoring of the financial resilience of our customers, suppliers and the clearing houses that we deal with.

Risk description:

Violations of antitrust and competition laws carry fines and expose us and/or our employees to criminal sanctions and civil suits.

Antitrust and competition laws apply to Shell and its joint arrangements and associates in the vast majority of countries where we do business. Shell and its joint arrangements and associates have been fined for violations of antitrust and competition laws in the past. This includes a number of fines by the European Commission Directorate-General for Competition (DG COMP). Because of DG COMP's fining guidelines, any future conviction of Shell or any of its joint arrangements or associates for violation of EU competition law could potentially result in significantly larger fines and have a material adverse effect on us. Violation of antitrust laws is a criminal offence in many countries, and individuals can be imprisoned or fined. In certain circumstances, directors may receive director disqualification orders. It is also now common for persons or corporations allegedly injured by antitrust violations to sue for damages. Any violation of these laws can harm our reputation and could have a material adverse effect on our earnings, cash flows and financial condition.

See "Other Regulatory and Statutory Information" on pages 182.

How this risk is managed:

We maintain an antitrust programme with adequate resources, a comprehensive governance structure and established reporting lines. Staff receive clear guidance that includes requirements in Shell's Ethics and Compliance Manual, an antitrust-specific website, training modules where completion is monitored and regular messages from Shell leaders on the importance of managing antitrust risks. Staff must understand and comply with the "Protect Shell Policy", which explains Shell's position on managing antitrust risks in engagements with parties external to Shell. As result of the COVID-19 pandemic, we have issued guidance to address antitrust risks arising from the disruption to supply chains, including procurement guidance which outlines the risks associated with exchanging information and collaborating with Shell's procurement competitors.

Risk description:

Violations of anti-bribery, tax-evasion and anti-money laundering laws carry fines and expose us and/or our employees to criminal sanctions, civil suits and ancillary consequences (such as debarment and the revocation of licences).

Anti-bribery, tax-evasion and anti-money laundering laws apply to Shell, its joint arrangements and associates in all countries where we do business. Shell and its joint arrangements and associates have in the past settled with the US Securities and Exchange Commission regarding violations of the US Foreign

Corrupt Practices Act. Any violation of anti-bribery, tax-evasion or anti-money laundering laws, including those potential violations associated with Shell Nigeria Exploration and Production Company Limited's investment in Nigerian oil block OPL 245 and the 2011 settlement of litigation pertaining to that block, could harm our reputation or have a material adverse effect on our earnings, cash flows and financial condition.

See "Our people" on pages 108, "Other Regulatory and Statutory Information" on page 182 and Note 25 to the "Consolidated Financial Statements" on pages 260.

How this risk is managed:

We maintain an anti-bribery and anti-money-laundering (ABC/AML) programme with adequate resources, a comprehensive governance structure and established reporting lines. Staff receive clear guidance which includes requirements in Shell's Ethics and Compliance Manual, an ABC/AML-specific website, training modules where completion is monitored and regular messages from Shell leaders on the importance of managing ABC/AML risks. As regards OPL 245, the 2011 settlement was a fully legal transaction with Eni and the Federal Government of Nigeria, represented by the most senior officials of the relevant ministries. We maintain our view that there is no basis to convict Shell, or any of our former employees who are also on trial in Milan. In response to the COVID-19 pandemic, we have set up fast-track processes to deal with relief donation requests. These processes include counterparty due diligence and are supported by Shell's Ethics and Compliance Office.

Risk description:

Violations of data protection laws carry fines and expose us and/or our employees to criminal sanctions and civil suits.

Data protection laws apply to Shell and its joint arrangements and associates in the vast majority of countries where we do business. Most of the countries we operate in have data protection laws and regulations. In some countries that are key to Shell's business operations, legislation continues to be amended or introduced. Shell must be able to adapt dynamically to such legislative changes and be capable of updating our internal programmes if necessary. The EU General Data Protection Regulation (GDPR), which came into effect in May 2018, imposed increased financial penalties of up to a maximum of 4% of global annual turnover. It requires mandatory breach notification in certain situations, the standard which is also followed outside the EU (particularly in Asia). Non-compliance with data protection laws could expose us to regulatory investigations, which could result in fines, penalties and harm to our reputation. With regard to data breaches, we have breached the GDPR in the past and some investigations are still ongoing with European regulators. To date, no material fines have been imposed, but no assurance can be provided that future breaches would have similar outcomes. In addition to imposing fines, regulators may also issue orders to stop processing personal data, which could disrupt operations. We could also be subject to litigation from persons or entities allegedly affected by data protection violations.
With data privacy legislation now in force in the USA, the risk of class actions is increased. Class actions after large-scale data breaches are increasingly common in the UK.

The COVID-19 pandemic has increased the level of processing of personal data to track employees, suppliers or other visitors to our premises. Some governments require immediate disclosure of information, including sensitive personal data, to identify infected individuals, with some mandating technologies such as tracing applications on all devices, including corporate mobile phones.

Violation of data protection laws is a criminal offence in some countries, and individuals can be imprisoned or fined. Any violation of these laws or harm to our reputation could have a material adverse effect on our earnings, cash flows and financial condition.

See "Other Regulatory and Statutory Information" on page 182.

How this risk is managed:

We maintain a data privacy programme with adequate resources, a comprehensive governance structure

and established reporting lines. Shell has had Binding Corporate Rules in place for the last 10 years. These rules are part of a group wide global programme to ensure consistent levels of data protection across the group. Staff receive clear guidance which includes requirements in Shell's Ethics and Compliance Manual, a website focusing on data privacy, training modules where completion is monitored, and regular messages from Shell leaders on the importance of managing data privacy risks.
We have revised the requirements for incident management that are set out in our Binding Corporate Rules, in order to comply with GDPR reporting requirements. We have revised our approach to privacy impact assessments, also to comply with GDPR reporting requirements. We use our Privacy by Design programme to enhance our controls in this area. We continue to address challenges with compliance in data-heavy companies controlled by Shell but not fully integrated into our systems. IT remediation work remains a priority in such companies, as does the strengthening of programmes to support data privacy compliance.

To respond to the increased risk resulting from the pandemic, we have developed policies on temperature screening and published a guidance note on "Privacy Best Practices for COVID-19".

Risk description:

Violations of trade compliance laws and regulations, including sanctions, carry fines and expose us and our employees to criminal sanctions and civil suits.

We use "trade compliance" as an umbrella term for various national and international laws designed to regulate the movement of items across national boundaries and restrict or prohibit trade and other dealings with certain parties. The number and breadth of such laws continue to expand. For example, the EU and the USA continue to impose restrictions and prohibitions on certain transactions involving countries such as Syria, Venezuela, Russia and Cuba. The USA continues to impose comprehensive sanctions against Iran, while the EU and other nations continue to maintain targeted sanctions. The EU and the USA imposed restrictions and controls on defined oil and gas activities in Russia in 2014, and these remain in force. The USA introduced further restrictions regarding Russia in 2017, expanding them in 2018. The EU and the USA introduced sectoral sanctions against Venezuela in 2017, with the USA expanding them in 2018 and 2019. The US sanctions primarily target the government of Venezuela and the oil industry. Many other nations are also adopting trade-control programmes similar to those administered by the EU and the USA. The expansion of sanctions, the frequent additions of prohibited parties, the number of markets in which we operate and the large number of transactions we process, make compliance with all sanctions complex and sometimes challenging. Shell has voluntarily self-disclosed potential violations of sanctions in the past. The COVID-19 pandemic has increased trade compliance risks, due to factors such as growing state involvement in business dealings, the need to maintain and develop business opportunities and cross-border movement of goods and technologies, and the increasing likelihood that counterparties will change ownership as the economic crisis continues.

Any violation of sanctions could lead to loss of import or export privileges and significant penalties on or prosecution of Shell or its employees. This could harm our reputation and have a material adverse effect on our earnings, cash flows and financial condition

See "Other Regulatory and Statutory Information" on page 182.

How this risk is managed:

We continue to develop and maintain a trade compliance programme with adequate resources, a comprehensive governance structure and established reporting lines. Staff receive clear guidance, which includes requirements in Shell's Ethics and Compliance Manual, a specific website for trade compliance, training modules where completion is monitored and regular messages from Shell leaders on the importance of managing trade compliance risks. The effectiveness of the trade compliance programme is assessed annually (or more frequently if necessary). In response to the COVID-19 pandemic, we have promoted an increased focus on compliance and assurance. For example, in Trading and Supply we have promoted a particular focus on compliance with trade controls in high-risk areas such as port agency, inspections and terminal operations.

Investors should also consider the following, which could limit shareholder remedies.

The Company's Articles of Association determine the jurisdiction for shareholder disputes. This could limit shareholder remedies.

Our Articles of Association generally require that all disputes between our shareholders in such capacity and the Company or our subsidiaries (or our Directors or former Directors), or between the Company and our Directors or former Directors, be exclusively resolved by arbitration in The Hague, the Netherlands, under the Rules of Arbitration of the International Chamber of Commerce. Our Articles of Association also provide that, if this provision is to be determined invalid or unenforceable for any reason, the dispute could only be brought before the courts of England and Wales. Accordingly, the ability of shareholders to obtain monetary or other relief, including in respect of securities law claims, could be determined in accordance with these provisions.

RELATED PARTY TRANSACTIONS

Disclosures in relation to the related party transactions are set out on page 185 of the 2020 Annual Report and Accounts. The following is extracted in full and unedited text from the 2020 Annual Report and Accounts:

Save as set out below and other than disclosures given in Notes 9 and 27 to the "Consolidated Financial Statements" on pages 238 and 262, there were no transactions or proposed transactions that were material to either the Company or any related party. Nor were there any transactions with any related party that were unusual in their nature or conditions.

On February 27, 2020 the fully-consolidated Shell Midstream Partners, L.P. (SHLX) signed an agreement with its Shell-controlled general partner to eliminate all incentive distribution rights and economic general partner interest in SHLX and convert the general partner's two per cent general partner interest in SHLX into a non-economic general partner interest in SHLX. SHLX also entered into a Purchase and Sale Agreement with Shell affiliates to acquire our 79% interest in the Mattox Pipeline Company LLC, which owns the Mattox Pipeline, and certain logistics assets at the Shell Norco Manufacturing Complex. Both transactions completed on April 1, 2020. As consideration for the assets and the elimination of incentive distribution rights, Shell received 160 million newly issued SHLX common units, plus $1.2 billion of Series A perpetual convertible preferred units at a price of $23.63 per unit.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE ANNUAL REPORT AND ACCOUNTS

The following statement is extracted in full and is unedited text from page 189 of the 2020 Annual Report and Accounts.

The Directors are responsible for preparing the Annual Report, including the financial statements, in accordance with applicable laws and regulations. These require the Directors to prepare financial statements for each financial year. As such, the Directors have prepared the (i) Consolidated Financial Statements in accordance with international accounting standards in conformity with the requirements of the UK Companies Act 2006, and therefore in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and (ii) Parent Company Financial Statements in accordance with international accounting standards in conformity with the requirements of the UK Companies Act 2006. In preparing these financial statements, the Directors have also elected to comply with IFRS as issued by the International Accounting Standards Board (IASB). The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Shell and the Company and of the profit or loss of Shell and the Company for that period. In preparing these financial statements, the Directors are required to:

- adopt the going concern basis unless it is inappropriate to do so;
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether international accounting standards in conformity with the requirements of the UK Companies Act 2006, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and International Financial Reporting Standards as issued by the IASB have been followed.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions of Shell and the Company and disclose with reasonable accuracy, at any time, the financial position of Shell and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 (the Act) and, as regards the Consolidated Financial Statements, with Article 4 of the IAS Regulation and therefore are in accordance with IFRS as adopted by the EU. The Directors are also responsible for safeguarding the assets of Shell and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions can be found on pages 122-123, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the UK Companies Act 2006, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and International Financial Reporting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of Shell and the Company; and
- the Management Report includes a fair review of the development and performance of the business and the position of Shell, together with a description of the principal risks and uncertainties that it faces.

Furthermore, so far as each of the Directors is aware, there is no relevant audit information of which the auditors are unaware, and each of the Directors has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors consider that the Annual Report, including the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess Shell's position and performance, business model and strategy.

The Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

The Directors are responsible for the maintenance and integrity of the Shell website (www.shell.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board

/s/ Linda M. Coulter

LINDA M. COULTER
Company Secretary
March 10, 2021

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