

SHELL PUBLISHES ANNUAL REPORT AND ACCOUNTS
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12-Mar-2020

Royal Dutch Shell plc published its Annual Report and Accounts for the year ended December 31, 2019.

The 2019 Annual Report and Accounts can be downloaded from www.shell.com/annualreport.

In compliance with 9.6.1 of the Listing Rules, on March 12, 2020, a copy of the 2019 Annual Report and Accounts was submitted to the National Storage Mechanism. This document will shortly be available for inspection at <http://www.morningstar.co.uk/uk/NSM>.

Printed copies of the 2019 Annual Report and Accounts will be available from April 16, 2020, 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 19, 2020.

Royal Dutch Shell plc will also file its Form 20-F for the year ended December 31, 2019, 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 2019 and full year unaudited results announcement released on January 30, 2020. In addition, a condensed set of the Royal Dutch Shell plc interim financial statements was included in the 2nd quarter 2019 and half year unaudited results announcement released on Aug 1, 2019. This information, together with the information set out in the Appendix below, which is extracted from the 2019 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 2019 Annual Report and Accounts.

The extracts from the 2019 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 2019 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; and (m) changes in trading conditions.

The extracts from the 2019 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 2019 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 2019 Annual Report and Accounts. Defined terms used in the Appendix below refer to terms as defined in the 2019 Annual Report and Accounts.

APPENDIX

RISK FACTORS

The principal risks and uncertainties relating to the Company are set out on pages 27-36 of the 2019 Annual Report and Accounts. The following is extracted in full and unedited text from the 2019 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 168-171.

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. Furthermore, macroeconomic risks can affect 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, by promoting the sale of lower-carbon electric vehicles or even through the future prohibition of sales of new diesel or gasoline vehicles, such as the prohibition in the United Kingdom (UK) beginning in 2035. Prices for oil and gas can also move independently of each other. Factors that influence supply and demand include operational issues, natural disasters, weather, pandemics, such as the COVID-19 (coronavirus) outbreak, 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, as a result, parts of those businesses could become less profitable, or could incur losses. Low oil and gas prices have also resulted and could continue to result in the de-booking 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 also been impaired in the past, 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 Downstream business. Also, higher prices can result in more capacity being built which results in an oversupply of products that can negatively impact our LNG and Chemicals business. Accordingly, price fluctuations could have a material adverse effect on our earnings, cash flows and financial condition.

See "Market overview" on page 37.

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 crude oil, natural gas, oil product and chemical prices and costs. We prepare annual strategic and financial plans that consider and analyse the impact of different pricing scenarios on our businesses and company as a whole. These plans are appraised regularly throughout the year. 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, to evaluate 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 39.

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.

Risk description:

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

We face competition in each of our businesses. We seek to differentiate our products; however, many of them are competing in commodity-type markets. Accordingly, failure to manage our costs as well as 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 as 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, it could have a material adverse effect on our earnings, cash flows and financial condition.

See “Strategy and outlook” on page 20.

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:

We seek to execute divestments in the pursuit of our strategy. We may not be able to successfully divest these assets in line with our strategy.

We may not be able to successfully divest assets at acceptable prices or within the timeline envisaged due to 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 we are unable to divest assets at acceptable prices or within our envisaged timeframe, this could have a material adverse effect on our earnings, cash flows and financial condition.

See "Strategy and outlook" on page 22.

How this risk is managed:

We carefully tailor our sales processes against buyers' perceived expectations to deliver the most competitive outcomes. As a general principle, the sales processes are set up so that buyers will acquire the assets including all related liabilities. For some assets, Shell may agree to retain certain liabilities, which are closely monitored and for which appropriate provisions are made.

Risk description:

Our future hydrocarbon production depends on the delivery of large and integrated projects, as well as on 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 licenses; 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 Brazil. 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 value potential determined at the time of the project investment approval, and/or our ability to fulfil related contractual commitments. These 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, as well as on developing and applying new technologies and recovery processes to existing fields. Failure to replace proved reserves could result in lower future production, potentially having a material adverse effect on our earnings, cash flows and financial condition.

Oil and gas production available for sale

Million boe [A]

	2019	2018	2017
Shell subsidiaries	1,182	1,179	1,168
Shell share of joint ventures and associates	156	159	170
Total	1,338	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]

	2019	2018	2017
Shell subsidiaries	9,980	10,294	10,177
Shell share of joint ventures and associates	1,116	1,285	2,056
Total	11,096	11,578	12,233
Attributable to non-controlling interest in Shell subsidiaries	304	331	325

- 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 equivalents using a factor of 5,800 scf per barrel.

See “Shell Story” on page 17.

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 strategic themes. We use our subsurface, project and technical expertise and actively manage non-technical risks across a diversified portfolio of opportunities and projects. This is done with an integrated approach from basin choice through to development, where we employ a number of 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; therefore, 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 could change because of new information from production or drilling activities, or changes in economic factors, including changes in the price of oil or gas and changes in the regulatory policies of host governments, or other events.

Estimates could also be altered by acquisitions and divestments, new discoveries, and extensions of existing fields and mines, as well as the application of improved recovery techniques. Published proved oil and gas reserves estimates could also be subject to correction due to 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 239.

How this risk is managed:

A central group of reserves experts undertake the primary assurance of the proved reserves bookings.

A multidisciplinary committee reviews and endorses all major proved reserves bookings. All proved reserves bookings are reviewed by Shell’s Audit Committee, with final approval residing with Shell’s Executive Committee. The Internal Audit function also provides further assurance through audits of the control framework.

Risk description:

Rising climate change concerns have led and could lead to additional legal and/or regulatory measures which could result in project delays or cancellations, a decrease in demand for fossil fuels, potential litigation and additional compliance obligations.

In December 2015, 195 nations adopted the Paris Agreement, which we fully support. The Paris Agreement aims to limit increases in global temperatures 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. As a result, we expect continued and increased attention to climate change from all sectors of society. This attention has led, and we expect it to continue to lead, to additional regulations designed to reduce greenhouse gas (GHG) emissions.

We expect that a growing share of our GHG emissions will be subject to regulation, resulting in increased compliance costs and operational restrictions. If our GHG emissions rise alongside our ambitions to increase the scale of our business, our regulatory burden will increase proportionally. We also expect that GHG regulation, as well as emission reduction actions by customers, will continue to result in suppression of demand for fossil fuels, either through taxes, fees and/or incentives to promote the sale of lower-carbon electric vehicles or even through the future prohibition of sales of new diesel or gasoline vehicles, such as the prohibition in the United Kingdom (UK) beginning in 2035. This could result in lower revenue and, in the long term, potential impairment of certain assets.

In addition, the physical effects of climate change such as, but not limited to, rise in temperature, sea-level rise and fluctuations in water levels could adversely impact both our operations and supply chains.

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 these lawsuits could have a material adverse effect on our earnings, cash flows and financial condition.

Additionally, some groups are pressuring 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. Additionally, some groups are pressuring commercial and investment banks from financing fossil fuel companies. Furthermore, according to press reports, some financial institutions also appear to be considering limiting their exposure to certain fossil fuel projects. Accordingly, our ability to use financing for future projects may be adversely impacted. This could also adversely impact our potential partners' ability to finance their portion of costs, either through equity or debt.

If we are unable to find economically viable, as well as publicly acceptable, solutions that reduce our GHG emissions and/or GHG intensity for new and existing projects or for the products we sell, we could experience additional costs or financial penalties, delayed or cancelled projects, and/or reduced production and reduced demand for hydrocarbons. This could have a material adverse effect on our earnings, cash flows and financial condition.

If we are unable to keep pace with society's energy transition or we are unable to provide the desired low-GHG-emissions products needed to facilitate society's energy transition, it could have a material adverse effect on our earnings, cash flows and financial condition.

See "Climate change and energy transition" on page 93.

How this risk is managed:

The risk is actively monitored and reviewed by the Executive Committee. These regular reviews lead to actions designed to address all the different components of the risk. Overall the mitigation of the risk is addressed through our strategy to thrive in the energy transition. This is made up of three components:

- reducing the GHG emissions intensity of our operations;
- demonstrating resilience by adopting the guidance on disclosure by the Task Force on Climate-related Financial Disclosures; and
- working towards our ambition to reduce the Net Carbon Footprint of the energy products we sell, in step with society's drive to reduce GHG emissions.

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" for further explanation of how the physical effects of climate change on our operations and supply chains are managed.

Risk description:

Our business exposes us to risks of social instability, criminality, civil unrest, terrorism, piracy, cyber-disruption, acts of war and pandemic diseases, such as the COVID-19 (coronavirus) outbreak, that could have a material adverse effect on our operations.

As seen in recent years, these risks can manifest themselves in the countries in which 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); and pandemic diseases, such as the COVID-19 (coronavirus) outbreak.

The above risks can threaten the safe operation of our facilities and transport of our products, cause disruption of operational activities, environmental harm, loss of life, injuries and impact the well-being of our people.

These risks could have a material adverse effect on our earnings, cash flows and financial condition.

See “Environment and society” on page 84.

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 the strengthening of the security of sites, reduction of our exposure as appropriate, journey management, information risk management as well as crisis management and business continuity measures. We conduct training and awareness campaigns for staff and provide travel and health advice and 24/7 assistance while travelling.

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. In addition, we and our joint arrangements and associates 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. Any of these, individually or in aggregate, could have a material adverse effect on our earnings, cash flows and financial condition.

In addition to the above risks, the UK left the European Union (EU) on January 31, 2020 and enters into a period of transition which ends on December 31, 2020. The UK has stated that it will not extend the period of transition and has confirmed plans to introduce import controls on EU goods at the border after the period of transition ends. Whatever the outcome of negotiations, we may experience delays in moving our products and employees between the UK and EU. Also, additional tariffs and taxes could impact the demand for some of our products. This potential delay and reduced demand for our products, combined with the potential adverse changes in macroeconomic conditions in both the EU and UK, could have a material adverse effect on our earnings and cash flows.

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. Additionally, certain governments have 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 134.

How this risk is managed:

We continuously monitor geopolitical developments and societal issues relevant to our interests. Our Legal and Tax functions are organised globally and support the 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 in that country in accordance with our standards and applicable law, and we have done so in the past.

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, personal health and safety lapses, and crime. If a major risk materialises, such as an explosion or hydrocarbon spill, this could result in injuries, loss of life, environmental harm, disruption of business activities, and loss or suspension of our license to operate or 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 been done in the Netherlands, affecting production and costs. We could incur significant additional costs in the future due to compliance with these requirements or as a result of violations of, or liabilities under, laws and regulations, such as fines, penalties, clean-up costs and third-party claims. Therefore, HSSE risks, should they materialise, could have a material adverse effect on our earnings, cash flows and financial condition.

See “Environment and society” on page 84.

How this risk is managed:

We have standards and a clear governance structure to help manage potential impacts. They 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 also routinely prepare and practice our emergency response to potential incidents such as a spill or a fire.

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 surrounding 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 costs of operations; 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 57.

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. We monitor the security situation, and liaise with host communities, governmental and non-governmental organisations to help promote peaceful and safe operations.

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 gas-production-induced earthquakes. Some of these earthquakes have caused damage to houses and other structures in the region, resulting in complaints and lawsuits from the local community. The Government has announced their intent for accelerated closed down to reduce Groningen production to zero by mid-2022. The exact date is still to be decided. While we are hopeful the closing down of the

Groningen gas field will reduce the number and strength of earthquakes in the region, any additional earthquakes and lawsuits could have further adverse impacts on our earnings, cash flows and financial condition.

See “Upstream” on page 54.

How this risk is managed:

NAM is working with the Dutch government and other stakeholders to fulfil its obligations to residents of the area, which include compensation for damage caused by the earthquakes. Negotiations with the state are ongoing to determine how the accelerated close-down should be managed. 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 objective that the venture can self-fund any additional expenses and claims.

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 in a competitive way. If we do not continue to develop or deploy technology and new products, or fully leverage our data effectively in a timely and cost-effective manner, there could be a material adverse effect on the delivery of our strategy and our license to operate. We operate in environments where advanced technologies are utilised. In developing new technologies and new products, unknown or unforeseeable technological failures or environmental and health effects could harm our reputation and license to operate or expose us to litigation or sanctions. The associated costs of new technology are sometimes underestimated, or delays occur. 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 adversely impact the environment or health of individuals, there could be a material adverse effect on our earnings, cash flows and financial condition.

See “Shell Story” on page 18.

How this risk is managed:

Shell's Technology organisation and the relevant lines of business 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 ambition, 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 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 as well as financial and commodity market conditions.

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. However, to a material extent, we 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. Furthermore, even where hedging is in place, it may not function as expected.

We are exposed to credit risk; our counterparties could fail or could 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. In addition, our pension plans invest in government bonds, and therefore could be affected by a sovereign debt downgrade or other default.

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

See “Liquidity and capital resources” on page 80 and Note 19 to the “Consolidated Financial Statements” on pages 227-231.

How this risk is managed:

We utilise 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 central treasury organisations that have appropriate skills, experience, supervision, control and reporting systems. Credit risk policies are in place to ensure that sales of products are made to customers with appropriate creditworthiness, and 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 a committed credit facility. Management believes it has access to sufficient debt funding sources (capital markets) and to undrawn committed borrowing facilities to meet foreseeable requirements.

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 and Downstream businesses and is integrated with our supply business. Processing, managing and monitoring a large number of trading transactions across the world, some of which are complex, exposes us to operational and market risks, including commodity price risks. We use derivative instruments such as futures and contracts for differences to hedge market risks. However, 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, individually or as a group, could act intentionally outside of the limits and controls, could have material adverse effect on our earnings, cash flows and financial condition.

See “Liquidity and capital resources” on page 80 and

Note 19 to the “Consolidated Financial Statements” on pages 227-231.

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 appropriate skills, experience, supervision, control and reporting systems. There is regular review of mandated trading limits by senior management, daily monitoring of market risk exposure using value-at-risk (VAR) techniques, daily monitoring of trading positions against limits, and marking-to-fair value of trading exposures with a department independent of traders reviewing the market values applied. Our trading organisation has a compliance manual addressing our operational risks which all staff are required to follow.

Risk description:

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

Liabilities associated with defined benefit pension plans are significant, as can be cash funding requirement of such plans; both depend on various assumptions. Volatility in capital markets or government policies, and the resulting consequences for investment performance and interest rates, as well as changes in assumptions for mortality, retirement age or pensionable remuneration at retirement, could result in 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) resulting 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. The forum is supported by a risk committee in reviewing the results of assurance processes with respect to pension risks. Local trustees manage the

funded defined benefit pension plans, with contributions paid based on independent actuarial valuations in accordance 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 and only reinsure a portion of their risk exposures. Such reinsurance would not provide any material coverage in the event of a large-scale safety and environmental incident. Accordingly, in the event of a material incident, there would not be any material proceeds available from third-party insurance companies to meet our obligations.

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 79.

How this risk is managed:

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

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 license 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 instructs employees and contract staff on how to behave in line with the Principles. Our challenge is to ensure that all employees and contract staff, more than 100,000 in total, 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, minimising environmental impacts, and safety. 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 license to operate, which could impact our ability to deliver our strategy, consumer demand for our branded and non-branded products, harm our ability to secure new resources and contracts, and limit 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 impact 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 167 and “Our people” on page 100.

How this risk is managed:

We continuously assess and monitor the external environment for potential risks to our reputation.

We have mitigation plans in place 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 continuously 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:

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

In cases where we are not the operator, we have limited influence over, and control of, the behaviour, performance and costs of operation of such joint arrangements or associates. Despite not having 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 not be able to meet their financial or other obligations to the 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 169.

How this risk is managed:

Shell appoints a Joint Venture Asset Manager, whose responsibility is to manage performance (create and protect value for Shell) by influencing operators and other partners to adapt their operating practices to appropriately drive value and mitigate identified risks. An annual assurance review takes place on the alignment of standards and processes in joint ventures with the standards applicable to Shell. Any gaps identified are followed up by the Joint Venture Asset Manager.

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, number of systems, and dependent on key contractors supporting the delivery of IT services. Shell is the target of attempts to gain unauthorised access to our IT systems and our data through various channels, including more sophisticated and coordinated attempts often referred to as advanced persistent threats. Breaches have occurred, including to our UK LiveWIRE application where approximately 196,000 accounts and personal data were compromised. Where systems, customers' accounts and data have been compromised, we undertake to notify all relevant regulators and impacted customers, in accordance with countries' laws and regulations, including privacy requirements. Timely detection is becoming increasingly complex, but we seek to detect and investigate all such security incidents, aiming to prevent their recurrence. Disruption of critical IT services, or breaches of information security, could harm our reputation and have a material adverse effect on our earnings, cash flows and financial condition.

See “Corporate” on page 79.

How this risk is managed:

We continuously measure and improve our cyber-security capabilities. To reduce the likelihood of successful cyberattacks our cyber-security capabilities are embedded into our IT systems. Our IT landscape is protected by various detective and protective technologies. The identification and assessment capabilities are built into our IT support processes and adhere to industry best practices. The security of IT services, operated by external IT companies, is managed through contractual clauses and through formal supplier assurance reports. Shell invests constantly in efforts to embed and improve our controls and monitoring activities. In case of breaches, all entities, including the ones not yet fully integrated into Shell's systems and processes, are required to report and leverage Shell's information security capabilities.

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 ventures and associates in the vast majority of countries where we do business. Shell and its joint ventures and associates have been fined for violations of antitrust and competition laws in the past. These include a number of fines by the European Commission Directorate-General for Competition (DG COMP). Due to DG COMP's fining guidelines, any future conviction of Shell or any of its joint ventures or associates for violation of EU competition law could 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 page 167.

How this risk is managed:

We maintain an antitrust programme with adequate resources, a comprehensive governance structure and established reporting lines. Clear guidance is provided to staff, which includes requirements in Shell's Ethics & 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 competitively sensitive information.

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 licenses).

Anti-bribery, tax-evasion and anti-money laundering laws apply to Shell, its joint ventures and associates in all countries where we do business. Shell and its joint ventures 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 have a material adverse effect on our earnings, cash flows and financial condition.

See “Our people” on page 100, “Other Regulatory and Statutory Information” on page 167 and Note 25 to the “Consolidated Financial Statements” on pages 235-237.

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 in place. Clear guidance is provided to

staff, which includes requirements in Shell's Ethics & Compliance manual, an ABC/AML specific website, training modules where completion is monitored and regular messages from Shell leaders on the importance of management of ABC/AML risks. As to 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.

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 ventures 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. Additionally, the EU General Data Protection Regulation (GDPR) came into effect in May 2018, which increased penalties up to a maximum of 4% of global annual turnover for breach of the regulation.

The GDPR requires mandatory breach notification, the standard for 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 and penalties and harm our reputation. In the past we have breached the GDPR and some investigations are still ongoing with European regulators. To date no material fines have been imposed, however, 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. 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 167.

How this risk is managed:

We maintain a data privacy programme with adequate resources, a comprehensive governance structure and established reporting lines. Clear guidance is provided to staff, which includes requirements in Shell's Ethics & Compliance manual, a data privacy specific website, training modules where completion is monitored and regular messages from Shell leaders on the importance of managing data privacy risks. The requirements for incident management, set forth in our Binding Corporate Rules have been revised to comply with reporting requirements under GDPR, as has our approach to privacy impact assessments. In 2020 we have established a Privacy by Design programme to enhance our controls in this area.

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. In addition, the USA continues to have comprehensive sanctions in place against Iran, while the EU and other nations continue to maintain

targeted sanctions. Additional restrictions and controls directed at defined oil and gas activities in Russia, which were imposed by the EU and the USA in 2014, remain in force. Further restrictions regarding Russia were introduced by the USA in 2017 and expanded in 2018. Both the EU and the USA introduced sectoral sanctions against Venezuela in 2017, which the USA expanded 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. This expansion of sanctions, including the frequent additions of prohibited parties, combined with the number of markets in which we operate and the large number of transactions we process, make compliance with all sanctions

complex and at times challenging. Shell has voluntarily self-disclosed potential violations of sanctions in the past. Any violation of one or more of these regimes could lead to loss of import or export privileges, significant penalties on or prosecution of Shell or its employees and 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 167.

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.

Clear guidance is provided to staff, which includes requirements in Shell’s Ethics & Compliance manual, a trade compliance specific website, 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).

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 167 of the 2019 Annual Report and Accounts. The following is extracted in full and unedited text from the 2019 Annual Report and Accounts:

Other than disclosures given in Notes 9, 27 and 29 to the “Consolidated Financial Statements” on pages 213, 237, and 238, 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.

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 171 of the 2019 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 Consolidated and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). 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 IFRS as adopted by the EU and IFRS 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 111-112, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the EU and with IFRS 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

LINDA M. COULTER

Company Secretary

March 11, 2020

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