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# Report of the Trustees and Financial Statements 2016

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# Report of the Trustees for the year ended 2016

## **The Trustees, who are also directors of the Foundation for the purpose of the Companies Act, present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.**

The information with respect to trustees, directors, officers and advisors set out on page 4 forms part of this report as does the report on Achievement and Performance on pages 9 to 23. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice 'Charities SORP (FRS 102)' effective 1 January 2015, the Companies Act 2006 and the Charities Act 2011.

### **STATUS AND ADMINISTRATION**

Shell Foundation ('the Foundation' or 'SF') is a charitable company limited by guarantee, incorporated on 31 May 2000 (company registration number 4007273) and registered with the Charity Commission as a charity on 2 June 2000 (charity registration number 1080999). Since 14 February 2008, the Foundation has had charity registration with the tax authorities in The Netherlands (as an *algemeen nut beogende instelling*, registration number 823793059). The Foundation is also registered in the United States of America under section 501(c)(4) of the Internal Revenue Code, identification number 98 0368454.

The Foundation has a single subsidiary, SF Investment Management Limited, (company number 09425215), which was incorporated in 2015 to manage a restricted programme with USAID to generate employment in Iraq through investment in small and growing businesses. On completion of this programme, any proceeds from the investments are to be returned to USAID.

## **Structure, Governance and Management**

### **RELATIONSHIP WITH THE SHELL GROUP**

To ensure clarity in the relationship of the Foundation to Royal Dutch Shell plc and its subsidiaries ('the Shell Group'), the Foundation Board includes independent members who have no direct relationship with the Shell Group, known as the 'Nominated Trustees'. They are selected for their experience and eminence in the Foundation's field of activities.

The Foundation was formally incorporated on 31 May 2000 and registered as a charity on 2 June 2000. Between incorporation and 31 December 2000, donations of \$259 million were received from the Shell Group, of which \$256 million was in the form of an expendable endowment and the balance as unrestricted funds.

In addition to the endowment, the Foundation has received restricted and unrestricted donations from the Shell Group totalling \$221 million to the end of 2016.

### **GOVERNANCE AND INTERNAL CONTROLS**

Trustees are formally appointed by the sole member of the Foundation (The Shell Petroleum Company Limited).

New trustees are provided with information on trustee guidelines as prepared by the Charity Commission, and information on the Foundation as appropriate. Briefing discussions are held with the Director of the Foundation and other key staff. Trustees are requested annually to confirm any related party transactions.

The Trustees meet formally at least twice each year.

They review and approve:

1. The Foundation's financial results and statutory returns;
2. Internal controls (including delegation of authorities and segregation of duties);
3. Risks associated with the Foundation's activities and appropriate mitigation measures in respect of these;
4. The endowment investment returns, strategic asset allocation, and performance of the fund manager;
5. Social investment performance;
6. A strategic plan and annual budget for the Foundation;
7. Management accounts, variances from budget, and non-financial performance indicators;
8. The team's performance against pre-determined annual targets;
9. Certain actions that are above the authority level of the Foundation Management Team.

The Board is supported in items 1-3 by an Audit and Risk Committee (ARC); and by an Investment Committee (IC) for items 4-5.

The ARC comprises two Trustees and two independent experts, who invite the Foundation Director, CFO, internal and external auditors to attend as required. They take responsibility on behalf of the SF Board of Trustees to ensure that there is a framework for accountability; for examining and reviewing all systems and methods of control, both financial and otherwise, including risk analysis and risk management; and for ensuring that SF is complying with all aspects of the law, relevant regulations and good practice. It reports back to the Board and makes recommendations as appropriate.

The Investment Committee comprises two Trustees, two independent experts, the Director and CFO, advised by an independent investment advisor (Cambridge Associates). The remit of the IC is to establish, review, recommend and report to the Board on the Investment strategy and policy for all financial investments; the selection and performance

## Report of the Trustees for the year ended 2016 (continued)

of fund manager(s) including the Investment management agreement(s); and the financial performance of social investments.

The Trustees have delegated operational management of the Foundation to the Director, who reports on the performance against the strategic plan and budget as approved by the Trustees.

### STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Report of the Trustees (including the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standard FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (2006 Companies Act). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Foundation and the Group and of the incoming resources and application of resources, including the income and expenditure, of the Group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the FRS102 Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its member in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Foundation will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Foundation's transactions and disclose with reasonable accuracy at any time the financial position of the Foundation and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets

of the Foundation and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Trustees are aware:

- (a) there is no relevant audit information of which the company's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### GRANT COMMITMENTS

The Foundation identifies strategic partners it wants to support in order to further its charitable purposes for the public benefit, and does not encourage the submission of unsolicited grant applications.

As part of its risk control framework, the Foundation conducts due diligence assessments of these prospective grantees (grant recipients) prior to awarding grants to confirm that, at the time of grant approval, there is an expectation that the project is likely to be successful and, therefore, that the grant commitment will be paid in full. Grants are assessed and approved by the Board of Trustees or Management Team, depending on value.

Certain milestones must be met by the grantee to receive scheduled grant payments to ensure they remain aligned to the Foundation's charitable objectives. The expectation upon signing the Letter of Commitment (LOC) is that the grantee will be able to achieve the milestones.

Progress against milestones is monitored using a variety of methods including reports from the grantee, meetings with grantees, reviews of their business, visits to the grantee sites and receiving feedback from the communities the grantee is serving. Where a grantee does not meet a milestone the payment of that instalment of the grant may be deferred until such time as the milestone has been met.

### SOCIAL INVESTMENTS

Grant funding continues to be SF's standard mechanism for early support to partners. Other forms of social investment will be considered, in relation to the scale-up of existing Foundation strategic partners and in ways that have additionality (e.g. leveraging support from other investors), and this may include convertible grants, repayable grants/loans, fund investments, equity, and financial guarantees. These social investments further the delivery of SF's charitable objectives and KPIs.

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## Report of the Trustees for the year ended 2016 (continued)

Any private benefit generated by SF's social investments is incidental to the pursuit of the public benefit and its charitable objectives. The Foundation seeks to liquidate its social investments once the investee enterprise is sufficiently mature and profitable to attract a broader range of growth stage investors and funding. However, grants may continue to be provided for more mature partners to fund specific research areas, new products, or market entries that otherwise would not be commercially viable.

### OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

The primary objectives of the Foundation are stated in its governing document and include:

1. The protection and preservation of the environment and public health by means of education and research into the provision and use of energy in ways that reduce or eliminate harmful emissions. The Foundation has pursued this objective via grants made through its Access to Energy, Sustainable Mobility and Incubator programmes.
2. The relief of poverty, suffering, hardship and distress. This objective has been furthered via grants made through all the Foundation's programmes.

These objectives have been met through the activities described in this report.

The Trustees confirm they have complied with the guidance contained in the Charity Commission's general guidance on public benefit in section 4 of the Charities Act 2011 when reviewing the Foundation's aims and objectives and when considering grants to be awarded. The Foundation's Articles permit it to make grants to further these objectives anywhere in the world, and its policy is to act as a truly international grant-making foundation.

## Financial Review

### FINANCIAL ACTIVITIES

The Statement of Financial Activities is included with the financial statements on page 31.

### PRINCIPAL FUNDING SOURCES

The Foundation's annual grant programmes are funded by distributions from its endowment fund. Shell Group made unrestricted donations of \$6 million in 2016, and agreed 'in principle' to funding beyond this in the event that the endowment does not generate sufficient income for the Foundation to achieve its objectives and maintain impact. Restricted donations totalling \$21.3 million were received from DFID, USAID and OFID enabling the Foundation to amplify its programme delivery.

### RESERVES

The Foundation holds an endowment reserve to sustain the funding of its annual programmes. The Trustees adopted a new investment policy in 2011, which aims to maintain the real value of both distributions and the endowment asset value.

The Foundation's policy for unrestricted reserves is to maintain sufficient bank balances to meet payments due in the next three months. This level will be maintained by liquidating endowment assets as and when required. The reserve policy is reviewed regularly. There was a sufficient level of cash at the year end to meet the minimum unrestricted reserves requirement of \$13 million.

At the year end the restricted funds were in surplus to the extent of social investments made under the DFID TIME partnership. On repayment, these funds will be redirected to new projects to further SF's charitable objectives consistent with the Partnership governing documents.

### ENDOWMENT INVESTMENT POLICY AND PERFORMANCE

In 2011, following a review of the investment objectives and strategy, the Trustees adopted an investment policy, which aims to maintain the real value of both distributions and the endowment asset value. To achieve this, the endowment is invested in a diversified fund of global equities, hedge funds and fixed income funds. In order to mitigate the risk associated with currency exposure, the investment portfolio is partially hedged back to the Foundation's functional currency of US Dollars (by the investment manager) through the use of forward contracts.

In 2016 capital markets were volatile with investment performance swinging from negative in the first quarter to an overall return of 5.8% in 2016, slightly ahead of the benchmark. The total return on the equity portfolio was 7.1%, dampened slightly by the weighting to bonds and hedge funds which returned 3%. The strongest equity performance was in the US with a 12% return, emerging markets returned 11%, Pacific Rim returned 4%, whilst Europe was slightly negative.

The fixed income portfolio showed strong performance in the actively managed credit pool of 5.8%, offset by negative returns of 1.2% from the US Treasury pool.

The hedge fund portfolio returned 3.1%, outperforming its benchmark by 1.2%, mainly as a result of the strong performance of multi-strategy funds and event driven funds. The objective of the hedge fund portfolio is to avoid directional market exposures.

The Foundation also holds programme related investments, which are held to further its charitable aims and, at the same time, potentially achieve a financial return versus pure grant giving.

## Report of the Trustees for the year ended 2016 (continued)

### PLANS FOR FUTURE PERIODS

See the review of achievements and performance on pages 9 to 23 for details of future plans.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have identified the major risks to which the Foundation is exposed. The level of exposure for each risk is assessed by considering the likelihood of occurrence, the potential consequences of occurrence and the effectiveness of existing controls in place to mitigate the risk. The Trustees review these assessments at least twice a year, at their board meetings. None of the key risks is currently regarded as posing an unacceptable residual exposure.

These risks include:

**Staffing:** retaining and attracting suitably experienced professionals that can add more-than-the-money to help its strategic partners grow to scale and deliver its charitable objectives. This risk is managed through good staff planning, competitive remuneration structure benchmarked and aligned with industry, and attracting high quality secondees from the Shell group. The Foundation has filled its critical vacancies and been successful in attracting talented individuals in recent recruitment exercises.

**Strategic partners:** the Foundation is reliant on strategic partners to take programmes forward and build both developmentally sound and financially viable businesses. This risk continues to be managed through the careful selection process for new strategic partners, and ongoing management of existing partners.

**Independence and relationship with Shell:** the Trustees explicitly recognise their charitable responsibilities in this regard by stating formally in the Shell Foundation's Business Principles that the Foundation's activities will always be consistent with achieving its mission and cannot promote the commercial interests of the Shell Group, and that any benefit that may accrue to the Shell Group from the Foundation's activities will be incidental and outweighed by the contribution to the Foundation's charitable objectives. The Foundation operates an assurance system to identify, assess and validate this.

**Financial Risk:** The long-term financial independence of the Foundation depends on the performance of the endowment fund. In response to this risk, the Trustees implemented new investment objectives in 2011. Volatility will remain in the value of the fund due to a relatively high equity exposure targeting long term capital growth. The Trustees also secured agreement from Shell to provide additional 'top-up' unrestricted donations until

at least 2020 in the event that the endowment does not generate sufficient returns to achieve the Foundation's objectives and maintain impact.

The Foundation also has a number of social investments. The key financial risk associated with these investments is cash flow risk around the size, timing and reliability of returns. This cash flow risk is mitigated by regular monitoring of the investments and taking a prudent approach with respect to these returns in its cash flow forecasting.

**Monitoring and Evaluation:** A delivery risk on monitoring and evaluation is recognised as the Foundation has grown significantly over the last few years requiring renewed focus on implementing efficient and systematic ways to measure its charitable performance and research outcomes. Additional staff are being recruited and processes implemented to mitigate this risk.

### Independent Auditor

The sole member approved the adoption of Elective Resolutions on 28 March 2001, in accordance with the Companies Act 2006, to dispense with (a) the holding of Annual General Meetings, (b) the laying of report and financial statements before general meetings each year, and (c) the annual re-appointment of auditors.

Ernst & Young LLP accordingly shall be Independent Auditor of Shell Foundation pursuant to section 487(2) of the Companies Act 2006. In accordance with the Companies Act 2006, any member or the Auditors may require the report and financial statements to be laid before a general meeting by depositing a notice to that effect at the registered office of the Foundation not later than 28 days after the despatch of the financial statements and reports to members.

The Report of the Trustees, including the Strategic Report, were approved by the Trustees and signed on their behalf by order of the Board:



Maxime Verhagen, Acting Chair

1 June 2017

## Independent Auditor's report to the member of Shell Foundation

We have audited the financial statements of Shell Foundation for the year ended 31 December 2016 which comprise the Consolidated Statement of Financial Activities, the Consolidated Summary Income and Expenditure Account, the Balance Sheets, the Cash Flow Statements and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 26, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees and financial

statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 31 December 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Trustees is consistent with the financial statements.
- The Strategic Report and the Report of the Trustees have been prepared in accordance with applicable legal requirements

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report and the Report of the Trustees.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

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## Independent Auditor's report to the member of Shell Foundation (continued)

- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

**Stephen Reid (Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
Edinburgh

7 June 2017

### Notes:

1. The maintenance and integrity of the Shell Foundation's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated statement of financial activities for the year ended 31 December 2016

Company Registered Number: 04007273

	Note	Unrestricted Funds 2016 \$000	Restricted Funds 2016 \$000	Endowment Funds 2016 \$000	Total Funds 2016 \$000
<b>Income and endowments from</b>					
- Donations	2	6,000	21,324	-	27,324
- Reduction of Payables	2	-	1,288	-	1,288
- Donated services	2	510	-	-	510
- Investments	3	144	6	7,808	7,958
<b>Total Incoming Resources</b>		<b>6,654</b>	<b>22,618</b>	<b>7,808</b>	<b>37,080</b>
<b>Expenditure on Raising Funds</b>					
Investment management costs		-	-	(348)	(348)
<b>Total Cost of Raising Funds</b>		<b>-</b>	<b>-</b>	<b>(348)</b>	<b>(348)</b>
<b>Charitable Activities</b>					
- Access to Energy		(8,500)	(14,900)	-	(23,400)
- Sustainable Mobility		(5,723)	-	-	(5,723)
- Sustainable Job Creation		(3,758)	1,211	-	(2,547)
- Incubator		(2,429)	-	-	(2,429)
- Policy and Advocacy		(83)	-	-	(83)
<b>Total Charitable Activities</b>	4	<b>(20,493)</b>	<b>(13,689)</b>	<b>-</b>	<b>(34,182)</b>
<b>Total Resources Expended</b>		<b>(20,493)</b>	<b>(13,689)</b>	<b>(348)</b>	<b>(34,530)</b>
<b>Net gains/(losses) on investments</b>					
Realised gains on the revaluation and disposal of investment assets		-	-	8,382	8,382
Unrealised gains on the revaluation and disposal of investment assets		-	-	9,132	9,132
<b>Net income/(expenditure) before transfers</b>		<b>(13,839)</b>	<b>8,929</b>	<b>24,974</b>	<b>20,064</b>
Transfers between funds		25,152	-	(25,152)	-
<b>Net income/(expenditure)</b>		<b>11,313</b>	<b>8,929</b>	<b>(178)</b>	<b>20,064</b>
<b>Net Movement in Funds</b>		<b>11,313</b>	<b>8,929</b>	<b>(178)</b>	<b>20,064</b>
<i>Fund balances brought forward at 1 January</i>		29,467	(5,236)	442,838	467,069
<b>Fund balances carried forward at 31 December</b>		<b>40,780</b>	<b>3,693</b>	<b>442,660</b>	<b>487,133</b>

The Foundation has elected to take the exemption under section 48 of the Companies Act 2006 not to present the Foundation statement of financial activities. The Foundation's net movement in funds in 2016 was \$20 million surplus. All incoming resources, resources expended and resulting net movements in funds were derived from continuing activities.

The accompanying notes form part of these financial statements.



## Consolidated statement of financial activities for the year ended 31 December 2015 (restated)

	Note	Unrestricted Funds 2015 \$000	Restricted Funds 2015 \$000	Endowment Funds 2015 \$000	Total Funds 2015 \$000
<b>Income and endowments from</b>					
- Donations	2	6,000	1,978	-	7,978
- Conversion of convertible grant	2	1,532	-	-	1,532
- Donated services	2	605	-	-	605
- Investments	3	-	-	7,555	7,555
<b>Total Incoming Resources</b>		<b>8,137</b>	<b>1,978</b>	<b>7,555</b>	<b>17,670</b>
<b>Expenditure on Raising funds</b>					
Investment management costs		-	-	(387)	(387)
<b>Total Cost of Raising Funds</b>		<b>-</b>	<b>-</b>	<b>(387)</b>	<b>(387)</b>
<b>Charitable Activities</b>					
- Access to Energy		(9,608)	(1,277)	-	(10,885)
- Sustainable Mobility		(3,158)	-	-	(3,158)
- Sustainable Job Creation		(182)	(9)	-	(191)
- Incubator		(3,674)	(538)	-	(4,212)
- Policy and Advocacy		(159)	-	-	(159)
- Other		-	-	-	-
<b>Total Charitable Activities</b>	4	<b>(16,781)</b>	<b>(1,824)</b>	<b>-</b>	<b>(18,605)</b>
<b>Total Resources Expended</b>		<b>(16,781)</b>	<b>(1,824)</b>	<b>(387)</b>	<b>(18,992)</b>
<b>Net gains/(losses) on investments</b>					
Realised gains on the revaluation and disposal of investment assets		-	-	9,614	9,614
Unrealised gains on the revaluation and disposal of investment assets		-	-	(24,926)	(24,926)
<b>Net income/(expenditure) before transfers</b>	1	<b>(8,644)</b>	<b>154</b>	<b>(8,144)</b>	<b>(16,634)</b>
Transfers between funds		21,513	-	(21,513)	-
<b>Net income/(expenditure)</b>		<b>12,869</b>	<b>154</b>	<b>(29,657)</b>	<b>(16,634)</b>
<b>Net Movement in Funds</b>		<b>12,869</b>	<b>154</b>	<b>(29,657)</b>	<b>(16,634)</b>
<b>Fund balances brought forward at 1 January</b>		<b>16,598</b>	<b>(5,390)</b>	<b>472,495</b>	<b>483,703</b>
<b>Fund balances carried forward at 31 December</b>		<b>29,467</b>	<b>(5,236)</b>	<b>442,838</b>	<b>467,069</b>

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## Consolidated income and expenditure account for the year ended 31 December 2016

	2016 \$000	2015 \$000
Income	29,122	10,115
Gains/(losses) on investments	17,514	(15,312)
Interest and investment income	7,958	7,555
<b>Gross income in the reporting period</b>	<b>54,594</b>	<b>2,358</b>
Expenditure	(34,530)	(18,992)
<b>Total expenditure</b>	<b>(34,530)</b>	<b>(18,992)</b>
<b>Net surplus of income over expenditure for the year</b>	<b>20,064</b>	<b>(16,634)</b>

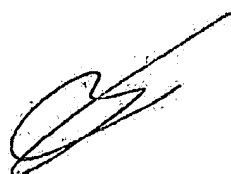
## Consolidated and charity balance sheets as at 31 December 2016

Company Registered Number: 04007273

	Note	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
<b>Fixed Assets</b>					
Endowment	10	442,660	442,866	442,660	442,866
Social investments	11	39,313	20,938	36,869	20,938
Subsidiary undertakings	12	-	-	2,715	3,991
<b>Total Fixed Assets</b>		<b>481,973</b>	<b>463,804</b>	<b>482,244</b>	<b>467,795</b>
<b>Current Assets</b>					
Debtors:					
amounts falling due within one year	13	10,067	7,493	10,067	7,493
amounts falling due after one year	13	2,390	-	2,390	-
		<b>12,457</b>	<b>7,493</b>	<b>12,457</b>	<b>7,493</b>
Cash at bank and in hand	14	18,820	18,031	18,522	14,031
Social Investments	11	2,849	3,317	2,849	3,317
<b>Total Current Assets</b>		<b>34,126</b>	<b>28,841</b>	<b>33,828</b>	<b>24,841</b>
Creditors: amounts falling due within one year	15	(24,777)	(20,827)	(24,768)	(20,818)
<b>Net Current Assets</b>	18	<b>9,349</b>	<b>8,014</b>	<b>9,060</b>	<b>4,023</b>
<b>Total Assets less Current Liabilities</b>		<b>491,322</b>	<b>471,818</b>	<b>491,304</b>	<b>471,818</b>
Creditors: amounts falling due after more than one year	16	(4,189)	(4,749)	(4,189)	(4,749)
<b>Net Assets</b>		<b>487,133</b>	<b>467,069</b>	<b>487,115</b>	<b>467,069</b>
<b>The funds of the Foundation:</b>					
Endowment Funds	17	442,660	442,838	442,660	442,838
Restricted income Funds	17	3,693	(5,236)	3,675	(5,236)
Unrestricted income Funds	17	40,780	29,467	40,780	29,467
<b>Total Foundation Funds</b>		<b>487,133</b>	<b>467,069</b>	<b>487,115</b>	<b>467,069</b>

The accompanying notes form part of these financial statements.

The financial statements on pages 31 to 58, authorised for issue, approved by the Trustees and signed on their behalf by:



Maxime Verhagen, Acting Chair

1 June 2017

## Cash flow statement and consolidated cash flow statement for the year ended 31 December 2016

	Note	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
<b>Net cash used in operating activities</b>	19	<b>(2,838)</b>	<b>(5,958)</b>	<b>(2,836)</b>	<b>(5,958)</b>
<b>Cash flow from investing activities</b>					
Cash expended on endowment fund fees		(348)	(387)	(348)	(387)
Investment income from endowment funds		7,808	7,571	7,808	7,571
Endowment Fund	10				
Purchase of investments		(131,757)	(68,636)	(131,757)	(68,636)
Sale of investments		152,010	80,921	152,010	80,921
Income received (paid) on derivatives		-	(664)	-	(664)
Loss on foreign exchange		(860)	(990)	(860)	(990)
Decrease (Increase) in investment cash		(1,330)	3,698	(1,330)	3,698
Social Investments	11				
Purchase of programme related investments		(14,314)	(14,231)	(10,614)	(14,231)
Purchase of mixed motive investments		(10,000)	-	(10,000)	-
Sale of programme related investments		2,418	1,402	2,418	1,402
Investment in subsidiary		-	-	-	(4,000)
<b>Net cash from investing activities</b>		<b>3,627</b>	<b>8,684</b>	<b>7,327</b>	<b>4,684</b>
<b>Cash flow from financing activities</b>					
Transfer out from endowment fund		(25,152)	(21,513)	(25,152)	(21,513)
Transfer in to unrestricted funds		25,152	21,513	25,152	21,513
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>789</b>	<b>2,726</b>	<b>4,491</b>	<b>(1,274)</b>
Cash and cash equivalents at the beginning of the year		18,031	15,305	14,031	15,305
<b>Cash and cash equivalents at the end of the year</b>		<b>18,820</b>	<b>18,031</b>	<b>18,522</b>	<b>14,031</b>

The accompanying notes form part of these financial statements.

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# Notes to the financial statements for the year ended 31 December 2016

## 1. Summary of Significant Accounting Policies

### GENERAL INFORMATION

Shell Foundation ('the Foundation' or 'SF') and its subsidiary, SF Investment Management Limited (together 'the Group') is an independent charity established by the Shell Group in 2000 to create and scale new solutions to global development challenges. We apply business thinking to major social and environmental issues linked to the energy sector – and seek to leverage the skills and networks of Shell where possible to deliver greater development impact.

The company is a private company limited by guarantee and is incorporated in England. The address of its registered office is Shell Centre, York Road, London, SE1 7NA.

### STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with the 'Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102)', effective 1 January 2015, and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006. The accounting policies have been applied consistently, other than where new policies have been adopted in accordance with the Charities Act 2011.

### BASIS OF PREPARATION

These consolidated and separate financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments. Social investments are recorded at historical cost less any impairment. The financial statements are prepared on a going concern basis.

The Trustees are assured of the Foundation's ability to continue on a going concern basis due to the liquid nature of the large endowment – the fund is sufficient to cover 20 years of expenditure at the current planned rate of around \$20 million per annum for unrestricted funds.

The Trustees have reviewed the presentation of gains and losses on investments against the requirements of the SORP and re-presented the 2015 statement of financial activities to disclose gains and losses on investments before net income / (expenditure) for the year. This was a presentational adjustment only and had the effect of increasing net expenditure for the year ended 31 December 2015 by \$15.3 million. There was no impact on the net movement in funds for the year, or on the net assets or total funds of the Foundation for the year and consequently there was no requirement to re-present the balance sheets.

### BASIS OF CONSOLIDATION

The financial statements consolidate the results of the Foundation and its wholly owned subsidiary SF Investment Management Limited on a line by line basis. A separate Statement of Financial Activities and Investment and Expenditure Account for the Foundation has not been presented as the Foundation has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

### FOREIGN CURRENCY

#### *Functional and presentation currency*

The Group financial statements are presented in United States dollars and rounded to thousands.

The Foundation's functional and presentational currency is the US dollar. This is because the operating currency of the Foundation is US Dollars, reflecting the high proportion of grants awarded and donations received in dollars and consequent dollar weighting of its investment funds.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the daily mean rate entered into the accounting system at the beginning of the month in which the transaction occurred.

At each period end, foreign currency monetary items are translated using the closing exchange rate. The exchange rate used at the year end to translate Sterling (GBP £) to US Dollars (USD \$) was GBP/USD \$1.2290 (2015 was GBP/USD \$1.4828).

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## Notes to the financial statements (continued) for the year ended 31 December 2016

### FUND ACCOUNTING

Funds held by the Foundation are either:

- general unrestricted income funds, that are expendable at the discretion of the Trustees in furtherance of the Foundation's objects; or
- restricted income funds, that are expendable at the discretion of the Trustees in furtherance of the specific purpose stated by the donor; or
- expendable endowment funds, whose principal purpose is for investment to build the asset base of the Foundation to a sustainable level but which can be converted at the discretion of the Trustees into expendable income when needed.

### INCOME AND ENDOWMENTS

Donations and investment income are included in the Statement of Financial Activities when the Foundation is legally entitled to the income, receipt is probable and its amount can be measured reliably. Restricted donations include government grants as detailed further in Note 2. Donated services, if applicable, are included in income at a valuation, which is an estimation of the value to the Foundation. Donated services of \$0.5 million were received in 2016 (2015: \$0.6 million).

Investment income arising from expendable endowment fund investments is added to endowment funds. This reflects the fact that the income is currently reinvested, in accordance with the investment strategy.

### EXPENDITURE

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to programmes on a basis consistent with the use of resources. Support costs are allocated across the programmes based on the value of grants given out by that programme and direct costs attributable to that programme.

### COSTS OF RAISING FUNDS

The costs of generating funds comprise investment management costs for both income generation and capital maintenance.

### CHARITABLE ACTIVITIES

Charitable activity costs are comprised of grants, costs for processing grants and applications, direct costs invoiced to the Foundation, and for the administration and monitoring of projects. These costs include costs incurred for staff undertaking these activities. Staff costs are comprised of charges in respect of the services of employees of Shell Group companies in relation to Foundation activities. The Foundation has no direct employees.

Grant commitments charged as charitable activity costs in the Statement of Financial Activities represent the new commitments awarded by the Foundation in the year, as evidenced by the Letters of Commitment (LOCs) signed in that year. Grant commitments for which payments were outstanding at the year-end are shown as liabilities in the Balance Sheet. The commitments are not discounted.

Within support costs are costs for the strategic running of the Foundation itself as an organisation, as distinct from directly pursuing its charitable activities including such items as external audit, legal advice for trustees and costs associated with constitutional and statutory requirements. Indirect costs include a proportion of management (and other staff) time spent on strategic activities, together with donated overhead costs.

### VALUE ADDED TAX ('VAT')

The Foundation is registered for Value Added Tax ('VAT') as part of the Shell International Petroleum Company VAT Group. Services provided by members of the same VAT group are not taxable. VAT incurred by the Foundation on all other expenditure is not recoverable, as the Foundation does not make any taxable supplies. Irrecoverable VAT is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

### GAINS AND LOSSES ON FOREIGN EXCHANGE

Monetary assets and liabilities denominated in currencies other than US Dollars are converted to US Dollars at the rate ruling at the balance sheet date. Items of income and expenditure in non-US Dollar currencies are converted at the daily mean rate entered into the accounting system at the beginning of the month in which the transaction occurred. Non-US Dollar items primarily relate to UK operating costs, which are incurred in pounds sterling ('GBP'), as well as a proportion of grants awarded in GBP and Euros. All realised and unrealised gains and losses on exchange are reflected in the Statement of Financial Activities.

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## Notes to the financial statements (continued) for the year ended 31 December 2016

### INVESTMENTS

Investments are included at closing mid-market value at the balance sheet date. Any realised and unrealised gains and losses on revaluation or disposals form part of the fund in which the investment is held at the time of the revaluation or disposal. Realised and unrealised gains and losses are shown separately in the Statement of Financial Activities.

Social investments are carried at cost less any provision for impairment. Such investments are not able to be carried at fair value as there is no open market for such investments. All social investments are subject to review, and any impairment is charged to the Statement of Financial Activities.

### FINANCIAL ASSETS

#### (i) Classification

The Foundation classifies its financial assets in the following categories: at fair value through SOFA; loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### 1. Financial assets at fair value through the SOFA

Financial assets at fair value through the SOFA are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

##### 2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Foundation's loans and receivables comprise trade, contractual loans and cash on the balance sheet.

#### (ii) Recognition and measurement

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the SOFA. Financial assets carried at fair value through the SOFA are initially recognised at fair value, and transaction costs are expensed in the SOFA. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Foundation has transferred substantially all risks and rewards of ownership. Loans and trade and other receivables are subsequently carried at amortised cost using the effective interest method, less any provision for impairment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through the SOFA' category are presented in the SOFA within interest income or expenses in the period in which they arise.

### FINANCIAL INSTRUMENTS

The Foundation has the US Dollar as its functional currency. In order to mitigate the risk associated with investing globally in multiple currencies, the investment portfolio is hedged (by the fund managers) through the use of forward foreign exchange contracts. The mandate is to hedge 100% of non-US Dollar denominated fixed income investments and 100% of non-US dollar hedge fund investments. Unsettled forward contracts are marked to market at the balance sheet date. All realised and unrealised gains and losses on forward foreign exchange contracts are combined in the Statement of Financial Activities with the gains and losses on the underlying investment portfolio.

### FINANCIAL LIABILITIES

#### (i) Classification

The Foundation classifies its financial liabilities in the following categories: at fair value through the SOFA; and amortised cost. The classification depends on the nature of the underlying liabilities, with management determining the classification of financial liabilities at initial recognition.

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## Notes to the financial statements (continued) for the year ended 31 December 2016

### 1. Financial liabilities at fair value through the SOFA

Financial liabilities at fair value through the SOFA are those held for trading, and derivatives in a negative fair value position. These liabilities are classified as current where expected settlement is within 12 months, otherwise they are classified as non-current liabilities.

### 2. Financial liabilities at amortised cost

All other financial liabilities which do not meet the criteria of fair value through the SOFA are held at amortised cost.

### (ii) Recognition and measurement

Financial liabilities are initially recognised at fair value, and then subsequently at either fair value through the SOFA or at amortised cost. Those financial liabilities held at fair value through the SOFA are revalued at each balance sheet date, with gains and losses recognised directly in the SOFA. All other liabilities are carried at amortised cost using the effective interest rate method.

### INVESTMENT IN SUBSIDIARIES AND PARTICIPATING UNDERTAKINGS

These comprise investments in shares and loans that the Foundation intends to hold on a continuing basis. The investments in subsidiaries and participating undertakings are stated at cost, less provisions for impairment. The Foundation carries out a review for the potential impairment of an investment if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with SORP 21.28. Any impairments are recorded in the SOFA.

The Foundation had significant influence in two associate entities:

- (i) Stichting Smart Freight Centre (SFC), with a 33% voting position on the Board. SFC has no equity or shares. The Shell Foundation share of net assets is not considered material and therefore equity accounting has not been applied. Further information on the activity of SFC during the year is provided in the Sustainable Mobility section of the Report of the Trustees.
- (ii) Factor(E) PBC, with a 33% voting position on the Board. Equity accounting has not been applied as the amount is not considered material. Further information on the activity of Factor(E) PBC during the year is provided in the Access to Energy section of the Report of the Trustees.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are evaluated and based on historical experience and reasonable expectations of future events. Income and expenditure are recognised where it is probable that there will be an inflow or outflow of resources; restricted income is accrued to the extent that the conditions for receipt have been met, and liabilities recognised for expenditure that has been committed by the Foundation to its partners via signed letters of commitment with the partners agreeing to any terms. Social investments are carried at cost less any provision for impairment. Such investments are not able to be carried at fair value as there is no open market for such investments. All social investments are subject to impairment reviews. Provisions for share-based payments are estimated based on past practice of cash settlements.



## Notes to the financial statements (continued) for the year ended 31 December 2016

### 2. Donations and other income

	2016 \$000	2015 \$000
<b>Cash and accrued</b>		
Unrestricted		
Shell Trading International Ltd	6,000	6,000
Shell International Ltd – donated services	510	605
Restricted donation – Government related		
Department for International Development	18,611	1,478
United States Agency for International Development	2,100	-
OPEC Fund for International Development	700	500
Inter-American Development Bank	(87)	-
<b>Other Income</b>		
Restricted donation – Government related – payable reduction		
United States Agency for International Development	1,288	-
Unrestricted – conversion of grant		
Envirofit Inc	-	1,532
	<b>29,122</b>	<b>10,115</b>

The geographical markets donations were received from: United Kingdom \$25.1 million (2015: \$8 million), worldwide \$0.7 million (2015: \$0.5 million) and United States of America \$2.1 million (2015: \$1.5 million).

#### *Restricted donations – government related*

#### **Department for International Development (DFID)**

NEADM (new applications and delivery models): The UK committed £4.5 million (approximately \$6.9 million) to support a four year programme to develop new, innovative clean energy products and business models specifically for low-income consumers in Africa and Asia. Donations of £0.5 million (\$0.6 million) were received and recognised in 2016 against this programme and a further £0.4 million (\$0.5 million) income was recognised in 2016 as being probable, based on the value of Shell Foundation commitments to partners. This programme is now fully committed and income fully recognised.

Nomou (meaning growth in Arabic): DFID have committed £4.5 million grant funding to support 50% of Nomou's operating and advisory costs in Egypt and Jordan. The Project will assist start-up and growing small and medium-sized enterprises in Egypt and Jordan, developing sustainable employment and local socio-economic impact through the delivery of business support services, medium-term risk capital, and support for market linkages. Donations of £0.9 million (\$1.3 million) were received and recognised in 2016 against this programme and a further £0.8 million (\$1.0 million) income was recognised in 2016 as being probable, based on the value of Shell Foundation commitments to partners.

DFID TIME (Transforming Inclusive Energy Markets): Through the DFID TIME partnership, DFID and Shell Foundation, in collaboration, have committed £60.0 million to further their mutual objective of accelerating global access to modern energy services for low-income households and small businesses. Donations of £6.1 million (\$8.0 million) were received and recognised in 2016 against this programme and a further £5.9 million (\$7.2 million) income was recognised in 2016 as being probable, based on the value of Shell Foundation commitments to partners.

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## Notes to the financial statements (continued) for the year ended 31 December 2016

### **OPEC Fund for International Development**

Enhancing Energy Access for Agri-business Development in Africa and Asia: The project aims at creating a local renewable power source that could provide cheaper, more reliable and better quality energy to low-income households in rural areas of Africa and Asia. No donations were received in 2016 but \$0.7 million income was recognised in 2016 as being probable, based on the value of Shell Foundation commitments to partners.

### **Inter-American Development Bank (IADB)**

IADB will make available up to \$1.0 million to accelerate social impact enterprises in Latin America and the Caribbean through the Shell Foundation incubation/scale-up methodology. The donation will target innovative market-based solutions in energy and sustainable infrastructure for the base of the pyramid population. \$0.4 million cash was received in 2016 for donations already recognised as being probable in prior years. Further cash will be remitted on completion of certain milestones. In 2016 there was a reduction in income recognised of \$0.1 million as there were no projects approved to use the funds.

### **United States Agency for International Development (USAID)**

PACE - USAID have committed \$2.2 million grant funding from PACE over three years, against which Shell Foundation (SF) would contribute \$12.9 million in grant funding and ongoing business support to grantees. Three complementary acceleration models: Factor(E), Sangam and SF's in-house Incubator have a mandate to support entrepreneurs seeking to provide access to modern energy services for low-income communities in developing countries, with a focus on Africa and Asia. SF envisages that a significant aspect of USAID's additionality to SF will be its support beyond funding, including its networks and knowledge, to help build pipeline and leverage investment. Donations of \$0.2 million were received and recognised in 2016 against this programme and a further \$1.9 million income was recognised in 2016 as being probable, based on the value of Shell Foundation commitments to partners.

*Other income – government related*

### **United States Agency for International Development (USAID)**

Nomou Iraq – USAID have committed a repayable donation of \$4.0 million to support job creation in Iraq. This has been invested with the GroFin Nomou Iraq Fund: A unique integrated solution of patient risk capital and end-to-end business support to start-up and growing businesses, to catalyse the SME sector as a major driver of sustainable job creation in Iraq. An impairment in this investment has been recognised during the year resulting in a subsequent reduction in the amount payable to USAID, which is recognised as income. In 2016, the reduction in payable was \$1.3 million.

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 3. Investment income

	2016 \$000	2015 \$000
Interest	150	-
Fixed interest securities	436	496
Dividends	7,372	7,059
	<b>7,958</b>	<b>7,555</b>

Investment income has been derived from dividends received from equity investments and interest from fixed interest securities held within the endowment fund. These amounts are reinvested in the endowment fund.

### 4. Charitable Activities Expenditure by Programme

	Grants \$000	Direct costs \$000	Support costs \$000	2016 \$000	2015 \$000
Access to Energy	(21,430)	(1,156)	(814)	<b>(23,400)</b>	(10,885)
Sustainable Mobility	(4,225)	(779)	(719)	<b>(5,723)</b>	(3,158)
Sustainable Job Creation	2,140	(4,218)	(469)	<b>(2,547)</b>	(191)
Incubator	(1,846)	(278)	(305)	<b>(2,429)</b>	(4,212)
Policy and Advocacy	-	(83)	-	<b>(83)</b>	(159)
<b>Total for 2016</b>	<b>(25,361)</b>	<b>(6,514)</b>	<b>(2,307)</b>	<b>(34,182)</b>	<b>(18,605)</b>
Total for 2015	<b>(13,935)</b>	<b>(2,255)</b>	<b>(2,415)</b>	<b>(18,605)</b>	

Direct costs include goods and services invoiced to the Foundation together with directly attributable manpower, and are allocated to the activity they relate to. Other support costs, that cannot be directly linked to an activity, are apportioned across the programme themes on the basis of total grant and direct costs. The activities making up these costs are shown in note 5 below.

### 5. Direct and Support Costs

	Direct costs \$000	Support costs \$000	2016 \$000	2015 \$000
Manpower costs	(1,933)	(1,125)	<b>(3,058)</b>	(2,897)
External services	(124)	(29)	<b>(153)</b>	(305)
Communications	(70)	(289)	<b>(359)</b>	(74)
Travel	(362)	(121)	<b>(483)</b>	(520)
Training	(16)	(30)	<b>(46)</b>	(44)
Impairment of social investments	(3,989)	-	<b>(3,989)</b>	-
External audit fees (inclusive of VAT)	-	(47)	<b>(47)</b>	(79)
Legal fees	-	(9)	<b>(9)</b>	(5)
Donated overhead expenses	-	(510)	<b>(510)</b>	(605)
Trustee expenses	-	(21)	<b>(21)</b>	(14)
Sundry	-	(28)	<b>(28)</b>	(116)
Exchange gain/loss	(20)	(98)	<b>(118)</b>	(11)
<b>Total</b>	<b>(6,514)</b>	<b>(2,307)</b>	<b>(8,821)</b>	<b>(4,670)</b>

External service costs are those paid directly to a third party supplier for services (including professional fees and consultancy) rather than being paid via a grantee intermediary. Direct costs for external services shows costs at the project level, support costs are Foundation-wide. Within external services for 2016, there were no payables made to Shell Group companies (2015: nil).

Net incoming resources are stated after charging auditor's remuneration for audit services ('External Audit Fees') as shown above. These are the fees for the audit of the Group's Financial Statements.

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 6. Grants expenditure

The top 20 Grantees in 2016 (excluding repayable grants and social investments) are listed below, together with their corresponding 2015 commitments.

Grantee Name Purpose of Project	Programme	2016 \$'000	2015 \$'000
<b>CrossBoundary Energy</b> Investment for commercial and industrial solar installations in Sub-Saharan Africa	Access to Energy	2,225	250
<b>Factor(E) Ventures PBC</b> Growing the number of access to energy transformational solutions incubated in India and East Africa	Access to Energy	1,900	-
<b>Redavia GmbH</b> Scale solar farm container leasing in Africa	Access to Energy	1,771	1,094
<b>d.light Design</b> Affordable energy access Haiti; PAYG solar home system	Access to Energy	1,700	-
<b>Village Industrial Power</b> Energy for agriculture (productive use)	Access to Energy	1,600	-
<b>Sangam Ventures LLC</b> Developing new approaches to accelerate entrepreneurship in the energy sector in India; Driving early stage innovation in energy access in India	Access to Energy	1,600	1,080
<b>Husk Power Systems Inc</b> Supporting the development and extension of solar/biomass hybrid systems in India and Tanzania	Access to Energy	1,600	750
<b>Lendable Inc</b> End borrower credit assessment to enable receivable based financing	Access to Energy	1,500	300
<b>M-KOPA UK Limited</b> Catalysing the evolution of off-grid power markets	Access to Energy	1,375	0
<b>Global Off-Grid Lighting Association</b> Multiyear support to achieve long-term sustainability	Access to Energy	997	438
<b>Persistent Energy Capital LLC</b> New models to accelerate access to energy in Africa	Access to Energy; Incubator	800	-
<b>SparkMeter Inc</b> Accelerating energy access through low cost smart meters	Access to Energy	661	1,377
<b>Logistimo India Private Limited</b> Building last mile distribution solutions	Access to Energy	650	665
<b>Buen Manejo del Campo, SA (Sistema Biobolsa)</b> Energy through biogas as fuel	Access to Energy	600	-
<b>Envirofit International Inc</b> Health study on household air pollution in Honduras, development of PAYGo LPG solution for cookstoves	Access to Energy	406	-
<b>Subtotal</b>	<b>Access to Energy</b>	<b>19,385</b>	<b>5,954</b>

## Notes to the financial statements (continued) for the year ended 31 December 2016

Grantee Name Purpose of Project	Programme	2016 \$'000	2015 \$'000
<b>Brought forward subtotal for top 20 grantees from previous page</b>		<b>19,385</b>	<b>5,954</b>
<b>SafeBoda (reg. Guinness Transporters Ltd)</b> Motorcycle taxi company promoting safe, affordable mobility; Expanding SafeBoda services in Uganda and into Kenya	Sustainable Mobility	1,200	100
<b>Stichting Smart Freight Centre</b> Smart Freight Centre Growth Funding 2016	Sustainable Mobility	1,125	1,252
<b>World Resources Institute</b> Implementation of sustainable transport and urban planning solutions	Sustainable Mobility	1,000	1,200
<b>Tugende Limited</b> Asset financing for motorcycle taxis where formal transport services are absent to provide last mile connectivity	Sustainable Mobility	900	218
<b>Subtotal</b>	<b>Sustainable Mobility</b>	<b>4,225</b>	<b>2,770</b>
<b>Globology</b> Enabling safe, affordable and sustainable transportation of passengers and goods in water-isolated communities in East Africa	Incubator	302	-
<b>Subtotal</b>	<b>Incubator</b>	<b>302</b>	<b>-</b>
<b>Total Top 20 Grants</b>		<b>23,912</b>	<b>8,724</b>
<b>Total: Other Grants</b>		<b>1,449</b>	<b>-</b>
<b>Total: Grants (excl. repayable grants and social investments)</b>		<b>25,361</b>	<b>8,724</b>

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 7. Trustee Information

No Trustee received any remuneration from the Foundation during the year. The Foundation directly incurred or reimbursed travel expenses in relation to three Trustees, notaries fees and consulting fees for Board Appraisal review totalling \$20,767 (2015: \$13,852 in relation to two Trustees).

No indemnity insurance for trustees' liability has been purchased by the Foundation. However, because all trustees are appointed by The Shell Petroleum Company Limited (the sole member) they are automatically covered by the Shell Group Directors and Officers liability insurance policy. Insurance cover is permitted under clause 21 of the Foundation's Memorandum of Association.

### 8. Employee Information

As an independent charity, Shell Foundation benefits in a number of ways from leveraging its links to Shell Group to achieve its mission and objectives. One example of this is with respect to staffing. The Foundation has no direct employees. Instead, employees of Shell Group companies are dedicated to work full-time for the Foundation in sole pursuit of its charitable objectives. Their remuneration is based on The Shell Group Global Pay Policy and their performance is assessed against pre-determined personal targets concerning their work for the Foundation as well as their wider contribution to meeting the Foundation's overall charitable mission. The monthly average staff employed by Shell Group companies to work for the Foundation during the year was 17.3 (2015: 13.9). The monthly average split of employees between direct and support activities was direct 9.8 (2015: 6.1) and support 7.5 (2015: 7.8).

Manpower expenditure included in Direct and Support costs (note 6) charges at cost in respect of the services of these Shell Group employees, including salaries, taxes and office overhead costs. The salary and taxes paid by Shell Group companies in relation to these employees are as follows:

	2016 \$000	2015 \$000
Wages and salaries	(2,332)	(1,968)
Social security	(233)	(304)
Other pension costs	(258)	(193)
Performance Share Plan (PSP)	(81)	(185)
	<b>(2,904)</b>	<b>(2,650)</b>

#### SHARE-BASED COMPENSATION PLANS

The principal share-based employee compensation plan applied under The Shell Group Global Pay Policy to Shell Foundation staff is the PSP. Awards of Royal Dutch Shell plc shares under the PSP are granted to eligible Foundation employees based on performance. The actual amount of shares that may vest ranges from 0% to 200% of the awards, depending on the outcomes of prescribed performance conditions over a three-year period beginning on 1st January of the award year. Shares vest for nil consideration. The cash value of the awards is charged to The Foundation on vesting. The Foundation has estimated and recognised a liability of \$0.3 million at the year-end for PSPs granted between 2014 and 2016 that vest in future years.

The salary and taxes paid by Shell Group companies in relation to key management personnel, consisting of the Director, Chief Financial Officer and two Deputy Directors, are as follows:

	2016 \$000	2015 \$000
Wages and salaries	(1,028)	(1,000)
Social security	(113)	(141)
Other pension costs	(95)	(111)
Vesting performance share plan options	(81)	(185)
	<b>(1,317)</b>	<b>(1,437)</b>

## Notes to the financial statements (continued) for the year ended 31 December 2016

The number of Shell Group employees working on Foundation activities whose emoluments were above \$80,000 is as follows.

\$000	2016	2015
80 – 90	3	-
90 – 105	2	1
105 – 120	3	-
120 – 135	-	-
135 – 150	3	2
150 – 165	-	1
165 – 180	-	2
195 – 210	1	1
225 – 240	-	1
255 – 270	-	-
270 – 285	1	-
285 – 300	1	-
300 – 315	-	1
360 – 375	1	-
	<b>15</b>	<b>9</b>

Shell Group companies made contributions during the year to a defined benefit pension scheme of \$0.2 million in relation to these 15 employees (2015: \$0.2 million in relation to nine employees).

### 9. Taxation

The Foundation is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried out in furtherance of the Foundation's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

### 10. Endowment

	2016 \$000	2015 \$000
<b>Market value at 1 January</b>	<b>442,866</b>	<b>472,523</b>
Purchase of investments	131,757	68,636
Sales/withdrawals	(152,010)	(80,921)
Realised gains	9,585	11,268
Unrealised (losses)/gains	9,132	(24,942)
Movement of investment cash	1,330	(3,698)
<b>Market value at 31 December</b>	<b>442,660</b>	<b>442,866</b>
	<b>2016 \$000</b>	<b>2015 \$000</b>
The year end value is analysed as:		
Bonds – Overseas	64,696	-
Fixed income investments – UK	3,412	8,431
Fixed income investments – overseas	31,566	103,131
Equity investments – UK	22,583	23,697
Equity investments – overseas	264,814	255,308
Hedge funds – overseas	48,580	47,079
Forward foreign currency contracts	1,335	1,195
Other assets	1,042	696
Investment cash	4,632	3,302
Cash invested in institutional cash funds	-	27
<b>Market value at 31 December</b>	<b>442,660</b>	<b>442,866</b>

## Notes to the financial statements (continued) for the year ended 31 December 2016

During 2016, the cash invested in institutional cash funds that represented cash invested in Fidelity Institutional Cash Fund plc was transferred to Shell Foundation's current account.

The investment policy of the Trustees aims to maintain the real value of both distributions and the endowment asset value. To achieve this, the endowment is invested in a diversified asset allocation of global equities, hedge funds and fixed income funds.

The foreign currency exposure of the investment portfolio is hedged by the fund managers through the use of forward foreign exchange contracts. The mandate is to hedge 100% of non-US Dollar denominated bonds and 100% of non-US Dollar hedge fund investments. At the year-end just under 35% of bonds and 0% of hedge fund investments were non-US Dollar.

The investment portfolio included a single US bond with the value of \$23 million (5.2% of the total investment portfolio). No other individual asset within the investment portfolio had a value greater than 5% of the investment portfolio.

### 11. Social Investments

#### Programme Related Investments

Current	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
<b>Envirofit Inc Shareholding</b>				
Envirofit is a social enterprise designing, producing, and selling efficient, durable and affordable safe cookstoves that create environmental, health, and social impacts for homes and institutions in developing nations. Following the dilution in the first half of 2016, by a \$3 million FMO investment in Envirofit and the concurrent redemption of \$1 million Shell Foundation shareholding; Shell Foundation holds 15.5% of the outstanding shares of Envirofit International Inc as at year end.				
Fair value brought forward at 1 January	1,000	-	1,000	-
Purchases	-	1,000	-	1,000
Sales	(1,000)	-	(1,000)	-
<b>GroFin Africa Fund (GAF)</b>				
GAF is engaged in acting as a collective investment scheme operating mainly in east, west and southern Africa with a focus on the start-up and growth of small to medium enterprises. The Investors are: AFDB, EIB, Shell Foundation FMO, CDC, Norfund, FISEA, IFC, GroFin. Total fund size \$139 million.				
Cost less impairment brought forward at 1 January	2,317	1,402	2,317	1,402
Movement from non-current to current	1,918	2,317	1,918	2,317
Purchases	-	-	-	-
Sales	(1,402)	(1,402)	(1,402)	(1,402)
<b>Redavia loan receivable</b>				
Redavia provide turn-key re-deployable solar farms that reduce reliance on diesel generators and provide low-cost energy, with flexible rental agreements. The loan is repayable in full by 2027 or 4% of the original loan annually.				
Cost less impairment brought forward at 1 January	-	-	-	-
Movement from non-current to current	16	-	16	-
Sales	-	-	-	-
<b>Total Current Programme Related Investments</b>	<b>2,849</b>	<b>3,317</b>	<b>2,849</b>	<b>3,317</b>



## Notes to the financial statements (continued) for the year ended 31 December 2016

### 11. Social Investments (continued)

#### Programme Related Investments

Non-Current	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
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#### Envirofit Inc. Shareholding

Envirofit is a social enterprise designing, producing and selling efficient, durable, affordable and safe cookstoves that create environmental, health, and social impacts for homes and institutions in developing nations. Shell Foundation holds 15.5% of the outstanding shares of Envirofit International Inc. as at year end.

Fair value brought forward at 1 January	4,532	-	4,532	-
Purchases	-	4,531	-	4,531
Sales	-	-	-	-

#### GroFin Africa Fund

GAF is engaged in acting as a collective investment scheme operating mainly in East, West and Southern Africa with a focus on the start-up and growth of small to medium enterprises. The Investors are: AFDB, EIB, Shell Foundation FMO, CDC, Norfund, FISEA, IFC, GroFin. Total fund size \$139 million.

Cost less impairment brought forward at 1 January	7,707	10,024	7,707	10,024
Movement from non-current to current	(1,918)	(2,317)	(1,918)	(2,317)
Purchases	-	-	-	-
Sales	-	-	-	-
Impairment	(2,734)	-	(2,734)	-

#### GroFin Small and Growing Businesses Fund (SGB)

The SGB fund is an impact investment fund for small and growing businesses in East, West and Southern Africa. Its objective is to deliver social and economic impact at scale as well as sustainable investment returns. The Investors are: Shell Foundation, KfW Development Bank, GroFin, the Dutch Good Growth Fund (DGGF), Norfund, Scholl Foundation, Calvert. Total fund size \$150 million.

Cost less impairment brought forward at 1 January	4,800	-	4,800	-
Purchases	4,450	4,800	4,450	4,800
Sales	-	-	-	-

#### responsAbility Energy Access Fund

The fund is dedicated to providing debt financing to fast-growing companies which promote access to decentralised modern energy solutions, primarily in Africa and Asia. Investors: Shell Foundation, a founding partner, is also a co-investor along with anchor investor IFC and other private investors including Skopos Impact Fund and The Adolf H. Lundin Charitable Foundation. Total fund size \$34 million.

Cost less impairment brought forward at 1 January	2,000	-	2,000	-
Purchases	-	2,000	-	2,000
Sales	-	-	-	-

#### Lightning Hybrids Inc. loan receivable

Lightning Hybrids provide hydraulic hybrid regenerative braking drive systems for fleet vehicles such as buses and delivery trucks. The loan is repayable between 2019 and 2020.

Cost less impairment brought forward at 1 January	1,500	-	1,500	-
Purchases	-	1,500	-	1,500
Sales	-	-	-	-

#### Redavia loan receivable

Redavia provide turn-key re-deployable solar farms that reduce reliance on diesel generators and provide low-cost energy, with flexible rental agreements in Africa and Asia. The loan is repayable in full by 2027.

Cost less impairment brought forward at 1 January	400	-	400	-
Movement from non-current to current	(16)	-	(16)	-
Purchases	-	400	-	400
Sales	(16)	-	(16)	-

#### SparkMeter loan receivable

The SparkMeter micro grid metering system enables utilities to implement pre-payment as well as real-time monitoring and control on micro grids and central grids alike. The low-cost system consists of four hardware components, a cloud-based operator interface, and a mobile money or cash-based pre-payment system in order to unlock energy services for the off-grid population. The meters' low cost, makes their use for low-consumption customers economical and the integrated nature of the technology makes it simple to install and operate. The loan is repayable in full by December 2022.

Fair value brought forward at 1 January	-	-	-	-
Purchases	375	-	375	-
Sales	-	-	-	-

#### Factor(E) loan receivable

Factor(E) identify disruptive, high risk technologies to solve critical energy bottlenecks in India and Kenya. They provide risk capital & engineering support – to test, de-risk and attract investment to scale promising solutions, since entrepreneurs working on new technologies often cannot find the technical and investor support they need. The loan is repayable in full by June 2026.

Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	2,500	-	2,500	-
Sales	-	-	-	-
Impairment	-	-	-	-

# Notes to the financial statements (continued) for the year ended 31 December 2016

## 11. Social Investments (continued)

### Programme Related Investments

Non-Current (continued)	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
<b>Gajam Group Limited (Dharma Life) loan receivable</b>				
Operating in India, Dharma Life builds and trains a network of rural entrepreneurs, makes social-impact products accessible in rural markets and conducts innovative campaigns to create market demand. The loan is repayable in full by December 2022.				
Cost less impairment forward at 1 January	-	-	-	-
Purchases	989	-	989	-
Sales	-	-	-	-
<b>Husk Power Systems Inc. loan receivable</b>				
Husk is a leading off-grid utility, providing affordable, reliable and renewable power to rural communities. Operating in India, Tanzania and Kenya it designs, builds, owns & operates grid compatible plants, providing A/C power, which is suitable for all appliances. The loan is repayable in full by September 2026.				
Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	1,300	-	1,300	-
Sales	-	-	-	-
<b>Persistent Energy Capital loan receivable</b>				
Operating in underserved African countries, PEC identifies high potential, early-stage PAYG energy businesses, invests and scales them with critical knowledge, experience and networks in business, governance and financing. This is in order to address access to energy in smaller, or unproven African markets that existing market leaders have no plans to be in. The loan is repayable in full by December 2026.				
Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	500	-	500	-
Sales	-	-	-	-
<b>Buen Manejo del Campo S.A. (Sistema Biobolsa) loan receivable</b>				
Sistema combine manufacturing, sales and service of high quality bio-digester systems with consumer financing to enable affordable biogas solutions for productive use. They create innovative distribution partnerships across Africa and India to reach low income smallholder farmers reducing their fuel/fertiliser cost, enabling clean cooking/ heating and improving access to electricity. The loan is repayable in full by March 2027.				
Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	500	-	500	-
Sales	-	-	-	-
<b>Nomou Iraq Fund</b>				
The principal activities of the Company are to invest in small and growing businesses (SGBs) within Iraq to further employment in the country. The Company was established under a Cooperation Agreement with USAID. GroFin has been chosen as the key strategic partner to further the aims of the Company and manage the distribution of funds to carefully selected SGBs in Iraq. Shell Foundation has had successful relationship with GroFin in a number of ventures for many years.				
Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	3,700	-	-	-
Sales	-	-	-	-
Impairment	(1,256)	-	-	-
<b>Total Non-Current Programme Related Investments</b>	<b>29,313</b>	<b>20,938</b>	<b>26,869</b>	<b>20,938</b>
<b>Mixed Motive Investments</b>				
<b>Non-Current</b>				
<b>Aavishkaar Ventures Management Services – interest bearing convertible debt agreement</b>				
AVMS provides financial products and services in India and Kenya that are focused on people who are in low income communities. Their six areas of special focus have a direct and immediate impact on the lives and livelihoods of low-income consumers. These sectors are: Clean Energy, Agriculture and Rural Business, Financial Services, Water and Sanitation, Healthcare, Education and Vocational Training. Interest bearing convertible debt agreement; convertible into ordinary equity shares on or before 9th anniversary of funding (October 2025).				
Cost less impairment brought forward at 1 January	-	-	-	-
Purchases	10,000	-	10,000	-
Sales	-	-	-	-
Sales	-	-	-	-
<b>Total Non-Current Investments</b>	<b>39,313</b>	<b>20,938</b>	<b>36,869</b>	<b>20,938</b>
<b>Total Current Investments</b>	<b>2,849</b>	<b>3,317</b>	<b>2,849</b>	<b>3,317</b>
<b>Cost carried forward as at 31 December 2016</b>	<b>42,162</b>	<b>24,255</b>	<b>39,718</b>	<b>24,255</b>

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 12. Subsidiary and related undertakings

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are as follows:

Name	Country of Incorporation	Nature of business	Interest				
			Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000	
SF Investment Management Limited	United Kingdom	Investment management			100% ordinary shares		
<b>SF Investment Management Limited shareholding</b>							
Commitment to invest with GroFin Nomou Iraq Fund: A unique integrated solution of patient risk capital (\$ 0.1 million - \$2 million) and end-to-end business support to start-up and growing businesses in Basra, Iraq. Investors: Shell Foundation and USAID.							
Cost less impairment brought forward at 1 January			-	-	3,991	-	-
Purchases			-	-	-	-	4,000
Impairment			-	-	(1,276)	-	(9)
<b>Cost carried forward as at 31 December 2016</b>			<b>-</b>	<b>-</b>	<b>2,715</b>	<b>3,991</b>	<b>-</b>

### 13. Debtors

Note	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
<b>Amounts falling due within one year are:</b>				
<i>Restricted donations non-government related</i>				
Shell Trading International Ltd	-	7,000	-	7,000
<i>Restricted donations government related</i>				
Inter-American Development Bank	2	493	-	493
Department of International Development	2	7,657	7,657	-
United States Agency for International Development	2	1,610	1,610	-
OPEC Fund for International Development	2	700	700	-
<i>Unrestricted Convertible Debt</i>				
Aavishkaar Ventures Management Services	100	-	100	-
<b>Amounts falling due after more than one year are:</b>				
<i>Restricted donations government related</i>				
Department of International Development	1,820	-	1,820	-
United States Agency for International Development	300	-	300	-
<i>Unrestricted debtor</i>				
The Shell Centenary Scholarship Fund	270	-	270	-
<b>Total debtors</b>	<b>12,457</b>	<b>7,493</b>	<b>12,457</b>	<b>7,493</b>

### 14. Cash at bank and on hand

	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
Cash at Bank	18,820	18,031	18,522	14,031
<b>Total cash at bank and on hand</b>	<b>18,820</b>	<b>18,031</b>	<b>18,522</b>	<b>14,031</b>

For the purposes of the cash flow statement, cash includes bank balances, other than cash invested in institutional cash funds, which is classified as an investment.

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 15. Creditors: amounts falling due within one year

	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
Grants Payable	18,121	15,929	18,121	15,929
Trade Creditors – Shell International Limited	6,647	592	6,647	592
Accruals	9	4,306	-	4,297
	<b>24,777</b>	<b>20,827</b>	<b>24,768</b>	<b>20,818</b>

All programme support expenses, investment management costs and Foundation management expenses are initially incurred and paid through Shell International Limited. These expenses are then recharged at cost by invoice from Shell International Limited to the Foundation on a monthly basis. Shell Foundation accruals are booked as payable to Shell International Limited.

### 16. Creditors: amounts falling due after more than one year

	Group 2016 \$000	Group 2015 \$000	Foundation 2016 \$000	Foundation 2015 \$000
Total grants payable	19,208	16,502	19,208	16,502
Less amounts falling due within one year (note 15)	(18,121)	(15,929)	(18,121)	(15,929)
<b>Grants payable falling due after more than one year</b>	<b>1,087</b>	<b>573</b>	<b>1,087</b>	<b>573</b>
Accrual for employee benefit	399	185	399	185
Payable to USAID for Nomou Iraq project	2,703	3,991	2,703	3,991
<b>Total payables falling due after more than one year</b>	<b>4,189</b>	<b>4,749</b>	<b>4,189</b>	<b>4,749</b>
<b>Represented by:</b>				
Grants payable in greater than one year but less than two years	1,087	573	1,087	573
Accrual for employee benefit	399	185	399	185
USAID payable in greater than five years	2,703	3,991	2,703	3,991
	<b>4,189</b>	<b>4,749</b>	<b>4,189</b>	<b>4,749</b>

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 17. Funds

Group	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Transfers \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	442,838	7,808	(348)	(25,152)	17,514	442,660
Unrestricted Funds	29,467	6,654	(20,493)	25,152	-	40,780
Restricted Funds	(5,236)	22,618	(13,689)	-	-	3,693
	<b>467,069</b>	<b>37,080</b>	<b>(34,530)</b>	<b>-</b>	<b>17,514</b>	<b>487,133</b>

Foundation	Balance Bfwd \$000	Incoming Resources \$000	Resources Expended \$000	Transfers \$000	Investment Gain/(losses) \$000	Balance Cfwd \$000
Endowment Funds	442,838	7,808	(348)	(25,152)	17,514	442,660
Unrestricted Funds	29,467	6,654	(20,493)	25,152	-	40,780
Restricted Funds	(5,236)	22,613	(13,702)	-	-	3,675
	<b>467,069</b>	<b>37,075</b>	<b>(34,543)</b>	<b>-</b>	<b>17,514</b>	<b>487,115</b>

Transfers were made between the expendable endowment and unrestricted funds during the year to fund the Foundation's annual activities.

### 18. Analysis of net assets between funds

Group	Note	Unrestricted Funds 2016 \$000	Restricted Funds 2016 \$000	Endowment Funds 2016 \$000	Total 2016 \$000	Total 2015 \$000
<b>Fixed Assets</b>						
Endowment investment (at fair value)	10	-	-	442,660	442,660	442,866
Social investments (at costs less impairment)	11	33,194	6,119	-	39,313	20,938
		<b>33,194</b>	<b>6,119</b>	<b>442,660</b>	<b>481,973</b>	<b>463,804</b>
<b>Current Assets</b>						
Debtors:						
amounts falling due within one year	13	100	9,967	-	10,067	7,493
amounts falling due after one year	13	270	2,120	-	2,390	-
		<b>370</b>	<b>12,087</b>	<b>-</b>	<b>12,457</b>	<b>7,493</b>
Cash at bank and on hand	14	17,622	1,198	-	18,820	18,031
Social investments (at cost less impairment)	11	2,849	-	-	2,849	3,317
Creditors: amounts falling due within one year	15	(12,233)	(12,544)	-	(24,777)	(20,827)
<b>Net Current Assets</b>		<b>8,608</b>	<b>741</b>	<b>-</b>	<b>9,349</b>	<b>8,014</b>
<b>Total Assets less Current Liabilities</b>		<b>41,802</b>	<b>6,860</b>	<b>442,660</b>	<b>491,322</b>	<b>471,818</b>
Creditors: amounts falling due after more than one year	16	(1,022)	(3,167)	-	(4,189)	(4,749)
<b>Net Assets</b>		<b>40,780</b>	<b>3,693</b>	<b>442,660</b>	<b>487,133</b>	<b>467,069</b>

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 18. Analysis of net assets between funds cont.

Foundation	Note	Unrestricted Funds 2016 \$000	Restricted Funds 2016 \$000	Endowment Funds 2016 \$000	Total 2016 \$000	Total 2015 \$000
<b>Fixed Assets</b>						
Endowment investment (at fair value)	10	-	-	442,660	442,660	442,866
Social investments (at cost less impairment)	11	33,194	3,675	-	36,869	20,938
Subsidiary undertakings	12	-	2,715	-	2,715	3,991
		33,194	6,390	442,660	482,244	467,795
<b>Current Assets</b>						
Debtors						
amounts falling due within one year	13	100	9,967	-	10,067	7,493
amounts falling due after one year	13	270	2,120	-	2,390	-
		<b>370</b>	<b>12,087</b>	-	<b>12,457</b>	7,493
Cash at bank and on hand	14	17,622	900	-	18,522	14,031
Social investments (at cost less impairment)	11	2,849	-	-	2,849	3,317
Creditors: amounts falling due within one year	15	(12,283)	12,535	-	(24,768)	(20,818)
<b>Net Current Assets</b>		<b>8,608</b>	<b>452</b>	-	<b>9,060</b>	<b>4,023</b>
<b>Total Assets less Current Liabilities</b>		<b>41,802</b>	<b>6,842</b>	<b>442,660</b>	<b>491,304</b>	<b>471,818</b>
Creditors: amounts falling due after more than one year	16	(1,022)	(3,167)	-	(4,189)	(4,749)
<b>Net Assets</b>		<b>40,780</b>	<b>3,675</b>	<b>442,660</b>	<b>487,115</b>	<b>467,069</b>

### 19. Reconciliation of movement in funds to net cash used in operating activities

	2016 Group \$000	2016 Foundation \$000	2015 \$000
Net movement in unrestricted and restricted funds	20,242	20,242	13,023
Add back transfer from endowment fund	(25,152)	(25,152)	(21,513)
Add back impairment	3,989	3,989	-
Increase in net debtors – unrestricted & restricted funds	(5,082)	(5,082)	4,877
Increase in net creditors – unrestricted & restricted funds	3,165	3,167	(2,345)
<b>Net cash used in operating activities</b>	<b>(2,838)</b>	<b>(2,836)</b>	<b>(5,958)</b>

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 20. Financial Instruments

The Group and the Foundation have the following financial instruments:

Group and Foundation	Note	2016 \$000	2015 \$000
<i>Financial assets at fair value through the SOFA</i>			
- Endowment	10	442,660	442,866
		<b>442,660</b>	442,866
<i>Financial assets that are debt instrument measured at amortised cost</i>			
- Debtors	13	9,967	7,493
		<b>9,967</b>	7,493
<i>Financial assets that are debt instrument measured at cost less impairment</i>			
- Programme related investment – responsibility Loan	11	2,000	2,000
- Programme related investment – Lightning Hybrids Loan	11	1,500	1,500
- Programme related investment – Redavia Loan	11	384	400
- Programme related investment – SparkMeter Loan	11	375	
- Programme related investment – Factor(E) Loan	11	2,500	
- Programme related investment – Gajam Group Ltd (Dharma Life) Loan	11	989	
- Programme related investment – Husk Power Systems Inc. Loan	11	1,300	
- Programme related investment – Persistent Energy Capital Loan	11	500	
- Programme related investment – Buen Manejo del Campo S.A. (Sistema Biobolsa) Loan	11	500	
- Mixed motive investment – Aavishkaar Ventures Management Services convertible debt agreement	11	10,000	
		<b>20,048</b>	3,900
<i>Financial assets that are equity instrument measured at cost less impairment</i>			
- Programme related investment – GroFin Africa Fund	11	5,888	10,024
- Programme related investment – GroFin SGB Fund	11	9,250	4,800
- Programme related investment – Envirofit	11	4,532	5,531
- Programme related investment – Nomou Iraq Fund	11	2,444	
		<b>22,114</b>	20,355
<i>Financial liabilities at fair value through the SOFA</i>			
-			
<i>Financial liabilities measured at amortised costs</i>			
- Creditors and accruals	15,16	(28,966)	(25,576)
		<b>(28,966)</b>	(25,576)
<i>Other financial liabilities measured at fair value</i>			
- Contingent liabilities	25	(3,500)	(1,500)
		<b>(3,500)</b>	(1,500)

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 21. Derivative financial instruments

The Foundation holds an endowment which uses derivative financial instruments to hedge exposures. Although the derivative financial instruments entered into for hedging purposes are linked to the underlying transactions of the endowment, they do not meet the criteria for hedge accounting as the hedging relationships do not consist of hedging instruments and hedged items that meet certain criteria, and thus do not qualify for hedge accounting. They have been classified as non-hedging instruments in the below table.

	Contractual Notional Amount \$000	Fair value	
		Asset \$000	Liability \$000
<b>2016</b>			
Non-hedging instruments			
- Foreign exchange contracts	72,560	2,031	(697)
<b>Total</b>		<b>2,031</b>	<b>(697)</b>
Less: current portion		(2,031)	697
<b>Non-current portion</b>			
Non-hedging instruments			
- Foreign exchange swaps	-	-	-
<b>Total</b>		-	-
Less: current portion		-	-
<b>Non-current portion</b>			
Non-hedging instruments			
- Foreign exchange swaps	-	-	-
<b>Total</b>		-	-
Less: current portion		-	-
<b>Non-current portion</b>			
Non-hedging instruments			
- Foreign exchange contracts	64,176	1,222	(28)
<b>Total</b>		<b>1,222</b>	<b>(28)</b>
Less: current portion		(1,222)	28
<b>Non-current portion</b>			
Non-hedging instruments			
- Foreign exchange swaps	-	-	-
<b>Total</b>		-	-
Less: current portion		-	-
<b>Non-current portion</b>			

### 22. Capital commitment

The Foundation had the following capital commitments as at 31 December 2016:

GroFin SGB Fund \$5.8 million (2015: \$10.2 million) and Nomou Iraq Fund Nil (2015: \$4 million).



## Notes to the financial statements (continued) for the year ended 31 December 2016

### 23. Capital

The Foundation is a company limited by guarantee. The sole member has undertaken to contribute \$1 to the assets of the Foundation to meet its liabilities if called on to do so.

### 24. Related party transactions

The sole member of the Foundation is The Shell Petroleum Company Limited (SPCo). The ultimate parent company of SPCo is Royal Dutch Shell plc. The Foundation's investment manager is Shell Asset Management Company (SAMCo), which is also a subsidiary of Royal Dutch Shell plc. During the year the Foundation made payments of \$231,506 (2015: \$190,988), related tax accrued \$44,026, and generated accrued investment management costs of \$58,662 (2015: \$52,709), related tax accrued \$11,732, on normal business terms with SAMCo.

During the year the Foundation made payments of \$1.9 million (2015: \$1.5 million) and generated accrued costs of \$7.0 million (2015: \$4.5 million) on normal business terms with Shell International Limited.

Of the Foundation's current or former Trustees listed on page 3, the following are or were directors or officers of certain Shell Group companies: Ms Sinead Lynch, Mr Maarten Wetselaar, Mr Andrew Brown, Mr Malcolm Brinded and Mr Ben van Beurden. The Shell Group has other charitable affiliates that are not formally related to the Foundation, such as The Shell Centenary Scholarship Fund in the UK and the Shell Oil Foundation in the USA.

Donations received included the following as disclosed in Note 2:

Entity Name	2016 \$000	2015 \$000
Shell Trading International Ltd	-	6,000
Shell Energy Europe Limited	6,000	-

As part of Shell Foundation's approach as an engaged donor, Shell Foundation staff members often participate in the governance of strategic partners to maintain strength and skills of the Board. None of the Shell Foundation employees who serve on the Boards of these partners receive any remuneration for these duties. Position of influence of key management personnel, Sam Parker – Shell Foundation Director, Judith Pollock – former Deputy Director, Pradeep Pursnani – Deputy Director, during the 2016 year were:

Shell Foundation Key Management Personnel	Organisation's Name	Position	Grant 2016 \$000	Grant 2015 \$000	Outstanding Liability 2016 \$000	Outstanding Liability 2015 \$000	Notes
Sam Parker (Judith Pollock until 11/2016)	Stichting Smart Freight Centre	Board Member	1,100	1,300	-	-	
Pradeep Pursnani	Gajam Group Limited	Member of the Advisory Board	20	2,200	200	1,100	
Pradeep Pursnani	IntelleGrow	Board Member	-	1,000	400	700	Intellecap Advisory Services is a SF Grantee that belongs to the IntelleGrow Group of Companies.
Pradeep Pursnani	BIX Fund Management BV	Board Member	-	200	-	100	
Pradeep Pursnani	Husk Power Systems Pvt.	Board Member	1.6	800	400	200	

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 24. Related party transactions (continued)

Shell Foundation Key Management Personnel	Organisation's Name	Position	Grant 2016 \$000	Grant 2015 \$000	Outstanding Liability 2016 \$000	Outstanding Liability 2015 \$000	Notes
Pradeep Pursnani	Factor(E) Ventures Limited	Board Member	500	-	-	-	
Pradeep Pursnani	Factor(E) Ventures PBC	Board Member	1,400	-	100	-	
Pradeep Pursnani	Envirofit International Inc.	Board Member	400	-	300	-	
Pradeep Pursnani	responsAbility Energy Access Fund	Board Member	-	-	-	350	
Pradeep Pursnani	SparkMeter	Board Member	700	1,300	300	200	
Pradeep Pursnani	d.light	Observer	1,700	-	1,200	-	
Pradeep Pursnani	Redavia	Observer	1,700	1,100	500	-	
Pradeep Pursnani	GroFin Nomou (MENA)	Member of the Advisory Committee	-	-	-	830	
Pradeep Pursnani	GroFin Africa Fund, GroFin SGB Fund and GroFin Nomou (MENA)	Member of the Advisory Committees	300	100	300	100	GroFin Managers is a SF Grantee that belongs to the GroFin Group of Companies.

Shell Foundation Key Management Personnel	Organisation's Name	Position	SF Involvement
Pradeep Pursnani	Envirofit International Inc	Board Member	Following the dilution in the first half of 2016, by a \$3 million FMO investment in Envirofit and the concurrent redemption of \$1 million SF shareholding; SF holds 15.5% of the outstanding shares of Envirofit International Inc as at year end. (2015: purchase of shareholder equity of \$5.5 million)
Pradeep Pursnani	responsAbility Energy Access Fund	Member of the Board of Directors	Investment of \$2 million at the 2016 year-end (2015: \$2 million)
Pradeep Pursnani	GroFin SGB Fund	Member of the Advisory Committees	Investment of \$9.25 million in GroFin SGB Fund at the 2016 year-end (2015: \$4.8 million)
Pradeep Pursnani	GroFin Africa Fund	Member of the Advisory Committees	Investment in GroFin Africa Fund of \$5.9 million at the 2016 year-end (2015: \$10 million)
Pradeep Pursnani	Aavishkaar Venture Management Services Private Limited, part of The Aavishkaar-Intellectap Group	Board member	Convertible Debt Agreement of \$10 million (2015: nil)
Pradeep Pursnani	BIX Fund Management BV	Board Member	Six year financial guarantee of \$2 million to Calvert Social Investment Foundation Inc. for pre-funding of the BIX carbon fund via Cardecho (2015: nil)
Pradeep Pursnani	Envirofit International Inc.	Board Member	In October 2012, Shell Foundation offered a seven year financial guarantee of \$1.5 million to Calvert Social Investment Foundation Inc. to cover a \$3 million loan facility to Envirofit International Inc. As of December 2015, Envirofit International Inc. had drawn down \$3 million of this loan.
Pradeep Pursnani	Husk Power Systems	Board Member	Loan Receivable \$1.3 million (2015: nil)
Pradeep Pursnani	Factor(E) Ventures PBC	Board Member	Loan Receivable \$2.5 million (2015: nil)

## Notes to the financial statements (continued) for the year ended 31 December 2016

### 24. Related party transactions (continued)

Shell Foundation Key Management Personnel	Organisation's Name	Position	SF Involvement
Pradeep Pursnani	Redavia	Observer	Loan Receivable \$0.4 million (2015: \$0.4 million)
Pradeep Pursnani	Gajam Group Limited	Member of the Advisory Board	Loan Receivable \$1.0 million (2015: nil)
Pradeep Pursnani	SparkMeter	Board Member	Loan Receivable \$0.4 million (2015: nil)

### 25. Guarantees and contingent liabilities

At any time the Foundation may be in discussion with potential grantees or may even have made formal offers of grants to grantees, which are pending their acceptance.

In October 2012, Shell Foundation offered a seven year financial guarantee of \$1.5 million to Calvert Social Investment Foundation Inc. to cover a \$3 million loan facility to Envirofit International Inc. As of December 2015, Envirofit International Inc. had drawn down \$3 million of this loan. In Q3 2016, Shell Foundation committed to a six year financial guarantee of \$2 million to Calvert Social Investment Foundation Inc. The guarantee is capped at \$2 million in aggregate and is in two parts – firstly a \$2 million guarantee to Calvert for pre-funding of the BIX carbon fund via Cardecho, and secondly \$2 million to Cardecho guaranteeing carbon credit instalments from Envirofit, which in part will be used to repay the Calvert pre-finance loan.

### 26. Post balance date events

The Foundation have not engaged in post balance date transactions outside of normal business transactions.