ROBECO

Royal Dutch Shell, Annual General Meeting 2020

Meeting type	Shareholder Engagement Event and Annual General Meeting
Date	12.00 AM 13 May and 10.00 A.M., 19 May 2020
Location	Online event and Circustheater, The Hague
Spokesperson	Michiel van Esch (Robeco)
Proxy speaking rights	APG, Aegon Nederland, Kempen, MN, NNIP and PGGM

	Agenda items	**Vote**	**Result %**
1	Accounts and Reports	F	98,74
2	Remuneration Policy	F	92,91
3	Remuneration Report	F	95,44
4	- Elect Dick Boer	F	99,10
5	- Elect Andrew Mackenzie	F	99,20
6	- Elect Martina Hund-Mejean	F	99,19
7	- Elect Ben van Beurden	F	99,14
8	- Elect Neil Carson	F	97,97
9	- Elect Ann Godbehere	F	99,16
10	- Elect Euleen Goh	F	99,02
11	- Elect Charles O. Holliday	F	94,95
12	- Elect Catherine Hughes	F	99,02
13	- Elect Sir Nigel Sheinwald	F	98,98
14	- Elect Jessica Uhl	F	98,97
15	- Elect Gerrit Zalm	F	99,01
16	Appointment of Auditor	F	99,49
17	Authority to Set Auditor's Fees	F	99,68
18	Authority to issue shares w/ Preemptive Rights	F	97,58
19	Authority to issue shares w/o Preemptive Rights	F	99,50
20	Authority to Repurchase Shares	F	97,71
21	Shareholder proposal regarding GHG reduction targets (to be withdrawn)	Abst	14,39

Report Shell Shareholder Engagement Event (Pre-AGM) 13th of May

I would like to thank board and management for their continued engagement with institutional investors.

We believe that Shell continues to show leadership across the industry with the updated climate ambition. We welcome that ambition, and our message is similar as in previous AGM's. It remains important to show investors how concrete actions translate into achieving that ambition. In 2018 a framework was introduced that translates the long term ambition into short term targets and clear reporting on progress. We expect Shell to translate the new ambition into that framework.

• Shell has defined 7 levers that facilitate meeting its NCF ambition. It is important for investors to understand specific contribution of these levers to the NCF and how far they have been pulled. Can we expect reporting on this in the coming progress updates?

The CEO briefly explains the 7 levers and explains that Shell will be reporting on the progress. "Indeed, as we progress on the journey in step with society towards Paris, you can expect us to report in more detail on how far we have pulled these individual levers that are available to us, but are also available to our customers. I should also say that we don't expect these levers to all work in perfect harmony or in a sort of predetermined matter or ratio. They will have to be pulled at different speeds depending on what is commercially or societally available but in the end my expectation is that we have to pull all these levers and we have to pull them quite far and fast."

• Can you elaborate on the pivot towards net zero business together with clients? How will you track progress and measure impact of these initiatives? Will you develop requirements for doing business with Shell?

The CEO explains that in order to move to a low carbon society working with customers is crucial. In order to meet Shell's ambition, the entire value chain needs to decarbonize. There are several initiatives already taking place including a collaboration with Mission Possible, and a set of sectorial initiatives. The CEO stresses the point that in 2050 Shell will no longer be engaged in any business that has carbon or greenhouse gas emissions associated - all the way from the start to the end of the supply chain. An accounting and reporting framework for customers still needs to be developed. Shell points out that conversations with investors play an important role in this.

We also thank the Chairman of the Remuneration Committee for his openness to investor feedback, for example by reducing the volatility of outcomes of the LTIP in the executive remuneration policy.

The climate ambition is part of the long term incentive plan. The climate change component accounts for 10%, and the NCF is only quarter of that. We encourage Shell to increase the weight of the climate component and the NCF in future target setting, can you respond to this ask?

The Chairman of the remuneration committee thanks us for our feedback and goes on to explain that we should not see the NCF as only a quarter of the climate change *component. Shell has set a first short term NCF target of 2-3% reduction by 2021. Apart from the NCF target, various current projects to support that reduction have been added to facilitate the NCF reduction over the longer run. They should not be seen as separate formulaic components. As Shell is still in the first performance period of this metric and not all investors are confident in the metric yet, Shell first wants get more confident in using this component. It will gradually grow after that.*

Additional Questions Q&A (opt-in members) :

• In order to understand how the company is translating its climate ambitions into concrete actions, it would be great to better understand what the effect is on the CAPEX plans in renewables. How do the new commitments impact the capital allocation expenditure plans of Shell? How will Shell determine whether a potential new investment is in line with Paris?

The CFO makes a couple of points to this question. First of all, the climate ambition is addressed via capex allocation but also through operational expenditures. Additionally, the new energies business is only part of the initiatives needed to move Shell through the energy transition. Initiatives in chemical lubes and marketing are also relevant. In order to understand how they are facilitating to meet their strategy one would have to look beyond what is spend on new energies. Several portfolio changes will be accelerated in order to move through the climate transition. Alignment with Paris is part of Shell's strategy and the board closely assesses how investments contribute to these objectives. There are a set of financial, value based and ESG guidelines that are used for capital allocation.

• Will Shell disclose how its updated climate ambition to reach net-zero by 2050 is planned to be achieved for the three underlying components (NCF reduction 65% by 2050; helping clients to net-zero by 2050 or sooner; own operations to net-zero by 2050 or sooner) in order for investors and other stakeholders to understand what progress needs to be made?

The CEO explains that on scope 1 and 2 the answer is relatively straight forward: pro can be made by being more efficient, using lower carbon energies and using off-sets. Progress is reported already in their sustainability report. Scope 1 and 2, however are only a small part of the entire picture. Scope 3 emissions, the emissions associated with use of their products, has a much larger impact. Shell addresses reductions with set of measures. The first focus is the carbon footprint, with which they try to reduce the carbon intensity of products sold as much as possible. A second step also needs to be made working together with their clients that the remainder of the carbon in products sold reaches a net zero emission station. That requires working together as it also depends on the demand function of the use of their products by their clients. Therefore, at this time they cannot give an exact breakdown of the contribution between al these measures, because they are so related.

The chair of the audit committee explains some of the initiatives that have taken place in order to assess validity of methodology, tracking progress and data integrity in order to meet their reporting commitments on the progress of the climate ambition.

- What is the impact of the raised NCF ambition on the share of upstream oil production in the energy mix of Shell in 2050? Will this decline compared to current numbers? Can Shell provide some indication (on the development) of the expected energy mix in/towards 2050?

The CEO points out that it is important to make a distinction between the product mix of what the company gets out of the ground via extraction and the carbon intensity of products sold. Those are not the same thing. The intensity target is set at a reduction of 65% and that is also what the IPCC believes to be needed to be the mix of energy in order to achieve a below 1.5 degrees in time. Two thirds of their energy mix will have to change into solutions like no-carbon biofuels, no-carbon hydrogen etc. That means that Shell will have to reduce oil and gas production over time and shift their investments to lower carbon energies. "Exactly how that mix will play out – how much hydrogen, how much bio, even how much oil or how much gas will very much depend, of course, on how the sectors of the economy will be able to absorb all these changes."