

REPORT OF THE AGM
23 MAY 2017
ROYAL DUTCH SHELL PLC

Agenda AGM, 23 May 2017

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21.	Shareholder resolution	Resolution

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STATEMENT in relation to agenda item 21. Shareholder Resolution

Introduction:

My name is Sylvia van Waveren and I represent here today Aegon and Robeco.

Shell has received a resolution by Follow This, a group of Shell shareholders that supports Shell to take leadership in the energy transition to a net-zero emission energy system. The Follow This shareholder resolution requests that the company publishes company-wide greenhouse gas (GHG) emission reduction targets that are aligned with the goal of the Paris climate agreement to limit global warming to well below 2 degrees C, according to the following 3 scopes:

○ Scope 1: direct emissions from the facilities under Shell's operational control or the equity boundary (for Shell these come from flaring of natural gas, methane emissions, and carbon dioxide vented from its refineries.
○ Scope 2: indirect emissions from the facilities of others that provide electricity or heat and steam to Shell's operations (for Shell these come from the power that it purchases across the group and the steam it buys for refineries.
○ Scope 3: emissions that Shell estimates come from the use of Shell's refinery products and natural gas products (for Shell these come from the combustion of its natural gas in power generation and industry, and the consumption of its liquid fuels products in the automotive and other transport sectors.

Our Statement:

This shareholder proposal contained a number of elements to consider for determining our voting behavior and we have had several meetings in the past month, both with Follow This and with Shell's board and management, discussing all the elements in full.

What we have seen during this process is the following:

- Shell reports its scope 1, 2 and 3 emissions. Emissions from operational assets (Scope 1 and 2) are less major compared to the emissions from scope 3.
- Shell has carbon reduction targets – but these are at individual project or asset level and are not fully disclosed.
- Shell's new remuneration policy includes GHG targets (reducing GHG emissions in 3 key areas: flaring, refining, chemicals), however they cover only about 60% of Shell's scope 1 emissions.
- Some peers of Shell (Total, Statoil) do provide reduction targets on Scope 1 and 2.
- For many years the Eumedion participants have encouraged Shell to not only report on greenhouse gas emissions, but to also establish group wide operational (scope 1 + 2) greenhouse gas reduction targets.
- Despite these years of engagement, Shell does not yet show enough progress in formulating a long-term vision on the transition towards a carbon-neutral economy and in adopting group-wide targets on emissions reductions.

Eumedion members have evaluated the resolution carefully and this has led to a range of outcomes. Some institutional investors have opted to vote For, some to Abstain, and some to vote Against the resolution.

The main reason for voting For or Abstaining on this shareholder resolution is that investors are discouraged by Shell's reaction to the Follow This resolution. This because there are many elements of the resolution that they would strongly support such as: the urgent need for leadership of Shell in the energy transition and the setting of group wide operational carbon emissions reduction targets. For this reason Aegon has abstained..

Robeco has voted Against. Main reasons for this is that we consider the emission reduction target on scope 3 to be a bridge too far. The carbon emissions from the use of Shell's products by consumers and clients (Scope 3) are outside the managerial sphere of Shell. Reducing scope 3 emissions could seriously impair the business and reduce the necessary room for maneuver for playing an active role in the energy transition. Shell's ability to produce solutions for Shell's clients to implement the Paris Agreement risks being hampered by a reduction target on scope 3.

However, our votes/standpoints are with the following urgent message to Shell's Board:

- Shell does not show enough progress in formulating a long-term vision on the transition towards a carbon-neutral economy and in adopting group-wide targets on operational emissions reductions.
- investors need a clearer statement concerning Shell's expected leadership in the energy transition, the intended pace of Shell's transition to a lower carbon portfolio, and the actions to be taken by the company.
- we expect the company to show to us a clearer description of quantifiable and time-bound sustainability goals and ambitions, which will enhance our ability to judge Shell's progress in the energy transition better. Shell's own External Review Committee expressed this as well.
- In this regard we particularly mention that we are very supportive of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD, soon to be finalized). TCFD not only recommends the disclosure of Scope 1, Scope 2, and scope 3 greenhouse gas emissions. -we recognize that Shell already provides much of this-. But TCFD also recommends to describe the targets used by the company to manage climate-related risks and opportunities, and report the performance against these targets. And we would like to see more coming from the company on this in the form of group wide targets on scope 1 and 2.

We strongly call upon Shell to embrace the TCFD recommendations whole heartedly.

Thank you.