

Royal Dutch Shell plc (“Shell”) Annual General Meeting 2021

Type of meeting	AGM
Date	10:00h CEST, May 18th 2021
Location	Virtual Shareholder Meeting
Speaker	Michiel van Esch (Robeco)
Opt-in members	

Attendance AGM 48.19% of outstanding stock represented

		Result (%)		
	Agenda items	Vote	F	A Ab
1	Receipt of Annual Report & Accounts	F	97.15%	
2	Approval of Directors’ Remuneration Report	F	95.86%	
3	Appointment of Jane Holl Lute	F	98.78%	
4	Reappointment of Ben van Beurden	F	95.27%	
5	Reappointment of Dick Boer	F	98.50%	
6	Reappointment of Neil Carson	F	97.80%	
7	Reappointment of Ann Godbehere	F	98.48%	
8	Reappointment of Euleen Goh	F	98.51%	
9	Reappointment of Catherine Hughes	F	98.60%	
10	Reappointment of Martina Hund-Mejean	F	98.66%	
11	Reappointment of Sir Andrew Mackenzie	F	99.62%	
12	Reappointment of Abraham (Bram) Schot	F	99.64%	
13	Reappointment of Jessica Uhl	F	97.77%	
14	Reappointment of Gerrit Zalm	F	96.46%	
15	Reappointment of Auditors	F	98.43%	
16	Remuneration of Auditors	F	99.79%	
17	Authority to allot shares	F	97.16%	
18	Disapplication of pre-emption rights*	F	99.39%	
19	Authority to purchase own shares*	F	98.10%	
20	Shell’s Energy Transition Strategy	F	88.74%	
21	Shareholder Resolution*	Ab	30.47%	

My name is Michiel van Esch, I work for Robeco and today I speak on behalf of a group of institutional investors including: Robeco, APG, BMO Global Asset Management, PGGM, NNIP, MN and van Landschot Kempen.

First of all, I would like to thank management and the board for their ongoing discussions with us on a variety of topics including strategy, remuneration and climate change. We specifically would like to thank the Chairman of the Board, Mr. Holliday, for his open conversations with us over the last couple of years. We also would like to wish Mr. Mackenzie the best of luck as his successor, and we look forward to continuing our constructive dialogue in the future.

Over the last couple of years, I have attended Shell's AGM with the same basic message; that Shell has an important role to play in mitigating climate change, and that it is of the utmost importance that the company is clear on how it aims to achieve its energy transition targets in the long run by showing plans, actions, targets and progress in the short run.

The energy transition strategy report aims to do that, and we believe that the company has shown leadership by being one of the first companies in the sector with a Say on Climate vote. The report allows us to better understand the steps the company is taking throughout its transition. We expect that a recurring shareholder vote is an effective way for shareholders to monitor progress and to have a more content oriented discussion on progress. We appreciate that this is a next step in terms of accountability towards shareholders. Still, most of the plans require significant action in the coming years. In that context I have a couple of questions and comments.

- In recent weeks there has been discussion around the auditor's observation that Shell's operating plan and pricing assumptions do not yet reflect the 2050 net-zero emissions target as Shell has put it forward. We do understand that the audit procedures are primarily backward-looking, and Shell's target is forward looking. Yet, for us verification of progress is an important component of the credibility of the climate target. I have two questions related to this:
 - What actions will Shell undertake in the coming years to achieve verification that plans are aligned with its climate targets, in first instance the 2030 target?
 - What mandate has Shell given its auditor in relation to verification of its operating plan and price assumptions in relation to its climate transition strategy and targets? We also welcome the auditor to explain what triggered his observation, if possible, during this AGM.
- My next question relates to an updated target by the EU to cut emissions by 2030 by 55% compared to 1990 absolute levels. We also see recent appetite for enhanced targets in other nations. Shell's plans specify an intermediary target of 20% carbon intensity reduction by 2030. As Shell has repeatedly mentioned to align its progress with society, does management see a need to already further increase its targets in the intermediate term? Can you also explain what Shell expects to be its absolute emissions in 2030 if it meets its current intensity targets?

We appreciate that Shell has shown leadership in the sector by asking shareholder's advice and for providing further detail to its climate strategy. It is understandable that Shell's strategy will require updating and changes throughout the years to address changes in expectations, demand and regulations. It is critical to get things done in the short term. A challenge in monitoring progress for Shell's plan is that a 20% intensity reduction is targeted for 2030, but 80% of reductions still need to happen between 2030 and 2050.

Therefore, in coming progress reports we expect Shell to explain what it has already achieved in progress for their energy transition strategy, but also to be concrete on what still needs to happen. As shareholders we need a realistic and concrete projection of how net zero can be achieved. We expect Shell to continue to make further progress in the next years and we are looking forward to those coming reports.

- My final question relates to Shell's operations in Nigeria and recent court rulings. Can Shell guarantee shareholders, also in line with recent court rulings on Shell's duty of care, that it will do all that is necessary to ensure a satisfactory conclusion for all stakeholders in relation to its activities in Nigeria, so that the company will not be haunted by the situation in the Niger Delta for years to come? Also, could you elaborate on lessons learned in that regard? And how will the lessons learned be used to further promote and respect the rights of local communities across all operations?

Responses Shell: The auditor mentions that throughout our audit assessment, they have provided considerable transparency on the reasoning behind their statements. The auditor reported to the audit committee that we did not see Shell understate assets or overstate liabilities. The auditor explained that there is a difference between setting a climate strategy and having Paris-aligned accounts. Their current operating plan do not yet reflect the emissions targets, but that does not mean that the auditor is second guessing management on their strategy or the quality of forward-looking plans. That is out the remit of the auditor's mandate.

During several occasions in the AGM Shell have pointed out that their absolute emissions have peaked in 2018 and will further decrease over time. In relation to our question the CEO wants to clarify why an intensity target is the most relevant for their strategy, also for the intermediate term. If society wants to achieve Net-Zero three things should be done: 1) change the demand for energy, 2) reduce the amount of carbon for the energy that we still use, and 3) offset the emissions that are still there. The second and third components are more in control of Shell than the first component. Shell is working on a set of collaborative industry initiatives to affect entire value chains so that energy demand will change. These projects are still in their infancy and therefore it will take some time for the impact of the demand component to overtake the effects of the other two components. Yet once the change in demand is realized the effect will be very significant on the progress that can be made.

Shell's legal counsel explains the challenges in relation to Nigeria. In recent years, courts have ruled in favour of Shell in most cases. Shell expresses its disappointment with the loss of two cases brought to the UK and Dutch courts. The company does everything in its power to prevent oil spills in Nigeria but could not yet explain how it would need to change its approach based on the rulings.

In relation to lessons learned, the CEO points out that the company has great staff in Nigeria that work under very hard conditions, to protect infrastructure integrity and to clean up spills. At the same time a lack of law and order in the country means that Shell cannot solve several of the ongoing risks. Therefore, Shell had concluded that the operations in Nigerian do not match Shell's risk appetite. The CEO also points out that the company cannot solve community problems in the Niger delta. These are problems that the Nigerian government should fix. Shell is currently in conversations with the Nigerian government about the next steps in relation to withdrawal.