

Royal Dutch Shell 2018 AGM Statement by a group of IIGCC members

Mr Chairman, members of the Board, Fellow Shareholders.

This statement and question is supported by the following shareholders:

NN Investment Partners	Aviva Investors
HSBC Global Asset Management	Elo Mutual Pension Insurance Company
BMO Global Asset Management	UBS Asset Management
AXA Investment Manager	Natixis Asset Management
Rathbone Greenbank Investments	P+(DIP/JOEP)
BNP Paribas Asset Management	LGIM
CCLA	AberdeenStandard
Central Finance Board of the Methodist Church	PKA
Aegon	SEB Asset Management
Merseyside Pension Fund	Ruffer
USS	CalPERS
AP4	MN
Newton Investment Management	TPT Solutions

Collectively we represent \$7.8 trn in assets under management

Additionally, we are making this statement as supporters of the Climate Action 100+, an investor initiative that aims to partner with companies to enhance corporate governance of climate change, curb emissions and strengthen climate-related financial disclosures at companies with great opportunities to tackle climate change.

To date, over 260 investors with over USD \$28 trillion in assets under management have signed up to support the initiative, equivalent to nearly one third of all assets under management.

Mr Chairman,

As long-term institutional investors who must manage retirement savings and investments for millions of people, we believe climate change to be one of the largest systemic risks we face. Any gaps, weaknesses or delays in climate change policies and responses by companies will increase these risks to our investments.

The Climate Action 100+ is a new five-year, investor-led initiative to partner with investee companies to conclusively tackle these risks and take up the opportunities presented by climate change.

You will be aware that Royal Dutch Shell has been included within the initial scope of the Climate Action 100+ on the basis of its combined scope 1, 2 and 3 greenhouse gas emissions, as compiled and modelled by CDP, relative to other companies worldwide. IIGCC members have benefitted from

a long standing engagement on climate change with the Board, and the IIGCC is now working to implement the European Engagement programme under the Climate Action 100+

Mr Chairman, at the 2015 AGM, over 98% of shareholders backed calls for enhanced reporting from the company on the risks that climate change poses to the business. It was the opinion of many shareholders that the success of this resolution provided a sufficient framework for the company to provide more robust evidence of its efforts to address the effects climate change could have on the value of the company. We note that subsequent shareholder resolutions on climate change have failed to gain significant support.

At last year's AGM, we outlined broad and robust support for target setting on climate matters among investors, notwithstanding the inability of many to support the shareholder resolution. We asked the company to commit to setting a public group-wide emissions target on its direct emissions and also to clarify how it takes into account of emissions from the use of its products in ensuring that its strategy is sufficiently flexible to adjust to lower carbon scenarios.

Having posed this challenge, we were greatly encouraged by the announcement made by the company in November 2017 that it will seek to reduce the Net Carbon Footprint of its energy products by around 20% by 2035, and to deliver cuts consistent with societal ambition (currently embodied in the Paris Agreement) by 2050.

Mr Chairman, this move is genuinely innovative and sector leading. It is clear that companies like Shell must take their share of responsibility for the impacts of their products, and we acknowledge the truly pioneering step taken by management to set reduction ambitions not just in its operations, but through the final use of its products. We congratulate the board and the management team for taking this step not merely because targets are useful tools – but more importantly as it sets out the broad parameters of a long term sustainable business model through which the company can survive the energy transition. The leadership demonstrated is to be congratulated.

We note the presence of a shareholder resolution on the topic of targets once again this year. Whilst some investors have decided to support the resolution, others consider that the company's ambition to be more progressive and having potential to catalyse a radical shift in target setting across its peer group.

However, investors would greatly value increased clarity regarding two elements of the 'Net Carbon Footprint' ambition in particular. First, a major question exists around the company's stated desire for its NCF to 'track societal ambition'. The challenge of climate change remains imminent and severe. Whilst societal ambition embodied in the Paris Agreement provided a vital foundation for coordinated global action, without further refinement and improved target setting at a national level, the world will run perilously close to its carbon budget.

Therefore Mr Chairman, whilst the Board has our support in the implementation of the NCF tool, we ask that the company commit to influencing and pushing societal ambition - not merely tracking it.

Further, we note that for some investors the choice of language was significant. Whilst the Board has chosen a framing for the NCF to be an 'ambition', there are those investors who prefer the arguably more concrete request for a 'target' in the shareholder resolutions. Although the reasons for choosing the looser framing of an 'ambition' out to 2030 are noted, the investors supporting this statement are clear that firm targets to which the company is accountable in the public sphere are necessary and desired. It is widely understood by all stakeholders that long-term targets are subject

to changing circumstance and as such we do not consider the company's caution to be necessary. In order for the NCF to be successful it must deliver clarity for investors – clarity regarding the investment proposition of the company in 2030, and 2050. Without such clarity, we feel the benefits of the NCF are somewhat diluted.

In conclusion Mr Chairman, we applaud the ambition stated on NCF, and indeed challenge all other Oil and Gas companies to follow suit; but we call for this ambition to be translated into firm medium and short term targets, aligned with the Paris Agreement, driving sustainable capital allocation decisions to be made in the vital 2020-2030 period.