Resolution at 2017 AGM of Royal Dutch Shell plc (“Shell”)

SPECIAL RESOLUTION

Shareholder Resolution

Shareholders support Shell to take leadership in the energy transition to a net-zero-emission energy system. Therefore, shareholders request Shell to set and publish targets for reducing greenhouse gas (GHG) emissions that are aligned with the goal of the Paris Climate Agreement to limit global warming to well below 2°C.

These GHG emission reduction targets need to cover Shell’s operations as well as the usage of its products (scope 1, 2, and 3), they need to include medium-term (2030) and long-term (2050) deadlines, and they need to be company-wide, quantitative, and reviewed regularly.

Shareholders request that annual reporting include further information about plans and progress to achieve these targets.

Supporting Statement

This shareholder resolution is intended to express shareholder support for a course towards a net-zero-emission energy system. The why of a course towards a net-zero-emission energy system is clear: increasing costs of the extraction of fossil fuels, decreasing costs of generating renewable energy, and the global political pledge to stop global warming. The how and the what are up to the management of Shell. It is up to them to set GHG emission reduction targets and to develop activities to attain these targets.

This supporting statement serves to offer rationale, elaborate on transparency, and recommend metrics to align these targets with the Paris Climate Agreement.

Context

- In Paris, in December 2015, during the twenty-first Conference of the Parties (COP21), representatives of 195 countries reaffirmed the goal of limiting global temperature increase to well below 2°C above pre-industrial levels and agreed to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. COP21 also agreed to aim for a global net-zero-emission energy system.
- In May 2015, by means of a shareholder resolution submitted by the Aiming for A investor coalition, shareholders directed that annual reporting will include information relating to climate change, such as emissions management, asset portfolio resilience, and investment strategies. Setting further targets on scopes 1, 2, and 3 is the next step.
Shareholder resolution Shell
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- Major institutional investors have announced that they will drastically cut the carbon footprint of their investment portfolios with the aim of reducing the climate risks in them.

Transparency

We the shareholders request that the company publish company-wide greenhouse gas (GHG) emission reduction targets according to the following 3 scopes:
- Scope 1: direct emissions from the facilities under Shell’s operational control or the equity boundary,
- Scope 2: indirect emissions from the facilities of others that provide electricity or heat and steam to Shell's operations,
- Scope 3: emissions that Shell estimates come from the use of Shell's refinery products and natural gas products.

In order to align its emission reduction targets with a well-below-2°C pathway, we request the company to base these targets on tangible metrics such as the Intended Nationally Determined Contributions (INDCs), or to use any other metrics the company finds practical to align its targets with a well-below-2°C pathway. For example, the INDC of Europe calls for 40% emission reduction by 2030 and 80-95% by 2050, relative to 1990 levels. While the combined INDCs are not enough to get on a well-below-2°C pathway, these commitments may be ratcheted up. The company could use metrics of the Intergovernmental Panel on Climate Change (IPCC) as well. For example, to limit global warming to well below 2°C, the IPCC estimates that 40-70% reduction in GHG emissions globally is needed by 2050, relative to 2010 levels. In the light of changing technological drive, scientific progress, and incrementally rising policy commitments, Shell should review its GHG emission reduction targets regularly.

Risks

If actions to get on a well-below-2°C pathway are taken too slowly, this may lead to abrupt adjustments, resulting in costly shocks. An orderly transition should start with the expression of clear medium- and long-term targets. We fully realize that these targets will be just dots on the horizon and that the road leading there has to be discovered, but the longer the company waits, the harder it will be to attain the well-below-2°C pathway and the more disruptive the transition will be.

The political pledge to limit climate change to well below 2°C, the resulting future legislation, and the decreasing costs of renewable energy add to the risk that capital expenditures in fossil fuel projects will become stranded assets.

Opportunities

Taking leadership in the global energy transition could increase the brand value of Shell. The company could distinguish itself from its competitors if customers knew that part of the profits from fossil fuels would be invested in energy sources that limit global warming.
Shell is accustomed to exploring for oil and gas resources. We encourage the company to explore new business models. Some investments will turn out to be profitable; some not, as is the case in the exploration for oil and gas.

Shell's financial results greatly depend on the price of oil. Diversification of the energy system could turn out to be an opportunity to decrease risks and create the cash engines of the future.

Support

We encourage Shell to show leadership by enhancing its capability to innovate and make use of potential opportunities in a transforming energy landscape over the coming decades. We would welcome further alignment between the company's strategic positions vis-à-vis emerging energy technologies that stand to benefit from the energy transition. With its decades of experience and expertise as an innovator, its global reach, its financial capital, and its human capital, Shell is excellently positioned to make use of these developments by applying new technologies and setting up related business models. We encourage Shell to set targets that are inspirational for society, employees, and shareholders, allowing Shell to meet increasing demand for energy while reducing GHG emissions.

You have our support.