Shell Shareholder Resolution
Coordinated by Follow This

Resolution at 2018 AGM of Royal Dutch Shell plc (“Shell”)

SPECIAL RESOLUTION

Coordinated by Follow This

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 that are aligned with the goal of the Paris Climate Agreement to limit global warming to well below 2°C.

These targets need to cover the greenhouse gas (GHG) emissions of Shell’s operations and the use of its energy products (*), they need to include long-term (2050) and intermediate objectives, to be quantitative, and to be reviewed regularly.

We request that the company base these targets on tangible metrics such as GHG intensity metrics (GHG emissions per unit of energy produced) or to use other metrics that the company finds suitable to align its targets with a well-below-2°C pathway.

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

You have our support.

(*) Scope 1, Scope 2, and category 11 of Scope 3 (emissions from use of Shell’s refinery fuel and natural gas products, and sold CO2 transfers), excluding emissions from use and disposal of non-fuel products

Supporting Statement

The energy transition is complicated, the end-goal is straightforward: a net-zero-emission energy system. Shell “supports the aspiration of transitioning to a net-zero emissions world by 2050” (Directors’ Response in 2017).

Leadership of companies is crucial to accelerate the energy transition, and leadership in this inevitable transition will create long-term value for shareholders.

We support Shell to take leadership by being one of the first oil majors to commit to the Paris Climate Agreement by setting clear targets. Inspirational targets will stimulate imagination beyond oil and gas, lend credence to investments in the exploration of new business models, increase brand value, justify extending the licence to operate, and signal a sense of urgency. Institutional investors need transparency about long-term targets in order to mitigate climate-related risk to comply with their fiduciary duty. Shell setting a clear target regarding its role in the energy transition will provide this transparency and reduce the risk of stranded assets.
Changes

To overcome the objections in the Directors' Response in 2017, and after input from institutional investors, the 2018 resolution has changed as follows:

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<th>Resolution at 2017 AGM</th>
<th>Directors' response</th>
<th>Resolution at 2018 AGM</th>
<th>Rationale</th>
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<td>&quot;GHG emission reduction targets&quot;</td>
<td>“emission reduction targets (...) would most likely force the Company to cut production and sales (...)” &quot;in the near term the greatest contribution Shell can make is to continue to grow the role of natural gas”</td>
<td>(1) “GHG emission intensity metrics (GHG emissions per unit of energy produced)” (2) addition: “or to use other metrics that the company finds suitable to align its targets with a well-below-2°C pathway.”</td>
<td>(1) Allows Shell to grow its business while contributing to the goal of the Paris Climate Agreement by decreasing its GHG emission intensity, for example by selling more natural gas (see example). (2) Emphasizes management's flexibility in choosing metrics to base targets on.</td>
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<td>&quot;products (Scope 3)&quot;</td>
<td>“unreasonable with regard to what the Company can be held accountable for”</td>
<td>&quot;energy products: category 11 of Scope 3, excluding emissions from use and disposal of non-fuel products”</td>
<td>Emissions of energy products are already reported (see table below). Emissions of non-fuel products, such as chemical products, are difficult to estimate.</td>
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<td>&quot;medium-term (2030) and long-term (2050) deadlines&quot;</td>
<td>“tying our hands in the early stages (...) would limit our flexibility to adapt”</td>
<td>“long-term (2050) and intermediate objectives”</td>
<td>Maximize Shell’s flexibility to adapt.</td>
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Transparency

In order to align its emission intensity targets with a well-below-2°C pathway, the targets need at least to cover the following scopes, already estimated and reported by Shell:

- **Scope 1**: direct emissions from the facilities under Shell’s operational control or within 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, category 11**: GHG emissions from use of Shell’s refinery fuel and natural gas products, and sold CO2 transfers.

Emissions from the use and disposal of chemical products, lubricants, and other non-fuel products like bitumen may be excluded. Refinery type products produced by chemical plants may also be excluded.
In 2016 Shell’s growth in production and sales was greater than the overall increase in GHG emissions, therefore reducing its GHG intensity.

Example

Supplying LNG to Pakistan, and thus displacing liquid fuels used for power generation, increases Shell’s Scope 3 emissions but reduces Shell’s GHG emission intensity as well as Pakistan’s emissions from power generation. This example demonstrates that setting GHG intensity targets allows Shell to grow its own production, sales, and emissions while reducing overall emissions.

Context

- 2015: The Aiming for A shareholder resolution directed that annual reporting include information about the Company’s response to climate change.
- 2016: The Paris Climate Agreement entered into force, reaffirming the global goal to limit global warming to well below 2°C above pre-industrial levels, and the aim of a global net-zero-emission energy system.
- 2017: EU Directive IORP II entered into force, requiring pension funds to manage climate-related risks including risks related to stranded assets.
- 2017: The Task Force on Climate-related Financial Disclosures (TCFD), recommended that companies “disclose Scope 1, 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions” and “describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.”
- 2017: National financial authorities intend to include climate risks in their supervisory approach, credit rating agencies announce that they are assessing carbon transition risks in line with a well-below-2°C pathway, and a growing number of institutional investors are divesting from fossil fuels.

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.