

Royal Dutch Shell: May 2015

Special resolution – strategic resilience for 2035 and beyond

That in order to address our interest in the longer term success of the Company, given the recognised risks and opportunities associated with climate change, we as shareholders of the Company direct that routine annual reporting from 2016 includes further information about: ongoing operational emissions management; asset portfolio resilience to the International Energy Agency's (IEA's) scenarios; low-carbon energy research and development (R&D) and investment strategies; relevant strategic key performance indicators (KPIs) and executive incentives; and public policy positions relating to climate change. This additional ongoing annual reporting could build on the disclosures already made to CDP (formerly the Carbon Disclosure Project) and/or those already made within the Company's Scenarios, Sustainability Report and Annual Report.

Supporting Statement

It is our intention that this is a supportive but stretching shareholder resolution. It has been prepared by the “*Aiming for A*” coalition of UK asset owners and mutual fund managers for a larger co-filing group.

The “*Aiming for A*” coalition includes the £150bn Local Authority Pension Fund Forum and the largest members of the £15bn Church Investors Group. The coalition was convened by CCLA Investment Management in 2011/12. The group is undertaking in depth engagement with the ten largest UK-listed extractives and utilities companies, with a particular focus on the companies’ CDP performance bands¹.

There are several reasons why UK asset owners and mutuals have come together under the “*Aiming for A*” initiative to support extractives and utilities companies in their preparations for the low-carbon transition. These range from systemic risk management and our collective fiduciary duty to engage in economic transformation, through to amplifying longer-term investor voices and involving ultimate beneficiaries.

We believe that supportive but stretching shareholder resolutions can play a positive stewardship role in the UK. They could amplify the need to balance the short- and longer-term aspects of shareholder value creation.

The wider co-filing group includes asset owners and some of their fund managers, from both the UK and overseas. The asset owners span charitable foundations, Church investors pension funds and individuals (including clients of Rathbone Greenbank Investments). All the co-filers have been ably assisted by Client Earth and Share Action as part of their ongoing programme work.

Thanks to Mercer² and Carbon Tracker’s³ research, horizon-scanning investors are aware of the portfolio risks of public policy uncertainty and potential asset stranding. Major technology transitions are rarely smooth, and draconian policy action that has to be introduced quickly after prolonged delay increases risks to investors. The resolution covers five related areas:

1. Ongoing operational emissions management

In 2014 Royal Dutch Shell (Shell) achieved a “B” carbon performance band (on an A-E scale) through CDP. Within the performance banding methodology considerable weight is given to operational emissions management, alongside strategic and governance issues like those below. The “*Aiming for A*” coalition and other investors are interested in how the company is maintaining progress towards reaching an “A”. For further details see <https://www.cdp.net/en-US/Programmes/Pages/CDP-Investors.aspx>

2. Asset portfolio resilience to post-2035 scenarios

Shell has a diverse portfolio of assets (operational and in reserve). The role of gas as a transitional fuel is increasingly well reflected in this portfolio. We ask that an

¹ <https://www.cdp.net/en-US/Pages/disclosure-analytics.aspx>

² http://www.uk.mercer.com/newsroom/climate_change_scenarios.html

³ <http://www.carbontracker.org/our-work/>

assessment of the portfolio's resilience against the range of IEA⁴, and any other relevant post-2035, scenarios be outlined to investors in routine reporting from 2016. Investors are also interested in the role exploration, disposals and cash distributions to investors will play in the nearer term.

3. Low carbon energy R&D and investment strategies

Shell is building its biofuel capacity through a joint venture with Brazilian firm Cosan⁵ and has a flagship carbon capture and storage (CCS) project in Canada⁶. Investors are interested in Shell's post 2015 plans for low carbon energy, from R&D through to investments that could achieve commercial scale.

4. Strategic KPIs and executive incentives

Shell's new CEO has emphasised the importance of capital discipline⁷. Transitions that span decades are complex to manage and often require lead indicators and incentives. Bearing in mind existing arrangements regarding the inclusion of sustainability factors in the annual bonus, investors are interested in Shell's evolving approach to KPIs and executive incentives, in the context of the transition to a low carbon economy, including the role played by the reserves replacement ratio (RRR).

5. Public policy interventions

Shell is a member of the Prince of Wales Corporate Leaders Group and has signed their Climate Change statements, including the recent Trillion Tonne Communiqué⁸. Investors are interested in Shell's public policy programme, including positions on key policy measures, especially for the critical 2015 to 2020 policy making period.

Finally, we'd also like to highlight the global investor coalition on climate change's document outlining their expectations for oil & gas majors, which is available from: <http://globalinvestorcoalition.org/>. This builds on their carbon asset risk (CAR) initiative⁹.

⁴ <http://www.worldenergyoutlook.org/weomodel/> (the WEO-2014 uses a scenario approach to examine future energy trends and has been extended to 2040 for the first time. It presents three scenarios: the New Policies Scenario, the Current Policies Scenario, and the 450 Scenario)

⁵ <http://www.shell.com/global/environment-society/environment/climate-change/biofuels-alternative-energies-transport/biofuels.html>

⁶ <http://www.shell.ca/en/aboutshell/our-business-tpkg/upstream/oil-sands/quest.html>

⁷ <http://www.shell.com/global/aboutshell/investor/news-and-library/2014/2014-results-announcement-media-release1.html>

⁸ <http://www.cisl.cam.ac.uk/Business-Platforms/The-Prince-of-Wales-Corporate-Leaders-Group/Communiques.aspx>

⁹ <http://www.ceres.org/press/press-releases/investors-ask-fossil-fuel-companies-to-assess-how-business-plans-fare-in-low-carbon-future>