

## ENGAGEMENT FACTSHEET



### ENGAGEMENT RATIONALE

As a global energy and petrochemical company, Shell is one of the largest global greenhouse gas (GHG) emitters in the capital markets, and thus its carbon emissions reduction plans are important for Kempen.

### BACKGROUND

We started our engagement with Shell in 2016, focusing specifically on GHG emissions and asking for an emissions reduction plan which is aligned with the Paris 2° scenario. In 2017, Kempen was one of the few shareholders who voted FOR the resolution proposed by organisation Follow This, to include indirect (scope 3) emissions. i.e. those caused by the usage of its products (such as the petrol in cars), in its calculation of quantitative GHG reduction targets. These indirect emissions are very material as they account for over 80% of Shell's total emissions.

### THEME FOR ENGAGEMENT

- x Climate change strategy



### ENGAGEMENT OBJECTIVES

- x To engage, both individually and collectively through Eumedion and Climate Action 100+, to encourage the company to align its business model with the 2 °C scenario, including setting clear emission targets linked to remuneration.
- x We have also engaged with the company to improve its net carbon footprint calculation methodology, and to encourage it to report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

### DEVELOPMENT



### MILESTONE



### ENGAGEMENT RESULTS

- x During 2017 Shell published a new ambition to cut the net carbon footprint (NCF) of its energy products by around half by 2050, with an interim step of a 20% reduction by 2035.
- x Shell also committed to developing its New Energies business by investing up to €2 billion annually.
- x The company will undertake a review and report every five years to ensure it is aligned with the Paris Agreement's processes. Shell was the first international oil and gas company to set an NCF ambition for its Scope 3 emissions too, i.e. for the energy products it sells. We felt that this was a very positive development, however we still pushed for clearer targets to be set for these reductions.
- x In December 2018, Shell responded to this by announcing a plan to set rolling short-term targets as part of its long-term reduction targets, and to link these to executive remuneration.
- x All the progress will be published in the Sustainability Report and the intention is to integrate this disclosure in the Annual Report in accordance with TCFD recommendations. The announcement was released jointly with the Climate Action 100+ initiative, that Kempen is an active member of.
- x We think all these developments are clear progress towards our objectives, and have moved the engagement up further to milestone 4.

### NEXT STEPS

- Although our engagement with Shell has reached its final stage (milestone 4), we will keep monitoring to check whether the intermediate targets to reduce the NCF will be achieved.
- x In the short term, considering that the link to remuneration and new targets are subject to shareholder approval at the Annual General Meeting, we will continue to monitor the developments.

### SDG



### COMPANY

Royal Dutch Shell plc (Shell) is a public limited company, registered in the UK and headquartered in the Netherlands. It operates as a vertically integrated player in the oil and gas industry.

### COUNTRY

United Kingdom/Netherlands

### SECTOR

Oil and gas

### MARKET CAP

Large cap

### ISSUE

Shell is a major energy company, with a leading position in the oil and gas sector (it is one of the six world 'supermajors'). As such, Shell is one of the largest global greenhouse gas emitters and contributes significantly to man-made global warming.

### MATERIALITY

Potential violation of environmental standards such as UN Global Compact Principle 7 – 'Businesses should support a precautionary approach to environmental challenges', and Principle 8 - 'Undertake initiatives to promote greater environmental responsibility.'

### RISK

- Physical risk of stranded assets;
- Transitional risk for example from new regulatory frameworks.

### MSCI ESG RESEARCH

UN Global Compact: Fail  
ESG Rating: BBB