



Mr Chad Holliday
Chair
Royal Dutch Shell
Shell Headquarters
Carel van Bylandtlaan 16,
2596 HR The Hague,
The Netherlands

4th May 2018

Dear Mr Holliday,

Re: Targets and the Follow This Shareholder Resolution

We are writing to you in relation to our voting position at Shell's forthcoming AGM, specifically concerning the *Follow This* shareholder resolution. We felt that writing together was appropriate given our respective institutional roles within the Transition Pathway Initiative (TPI), although our voting decision is purely a position our individual institutions have taken.

It is our intention to vote in favour of the *Follow This* shareholder resolution. Please be clear we acknowledge the very important leadership that Shell have shown with the announcement in November last year that you have set a climate ambition that covers scope 1-3 emissions. The very fact you acknowledge responsibility for all your emissions, and in particular scope 3, is enormously important. We also acknowledge the hugely significant statement that you should be viewed as a primary energy producer. We believe you are right in this ambition.

With these two developments Shell have made an intervention that challenges everyone to look differently at the role of oil and gas companies in the transition to a low carbon economy. We have sought to respond to this challenge with the publication of the Transition Pathway Initiative (TPI) paper: *Carbon Performance assessment in Oil and Gas: Discussion Paper*, that we know Adam Matthews recently discussed with you and that we attach to this letter. The methodology outlined in the paper proposes that Asset Owners do look at oil and gas companies as primary energy producers. Professor Simon Dietz's team at the London School of Economics Grantham Research Institute has also set out the assessment of Shell against two-degree aligned and Paris Nationally Determined Contributions aligned benchmarks. Professor Dietz and Adam are due to meet with your technical team shortly to discuss the approach laid out by TPI.

Given our acknowledgement of your important leadership, you may ask why we are still supporting the *Follow This* resolution. We do so as we believe that targets are more meaningful than ambitions. We acknowledge that you have indicated the importance of your ambition however the language is important and targets are something that are firmer, creating the necessary internal and external accountabilities, providing a clear impetus for action. Having a target provides us as Asset Owners and as the holders of your shares with the clarity we need to have an informed discussion

with you and Shell's board about your response to the transition to a low carbon economy. This will also help inform all our understanding of whether Shell's existing path is aligned to a two-degree trajectory given the questions that have been raised over the level of the ambition.

We recognise that companies have been reluctant to set targets, expressing concern that targets may constrain their ability to act and to take advantage of opportunities as they emerge. We do not agree with this argument. In setting long-term targets, companies provide themselves with the flexibility to adapt and change their businesses in a staged and progressive manner, and in a way that allows them flexibility in how they achieve these goals. Such targets also allow you, the company, and us, the investors, to work together as our understanding of the science, the policy and the economics of the low carbon transition evolves.

The position we take in supporting the Follow This resolution at Shell is not one that is targeted at Shell nor is it intended to imply that we see you as a laggard on this issue. Rather, it is based on our belief that we need targets across the whole oil and gas sector and not just at Shell. In future we will be publicly encouraging all oil and gas companies to come forward with similar targets that include scope 3 emissions. We will also proactively support appropriately worded shareholder resolutions calling for companies to set targets aligned with the need to transition to a low carbon economy.

We hope this letter explains our reasoning for supporting the resolution and please note we intend to make this public to ensure there is clarity about our position. We believe that it is important that that investors understand the importance of the steps Shell have taken as well as our reasoning for supporting targets covering scope 1-3 across the oil and gas sector.

If your office would like to follow up on any aspect of this letter please do not hesitate to contact us.

Yours sincerely,

Loretta Mingneia
First Church Estates Commissioner
The Church Commissioners
For England

Emma Howard Boyd
Chair
Investment Committee
Environment Agency
Pension Fund;
Chair
Environment Agency

Jonathan Spencer
Chair
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Pensions Board

Enc.