Institutional investors face green dilemma at Shell AGM

As you read this, institutional investors in Shell are debating: what is the least uncomfortable option – explaining to Shell why we voted for Resolution # 21, or explaining to the rest of the world why we voted against it?

This week investors in Shell will decide whether they mean business about climate change, as they cast their votes for Resolution #21, which requests Shell to commit to the Paris Climate Agreement.

Summary

1. Indications ahead of AGM show majority support in principle for Shareholder Resolution 21, requesting Shell to set targets in line with the Paris Climate Agreement.
2. Investors with total assets of €200bn have publicly signalled support for the Resolution.
3. The language and non-prescriptive terms of the proposal fit seamlessly with the agreed policy of Eumedion members to "urge companies to provide an overview of the efforts to help deliver the goals of the Paris Agreement." Eumedion, representing 25% of the Dutch stock market, provided feedback on drafts of the resolution.
4. Shell's AGM will test the commitment of investors including Black Rock, BMO Global Asset Management, ABP and PGGM. Will institutions that have made public commitments to sustainability walk the talk this week, as they cast their votes? If not, how will they explain?

Growing support for green Shell-resolution

Institutional investors and a proxy advisor express support for a shareholder resolution that asks Shell to commit to the Paris Climate Agreement. Other Dutch shareholders are likely to follow.

Proxy advisor

ECGS, the main independent proxy firm in continental Europe as a joint-venture of several independent proxy firms, has decided to recommend that investors vote *for* Follow This's shareholder proposal at Shell.

Institutional investors

Actiam (€56bn), Blue Sky Group (€20.5bn), and Ecofi Investissements (€9.5bn) have already expressed their support. Blue Sky Group explains its vote for the resolution by referring to the Principles for Responsible Investment (PRI, the world's leading proponent of responsible investment). The Dutch institutional investor MN (€114bn) called the resolution a "fair ask".

Members of Eumedion

Institutional investors who are member of Eumedion, the representative of Dutch institutional investors whose clientele include an estimated quarter of Shell shareholders (*) are likely to vote for the resolution as well, because the wording of the shareholder resolution conforms seamlessly to the most recent *position statement* of Eumedion concerning the Paris Agreement.

Position Statement of Eumedion

Eumedion writes in this position statement that "participants of Eumedion urge companies to provide an overview of the efforts to help deliver the goals of the Paris Agreement." The shareholder resolution of Follow This states: "Shareholders support Shell to take leadership in the energy transition and therefore set targets that are in line with the Paris Climate Agreement." Eumedion provided feedback on drafts of the resolution.

(*) Members of Eumedion, including foreign investors such as BlackRock, represent according to Eumedion a quarter of the Dutch stock market.

VBDO
The Dutch Association of Investors for Sustainable Development (VBDO) also expressed support for the green Shell resolution of Follow This.

Shell's AGM is on Tuesday May 23rd in Scheveningen, Netherlands.

With best regards, Follow This

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Follow This is a movement of green shareholders in Shell that encourages Shell to take the lead in energy transition. Follow This does so by gathering like-minded shareholders to support the resolution "Shareholders support Shell in taking the lead in energy transition" (complete text via this link).

The green Shell resolution (resolution 21) states in summary: "Shareholders support Shell to take leadership in the energy transition and therefore request Shell to set targets for reducing greenhouse gas (GHG) emissions aligned with the Paris Climate Agreement."

====== ADDITIONAL INFORMATION ======

Support of large investors
Follow This expects many shareholders to vote for the resolution because the text of the resolution fully supports their investment policies concerning sustainability and transparency about the contributions that companies make to the Paris climate agreement. "With input from large shareholders, our resolution team has written a carefully formulated text that everyone who believes in change can vote for, without shareholders sitting in the driver's seat."

Shell's response to resolution 21
Shell's most important objection is that the resolution deprives the company of flexibility, writes the board in its response in the agenda for the upcoming shareholders' meeting.
In fact, the resolution only asks Shell to set a strategic goal and then gives the company broad flexibility in setting and achieving targets that will lead to a net-zero emissions world. The resolution is agnostic concerning business models and technology. For example, Shell's ambition to replace coal with natural gas can easily be incorporated in

emission reduction targets.

Force for good
Had Shell recommended voting for the resolution, the company would have bound itself unambiguously to the Paris Climate Agreement. Shell's CEO Ben van Beurden wants Shell to be seen once again as a "force for good," a company that makes a positive contribution to society.
"We believe that Shell can be a force for good," says Mark van Baal. "Shell needs the support of its shareholders in order to take on that role. That support is what we are organising."

We continue to applaud all the positive steps that Shell is taking in the energy transition, such as setting up their New Energies Divison, through which the company invests in biofuels, hydrogen, and wind power.

Faith in Shell
Shell writes that they have 'a clear strategy, resilient in a 2°C world'. Shareholders have the right to know the details of this strategy. Shell claims that they are 'unique in having a broader set of business options ... than any other company in our sector.' Follow This agrees with this; apparently we have more faith in Shell than Shell has in themselves."

Business opportunities
Follow This again highlights to Shell management the business opportunities offered by the energy transition. "It is becoming increasingly expensive to get oil out of the ground, while the costs of alternatives such as solar panels and wind turbines are dropping exponentially. In many places in the world, for example the North Sea, renewables can compete with fossil fuels without subsidies."